BANK OF AMERICA CORP /DE/
Form 10-Q
August 02, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2012
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact Name of Registrant as Specified in its Charter:
Bank of America Corporation
State or Other Jurisdiction of Incorporation or Organization:
Delaware
IRS Employer Identification Number:
56-0906609
Address of Principal Executive Offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant’s telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (check one).

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

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

On July 31, 2012, there were 10,776,950,316 shares of Bank of America Corporation Common Stock outstanding.

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

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as “expects,” “anticipates,” “believes,” “estimates,” “targets,” “intends,” “plans,” “goal” and other similar expressi future or conditional verbs such as “will,” “may,” “might,” “should,” “would” and “could.” The forward-looking statements ma represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: that net interest income will improve modestly in the third quarter of 2012 if interest rates remain flat to second quarter 2012 levels; the achievement of cost savings in certain noninterest expense categories as the Corporation continues to streamline workflows, simplify processes and align expenses with its overall strategic plan and operating principles as part of Project New BAC; with regard to Phase 1, the Corporation expects to realize more than $1 billion of cost savings in 2012 and $5 billion of annualized cost savings by the fourth quarter of 2013 with the full impact realized in 2014; the Corporation expects that Phase 2 will result in an additional $3 billion of annualized cost savings by mid-2015; the expectation that the Corporation would record a charge to income tax expense of approximately $400 million if the income tax rate were reduced to 22 percent by 2014 as suggested in U.K. Treasury announcements and assuming no change in the deferred tax asset balance; the expected reduction of debit card revenue of approximately $420 million in the third quarter of 2012 when compared to the same period in 2011, as a result of the interchange fee rules; that higher costs will continue related to resources necessary to implement new servicing standards mandated for the industry, to implement other operational changes and costs due to delayed foreclosures; the resolution of representations and warranties repurchase and other claims; the final resolution of the BNY Mellon Settlement; the estimates of liability and range of possible loss for various representations and warranties claims; the expectation that unresolved repurchase claims will continue to increase, including those from Fannie Mae and private-label securitization trustees; that the expiration and mutual nonrenewal of certain contractual delivery commitments and variances with Fannie Mae will not have a material impact on our CRES business, as the Corporation expects to rely on other sources of liquidity to actively extend mortgage credit to customers including continuing to deliver such products into Freddie Mac MBS pools; the ability to resolve mortgage insurance rescission notices with the mortgage insurance companies before the expiration of the appeal period prescribed by the Fannie Mae announcement; the disposition and resolution of servicing matters; beliefs and expectations concerning the servicing global settlement agreement, including expectations about the amounts of credits to be generated by various programs, the effects on annual interest income and fair value of loans in the programs and whether loans modified under programs will be accounted for as troubled debt restructurings, and the likelihood that the Corporation will fail to meet commitments and be required to make additional cash payments, whether material or not; the impacts of foreclosure delays; that implementation of uniform servicing standards will incrementally increase costs associated with the servicing process, but it will not result in material delays or dislocation in the performance of mortgage servicing obligations; the expectation that the Corporation will comply with the final Basel 3 rules when issued and effective; the intention to build capital through retaining earnings, actively managing the Corporation's portfolios and implementing other capital-related initiatives, including focusing on reducing both higher risk-weighted assets and assets proposed to be deducted from capital under Basel 3; the Corporation's liquidity risk management strategies; that funding trading activities in broker/dealer subsidiaries is more cost efficient and less sensitive to changes in credit ratings than unsecured financing; the cost and availability of unsecured funding; the Corporation's belief that a portion of structured liability obligations will remain outstanding beyond the earliest put or redemption date; the Corporation's anticipation that debt levels will continue to decline, as appropriate, through 2013; that, of the loans in the pay option portfolio at June 30, 2012 that have not already experienced a payment reset, three percent will reset during the remainder of 2012 and approximately 21 percent thereafter, and that approximately seven percent will prepay and approximately 69 percent will default prior to being reset, most of which were severely delinquent as of June 30, 2012; effects of the ongoing debt crisis in Europe; we expect reductions in the allowance for loan and lease losses, excluding the valuation allowance for PCI loans, to continue in the near term, though at a slower pace than in 2011; and the intention to reclassify net losses on both open and terminated derivative instruments recorded in accumulated OCI into earnings in the same period as the hedged cash flows affect earnings; and other matters relating to the Corporation and the securities that it may offer from time to time. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond Bank of America's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K, and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's resolution of differences with Fannie Mae regarding representations and warranties repurchase claims, including with respect to mortgage insurance rescissions, and foreclosure delays; the Corporation's ability to resolve representations and warranties claims made by monolines and private-label and other investors, including as a result of any adverse court rulings, and the chance that the Corporation could face related servicing, securities, fraud, indemnity or other claims from one or more of the monolines or private-label and other investors; if future representations and warranties losses occur in excess of the Corporation's recorded liability for GSE

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exposures and in excess of the recorded liability and estimated range of possible loss for non-GSE exposures; uncertainties about the financial stability of several countries in the EU, the increasing risk that those countries may default on their sovereign debt or exit the EU and related stresses on financial markets, the Euro and the EU and the Corporation's exposures to such risks, including direct, indirect and operational; the uncertainty regarding the timing and final substance of any capital or liquidity standards, including the final Basel 3 requirements and their implementation for U.S. banks through rulemaking by the Federal Reserve, including anticipated requirements to hold higher levels of regulatory capital, liquidity and meet higher regulatory capital ratios as a result of final Basel 3 or other capital or liquidity standards; the negative impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the Corporation's businesses and earnings, including as a result of additional regulatory interpretation and rulemaking and the success of the Corporation's actions to mitigate such impacts; the Corporation's satisfaction of its borrower assistance programs under the global settlement agreement with federal agencies and state Attorneys General; adverse changes to the Corporation's credit ratings from the major credit rating agencies; estimates of the fair value of certain of the Corporation's assets and liabilities; unexpected claims, damages and fines resulting from pending or future litigation and regulatory proceedings; the Corporation's ability to fully realize the cost savings and other anticipated benefits from Project New BAC, including in accordance with currently anticipated timeframes; and other similar matters.

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

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

The Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 as supplemented by a Current Report on Form 8-K filed on May 4, 2012 to reflect reclassified business segment information is referred to herein as the 2011 Annual Report on Form 10-K.

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, “the Corporation” may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation’s subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Banking, Global Markets and Global Wealth & Investment Management (GWIM), with the remaining operations recorded in All Other. Effective January 1, 2012, the Corporation changed its basis of presentation from six to the above five segments. For more information on this realignment, see Business Segment Operations on page 30. At June 30, 2012, the Corporation had approximately $2.2 trillion in assets and approximately 275,500 full-time equivalent employees.

As of June 30, 2012, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S., we serve 56 million consumer and small business relationships with approximately 5,600 banking centers, 16,200 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to approximately four million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

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Table 1 provides selected consolidated financial data for the three and six months ended June 30, 2012 and 2011, and at June 30, 2012 and December 31, 2011.

Table 1
Selected Financial Data

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions, except per share information)	2012	2011	2012	2011
Income statement				
Revenue, net of interest expense (FTE basis) (1)	$22,202	$13,483	$44,687	$40,578
Net income (loss)	2,463	(8,826)	3,116	(6,777)
Net income (loss), excluding goodwill impairment charge (2)	2,463	(6,223)	3,116	(4,174)
Diluted earnings (loss) per common share	0.19	(0.90)	0.22	(0.73)
Diluted earnings (loss) per common share, excluding goodwill impairment charge (2)	0.19	(0.65)	0.22	(0.48)
Dividends paid per common share	0.01	0.01	0.02	0.02
Performance ratios				
Return on average assets	0.45 %	n/m	0.29 %	n/m
Return on average tangible shareholders' equity(1)	6.16	n/m	3.94	n/m
Efficiency ratio (FTE basis) (1)	76.79	n/m	80.98	n/m
Asset quality				
Allowance for loan and lease losses at period end			$30,288	$37,312
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end (3)			3.43 %	4.00 %
Nonperforming loans, leases and foreclosed properties at period end (3)			$25,377	$30,058
Net charge-offs	$3,626	$5,665	7,682	11,693
Annualized net charge-offs as a percentage of average loans and leases outstanding (3)	1.64 %	2.44 %	1.72 %	2.53 %
Annualized net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired loans (3)	1.69	2.54	1.78	2.63
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	2.08	1.64	1.96	1.58
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs excluding purchased credit-impaired loans	1.46	1.28	1.38	1.23

	June 30 2012	December 31 2011
Balance sheet		
Total loans and leases	$892,315	$926,200
Total assets	2,160,854	2,129,046
Total deposits	1,035,225	1,033,041
Total common shareholders' equity	217,213	211,704
Total shareholders' equity	235,975	230,101
Capital ratios		
Tier 1 common capital	11.24 %	9.86 %
Tier 1 capital	13.80	12.40

Total capital	17.51	16.75
Tier 1 leverage	7.84	7.53

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these measures and ratios, and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 17.

(2) Net income (loss) and diluted earnings (loss) per common share have been calculated excluding the impact of the goodwill impairment charge of $2.6 billion in the second quarter of 2011 and accordingly, these are non-GAAP measures. For additional information on these measures and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 17.

(3) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 99 and corresponding Table 43, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 108 and corresponding Table 52.

n/m = not meaningful

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Second Quarter 2012 Economic and Business Environment

In the U.S., following moderate economic growth and an improving financial environment to begin the year, momentum dissipated in the second quarter. Household spending slowed during the quarter, as vehicle sales declined and retail sales weakened. Business spending continued its slowing trend, influenced by the expiration of tax credits as well as economic uncertainties. Businesses also significantly reduced hiring during the second quarter and the unemployment rate remained elevated, ending the quarter at 8.2 percent. State and local governments reduced spending and federal defense expenditures declined. Housing activity and construction grew for the fifth consecutive quarter, continuing its moderate improvement from very low levels, although home prices remain depressed. Given the housing sector's influence on consumer behavior and the financial sector, it remains critical to the health of the economic expansion. Lower energy prices also were a positive trend for consumers and businesses. Equity markets partially reversed gains from the previous quarter. Financial market anxiety rose, particularly amid signs of renewed economic slowing. Nevertheless, U.S. exports continued to grow despite the European financial crisis and recession.

The Board of Governors of the Federal Reserve System (Federal Reserve) maintained its policy of additional quantitative easing while acknowledging the improved economic and labor market momentum that occurred late in 2011 and in the first quarter of 2012. At its June meeting, based on indications that this momentum had dissipated, and the increasing strains in global financial markets largely stemming from the sovereign debt and banking situation in Europe, the Federal Reserve extended its program to lengthen the average maturity of its portfolio by buying longer term U.S. Treasury securities and selling short-term holdings through year end. Concerns regarding federal tax and spending policies increased during the quarter as financial markets anticipated the year-end expiration of tax cuts and other expansionary fiscal measures such as extended unemployment insurance and the temporary payroll tax cut. In addition, absent Congressional action, federal spending reductions in last year's debt ceiling bill are scheduled to be triggered at year end.

World economic momentum also slowed in the second quarter as a result of declining economic growth in select developed and emerging nations. In addition, heightened tensions in Europe in connection with the European financial crisis and deteriorating economic conditions in certain European countries adversely affected financial markets during the second quarter leading to increased investor risk aversion and lower trading volumes. Overall, at quarter end, world economic conditions remained uncertain. For more information on our exposure in Europe, Asia, Latin America and Japan, see Non-U.S. Portfolio on page 114.

Recent Events

Capital and Liquidity Related Matters

During the three months ended June 30, 2012, we entered into a series of transactions involving repurchases of our senior and subordinated debt and trust preferred securities resulting in total net gains of $505 million. Through a tender offer, exercise of call options and certain open market transactions, we repurchased senior and subordinated debt with a carrying value of $4.5 billion for $4.2 billion in cash, and recorded net gains of $334 million. Also, we repurchased trust preferred securities issued by various unconsolidated trusts with a carrying value of $996 million for $825 million in cash, and recorded gains of $171 million. In addition, we exercised a call on $3.9 billion of trust preferred securities which settled, with an extinguishment of the related debt, on July 25, 2012. The gain on this transaction was not significant. We will consider additional tender offers, exercises and other transactions in the future depending on prevailing market conditions, liquidity and other factors.

Credit Ratings

On June 21, 2012, Moody's Investors Service, Inc. (Moody's) completed its previously-announced review for possible downgrade of financial institutions with global capital markets operations, downgrading the ratings of 15 banks and securities firms, including our ratings. The Corporation's long-term debt rating and Bank of America, N.A.'s (BANA's) long-term and short-term debt ratings were downgraded one notch as part of this action. Currently, the Corporation's and BANA's long-term/short-term senior debt ratings and outlooks expressed by Moody's are Baa2/P-2 (negative) and A3/P-2 (stable). The Moody's downgrade did not have a material impact on our financial condition, results of operations or liquidity during the second quarter of 2012.

The major rating agencies (Moody's, Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch)) have each indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments. For information regarding the risks associated with adverse changes in our credit ratings, see Liquidity Risk – Credit Ratings on page 80, Note 3 – Derivatives to the Consolidated Financial Statements herein and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

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Performance Overview

Summary Income Statement results for the three and six months ended June 30, 2012 and 2011 are presented in Table 2. Certain items that affected pre-tax income for the three and six months ended June 30, 2012 were the following: provision for credit losses of $1.8 billion and $4.2 billion which included reserve reductions of $1.9 billion and $3.5 billion, net gains of $505 million and $1.7 billion on repurchases of debt and trust preferred securities, and $400 million and $1.2 billion of gains on sales of debt securities. These items were offset by negative fair value adjustments of $62 million and $3.4 billion on structured liabilities related to tightening of our own credit spreads, DVA losses on derivatives of $158 million and $1.6 billion, net of hedges, litigation expense of $963 million and $1.8 billion, and annual retirement-eligible incentive compensation costs of $892 million recorded in the first quarter of 2012. In addition, the representations and warranties provision decreased $13.6 billion to $395 million as the provision of $14.0 billion in the prior-year period, included $8.6 billion related to the agreement entered into with the Bank of New York Mellon (BNY Mellon Settlement) and $5.4 billion related to other non-government-sponsored enterprise (GSE) exposures, and to a lesser extent, GSE exposures.

Table 2
Summary Income Statement

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Net interest income (FTE basis) [1]	$9,782	$11,493	$20,835	$23,890
Noninterest income	12,420	1,990	23,852	16,688
Total revenue, net of interest expense (FTE basis) [1]	22,202	13,483	44,687	40,578
Provision for credit losses	1,773	3,255	4,191	7,069
Goodwill Impairment	—	2,603	—	2,603
All other noninterest expense	17,048	20,253	36,189	40,536
Income (loss) before income taxes	3,381	(12,628)	4,307	(9,630)
Income tax expense (benefit) (FTE basis) [1]	918	(3,802)	1,191	(2,853)
Net income (loss)	2,463	(8,826)	3,116	(6,777)
Preferred stock dividends	365	301	690	611
Net income (loss) applicable to common shareholders	$2,098	$(9,127)	$2,426	$(7,388)
Per common share information				
Earnings (loss)	$0.19	$(0.90)	$0.23	$(0.73)
Diluted earnings (loss)	0.19	(0.90)	0.22	(0.73)

(1) FTE basis is a non-GAAP financial measure. For additional information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 17.

Net interest income on a fully taxable-equivalent (FTE) basis decreased $1.7 billion to $9.8 billion, and $3.1 billion to $20.8 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The decreases were primarily driven by lower consumer loan balances and yields and decreased investment securities yields. Lower trading-related net interest income also negatively impacted the results. These were partially offset by reductions in long-term debt balances and lower rates paid on deposits. The net interest yield on a FTE basis was 2.21 percent and 2.36 percent for the three and six months ended June 30, 2012 compared to 2.50 percent and 2.58 percent for the same periods in 2011.

Noninterest income increased $10.4 billion to $12.4 billion, and $7.2 billion to $23.9 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The most significant contributor to the increases was significantly lower representations and warranties provision. In addition, the increase in noninterest income included net gains on repurchases of certain debt and trust preferred securities in 2012. For the three-month period, these were partially offset by a decrease in equity investment income, and a decline in other income as the year-ago quarter included a gain on the sale of the Balboa Insurance Company's lender-placed insurance business (Balboa). For the six-month period, the increase in noninterest income was partially offset by negative fair value adjustments on structured liabilities, net DVA losses and the decrease in equity investment income. For additional information on the repurchases and exchanges, see Liquidity Risk on page 75.

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The provision for credit losses decreased $1.5 billion to $1.8 billion, and $2.9 billion to $4.2 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The improvement was primarily driven by lower credit costs in the home equity and residential mortgage loan portfolios due to improved portfolio trends, including lower reserve additions in our purchased credit-impaired (PCI) portfolios partially offset by stabilizing portfolio trends in the credit card and core commercial portfolios. The provision for credit losses was $1.9 billion and $3.5 billion lower than net charge-offs for the three and six months ended June 30, 2012, resulting in a reduction in the allowance for credit losses. This compared to reductions of $2.4 billion and $4.6 billion in the allowance for credit losses for the three and six months ended June 30, 2011.

Noninterest expense decreased $5.8 billion to $17.0 billion, and $7.0 billion to $36.2 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The declines were driven by decreases in other general operating expense which included lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures, and lower litigation expense. The decline in litigation expense was primarily mortgage-related. The decrease in noninterest expense was also the result of a $2.6 billion non-cash, non-tax deductible goodwill impairment charge recorded during the second quarter of 2011.

Income tax expense on a FTE basis was $918 million on pre-tax income of $3.4 billion, and $1.2 billion on pre-tax income of $4.3 billion for three and six months ended June 30, 2012 compared to a benefit of $3.8 billion on a pre-tax loss of $12.6 billion and a benefit of $2.9 billion on a pre-tax loss of $9.6 billion for same periods in 2011. For more information, see Financial Highlights – Income Tax Expense on page 12.

Segment Results

Table 3
Business Segment Results

	Three Months Ended June 30				Six Months Ended June 30			
	Total Revenue [1]		Net Income (Loss)		Total Revenue [1]		Net Income (Loss)	
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011
Consumer & Business Banking (CBB)	$7,326	$8,681	$1,156	$2,502	$14,748	$17,147	$2,611	$4,544
Consumer Real Estate Services (CRES)	2,521	(11,315)	(768)	(14,506)	5,195	(9,252)	(1,913)	(16,906)
Global Banking	4,285	4,659	1,406	1,921	8,735	9,360	2,996	3,504
Global Markets	3,365	4,413	462	911	7,558	9,685	1,260	2,306
Global Wealth & Investment Management (GWIM)	4,317	4,495	543	513	8,677	8,991	1,090	1,055
All Other	388	2,550	(336)	(167)	(226)	4,647	(2,928)	(1,280)
Total FTE basis	22,202	13,483	2,463	(8,826)	44,687	40,578	3,116	(6,777)
FTE adjustment	(234)	(247)	—	—	(441)	(465)	—	—
Total Consolidated	$21,968	$13,236	$2,463	$(8,826)	$44,246	$40,113	$3,116	$(6,777)

(1) Total revenue is net of interest expense and is on a FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 17.

The following discussion provides an overview of the results of our business segments and All Other for the three and six months ended June 30, 2012 compared to the same periods in 2011. For additional information on these results, see Business Segment Operations on page 30.

CBB net income decreased during the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily due to a decline in net interest income driven by lower average loans and yields as well as compressed deposit spreads due to the continued low interest rate environment and lower noninterest income due to the impact of the Durbin Amendment and the net impact of portfolio sales. The provision for credit losses increased as portfolio trends began to stabilize. Noninterest expense remained relatively unchanged in the three-month period and declined in the six-month period due to lower Federal Deposit Insurance Corporation (FDIC) and operating expenses, partially offset by an increase in litigation expense.

CRES net loss decreased during the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily driven by significantly lower representations and warranties provision and higher servicing income, a decline in noninterest expense due to a goodwill impairment charge in the second quarter of 2011, a decline in litigation expense and lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures. In addition, the provision for credit losses decreased driven by improved portfolio trends and lower reserve additions related to the Countrywide Financial Corporation (Countrywide) PCI home equity portfolio. These improvements were partially offset by higher default-related servicing costs, as well as lower insurance income driven by the sale of Balboa in June 2011.

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Global Banking net income decreased during the three and six months ended June 30, 2012 compared to the same periods in 2011. Revenues declined from lower investment banking fees, the impact of lower rates and benefits from accretion on certain acquired portfolios in the prior-year periods, partially offset by the impact of higher average loan and deposit balances and gains from certain legacy portfolios. The provision for credit losses benefit declined as asset quality stabilized, with declines in reservable criticized exposure and nonperforming assets. Noninterest expense decreased during the three and six months ended June 30, 2012 primarily due to lower personnel expense.

Global Markets net income decreased for the three and six months ended June 30, 2012 compared to the same periods in 2011. The three-month decrease was driven primarily by lower sales and trading revenue as a result of lower trading volumes and client flows, as well as a decline in new issuance activity. In addition, investment banking fees decreased driven by lower underwriting fees. The six-month decrease was due to lower sales and trading revenue as a result of the factors described above as well as higher net DVA losses due to significant tightening of our credit spreads. The decreases in revenues for the three- and six-month periods were partially offset by declines in noninterest expense due to lower personnel and related expenses. The decline in noninterest expense for the six-month period was also due to lower brokerage, clearing and exchange expenses.

GWIM net income increased for the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily due to lower noninterest expense driven by lower FDIC expense and other volume-driven expenses, lower litigation, as well as other expense reductions, partially offset by higher expense related to the continued investment in the business. Revenue decreased driven by the impact of the continued low rate environment on net interest income as well as lower transactional activity, partially offset by higher asset management fees. In addition, the provision for credit losses declined due to improving portfolio trends within the residential mortgage portfolio.

All Other net loss increased during the three and six months ended June 30, 2012 compared to the same periods in 2011. The three-month increase was due to lower net interest income, lower gains on the sales of debt securities and a decrease in equity investment income, partially offset by a reduction in the provision for credit losses and net gains resulting from the repurchase of certain debt and trust preferred securities. The six-month increase was due to negative fair value adjustments on structured liabilities, partially offset by net gains resulting from the repurchase of certain debt and trust preferred securities in 2012. In addition, for the three- and six-month periods, equity investment income decreased as prior-year periods included certain dividends and gains on equity investments, and a lower provision for credit losses largely due to the Countrywide PCI discontinued real estate and residential mortgage portfolios. Noninterest expense increased due to higher litigation expense.

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Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased $1.7 billion to $9.8 billion, and $3.1 billion to $20.8 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The decreases were primarily driven by lower consumer loan balances and yields, and decreased investment securities yields including the acceleration of purchase premium amortization expense. Lower trading-related net interest income also negatively impacted the results. These were partially offset by ongoing reductions in long-term debt balances and lower rates paid on deposits. The net interest yield on a FTE basis decreased 29 basis points (bps) to 2.21 percent, and 22 bps to 2.36 percent for the three and six months ended June 30, 2012 compared to the same periods in 2011 as the yield continues to be under pressure due to the aforementioned items and the low rate environment. We expect net interest income to improve modestly in the third quarter of 2012 if rates remain flat to second quarter 2012 levels.

Noninterest Income

Table 4
Noninterest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Card income	$1,578	$1,967	$3,035	$3,795
Service charges	1,934	2,012	3,846	4,044
Investment and brokerage services	2,847	3,009	5,723	6,110
Investment banking income	1,146	1,684	2,363	3,262
Equity investment income	368	1,212	1,133	2,687
Trading account profits	1,764	2,091	3,839	4,813
Mortgage banking income (loss)	1,659	(13,196)	3,271	(12,566)
Insurance income	127	400	67	1,013
Gains on sales of debt securities	400	899	1,152	1,445
Other income (loss)	603	1,957	(531)	2,218
Net impairment losses recognized in earnings on AFS debt securities	(6)	(45)	(46)	(133)
Total noninterest income	$12,420	$1,990	$23,852	$16,688

Noninterest income increased $10.4 billion to $12.4 billion, and $7.2 billion to $23.9 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The following highlights the significant changes.

- Card income decreased $389 million and $760 million for the three and six months ended June 30, 2012 primarily driven by the implementation of interchange fee rules under the Durbin Amendment, which became effective on October 1, 2011.

- Investment banking income decreased $538 million and $899 million for the three and six months ended June 30, 2012 primarily driven by lower advisory and underwriting fees due to a decrease in our market share and an overall decline in global fee pools.

- Equity investment income decreased $844 million and $1.6 billion for the three and six months ended June 30, 2012 as the year-ago quarter included an $836 million China Construction Bank Corporation (CCB) dividend and a $377 million gain on the sale of an equity investment, and the six months ended June 30, 2011 also included a $1.1 billion gain related to an initial public offering (IPO) of an equity investment. The six months ended June 30, 2012 also included a $611 million gain on the sale of an equity investment.

- Trading account profits decreased $327 million and $1.0 billion for the three and six months ended June 30, 2012 primarily driven by net DVA losses on derivatives of $158 million and $1.6 billion in the current-year periods compared to net DVA gains of $121 million and net DVA losses of $236 million for the same periods in 2011. Trading was also negatively impacted by increased investor risk aversion as reflected in a slowdown in trading volumes during the six months ended June 30, 2012.

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- Mortgage banking income increased $14.9 billion and $15.8 billion for the three and six months ended June 30, 2012 primarily driven by a $13.6 billion decrease in the representations and warranties provision for the three months ended June 30, 2012. In the prior-year period, we recorded $14.0 billion in provision and other expenses related to the agreement to resolve nearly all of the legacy Countrywide-issued first-lien non-GSE residential mortgage-backed securities (RMBS) repurchase exposures, other non-GSE, and to a lesser extent, GSE exposures.

- Insurance income decreased $273 million and $946 million for the three and six months ended June 30, 2012 primarily driven by the sale of Balboa in June 2011, and for the six months ended June 30, 2012, a provision related to payment protection insurance claims in the U.K.

- Other income decreased $1.4 billion and $2.7 billion for the three and six months ended June 30, 2012. Other income decreased for the three months ended June 30, 2012 as the year-ago quarter included a net gain of $752 million on the sale of Balboa. For the six months ended June 30, 2012, the decrease was primarily driven by negative fair value adjustments on our structured liabilities of $3.4 billion compared to negative fair value adjustments of $372 million for the same period in 2011, partially offset by net gains of $505 million and $1.7 billion related to the repurchase of certain debt and trust preferred securities during the three and six months ended June 30, 2012.

Provision for Credit Losses

The provision for credit losses decreased $1.5 billion to $1.8 billion, and $2.9 billion to $4.2 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. For the three and six months ended June 30, 2012, the provision for credit losses was $1.9 billion and $3.5 billion lower than net charge-offs, resulting in a reduction in the allowance for credit losses. Also, reserve additions to the PCI portfolio for the three and six months ended June 30, 2012 were $6 million and $493 million.

The provision for credit losses related to our consumer portfolio decreased $2.0 billion to $1.7 billion, and $3.3 billion to $4.4 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011 driven by lower credit costs in the home equity and residential mortgage loan portfolios due to improved portfolio trends, including lower reserve additions in our PCI portfolios partially offset by stabilizing portfolio trends in the U.S. credit card and unsecured consumer lending portfolios. The provision for credit losses related to our commercial portfolio, net of the provision benefit for unfunded lending commitments, increased $563 million to $40 million, and $450 million to a benefit of $186 million for the three and six months ended June 30, 2012 compared to the same periods in 2011 as credit quality stabilized.

Net charge-offs totaled $3.6 billion, or 1.64 percent, and $7.7 billion, or 1.72 percent of average loans and leases for the three and six months ended June 30, 2012 compared to $5.7 billion, or 2.44 percent, and $11.7 billion, or 2.53 percent for the same periods in 2011. The decrease in net charge-offs was primarily driven by fewer delinquent loans and lower bankruptcy filings across the U.S. credit card and unsecured consumer lending portfolios, as well as lower net charge-offs in the consumer real estate and core commercial portfolios. For more information on the provision for credit losses, see Provision for Credit Losses on page 118.

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Noninterest Expense

Table 5
Noninterest Expense

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Personnel	$8,729	$9,171	$18,917	$19,339
Occupancy	1,117	1,245	2,259	2,434
Equipment	546	593	1,157	1,199
Marketing	449	560	914	1,124
Professional fees	922	766	1,705	1,412
Amortization of intangibles	321	382	640	767
Data processing	692	643	1,548	1,338
Telecommunications	417	391	817	762
Other general operating	3,855	6,343	8,232	11,800
Goodwill impairment	—	2,603	—	2,603
Merger and restructuring charges	—	159	—	361
Total noninterest expense	$17,048	$22,856	$36,189	$43,139

Noninterest expense decreased $5.8 billion to $17.0 billion, and $7.0 billion to $36.2 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011, primarily driven by a $3.6 billion decrease in other general operating expenses in the six months ended June 30, 2012 resulting from a decrease of $1.5 billion in litigation expense, and lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures. The decline in litigation expense was primarily mortgage-related. The six months ended June 30, 2011 included a $2.6 billion goodwill impairment charge in our mortgage business. Partially offsetting the decreases were increased professional fees and data processing expenses due to continuing default management activities in Legacy Assets & Servicing.

In connection with Project New BAC, we expect to continue to achieve cost savings in certain noninterest expense categories as we continue to further streamline workflows, simplify processes and align expenses with our overall strategic plan and operating principles. During the six months ended June 30, 2012, we continued implementation of Phase 1 initiatives, completed Phase 2 evaluations and began implementation of certain Phase 2 initiatives. With regard to Phase 1, we expect to realize more than $1 billion of cost savings in 2012 and $5 billion of annualized cost savings by the fourth quarter of 2013 with the full impact realized in 2014. We expect that Phase 2 will result in an additional $3 billion of annualized cost savings by mid-2015.

Income Tax Expense

Income tax expense was $684 million for the three months ended June 30, 2012 compared to a $4.0 billion income tax benefit for the same period in 2011 and resulted in an effective tax rate of 21.7 percent compared to 31.4 percent. Income tax expense was $750 million for the six months ended June 30, 2012 compared to a income tax benefit of $3.3 billion for the same period in 2011 and resulted in an effective tax rate of 19.4 percent compared to 32.9 percent.

The effective tax rates for the three and six months ended June 30, 2012 were primarily driven by our recurring tax preference items and by $128 million of discrete tax benefits recognized in the first quarter. The effective tax rates for the three and six months ended June 30, 2011 were primarily driven by the impact of a nondeductible $2.6 billion goodwill impairment charge and recurring tax preference items.

On July 17, 2012, the U.K. 2012 Finance Bill was enacted, which reduced the U.K. corporate income tax rate by two percent to 23 percent. The first one percent reduction was effective on April 1, 2012 and the second reduction will be effective April 1, 2013. These reductions favorably affect income tax expense on future U.K. earnings, but also require us to remeasure our U.K. net deferred tax assets using the lower tax rates. In the third quarter of 2012, we will record a charge to income tax expense of approximately $800 million for the remeasurement. If the corporate income tax rate is reduced to 22 percent by 2014 as suggested in U.K. Treasury announcements and assuming no change in the deferred tax asset balance, we would record a charge to income tax expense of approximately $400 million in the period of enactment.

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Balance Sheet Overview

Table 6
Selected Balance Sheet Data

(Dollars in millions)	June 30 2012	December 31 2011	Average Balance Three Months Ended June 30 2012	2011	Six Months Ended June 30 2012	2011
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	$226,116	$211,183	$234,148	$259,069	$233,604	$243,311
Trading account assets	204,725	169,319	180,694	186,760	178,236	203,806
Debt securities	335,217	311,416	342,244	335,269	335,001	335,556
Loans and leases	892,315	926,200	899,498	938,513	906,610	938,738
Allowance for loan and lease losses	(30,288)	(33,783)	(31,463)	(38,755)	(32,336)	(39,752)
All other assets	532,769	544,711	569,442	658,254	569,753	657,167
Total assets	$2,160,854	$2,129,046	$2,194,563	$2,339,110	$2,190,868	$2,338,826
Liabilities						
Deposits	$1,035,225	$1,033,041	$1,032,888	$1,035,944	$1,031,500	$1,029,578
Federal funds purchased and securities loaned or sold under agreements to repurchase	285,914	214,864	279,496	276,673	267,950	291,461
Trading account liabilities	77,458	60,508	84,728	96,108	78,300	90,044
Commercial paper and other short-term borrowings	39,019	35,698	39,413	62,019	38,031	63,581
Long-term debt	301,848	372,265	333,173	435,144	348,346	437,812
All other liabilities	185,415	182,569	189,307	198,155	192,679	193,420
Total liabilities	1,924,879	1,898,945	1,959,005	2,104,043	1,956,806	2,105,896
Shareholders’ equity	235,975	230,101	235,558	235,067	234,062	232,930
Total liabilities and shareholders’ equity	$2,160,854	$2,129,046	$2,194,563	$2,339,110	$2,190,868	$2,338,826

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

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Assets

At June 30, 2012, total assets were approximately $2.2 trillion, an increase of $31.8 billion, or one percent, from December 31, 2011. This increase was driven by trading account assets due to increases in U.S. Treasuries and EMEA sovereign debt and hedges in leveraged credit trading; debt securities primarily driven by net purchases of agency mortgage-backed securities (MBS); federal funds sold and securities borrowed or purchased under agreements to resell to cover increases in client short positions and customer financing activity through the match book, and collateral requirements. These increases were partially offset by asset sales and continued run-off in targeted portfolios.

Average total assets decreased $144.5 billion and $148.0 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The decreases were driven by asset sales and continued run-off in targeted portfolios, sales of strategic investments, and lower securities borrowed or purchased under agreements to resell driven by decreased customer activity.

Liabilities and Shareholders’ Equity

At June 30, 2012, total liabilities were approximately $1.9 trillion, an increase of $25.9 billion, or one percent, from December 31, 2011 primarily driven by an increase in securities sold under agreements to repurchase due to funding trading inventory resulting from customer demand and funding of trading assets and securities. Partially offsetting this increase were planned reductions in long-term debt.

Average total liabilities decreased $145.0 billion and $149.1 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The decreases were primarily driven by planned reductions in long-term debt; lower short-term borrowings due to the Corporation's reduced use of commercial paper and master notes; and lower trading liabilities due to reduced short positions in U.S. Treasuries used for hedging and EMEA sovereign debt. In addition, the six-month comparison to the same period in 2011 saw reductions in our use of securities loaned or sold under agreements to repurchase due to inventory reductions and lower cash requirements.

At June 30, 2012, shareholders’ equity was $236.0 billion, an increase of $5.9 billion, or three percent, from December 31, 2011 due to earnings, common stock issued under employee plans and exchanges of preferred and trust preferred securities, curtailment of the Corporation's Qualified Pension Plans and an increase in unrealized gains on available-for-sale (AFS) debt securities in other comprehensive income (OCI).

Average shareholders' equity increased $491 million and $1.1 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011 driven by earnings and common stock issued under employee plans and exchanges of preferred and trust preferred securities. The six-month increase was also impacted by the sale of preferred stock and related warrants to Berkshire Hathaway, Inc. in the third quarter of 2011 and curtailment of the Corporation's Qualified Pension Plans. These increases were partially offset by lower unrealized gains on AFS debt securities in accumulated OCI in 2011.

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Table 7
Selected Quarterly Financial Data

	2012 Quarters		2011 Quarters		
(In millions, except per share information)	Second	First	Fourth	Third	Second
Income statement					
Net interest income	$9,548	$10,846	$10,701	$10,490	$11,246
Noninterest income	12,420	11,432	14,187	17,963	1,990
Total revenue, net of interest expense	21,968	22,278	24,888	28,453	13,236
Provision for credit losses	1,773	2,418	2,934	3,407	3,255
Goodwill impairment	—	—	581	—	2,603
Merger and restructuring charges	—	—	101	176	159
All other noninterest expense (1)	17,048	19,141	18,840	17,437	20,094
Income (loss) before income taxes	3,147	719	2,432	7,433	(12,875)
Income tax expense (benefit)	684	66	441	1,201	(4,049)
Net income (loss)	2,463	653	1,991	6,232	(8,826)
Net income (loss) applicable to common shareholders	2,098	328	1,584	5,889	(9,127)
Average common shares issued and outstanding	10,776	10,651	10,281	10,116	10,095
Average diluted common shares issued and outstanding (2)	11,556	10,762	11,125	10,464	10,095
Performance ratios					
Return on average assets	0.45 %	0.12 %	0.36 %	1.07 %	n/m
Four quarter trailing return on average assets (3)	0.51	n/m	0.06	n/m	n/m
Return on average common shareholders' equity	3.89	0.62	3.00	11.40	n/m
Return on average tangible common shareholders' equity (4)	5.95	0.95	4.72	18.30	n/m
Return on average tangible shareholders' equity (4)	6.16	1.67	5.20	17.03	n/m
Total ending equity to total ending assets	10.92	10.66	10.81	10.37	9.83 %
Total average equity to total average assets	10.73	10.63	10.34	9.66	10.05
Dividend payout	5.60	34.97	6.60	1.73	n/m
Per common share data					
Earnings (loss)	$0.19	$0.03	$0.15	$0.58	$(0.90)
Diluted earnings (loss) (2)	0.19	0.03	0.15	0.56	(0.90)
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	20.16	19.83	20.09	20.80	20.29
Tangible book value (4)	13.22	12.87	12.95	13.22	12.65
Market price per share of common stock					
Closing	$8.18	$9.57	$5.56	$6.12	$10.96
High closing	9.68	9.93	7.35	11.09	13.72
Low closing	6.83	5.80	4.99	6.06	10.50
Market capitalization	$88,155	$103,123	$58,580	$62,023	$111,060
Average balance sheet					
Total loans and leases	$899,498	$913,722	$932,898	$942,032	$938,513
Total assets	2,194,563	2,187,174	2,207,567	2,301,454	2,339,110
Total deposits	1,032,888	1,030,112	1,032,531	1,051,320	1,035,944
Long-term debt	333,173	363,518	389,557	420,273	435,144
Common shareholders' equity	216,782	214,150	209,324	204,928	218,505
Total shareholders' equity	235,558	232,566	228,235	222,410	235,067
Asset quality (5)					
Allowance for credit losses (6)	$30,862	$32,862	$34,497	$35,872	$38,209

Nonperforming loans, leases and foreclosed properties (7)	25,377	27,790	27,708	29,059	30,058
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (7)	3.43 %	3.61 %	3.68 %	3.81 %	4.00 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (7)	127	126	135	133	135
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio (7)	90	91	101	101	105
Amounts included in allowance that are excluded from nonperforming loans (8)	$16,327	$17,006	$17,490	$18,317	$19,935
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans (8)	59 %	60 %	65 %	63 %	63 %
Net charge-offs	$3,626	$4,056	$4,054	$5,086	$5,665
Annualized net charge-offs as a percentage of average loans and leases outstanding (7)	1.64 %	1.80 %	1.74 %	2.17 %	2.44 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding (7)	2.70	2.85	2.74	2.87	2.96
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (7)	2.87	3.10	3.01	3.15	3.22
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	2.08	1.97	2.10	1.74	1.64
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	1.46	1.43	1.57	1.33	1.28
Capital ratios (period end)					
Risk-based capital:					
Tier 1 common	11.24 %	10.78 %	9.86 %	8.65 %	8.23 %
Tier 1	13.80	13.37	12.40	11.48	11.00
Total	17.51	17.49	16.75	15.86	15.65
Tier 1 leverage	7.84	7.79	7.53	7.11	6.86
Tangible equity (4)	7.73	7.48	7.54	7.16	6.63
Tangible common equity (4)	6.83	6.58	6.64	6.25	5.87

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

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

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

(4) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 17 and Table 9 on pages 18 through 19.

(5) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 83.

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

(7) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 99 and corresponding Table 43, and Nonperforming Commercial Loans, Leases and

Foreclosed Properties Activity on page 108 and corresponding Table 52.

(8) Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, PCI loans and the non-U.S. credit card portfolio in All Other.

n/m = not meaningful

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Table 8
Selected Year-to-Date Financial Data

	Six Months Ended June 30	
(In millions, except per share information)	2012	2011
Income statement		
Net interest income	$20,394	$23,425
Noninterest income	23,852	16,688
Total revenue, net of interest expense	44,246	40,113
Provision for credit losses	4,191	7,069
Goodwill impairment	—	2,603
Merger and restructuring charges	—	361
All other noninterest expense (1)	36,189	40,175
Income (loss) before income taxes	3,866	(10,095)
Income tax expense (benefit)	750	(3,318)
Net income (loss)	3,116	(6,777)
Net income (loss) applicable to common shareholders	2,426	(7,388)
Average common shares issued and outstanding	10,715	10,085
Average diluted common shares issued and outstanding (2)	11,510	10,085
Performance ratios		
Return on average assets	0.29 %	n/m
Return on average common shareholders’ equity	2.26	n/m
Return on average tangible common shareholders’ equity(3)	3.47	n/m
Return on average tangible shareholders’ equity(3)	3.94	n/m
Total ending equity to total ending assets	10.92	9.83 %
Total average equity to total average assets	10.68	9.96
Dividend payout	9.56	n/m
Per common share data		
Earnings (loss)	$0.23	$(0.73)
Diluted earnings (loss) (2)	0.22	(0.73)
Dividends paid	0.02	0.02
Book value	20.16	20.29
Tangible book value (3)	13.22	12.65
Market price per share of common stock		
Closing	$8.18	$10.96
High closing	9.93	15.25
Low closing	5.80	10.50
Market capitalization	$88,155	$111,060
Average balance sheet		
Total loans and leases	$906,610	$938,738
Total assets	2,190,868	2,338,826
Total deposits	1,031,500	1,029,578
Long-term debt	348,346	437,812
Common shareholders’ equity	215,466	216,367
Total shareholders’ equity	234,062	232,930
Asset quality (4)		
Allowance for credit losses (5)	$30,862	$38,209
Nonperforming loans, leases and foreclosed properties (6)	25,377	30,058
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (6)	3.43 %	4.00 %

Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (6)	127	135
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio (6)	90	105
Amounts included in allowance that are excluded from nonperforming loans (7)	$16,327	$19,935
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans (7)	59 %	63 %
Net charge-offs	$7,682	$11,693
Annualized net charge-offs as a percentage of average loans and leases outstanding (6)	1.72 %	2.53 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding (6)	2.70	2.96
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (6)	2.87	3.22
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.96	1.58
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs, excluding the PCI loan portfolio	1.38	1.23

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

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

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these ratios and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 17 and Table 9 on pages 18 through 19.

(4) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 83.

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

(6) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 99 and corresponding Table 43, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 108 and corresponding Table 52.

(7) Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, PCI loans and the non-U.S. credit card portfolio in All Other.

n/m = not meaningful

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Supplemental Financial Data

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

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

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

- Return on average tangible common shareholders' equity measures our earnings contribution as a percentage of adjusted common shareholders' equity. The tangible common equity ratio represents adjusted common shareholders' equity divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities.

- ROTE measures our earnings contribution as a percentage of adjusted average total shareholders' equity. The tangible equity ratio represents adjusted total shareholders' equity divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities.

- Tangible book value per common share represents adjusted ending common shareholders' equity divided by ending common shares outstanding.

The aforementioned supplemental data and performance measures are presented in Tables 7 and 8.

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

- Return on average economic capital for the segments is calculated as net income, adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average economic capital.

- Economic capital represents allocated equity less goodwill and a percentage of intangible assets (excluding MSRs).

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In Table 9 we have excluded the impact of goodwill impairment charges of $581 million and $2.6 billion recorded in the fourth and second quarters of 2011 when presenting certain of these metrics. Accordingly, these are non-GAAP financial measures. Tables 9, 10 and 11 provide reconciliations of these non-GAAP financial measures with financial measures defined by GAAP. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

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

	2012 Quarters		2011 Quarters		
(Dollars in millions, except per share information)	Second	First	Fourth	Third	Second
Fully taxable-equivalent basis data					
Net interest income	$9,782	$11,053	$10,959	$10,739	$11,493
Total revenue, net of interest expense	22,202	22,485	25,146	28,702	13,483
Net interest yield	2.21 %	2.51 %	2.45 %	2.32 %	2.50 %
Efficiency ratio	76.79	85.13	77.64	61.37	n/m
Performance ratios, excluding goodwill impairment charges [1]					
Per common share information					
Earnings (loss)			$0.21		$(0.65)
Diluted earnings (loss)			0.20		(0.65)
Efficiency ratio (FTE basis)			75.33 %		n/m
Return on average assets			0.46		n/m
Four quarter trailing return on average assets [2]			0.20		n/m
Return on average common shareholders' equity			4.10		n/m
Return on average tangible common shareholders' equity			6.46		n/m
Return on average tangible shareholders' equity			6.72		n/m

(1) Performance ratios are calculated excluding the impact of the goodwill impairment charges of $581 million and $2.6 billion recorded during the fourth and second quarters of 2011.

(2) Calculated as total net income for four consecutive quarters divided by annualized average assets for four consecutive quarters.

n/m = not meaningful

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

	2012 Quarters		2011 Quarters		
(Dollars in millions)	Second	First	Fourth	Third	Second
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$9,548	$10,846	$10,701	$10,490	$11,246
Fully taxable-equivalent adjustment	234	207	258	249	247
Net interest income on a fully taxable-equivalent basis	$9,782	$11,053	$10,959	$10,739	$11,493
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$21,968	$22,278	$24,888	$28,453	$13,236
Fully taxable-equivalent adjustment	234	207	258	249	247
Total revenue, net of interest expense on a fully taxable-equivalent basis	$22,202	$22,485	$25,146	$28,702	$13,483
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges					
Total noninterest expense	$17,048	$19,141	$19,522	$17,613	$22,856
Goodwill impairment charges	—	—	(581)	—	(2,603)
Total noninterest expense, excluding goodwill impairment charges	$17,048	$19,141	$18,941	$17,613	$20,253
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$684	$66	$441	$1,201	$(4,049)
Fully taxable-equivalent adjustment	234	207	258	249	247
Income tax expense (benefit) on a fully taxable-equivalent basis	$918	$273	$699	$1,450	$(3,802)
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges					
Net income (loss)	$2,463	$653	$1,991	$6,232	$(8,826)
Goodwill impairment charges	—	—	581	—	2,603
Net income (loss), excluding goodwill impairment charges	$2,463	$653	$2,572	$6,232	$(6,223)
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges					
Net income (loss) applicable to common shareholders	$2,098	$328	$1,584	$5,889	$(9,127)
Goodwill impairment charges	—	—	581	—	2,603
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$2,098	$328	$2,165	$5,889	$(6,524)
Reconciliation of average common shareholders' equity to average tangible common shareholders'					

equity					
Common shareholders’ equity	$216,782	$214,150	$209,324	$204,928	$218,505
Goodwill	(69,976)	(69,967)	(70,647)	(71,070)	(73,748)
Intangible assets (excluding MSRs)	(7,533)	(7,869)	(8,566)	(9,005)	(9,394)
Related deferred tax liabilities	2,626	2,700	2,775	2,852	2,932
Tangible common shareholders’ equity	$141,899	$139,014	$132,886	$127,705	$138,295
Reconciliation of average shareholders’ equity to average tangible shareholders’ equity					
Shareholders’ equity	$235,558	$232,566	$228,235	$222,410	$235,067
Goodwill	(69,976)	(69,967)	(70,647)	(71,070)	(73,748)
Intangible assets (excluding MSRs)	(7,533)	(7,869)	(8,566)	(9,005)	(9,394)
Related deferred tax liabilities	2,626	2,700	2,775	2,852	2,932
Tangible shareholders’ equity	$160,675	$157,430	$151,797	$145,187	$154,857
Reconciliation of period-end common shareholders’ equity to period-end tangible common shareholders’ equity					
Common shareholders’ equity	$217,213	$213,711	$211,704	$210,772	$205,614
Goodwill	(69,976)	(69,976)	(69,967)	(70,832)	(71,074)
Intangible assets (excluding MSRs)	(7,335)	(7,696)	(8,021)	(8,764)	(9,176)
Related deferred tax liabilities	2,559	2,628	2,702	2,777	2,853
Tangible common shareholders’ equity	$142,461	$138,667	$136,418	$133,953	$128,217
Reconciliation of period-end shareholders’ equity to period-end tangible shareholders’ equity					
Shareholders’ equity	$235,975	$232,499	$230,101	$230,252	$222,176
Goodwill	(69,976)	(69,976)	(69,967)	(70,832)	(71,074)
Intangible assets (excluding MSRs)	(7,335)	(7,696)	(8,021)	(8,764)	(9,176)
Related deferred tax liabilities	2,559	2,628	2,702	2,777	2,853
Tangible shareholders’ equity	$161,223	$157,455	$154,815	$153,433	$144,779
Reconciliation of period-end assets to period-end tangible assets					
Assets	$2,160,854	$2,181,449	$2,129,046	$2,219,628	$2,261,319
Goodwill	(69,976)	(69,976)	(69,967)	(70,832)	(71,074)
Intangible assets (excluding MSRs)	(7,335)	(7,696)	(8,021)	(8,764)	(9,176)
Related deferred tax liabilities	2,559	2,628	2,702	2,777	2,853
Tangible assets	$2,086,102	$2,106,405	$2,053,760	$2,142,809	$2,183,922

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

	Six Months Ended June 30	
(Dollars in millions, except per share information)	2012	2011
Fully taxable-equivalent basis data		
Net interest income	$20,835	$23,890
Total revenue, net of interest expense	44,687	40,578
Net interest yield	2.36 %	2.58 %
Efficiency ratio	80.98	n/m
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis		
Net interest income	$20,394	$23,425
Fully taxable-equivalent adjustment	441	465
Net interest income on a fully taxable-equivalent basis	$20,835	$23,890
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis		
Total revenue, net of interest expense	$44,246	$40,113
Fully taxable-equivalent adjustment	441	465
Total revenue, net of interest expense on a fully taxable-equivalent basis	$44,687	$40,578
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges		
Total noninterest expense	$36,189	$43,139
Goodwill impairment charges	—	(2,603)
Total noninterest expense, excluding goodwill impairment charges	$36,189	$40,536
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis		
Income tax expense (benefit)	$750	$(3,318)
Fully taxable-equivalent adjustment	441	465
Income tax expense (benefit) on a fully taxable-equivalent basis	$1,191	$(2,853)
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges		
Net income (loss)	$3,116	$(6,777)
Goodwill impairment charges	—	2,603
Net income (loss), excluding goodwill impairment charges	$3,116	$(4,174)
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges		
Net income (loss) applicable to common shareholders	$2,426	$(7,388)
Goodwill impairment charges	—	2,603
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$2,426	$(4,785)
Reconciliation of average common shareholders’ equity to average tangible common shareholders’ equity		
Common shareholders’ equity	$215,466	$216,367
Goodwill	(69,971)	(73,834)
Intangible assets (excluding MSRs)	(7,701)	(9,580)
Related deferred tax liabilities	2,663	2,983
Tangible common shareholders’ equity	$140,457	$135,936
Reconciliation of average shareholders’ equity to average tangible shareholders’ equity		

Shareholders’ equity	$234,062	$232,930
Goodwill	(69,971)	(73,834)
Intangible assets (excluding MSRs)	(7,701)	(9,580)
Related deferred tax liabilities	2,663	2,983
Tangible shareholders’ equity	$159,053	$152,499

n/m = not meaningful

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Table 11
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures

(Dollars in millions)	Three Months Ended June 30 2012	2011	Six Months Ended June 30 2012	2011
Consumer & Business Banking				
Reported net income	$1,156	$2,502	$2,611	$4,544
Adjustment related to intangibles [1]	4	2	7	9
Adjusted net income	$1,160	$2,504	$2,618	$4,553
Average allocated equity	$53,452	$52,559	$53,199	$53,126
Adjustment related to goodwill and a percentage of intangibles	(30,485)	(30,656)	(30,503)	(30,676)
Average economic capital	$22,967	$21,903	$22,696	$22,450
Consumer Real Estate Services				
Reported net loss	$(768)	$(14,506)	$(1,913)	$(16,906)
Adjustment related to intangibles [1]	—	—	—	—
Goodwill impairment charge	—	2,603	—	2,603
Adjusted net loss	$(768)	$(11,903)	$(1,913)	$(14,303)
Average allocated equity	$14,116	$17,139	$14,454	$17,933
Adjustment related to goodwill and a percentage of intangibles (excluding MSRs)	—	(2,702)	—	(2,722)
Average economic capital	$14,116	$14,437	$14,454	$15,211
Global Banking				
Reported net income	$1,406	$1,921	$2,996	$3,504
Adjustment related to intangibles [1]	1	1	2	3
Adjusted net income	$1,407	$1,922	$2,998	$3,507
Average allocated equity	$45,958	$47,060	$45,838	$47,891
Adjustment related to goodwill and a percentage of intangibles	(24,856)	(24,428)	(24,858)	(24,430)
Average economic capital	$21,102	$22,632	$20,980	$23,461
Global Markets				
Reported net income	$462	$911	$1,260	$2,306
Adjustment related to intangibles [1]	3	3	5	6
Adjusted net income	$465	$914	$1,265	$2,312
Average allocated equity	$17,132	$22,990	$17,725	$24,667
Adjustment related to goodwill and a percentage of intangibles	(4,608)	(4,646)	(4,629)	(4,598)
Average economic capital	$12,524	$18,344	$13,096	$20,069
Global Wealth and Investment Management				
Reported net income	$543	$513	$1,090	$1,055
Adjustment related to intangibles [1]	6	7	12	16
Adjusted net income	$549	$520	$1,102	$1,071

Average allocated equity	$17,974	$17,560	$17,601	$17,745
Adjustment related to goodwill and a percentage of intangibles	(10,621)	(10,706)	(10,631)	(10,717)
Average economic capital	$7,353	$6,854	$6,970	$7,028

(1) Represents cost of funds, earnings credit and certain expenses related to intangibles.

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Table 11
Segment Supplemental Financial Data Reconciliations to GAAP Financial Measures (continued)

(Dollars in millions)	Three Months Ended June 30 2012	Three Months Ended June 30 2011	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Consumer & Business Banking				
Deposits				
Reported net income	$190	$433	$500	$795
Adjustment related to intangibles [1]	1	—	1	1
Adjusted net income	$191	$433	$501	$796
Average allocated equity	$23,982	$23,612	$23,588	$23,627
Adjustment related to goodwill and a percentage of intangibles	(17,926)	(17,951)	(17,929)	(17,955)
Average economic capital	$6,056	$5,661	$5,659	$5,672
Card Services				
Reported net income	$929	$1,944	$1,967	$3,516
Adjustment related to intangibles [1]	3	2	6	8
Adjusted net income	$932	$1,946	$1,973	$3,524
Average allocated equity	$20,525	$21,016	$20,598	$21,580
Adjustment related to goodwill and a percentage of intangibles	(10,460)	(10,607)	(10,476)	(10,624)
Average economic capital	$10,065	$10,409	$10,122	$10,956
Business Banking				
Reported net income	$37	$125	$144	$233
Adjustment related to intangibles [1]	—	—	—	—
Adjusted net income	$37	$125	$144	$233
Average allocated equity	$8,945	$7,931	$9,013	$7,919
Adjustment related to goodwill and a percentage of intangibles	(2,099)	(2,098)	(2,098)	(2,097)
Average economic capital	$6,846	$5,833	$6,915	$5,822

[1] For footnote see page 21.

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Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on a FTE basis which excludes the impact of trading-related activities (this adjusted measure of net interest income has been referred to as core net interest income in previous periodic reports of the Corporation). As discussed in the Global Markets business segment section on page 47, we evaluate our sales and trading results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of net interest income, average earning assets and net interest yield on earning assets, all of which adjust for the impact of trading-related net interest income from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 12 provides additional clarity in assessing our results.

Table 12
Net Interest Income Excluding Trading-related Net Interest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Net interest income (FTE basis)				
As reported [1]	$9,782	$11,493	$20,835	$23,890
Impact of trading-related net interest income [2]	(653)	(874)	(1,449)	(1,894)
Net interest income excluding trading-related net interest income	$9,129	$10,619	$19,386	$21,996
Average earning assets				
As reported	$1,772,568	$1,844,525	$1,770,336	$1,857,124
Impact of trading-related earning assets [2]	(444,537)	(457,845)	(434,447)	(461,526)
Average earning assets excluding trading-related earning assets	$1,328,031	$1,386,680	$1,335,889	$1,395,598
Net interest yield contribution (FTE basis) [3]				
As reported [1]	2.21 %	2.50 %	2.36 %	2.58 %
Impact of trading-related activities [2]	0.55	0.57	0.55	0.58
Net interest yield on earning assets excluding trading-related activities	2.76 %	3.07 %	2.91 %	3.16 %

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve of $52 million and $99 million for the three and six months ended June 30, 2012 and $49 million and $112 million for the three and six months ended June 30, 2011.
(2) Represents the impact of trading-related amounts included in Global Markets.
(3) Calculated on an annualized basis.

For the three and six months ended June 30, 2012, net interest income excluding trading-related net interest income decreased $1.5 billion to $9.1 billion, and $2.6 billion to $19.4 billion compared to the same periods in the prior year. The declines were primarily driven by lower consumer loan balances and yields and decreased investment securities yields, including the acceleration of purchase premium amortization expense. These were partially offset by reductions in long-term debt balances and lower rates paid on deposits.

Average earning assets excluding trading-related earning assets for the three and six months ended June 30, 2012 decreased $58.6 billion to $1,328.0 billion, and $59.7 billion to $1,335.9 billion compared to the same periods in the prior year. The decreases were due to declines in consumer loans, loans held-for-sale (LHFS) and securities purchased under agreement to resell, partially offset by increases in commercial loans, investment securities and trading assets.

For the three and six months ended June 30, 2012, net interest yield on earning assets excluding trading-related activities decreased 31 bps to 2.76 percent, and 25 bps to 2.91 percent compared to the same periods in the prior year primarily due to the factors noted above. These impacts include a significant flattening of the yield curve driven by lower long-term rates throughout the three and six months ended June 30, 2012 compared to the same periods in the prior year.

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis

	Second Quarter 2012			First Quarter 2012		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	$27,476	$64	0.94 %	$31,404	$65	0.83 %
Federal funds sold and securities borrowed or purchased under agreements to resell	234,148	360	0.62	233,061	460	0.79
Trading account assets	180,694	1,302	2.89	175,778	1,399	3.19
Debt securities [2]	342,244	1,907	2.23	327,758	2,732	3.33
Loans and leases [3]:						
Residential mortgage [4]	255,349	2,462	3.86	260,573	2,489	3.82
Home equity	119,657	1,090	3.66	122,933	1,164	3.80
Discontinued real estate	11,144	94	3.36	12,082	103	3.42
U.S. credit card	95,018	2,356	9.97	98,334	2,459	10.06
Non-U.S. credit card	13,641	396	11.68	14,151	408	11.60
Direct/Indirect consumer [5]	84,198	733	3.50	88,321	801	3.65
Other consumer [6]	2,565	41	6.41	2,617	40	6.24
Total consumer	581,572	7,172	4.95	599,011	7,464	5.00
U.S. commercial	199,644	1,742	3.51	195,111	1,756	3.62
Commercial real estate [7]	37,627	323	3.46	39,190	339	3.48
Commercial lease financing	21,446	216	4.02	21,679	272	5.01
Non-U.S. commercial	59,209	369	2.50	58,731	391	2.68
Total commercial	317,926	2,650	3.35	314,711	2,758	3.52
Total loans and leases	899,498	9,822	4.38	913,722	10,222	4.49
Other earning assets	88,508	719	3.26	86,382	743	3.46
Total earning assets [8]	1,772,568	14,174	3.21	1,768,105	15,621	3.55
Cash and cash equivalents [1]	116,025	52		112,512	47	
Other assets, less allowance for loan and lease losses	305,970			306,557		
Total assets	$2,194,563			$2,187,174		

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

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

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

(4) Includes non-U.S. residential mortgage loans of $89 million and $86 million in the second and first quarters of 2012, and $88 million, $91 million and $94 million in the fourth, third and second quarters of 2011, respectively.

(5) Includes non-U.S. consumer loans of $7.8 billion and $7.5 billion in the second and first quarters of 2012, and $8.4 billion, $8.6 billion and $8.7 billion in the fourth, third and second quarters of 2011, respectively.

(6) Includes consumer finance loans of $1.6 billion in both the second and first quarters of 2012, and $1.7 billion, $1.8 billion and $1.8 billion in the fourth, third and second quarters of 2011, respectively; other non-U.S. consumer loans of $895 million and $903 million in the second and first quarters of 2012, and $959 million, $932 million and $840 million in the fourth, third and second quarters of 2011, respectively; and consumer overdrafts of $108

million and $90 million in the second and first quarters of 2012, and $107 million, $107 million and $79 million in the fourth, third and second quarters of 2011, respectively.

(7) Includes U.S. commercial real estate loans of $36.0 billion and $37.4 billion in the second and first quarters of 2012, and $38.7 billion, $40.7 billion and $43.4 billion in the fourth, third and second quarters of 2011, respectively; and non-U.S. commercial real estate loans of $1.6 billion and $1.8 billion in the second and first quarters of 2012, and $1.9 billion, $2.2 billion and $2.3 billion in the fourth, third and second quarters of 2011, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $366 million and $106 million in the second and first quarters of 2012, and $427 million, $1.0 billion and $739 million in the fourth, third and second quarters of 2011, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $591 million and $658 million in the second and first quarters of 2012, and $763 million, $631 million and $625 million in the fourth, third and second quarters of 2011, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 126.

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Fourth Quarter 2011				Third Quarter 2011				Second Quarter 2011			
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Earning assets												
Time deposits placed and other short-term investments (1)	$27,688	$85	1.19	%	$26,743	$87	1.31	%	$27,298	$106	1.56	%
Federal funds sold and securities borrowed or purchased under agreements to resell	237,453	449	0.75		256,143	584	0.90		259,069	597	0.92	
Trading account assets	161,848	1,354	3.33		180,438	1,543	3.40		186,760	1,576	3.38	
Debt securities (2)	332,990	2,245	2.69		344,327	1,744	2.02		335,269	2,696	3.22	
Loans and leases (3):												
Residential mortgage (4)	266,144	2,596	3.90		268,494	2,856	4.25		265,420	2,763	4.16	
Home equity	126,251	1,207	3.80		129,125	1,238	3.81		131,786	1,261	3.83	
Discontinued real estate	14,073	128	3.65		15,923	134	3.36		15,997	129	3.22	
U.S. credit card	102,241	2,603	10.10		103,671	2,650	10.14		106,164	2,718	10.27	
Non-U.S. credit card	15,981	420	10.41		25,434	697	10.88		27,259	760	11.18	
Direct/Indirect consumer (5)	90,861	863	3.77		90,280	915	4.02		89,403	945	4.24	
Other consumer (6)	2,751	41	6.14		2,795	43	6.07		2,745	47	6.76	
Total consumer	618,302	7,858	5.06		635,722	8,533	5.34		638,774	8,623	5.41	
U.S. commercial	196,778	1,798	3.63		191,439	1,809	3.75		190,479	1,827	3.85	
Commercial real estate (7)	40,673	343	3.34		42,931	360	3.33		45,762	382	3.35	
Commercial lease financing	21,278	204	3.84		21,342	240	4.51		21,284	235	4.41	
Non-U.S. commercial	55,867	395	2.80		50,598	349	2.73		42,214	339	3.22	
Total commercial	314,596	2,740	3.46		306,310	2,758	3.58		299,739	2,783	3.72	
Total loans and leases	932,898	10,598	4.52		942,032	11,291	4.77		938,513	11,406	4.87	
Other earning assets	91,109	904	3.95		91,452	814	3.54		97,616	866	3.56	
Total earning assets (8)	1,783,986	15,635	3.49		1,841,135	16,063	3.47		1,844,525	17,247	3.75	
Cash and cash equivalents (1)	94,287	36			102,573	38			115,956	49		
Other assets, less allowance for loan and lease losses	329,294				357,746				378,629			
Total assets	$2,207,567				$2,301,454				$2,339,110			

For footnotes see page 24.

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Second Quarter 2012 Average Balance	Interest Income/ Expense	Yield/ Rate		First Quarter 2012 Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$42,394	$14	0.13	%	$40,543	$14	0.14	%
NOW and money market deposit accounts	460,788	188	0.16		458,649	186	0.16	
Consumer CDs and IRAs	96,858	171	0.71		100,044	194	0.78	
Negotiable CDs, public funds and other deposits	21,661	35	0.65		22,586	36	0.64	
Total U.S. interest-bearing deposits	621,701	408	0.26		621,822	430	0.28	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	14,598	25	0.69		18,170	28	0.62	
Governments and official institutions	895	1	0.37		1,286	1	0.41	
Time, savings and other	52,584	85	0.65		55,241	90	0.66	
Total non-U.S. interest-bearing deposits	68,077	111	0.65		74,697	119	0.64	
Total interest-bearing deposits	689,778	519	0.30		696,519	549	0.32	
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	318,909	943	1.19		293,056	881	1.21	
Trading account liabilities	84,728	448	2.13		71,872	477	2.67	
Long-term debt	333,173	2,534	3.05		363,518	2,708	2.99	
Total interest-bearing liabilities [8]	1,426,588	4,444	1.25		1,424,965	4,615	1.30	
Noninterest-bearing sources:								
Noninterest-bearing deposits	343,110				333,593			
Other liabilities	189,307				196,050			
Shareholders' equity	235,558				232,566			
Total liabilities and shareholders' equity	$2,194,563				$2,187,174			
Net interest spread			1.96	%			2.25	%
Impact of noninterest-bearing sources			0.24				0.25	
Net interest income/yield on earning assets [1]		$9,730	2.20	%		$11,006	2.50	%

For footnotes see page 24.

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Table 13
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Fourth Quarter 2011 Average Balance	Fourth Quarter 2011 Interest Income/ Expense	Fourth Quarter 2011 Yield/ Rate	Third Quarter 2011 Average Balance	Third Quarter 2011 Interest Income/ Expense	Third Quarter 2011 Yield/ Rate	Second Quarter 2011 Average Balance	Second Quarter 2011 Interest Income/ Expense	Second Quarter 2011 Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$39,609	$16	0.16 %	$41,256	$21	0.19 %	$41,668	$31	0.30 %
NOW and money market deposit accounts	454,249	192	0.17	473,391	248	0.21	478,690	304	0.25
Consumer CDs and IRAs	103,488	220	0.84	108,359	244	0.89	113,728	281	0.99
Negotiable CDs, public funds and other deposits	22,413	34	0.60	18,547	5	0.12	13,842	42	1.22
Total U.S. interest-bearing deposits	619,759	462	0.30	641,553	518	0.32	647,928	658	0.41
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	20,454	29	0.55	21,037	34	0.65	19,234	37	0.77
Governments and official institutions	1,466	1	0.36	2,043	2	0.32	2,131	2	0.38
Time, savings and other	57,814	124	0.85	64,271	150	0.93	64,889	146	0.90
Total non-U.S. interest-bearing deposits	79,734	154	0.77	87,351	186	0.85	86,254	185	0.86
Total interest-bearing deposits	699,493	616	0.35	728,904	704	0.38	734,182	843	0.46
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	284,766	921	1.28	303,234	1,152	1.51	338,692	1,342	1.59
Trading account liabilities	70,999	411	2.29	87,841	547	2.47	96,108	627	2.62
Long-term debt	389,557	2,764	2.80	420,273	2,959	2.82	435,144	2,991	2.75
Total interest-bearing liabilities (8)	1,444,815	4,712	1.29	1,540,252	5,362	1.39	1,604,126	5,803	1.45
Noninterest-bearing sources:									
Noninterest-bearing deposits	333,038			322,416			301,762		
Other liabilities	201,479			216,376			198,155		
Shareholders' equity	228,235			222,410			235,067		
	$2,207,567			$2,301,454			$2,339,110		

Total liabilities and shareholders' equity						
Net interest spread		2.20 %		2.08 %		2.30 %
Impact of noninterest-bearing sources		0.24		0.23		0.19
Net interest income/yield on earning assets [1]	$10,923	2.44 %	$10,701	2.31 %	$11,444	2.49 %

For footnotes see page 24.

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Table 14
Year-to-Date Average Balances and Interest Rates – Fully Taxable-equivalent Basis

	Six Months Ended June 30					
	2012			2011		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	$29,440	$129	0.88 %	$29,285	$194	1.34 %
Federal funds sold and securities borrowed or purchased under agreements to resell	233,604	820	0.71	243,311	1,114	0.92
Trading account assets	178,236	2,701	3.04	203,806	3,245	3.21
Debt securities [2]	335,001	4,639	2.77	335,556	5,613	3.35
Loans and leases [3]:						
Residential mortgage [4]	257,961	4,951	3.84	263,744	5,644	4.28
Home equity	121,295	2,254	3.73	133,926	2,596	3.90
Discontinued real estate	11,613	197	3.39	14,457	239	3.31
U.S. credit card	96,676	4,815	10.02	108,042	5,555	10.37
Non-U.S. credit card	13,896	804	11.64	27,445	1,539	11.31
Direct/Indirect consumer [5]	86,259	1,534	3.58	89,748	1,938	4.36
Other consumer [6]	2,592	81	6.33	2,748	92	6.75
Total consumer	590,292	14,636	4.98	640,110	17,603	5.53
U.S. commercial	197,377	3,498	3.56	190,914	3,753	3.96
Commercial real estate [7]	38,408	662	3.47	47,053	819	3.51
Commercial lease financing	21,563	488	4.52	21,458	557	5.18
Non-U.S. commercial	58,970	760	2.59	39,203	638	3.28
Total commercial	316,318	5,408	3.44	298,628	5,767	3.89
Total loans and leases	906,610	20,044	4.44	938,738	23,370	5.01
Other earning assets	87,445	1,462	3.36	106,428	1,788	3.39
Total earning assets [8]	1,770,336	29,795	3.38	1,857,124	35,324	3.84
Cash and cash equivalents [1]	114,268	99		127,037	112	
Other assets, less allowance for loan and lease losses	306,264			354,665		
Total assets	$2,190,868			$2,338,826		

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

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

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

(4) Includes non-U.S. residential mortgage loans of $88 million and $93 million for the six months ended June 30, 2012 and 2011.

(5) Includes non-U.S. consumer loans of $7.7 billion and $8.4 billion for the six months ended June 30, 2012 and 2011.

(6) Includes consumer finance loans of $1.6 billion and $1.9 billion, other non-U.S. consumer loans of $899 million and $809 million, and consumer overdrafts of $99 million and $78 million for the six months ended June 30, 2012 and 2011.

(7) Includes U.S. commercial real estate loans of $36.7 billion and $44.5 billion, and non-U.S. commercial real estate loans of $1.7 billion and $2.5 billion for the six months ended June 30, 2012 and 2011.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $472 million and $1.1 billion for the six months ended June 30, 2012 and 2011. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $1.2 billion for both the six months ended June 30, 2012 and 2011. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 126.

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Table 14
Year-to-Date Average Balances and Interest Rates – Fully Taxable-equivalent Basis (continued)

	Six Months Ended June 30							
	2012				2011			
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$41,468	$28	0.13	%	$40,294	$63	0.32	%
NOW and money market deposit accounts	459,718	374	0.16		477,330	620	0.26	
Consumer CDs and IRAs	98,451	365	0.75		116,004	581	1.01	
Negotiable CDs, public funds and other deposits	22,125	71	0.64		13,918	81	1.17	
Total U.S. interest-bearing deposits	621,762	838	0.27		647,546	1,345	0.42	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	16,384	53	0.65		20,378	75	0.74	
Governments and official institutions	1,091	2	0.40		2,219	4	0.36	
Time, savings and other	53,912	175	0.65		62,673	258	0.83	
Total non-U.S. interest-bearing deposits	71,387	230	0.65		85,270	337	0.80	
Total interest-bearing deposits	693,149	1,068	0.31		732,816	1,682	0.46	
Federal funds purchased and securities loaned or sold under agreements to repurchase and other short-term borrowings	305,981	1,824	1.20		355,042	2,526	1.43	
Trading account liabilities	78,300	925	2.38		90,044	1,254	2.81	
Long-term debt	348,346	5,242	3.02		437,812	6,084	2.80	
Total interest-bearing liabilities [8]	1,425,776	9,059	1.28		1,615,714	11,546	1.44	
Noninterest-bearing sources:								
Noninterest-bearing deposits	338,351				296,762			
Other liabilities	192,679				193,420			
Shareholders’ equity	234,062				232,930			
Total liabilities and shareholders’ equity	$2,190,868				$2,338,826			
Net interest spread			2.10	%			2.40	%
Impact of noninterest-bearing sources			0.25				0.17	
Net interest income/yield on earning assets [1]		$20,736	2.35	%		$23,778	2.57	%

For footnotes see page 28.

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Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through five business segments: CBB, CRES, Global Banking, Global Markets and GWIM, with the remaining operations recorded in All Other. Effective January 1, 2012, we changed the basis of presentation from six to the above five segments. The former Deposits and Card Services segments, as well as Business Banking, which was included in the former Global Commercial Banking segment, are now reflected in CBB. The former Global Commercial Banking segment was combined with the Global Corporate and Investment Banking business, which was included in the former Global Banking & Markets (GBAM) segment, to form Global Banking. The remaining global markets business of GBAM is now reported as a separate Global Markets segment. In addition, certain management accounting methodologies and related allocations were refined. Prior period results have been reclassified to conform to current period presentation.

We prepare and evaluate segment results using certain non-GAAP financial measures. For additional information, see Supplemental Financial Data on page 17.

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

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

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

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

We allocate economic capital to the business segments and related businesses using a risk-adjusted methodology incorporating each segment’s credit, market, interest rate, strategic and operational risk components. See Managing Risk and Strategic Risk Management on pages 67 and 68 for further discussion on the nature of these risks. A business segment's allocated equity includes this economic capital allocation and also includes the portion of goodwill and intangibles specifically assigned to the business segment. We benefit from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. The risk-adjusted methodology is periodically refined and such refinements are reflected as changes to allocated equity in each segment.

For more information on selected financial information for the business segments and reconciliations to consolidated total revenue, net income (loss) and period-end total assets, see Note 19 – Business Segment Information to the Consolidated Financial Statements.

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Consumer & Business Banking

	Three Months Ended June 30								
	Deposits		Card Services		Business Banking		Total Consumer & Business Banking		
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011	% Change
Net interest income (FTE basis)	$1,914	$2,281	$2,481	$2,903	$309	$365	$4,704	$5,549	(15)%
Noninterest income:									
Card income	—	—	1,331	1,686	—	—	1,331	1,686	(21)
Service charges	991	967	—	—	92	129	1,083	1,096	(1)
All other income	71	55	105	260	32	35	208	350	(41)
Total noninterest income	1,062	1,022	1,436	1,946	124	164	2,622	3,132	(16)
Total revenue, net of interest expense (FTE basis)	2,976	3,303	3,917	4,849	433	529	7,326	8,681	(16)
Provision for credit losses	40	31	940	302	151	67	1,131	400	183
Noninterest expense	2,634	2,597	1,502	1,517	223	263	4,359	4,377	—
Income before income taxes	302	675	1,475	3,030	59	199	1,836	3,904	(53)
Income tax expense (FTE basis)	112	242	546	1,086	22	74	680	1,402	(51)
Net income	$190	$433	$929	$1,944	$37	$125	$1,156	$2,502	(54)
	1.78 %	2.15 %	8.81 %	9.06 %	2.78 %	3.45 %	3.85 %	4.57 %	

Net interest yield (FTE basis)									
Return on average allocated equity	3.19	7.35	18.21	37.11	1.67	6.34	8.70	19.10	
Return on average economic capital	12.66	30.62	37.25	75.04	2.18	8.62	20.31	45.87	
Efficiency ratio (FTE basis)	88.50	78.62	38.36	31.27	51.21	49.73	59.49	50.41	
Balance Sheet									
Average									
Total loans and leases	n/m	n/m	$112,127	$127,343	$24,025	$27,153	$136,872	$155,122	(12)
Total earning assets [1]	$433,075	$425,926	113,202	128,505	44,808	42,352	492,085	486,679	1
Total assets [1]	459,217	452,119	119,316	130,356	52,213	50,886	531,747	523,258	2
Total deposits	433,781	426,684	n/m	n/m	42,475	40,190	476,580	467,179	2
Allocated equity	23,982	23,612	20,525	21,016	8,945	7,931	53,452	52,559	2
Economic capital	6,056	5,661	10,065	10,409	6,846	5,833	22,967	21,903	5

(1) For presentation purposes, in segments and businesses where the total of liabilities and equity exceeds assets, we allocate assets to match liabilities. As a result, total earning assets and total assets of the businesses may not equal total CBB.

n/m = not meaningful

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	Six Months Ended June 30								
	Deposits		Card Services		Business Banking		Total Consumer & Business Banking		
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011	% Change
Net interest income (FTE basis)	$4,034	$4,486	$5,097	$5,917	$653	$747	$9,784	$11,150	(12)%
Noninterest income:									
Card income	—	—	2,609	3,263	—	—	2,609	3,263	(20)
Service charges	1,960	1,891	—	—	187	284	2,147	2,175	(1)
All other income	131	116	20	384	57	59	208	559	(63)
Total noninterest income	2,091	2,007	2,629	3,647	244	343	4,964	5,997	(17)
Total revenue, net of interest expense (FTE basis)	6,125	6,493	7,726	9,564	897	1,090	14,748	17,147	(14)
Provision for credit losses	91	64	1,730	897	187	100	2,008	1,061	89
Noninterest expense	5,242	5,179	2,882	3,140	482	619	8,606	8,938	(4)
Income before income taxes	792	1,250	3,114	5,527	228	371	4,134	7,148	(42)
Income tax expense (FTE basis)	292	455	1,147	2,011	84	138	1,523	2,604	(42)
Net income	$500	$795	$1,967	$3,516	$144	$233	$2,611	$4,544	(43)
Net interest	1.90 %	2.14 %	8.88 %	9.11 %	2.86 %	3.63 %	4.03 %	4.66 %	

yield (FTE basis)									
Return on average allocated equity	4.27	6.78	19.20	32.85	3.21	5.96	9.87	17.25	
Return on average economic capital	17.81	28.29	39.21	64.86	4.18	8.11	23.20	40.90	
Efficiency ratio (FTE basis)	85.58	79.76	37.30	32.83	53.71	56.73	58.35	52.12	
Balance Sheet									
Average									
Total loans and leases	n/m	n/m	$114,197	$129,894	$24,314	$27,507	$139,225	$158,033	(12)
Total earning assets [(1)]	$427,604	$421,863	115,391	131,007	45,977	41,526	488,325	482,863	1
Total assets [(1)]	453,858	448,081	121,247	132,189	53,243	50,000	527,702	518,737	2
Total deposits	428,902	422,514	n/m	n/m	42,192	39,331	471,410	462,136	2
Allocated equity	23,588	23,627	20,598	21,580	9,013	7,919	53,199	53,126	—
Economic capital	5,659	5,672	10,122	10,956	6,915	5,822	22,696	22,450	1
Period end	June 30 2012	December 31 2011	June 30 2012	December 31 2011	June 30 2012	December 31 2011	June 30 2012	December 31 2011	
Total loans and leases	n/m	n/m	$111,071	$120,668	$23,700	$25,006	$135,523	$146,378	(7)
Total earning assets [(1)]	$440,559	$419,215	111,602	121,991	43,502	46,516	497,920	480,972	4
Total assets [(1)]	466,362	446,274	118,288	127,623	50,739	53,950	537,647	521,097	3
Total deposits	439,470	421,871	n/m	n/m	41,563	41,519	481,939	464,264	4

(1) For presentation purposes, in segments and businesses where the total of liabilities and equity exceeds assets, we allocate assets to match liabilities. As a result, total earning assets and total assets of the businesses may not equal

total CBB.
n/m = not meaningful

CBB, which is comprised of Deposits, Card Services and Business Banking, offers a diversified range of credit, banking and investment products and services to consumers and businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 32 states and the District of Columbia. The franchise network includes approximately 5,600 banking centers, 16,200 ATMs, nationwide call centers, and online and mobile platforms.

CBB Results

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Net income for CBB decreased $1.3 billion to $1.2 billion primarily driven by a decline in revenue and an increase in the provision for credit losses. Net interest income decreased $845 million to $4.7 billion due to lower average loans and yields in Card Services as well as compressed deposit spreads due to the continued low interest rate environment. Noninterest income decreased $510 million to $2.6 billion due to a decline in Card Services. The provision for credit losses increased $731 million to $1.1 billion as portfolio trends began to stabilize within Card Services. Noninterest expense of $4.4 billion remained relatively unchanged as lower operating expenses were offset by an increase in litigation expense.

The return on average economic capital decreased primarily due to lower net income.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net income for CBB decreased $1.9 billion to $2.6 billion primarily driven by a decline in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Net interest income decreased $1.4 billion to $9.8 billion. Noninterest income decreased $1.0 billion to $5.0 billion. The provision for credit losses increased $947 million to $2.0 billion. These changes were driven by the same factors as described in the three-month discussion. Noninterest expense decreased $332 million to $8.6 billion primarily due to lower FDIC and operating expenses, partially offset by an increase in litigation expense.

The return on average economic capital decreased due to the same factor as described in the three-month discussion above. For more information regarding economic capital, see Supplemental Financial Data on page 17.

Deposits

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

Deposits also generates fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees, as well as investment and brokerage fees from Merrill Edge accounts. Merrill Edge is an integrated investing and banking service targeted at clients with less than $250,000 in total assets. Merrill Edge provides team-based investment advice and guidance, brokerage services, a self-directed online investing platform and key banking capabilities including access to the Corporation's network of banking centers and ATMs. Deposits includes the net impact of migrating customers and their related deposit balances between Deposits and GWIM as well as other client-managed businesses. For more information on the migration of customer balances to or from GWIM, see GWIM on page 50.

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Net income for Deposits decreased $243 million to $190 million primarily driven by lower net interest income, partially offset by higher noninterest income. Net interest income declined $367 million, or 16 percent, to $1.9 billion driven by compressed deposits spreads due to the continued low interest rate environment, partially offset by a customer shift to higher-yielding liquid products and continued pricing discipline. Noninterest income increased $40 million, or four percent, to $1.1 billion primarily due to an increase in service charges. Noninterest expense of $2.6 billion remained relatively unchanged as lower FDIC expense was offset by higher operating expense.

Average deposits increased $7.1 billion driven by a customer shift to more liquid products in a low interest rate environment as checking, traditional savings and money market savings grew $18.8 billion. Growth in liquid products was partially offset by a decline in average time deposits of $11.7 billion. As a result of the shift in the mix of deposits and our continued pricing discipline, rates paid on average deposits declined by nine bps to 20 bps.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net income for Deposits decreased $295 million to $500 million primarily driven by lower net interest income, partially offset by higher noninterest income. Net interest income declined $452 million, or 10 percent, to $4.0 billion and noninterest income increased $84 million, or four percent, to $2.1 billion driven by the same factors as described in the three-month discussion above. Average deposits increased $6.4 billion driven by the same factor as described in the three-month discussion above.

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Key Statistics

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Total deposit spreads (excludes noninterest costs) [1]	1.87 %	2.15 %	1.92 %	2.17 %
Period end				
Client brokerage assets (in millions)			$72,226	$69,000
Online banking active accounts (units in thousands)			30,232	29,660
Mobile banking active accounts (units in thousands)			10,290	7,652
Banking centers			5,594	5,742
ATMs			16,220	17,817

(1) Total deposit spreads include the Deposits and Business Banking businesses.

Our online banking customers increased 572,000 and mobile banking customers increased 2.6 million from a year ago reflecting a change in our customers' banking preferences. The number of banking centers declined 148 and ATMs declined 1,597 as we continue to improve our cost-to-serve and optimize our consumer banking network.

Card Services

Card Services is one of the leading issuers of credit and debit cards in the U.S. to consumers and small businesses. In addition to earning net interest spread revenue on its lending activities, Card Services generates interchange revenue from credit and debit card transactions as well as annual credit card fees and other miscellaneous fees.

Effective October 1, 2011, the Federal Reserve adopted a final rule with respect to the Durbin Amendment that established the maximum allowable interchange fees a bank can receive for a debit card transaction. For more information on the final interchange rules, see Regulatory Matters on page 43 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K. In addition, the Federal Reserve approved rules governing routing and exclusivity, requiring issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product, which became effective on April 1, 2012. The interchange fee rules resulted in a reduction of debit card revenue of approximately $420 million in each of the first two quarters of 2012 when compared to the same periods in 2011, and are expected to have a similar impact in the third quarter of 2012.

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Net income for Card Services decreased $1.0 billion to $929 million primarily driven by a decrease in revenue and an increase in the provision for credit losses. Net interest income decreased $422 million, or 15 percent, to $2.5 billion driven by lower average loan balances and yields. The net interest yield decreased 25 bps to 8.81 percent due to charge-offs and paydowns of higher interest rate products. Noninterest income decreased $510 million, or 26 percent, to $1.4 billion primarily due to lower interchange fees as a result of the Durbin Amendment and the net impact of portfolio sales.

The provision for credit losses increased $638 million to $940 million as portfolio trends began to stabilize. For more information, see Provision for Credit Losses on page 118.

Average loans decreased $15.2 billion, or 12 percent, driven by charge-offs, continued run-off of non-core portfolios and the impact of portfolio sales during 2011.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net income for Card Services decreased $1.5 billion to $2.0 billion primarily driven by a decrease in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Net interest income decreased $820 million, or 14 percent, to $5.1 billion. The net interest yield decreased 23 bps to 8.88 percent. Noninterest income decreased $1.0 billion, or 28 percent, to $2.6 billion. These changes were driven by the same factors as described in the three-month discussion above. The decrease in noninterest income was also due to a charge related to our consumer protection products.

The provision for credit losses increased $833 million, or 93 percent, to $1.7 billion driven by the same factor as described in the three-month discussion above. Noninterest expense decreased $258 million, or eight percent, to $2.9 billion primarily due to lower operating expenses, partially offset by an increase in litigation expense.

Average loans decreased $15.7 billion, or 12 percent, driven by the same factors as described in the three-month discussion above.

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Key Statistics

(Dollars in millions)	Three Months Ended June 30				Six Months Ended June 30			
	2012		2011		2012		2011	
U.S. credit card								
Gross interest yield	9.97	%	10.27	%	10.02	%	10.37	%
Risk-adjusted margin	7.51		6.23		7.02		5.23	
New accounts (in thousands)	782		730		1,564		1,387	
Purchase volumes	$48,886		$48,974		$93,683		$92,910	
Debit card purchase volumes	64,867		64,049		127,808		124,045	

During the three and six months ended June 30, 2012, the U.S. credit card risk-adjusted margin increased 128 bps and 179 bps from the same periods in 2011, reflecting improvement in credit quality in the portfolio. U.S. credit card new accounts grew by 52,000 accounts to 782,000 accounts, and 177,000 accounts to 1.6 million accounts compared to the same periods in 2011. U.S. credit card purchase volumes of $48.9 billion remained relatively unchanged for the three-month period and increased $773 million to $93.7 billion for the six-month period. During the three and six months ended June 30, 2012, debit card purchase volume increased $818 million to $64.9 billion, and $3.8 billion to $127.8 billion compared to the same periods in 2011, reflecting higher consumer spending.

Business Banking

Business Banking provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our clients include U.S.-based companies generally with annual sales of $1 million to $50 million. Our lending products and services include commercial loans, lines of credit and real estate lending. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Business Banking also includes the results of our merchant processing joint venture.

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Net income for Business Banking decreased $88 million to $37 million primarily driven by lower revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Net interest income decreased $56 million, or 15 percent, to $309 million driven by lower average loan balances. Noninterest income decreased $40 million, or 24 percent, to $124 million primarily due to the transfer of certain processing activities to our merchant services joint venture. The provision for credit losses increased $84 million to $151 million due to an increase in projected losses. Noninterest expense decreased $40 million, or 15 percent, to $223 million driven by lower FDIC and merchant processing expenses.

Average loans decreased $3.1 billion, or 12 percent, primarily driven by the net transfer of certain loans to other businesses, higher prepayments and continued run-off of non-core portfolios. Average deposits increased $2.3 billion, or six percent, due to the current client preference for liquidity and the net transfer of certain deposits from other businesses.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net income for Business Banking decreased $89 million to $144 million primarily driven by lower revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Revenue decreased $193 million to $897 million, the provision for credit losses increased $87 million to $187 million and noninterest expense decreased $137 million to $482 million driven by the same factors as described in the three-month discussion above.

Average loans decreased $3.2 billion, or 12 percent, and average deposits increased $2.9 billion, or seven percent, driven by the same factors as described in the three-month discussion above.

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Consumer Real Estate Services

	Three Months Ended June 30						
	Home Loans		Legacy Assets & Servicing		Total Consumer Real Estate Services		
(Dollars in millions)	2012	2011	2012	2011	2012	2011	% Change
Net interest income (FTE basis)	$330	$449	$384	$130	$714	$579	23 %
Noninterest income:							
Mortgage banking income (loss)	827	674	984	(13,692)	1,811	(13,018)	n/m
Insurance income	1	299	—	—	1	299	(100)
All other income (loss)	(33)	799	28	26	(5)	825	n/m
Total noninterest income (loss)	795	1,772	1,012	(13,666)	1,807	(11,894)	n/m
Total revenue, net of interest expense (FTE basis)	1,125	2,221	1,396	(13,536)	2,521	(11,315)	n/m
Provision for credit losses	(34)	121	220	1,386	186	1,507	(88)
Goodwill impairment	—	—	—	2,603	—	2,603	n/m
All other noninterest expense	776	1,288	2,780	4,734	3,556	6,022	(41)
Income (loss) before income taxes	383	812	(1,604)	(22,259)	(1,221)	(21,447)	n/m
Income tax expense (benefit) (FTE basis)	142	299	(595)	(7,240)	(453)	(6,941)	(93)
Net income (loss)	$241	$513	$(1,009)	$(15,019)	$(768)	$(14,506)	n/m
Net interest yield (FTE basis)	2.29 %	2.51 %	2.24 %	0.60 %	2.27 %	1.46 %	
Efficiency ratio (FTE basis)	68.98	57.99	n/m	n/m	n/m	n/m	
Balance Sheet							
Average							
Total loans and leases	$50,580	$55,010	$56,145	$66,673	$106,725	$121,683	(12)
Total earning assets	57,869	71,614	68,954	87,060	126,823	158,674	(20)
Total assets	58,898	71,806	93,879	126,224	152,777	198,030	(23)
Allocated equity	n/a	n/a	n/a	n/a	14,116	17,139	(18)
Economic capital	n/a	n/a	n/a	n/a	14,116	14,437	(2)

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

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	Six Months Ended June 30						
	Home Loans		Legacy Assets & Servicing		Total Consumer Real Estate Services		
(Dollars in millions)	2012	2011	2012	2011	2012	2011	% Change
Net interest income (FTE basis)	$677	$ 998	$812	$ 477	$1,489	$ 1,475	1 %
Noninterest income:							
Mortgage banking income (loss)	1,541	1,217	2,101	(13,540)	3,642	(12,323)	n/m
Insurance income	7	730	—	—	7	730	(99)
All other income (loss)	(11)	829	68	37	57	866	(93)
Total noninterest income (loss)	1,537	2,776	2,169	(13,503)	3,706	(10,727)	n/m
Total revenue, net of interest expense (FTE basis)	2,214	3,774	2,981	(13,026)	5,195	(9,252)	n/m
Provision for credit losses	19	121	674	2,484	693	2,605	(73)
Goodwill impairment	—	—	—	2,603	—	2,603	n/m
All other noninterest expense	1,612	2,733	5,849	8,066	7,461	10,799	(31)
Income (loss) before income taxes	583	920	(3,542)	(26,179)	(2,959)	(25,259)	n/m
Income tax expense (benefit) (FTE basis)	215	339	(1,261)	(8,692)	(1,046)	(8,353)	(87)
Net income (loss)	$368	$ 581	$(2,281)	$ (17,487)	$(1,913)	$ (16,906)	n/m
Net interest yield (FTE basis)	2.36 %	2.69 %	2.31 %	1.06 %	2.33 %	1.80 %	
Efficiency ratio (FTE basis)	72.81	72.42	n/m	n/m	n/m	n/m	
Balance Sheet							
Average							
Total loans and leases	$51,122	$ 54,749	$57,618	$ 66,376	$108,740	$ 121,125	(10)
Total earning assets	57,672	74,773	70,840	90,696	128,512	165,469	(22)
Total assets	58,623	74,866	97,318	128,782	155,941	203,648	(23)
Allocated equity	n/a	n/a	n/a	n/a	14,454	17,933	(19)
Economic capital	n/a	n/a	n/a	n/a	14,454	15,211	(5)
Period end	June 30 2012	December 31 2011	June 30 2012	December 31 2011	June 30 2012	December 31 2011	
Total loans and leases	$50,112	$ 52,371	$55,192	$ 59,988	$105,304	$ 112,359	(6)
Total earning assets	57,716	58,819	67,138	73,562	124,854	132,381	(6)
Total assets	58,986	59,647	88,652	104,065	147,638	163,712	(10)

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

CRES operations include Home Loans and Legacy Assets & Servicing. This alignment allows CRES management to lead the ongoing home loan business while also providing greater focus on legacy mortgage issues and servicing activities. Effective January 1, 2012, servicing activities previously recorded in Home Loans were moved to Legacy Assets & Servicing, and results of MSR activities, including net hedge results, and goodwill were moved from what was formerly referred to as Other within CRES to Legacy Assets & Servicing. Prior period amounts have been reclassified to conform to the current period presentation.

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

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

CRES includes the impact of transferring customers and their related loan balances between GWIM and CRES based on client segmentation thresholds. For more information on the migration of customer balances, see GWIM on page 50.

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CRES Results

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

The net loss decreased $13.7 billion to $768 million primarily driven by higher noninterest income due to a significantly lower representations and warranties provision, lower provision for credit losses and a decline in noninterest expense due to a goodwill impairment charge in the second quarter of 2011.

Noninterest income increased largely as a result of the increase in mortgage banking income of $14.8 billion driven by a decrease of $13.6 billion in representations and warranties provision and a $1.1 billion increase in net servicing income primarily due to improved MSR results, net of hedges. The representations and warranties provision in the prior-year period was attributable to the BNY Mellon Settlement, other non-GSE exposures, and to a lesser extent, GSE exposures. Insurance income decreased $298 million due to the sale of Balboa in June 2011. All other income decreased as the prior-year period included a net $752 million gain on the sale of Balboa.

The provision for credit losses decreased $1.3 billion to $186 million driven by improved portfolio trends in the non-PCI portfolio and lower reserve additions related to the Countrywide PCI home equity portfolio.

Noninterest expense decreased $5.1 billion to $3.6 billion primarily due to a $2.6 billion goodwill impairment charge in the second quarter of 2011, a $1.9 billion decline in litigation expense, $727 million lower mortgage-related assessments, waivers and similar costs related to foreclosure delays, a $270 million reduction in direct production expense due to lower retail production and our exit from correspondent lending, and $202 million in lower insurance expense, partially offset by higher default-related servicing expenses. We expect higher servicing costs will continue related to resources needed for implementing new servicing standards mandated for the industry, to implement other operational changes, and costs due to delayed foreclosures.

Average total earning assets declined $31.9 billion to $126.8 billion primarily due to decreases in total loans and LHFS reflecting lower production volumes, as well as a decline in the MSR hedge portfolio.

Average economic capital decreased two percent due to a reduction in credit risk driven by lower loan balances in the home equity portfolio.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

The net loss decreased $15.0 billion to $1.9 billion. Noninterest income increased $14.4 billion to $3.7 billion and the provision for credit losses decreased $1.9 billion to $693 million. These changes were driven by the same factors as described in the three-month discussion above.

Noninterest expense decreased $5.9 billion to $7.5 billion primarily due to a $2.6 billion goodwill impairment charge in the second quarter of 2011, a $2.4 billion decline in litigation expense, $1.2 billion lower mortgage-related assessments, waivers and similar costs related to foreclosure delays, a $638 million reduction in direct production expense due to lower retail production and our exit from correspondent lending, and $442 million in lower insurance expense, partially offset by higher default-related servicing expenses.

Average total earning assets declined $37.0 billion to $128.5 billion primarily driven by the same factors as described in the three-month discussion.

Average economic capital decreased five percent primarily due to a reduction in operational risk driven by the sale of Balboa. For more information regarding economic capital, see Supplemental Financial Data on page 17.

Home Loans

Home Loans products are available to our customers through our retail network of approximately 5,600 banking centers, mortgage loan officers in approximately 400 locations and a sales force offering our customers direct telephone and online access to our products. These products were also offered through our correspondent lending channel which we exited in the second half of 2011 and the reverse mortgage origination business which we exited in the first half of 2011. These strategic changes were made to allow greater focus on our direct-to-consumer channels, deepen relationships with existing customers and use mortgage products to acquire new relationships.

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Home Loans includes ongoing loan production activities and the CRES home equity portfolio not originally selected for inclusion in the Legacy Assets & Servicing portfolio. Home Loans excludes the Legacy Assets & Servicing portfolio established as of January 1, 2011, and currently reflects a stabilized level of credit losses. For more information on Legacy Assets & Servicing within CRES, see Consumer Portfolio Credit Risk Management on page 58 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K. Home Loans also included insurance operations through June 30, 2011, when the ongoing insurance business was transferred to CBB following the sale of Balboa.

Home Loans net income decreased $272 million to $241 million, and $213 million to $368 million for the three and six months ended June 30, 2012 compared to the same periods in 2011. Net interest income decreased $119 million and $321 million primarily driven by lower LHFS balances largely due to our exit from correspondent lending. Noninterest income decreased $977 million and $1.2 billion primarily due to lower insurance income as a result of the sale of Balboa, partially offset by an increase in mortgage banking income driven by higher production margins. The provision for credit losses decreased $155 million and $102 million driven by improved portfolio trends. Noninterest expense decreased $512 million and $1.1 billion primarily due to lower production expense driven by lower retail production and our exit from the correspondent channel, and decreased insurance expense.

Legacy Assets & Servicing

Legacy Assets & Servicing is responsible for servicing the residential, home equity and discontinued real estate loan portfolios, including owned loans and loans serviced for others. Legacy Assets & Servicing is also responsible for managing mortgage-related legacy exposures, including exposures related to selected owned residential mortgage, home equity and discontinued real estate loan portfolios (collectively, the Legacy Assets & Servicing portfolio). For additional information, see Legacy Assets & Servicing Portfolio below.

Legacy Assets & Servicing results reflect the net cost of legacy exposures that are included in the results of CRES, including representations and warranties provision, litigation costs, financial results of the CRES home equity portfolio selected as part of the Legacy Assets & Servicing portfolio, the financial results of the servicing operations and the results of MSR activities, including net hedge results, together with any related assets or liabilities used as economic hedges. The financial results of the servicing operations reflect certain revenues and expenses on loans serviced for others, including owned loans serviced for Home Loans and All Other. Legacy Assets & Servicing is compensated for servicing such loans on a management accounting basis with a corresponding offset recorded in Home Loans and All Other.

Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, and disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties along with responding to customer inquiries. Our home retention efforts, including single point of contact resources, are also part of our servicing activities, along with supervising foreclosures and property dispositions. In an effort to help our customers avoid foreclosure, Legacy Assets & Servicing evaluates various workout options prior to foreclosure sales which, combined with our temporary halt of foreclosures announced in October 2010, has resulted in elongated default timelines. Although we have resumed foreclosure proceedings in nearly all states, there continues to be a backlog of foreclosure inventory. For additional information on our servicing activities, including the impact of foreclosure delays, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 65 and Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 40 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Legacy Assets & Servicing net loss decreased $14.0 billion to $1.0 billion, and $15.2 billion to $2.3 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily driven by a decrease of

$13.6 billion and $14.4 billion in representations and warranties provision, a $1.8 billion and $2.4 billion decline in litigation expense, a $1.2 billion and $1.8 billion decline in provision for credit losses, and $727 million and $1.2 billion lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures. The Legacy Assets & Servicing goodwill balance of $2.6 billion was written off in its entirety in 2011. These improvements were partially offset by higher default-related servicing expenses.

Legacy Assets & Servicing Portfolio

The Legacy Assets & Servicing portfolio includes owned residential mortgage loans, home equity loans and discontinued real estate loans that would not have been originated under our underwriting standards at December 31, 2010. The Countrywide PCI portfolio as well as certain loans that met a pre-defined delinquency status or probability of default threshold as of January 1, 2011 are also included in the Legacy Assets & Servicing portfolio. The residential mortgage and discontinued real estate loans are held primarily on the balance sheet of All Other and the home equity loans are held in Legacy Assets & Servicing. Since determining the pool of owned loans to be included in the Legacy Assets & Servicing portfolio as of January 1, 2011, the criteria have not changed for this portfolio. However, the criteria for inclusion of certain assets and liabilities in the Legacy Assets & Servicing portfolio will continue to be evaluated over time.

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The total owned loans in the Legacy Assets & Servicing portfolio decreased $10.8 billion to $144.1 billion at June 30, 2012 compared to $154.9 billion at December 31, 2011, of which $55.2 billion of the June 30, 2012 balance was reflected on the balance sheet of Legacy Assets & Servicing within CRES and the remainder are held on the balance sheet of All Other.

Mortgage Banking Income

CRES mortgage banking income is categorized into production and servicing income. Core production income is comprised of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and LHFS, the related secondary market execution, and costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans. Ongoing costs related to representations and warranties and other obligations that were incurred in the sales of mortgage loans in prior periods are also included in production income.

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

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Production income (loss):				
Core production revenue	$885	$824	$1,814	$1,492
Representations and warranties provision	(395)	(14,037)	(677)	(15,050)
Total production income (loss)	490	(13,213)	1,137	(13,558)
Servicing income:				
Servicing fees	1,213	1,556	2,545	3,162
Impact of customer payments [1]	(282)	(639)	(803)	(1,345)
Fair value changes of MSRs, net of economic hedge results [2]	194	(873)	388	(870)
Other servicing-related revenue	196	151	375	288
Total net servicing income	1,321	195	2,505	1,235
Total CRES mortgage banking income (loss)	1,811	(13,018)	3,642	(12,323)
Eliminations [3]	(152)	(178)	(371)	(243)
Total consolidated mortgage banking income (loss)	$1,659	$(13,196)	$3,271	$(12,566)

(1) Represents the change in the market value of the MSR asset due to the impact of customer payments received during the period.

(2) Includes gains and losses on sales of MSRs.

(3) Includes the effect of transfers of mortgage loans from CRES to the ALM portfolio in All Other.

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

While CRES new first mortgage loan originations declined $24.0 billion, or 63 percent, primarily due to our exit from the correspondent channel, core production revenue increased $61 million to $885 million, due to higher overall margins on direct retail originations. Retail first mortgage loan originations were $14.2 billion for the three months ended June 30, 2012 compared to $16.4 billion for the same period in 2011 and represented a drop in market share as the overall market for mortgages increased in the second quarter of 2012. Margins on retail originations increased due to decisions to price loan products in order to manage demand as well as a change in the mix of loan products to a larger proportion of Home Affordable Refinance Programs (HARP) originations. During the three months ended June 30, 2012, 81 percent of our first mortgage production volume was for refinance originations and 19 percent was for purchase originations compared to 48 percent and 52 percent in 2011.

The representations and warranties provision decreased $13.6 billion to $395 million as the provision of $14.0 billion in the year-ago quarter included $8.6 billion in provision and other expenses related to the BNY Mellon Settlement to resolve nearly all of the legacy Countrywide-issued first-lien non-GSE repurchase exposures, and $5.4 billion in provision related to other non-GSE, and to a lesser extent, GSE exposures.

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Net servicing income increased $1.1 billion to $1.3 billion primarily due to improved MSR results, net of hedges, and to a lesser extent, the reduced impact of customer payments. The improved MSR results were partially offset by lower servicing fees primarily due to a reduction in the size of the servicing portfolio. For additional information, see Mortgage Servicing Rights on page 42.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Core production revenue increased $322 million to $1.8 billion primarily due to higher margins on direct retail originations, partially offset by the exit from the correspondent channel. New first mortgage loan originations declined $64.4 billion, or 71 percent, primarily due to our exit from the correspondent channel and from a decline in retail market share. Retail originations for the first six months of 2012 were $26.4 billion compared to $41.7 billion for the same period in 2011 reflecting a drop in market share as the overall market for mortgages increased in 2012. The impact of our exit from the correspondent channel and the decline in retail market share were offset by higher retail margins reflecting decisions to price loan products in order to manage demand as well as a change in the mix of loan products to a larger proportion of HARP originations.

The representations and warranties provision decreased $14.4 billion to $677 million as described in the three-month discussion.

Net servicing income increased $1.3 billion to $2.5 billion primarily driven by the same factors as described in the three-month discussion above. For additional information, see Mortgage Servicing Rights on page 42.

Key Statistics

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions, except as noted)	2012	2011	2012	2011
Loan production				
Total Corporation [(1)]:				
First mortgage	$18,005	$40,370	$33,243	$97,104
Home equity	930	1,054	1,690	2,782
CRES:				
First mortgage	$14,206	$38,253	$26,391	$90,772
Home equity	724	879	1,321	2,454

Period end	June 30 2012	December 31 2011
Mortgage servicing portfolio (in billions) [(2)]	$1,586	$1,763
Mortgage loans serviced for investors (in billions)	1,224	1,379
Mortgage servicing rights:		
Balance	5,708	7,378
Capitalized mortgage servicing rights (% of loans serviced for investors)	47 bps	54 bps

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

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

First mortgage production for the total Corporation was $18.0 billion and $33.2 billion for the three and six months ended June 30, 2012 compared to $40.4 billion and $97.1 billion for the same periods in 2011. The decrease of $22.4 billion and $63.9 billion was primarily due to our exit from the correspondent channel and a $14.8 billion reduction in retail originations primarily in the first three months of 2012 due to a decline in market share.

Home equity production was $930 million and $1.7 billion for the three and six months ended June 30, 2012 compared to $1.1 billion and $2.8 billion for the same periods in 2011 primarily due to our decision to exit the reverse mortgage origination business.

Mortgage Servicing Rights

At June 30, 2012, the consumer MSR balance was $5.7 billion, which represented 47 bps of the related unpaid principal balance compared to $7.4 billion, or 54 bps of the related unpaid principal balance at December 31, 2011. The decrease in the consumer MSR balance was primarily driven by lower forecasted mortgage rates, which resulted in higher forecasted prepayment speeds. As part of the MSR fair value estimation process, the Corporation increased its estimated cost to service during 2011 due to higher costs expected from foreclosure delays and procedures, the implementation of various loan modification programs and compliance with new banking regulations, which negatively impacted MSR results, net of hedges, by $1.5 billion. During the three months ended June 30, 2012, the Corporation continued to refine its estimates of cost to service and ancillary income to be consistent with market participants which resulted in a decrease to the estimated cost to service, and accordingly, an increase in the value of the MSRs of $666 million that was partially offset by prepayment and other model changes, including OAS assumptions. During the three months ended June 30, 2012, the Corporation refined the OAS assumptions used in the MSR valuation model to reflect returns commensurate with market participants, considering current and pending capital rules, including the impact of Basel 3 and other factors. For additional information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 65. For additional information on MSRs, see Note 18 – Mortgage Servicing Rights to the Consolidated Financial Statements.

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Global Banking

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2012	2011	% Change	2012	2011	% Change
Net interest income (FTE basis)	$2,184	$2,375	(8)%	$4,583	$4,858	(6)%
Noninterest income:						
Service charges	815	876	(7)	1,622	1,789	(9)
Investment banking fees	633	948	(33)	1,284	1,815	(29)
All other income	653	460	42	1,246	898	39
Total noninterest income	2,101	2,284	(8)	4,152	4,502	(8)
Total revenue, net of interest expense (FTE basis)	4,285	4,659	(8)	8,735	9,360	(7)
Provision for credit losses	(113)	(557)	(80)	(351)	(681)	(48)
Noninterest expense	2,165	2,221	(3)	4,342	4,531	(4)
Income before income taxes	2,233	2,995	(25)	4,744	5,510	(14)
Income tax expense (FTE basis)	827	1,074	(23)	1,748	2,006	(13)
Net income	$1,406	$1,921	(27)	$2,996	$3,504	(14)
Net interest yield (FTE basis)	2.97 %	3.33 %		3.08 %	3.50 %	
Return on average allocated equity	12.31	16.37		13.14	14.75	
Return on average economic capital	26.83	34.06		28.74	30.14	
Efficiency ratio (FTE basis)	50.53	47.70		49.71	48.41	
Balance Sheet						
Average						
Total loans and leases	$267,812	$260,144	3	$272,443	$258,508	5
Total earning assets	295,808	285,211	4	299,442	280,074	7
Total assets	341,044	331,084	3	344,730	326,632	6
Total deposits	239,054	235,662	1	238,292	230,744	3
Allocated equity	45,958	47,060	(2)	45,838	47,891	(4)
Economic capital	21,102	22,632	(7)	20,980	23,461	(11)
Period end				June 30 2012	December 31 2011	
Total loans and leases				$265,393	$278,178	(5)
Total earning assets				293,655	301,627	(3)
Total assets				340,559	348,738	(2)
Total deposits				241,344	246,325	(2)

Global Banking, which includes Global Corporate and Global Commercial Banking, and Investment Banking, provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our lending products and services include commercial loans, leases, commitment facilities, trade finance, real estate lending, asset-based lending and indirect consumer loans. Our treasury solutions business includes treasury management, foreign exchange and short-term investing options. We also work with our clients to provide investment banking products such as debt and equity underwriting and distribution, merger-related and other advisory services. Underwriting debt and equity issuances, fixed-income and equity research, and certain market-based activities are executed through our global broker/dealer affiliates which are our primary dealers in several countries. Within Global Banking, Global Commercial Banking clients are generally defined as companies with annual sales up to $2 billion, which include middle-market companies, commercial real estate firms, federal and state governments and municipalities. Global Corporate Banking clients include large corporations, generally defined as companies with annual sales greater than $2 billion.

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Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Net income decreased $515 million to $1.4 billion driven by a decrease in revenue of $374 million, or eight percent, primarily due to lower investment banking fees, lower interest rates and the benefit from accretion on certain acquired portfolios in the prior-year period, partially offset by the impact of higher average loan and deposit balances and gains from certain legacy portfolios.

The provision for credit losses was a benefit of $113 million compared to a benefit of $557 million for the same period in 2011. Asset quality continued to improve, with declines in reservable criticized exposure and nonperforming assets.

Noninterest expense decreased $56 million, or three percent, to $2.2 billion primarily due to lower personnel expenses.

Average loans and leases increased $7.7 billion, or three percent, primarily driven by growth in U.S. and non-U.S. commercial and industrial loans and non-U.S. trade finance. Average deposits increased $3.4 billion as balances continued to grow from excess market liquidity and limited alternative investment options.

The return on average economic capital decreased due to lower net income, partially offset by a decrease in average economic capital. Average economic capital decreased seven percent primarily due to a reduction in credit risk.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net income decreased $508 million to $3.0 billion driven by a decrease in revenue of $625 million, or seven percent, primarily driven by the same factors as described in the three-month discussion above.

The provision for credit losses was a benefit of $351 million compared to a benefit of $681 million for the same period in 2011, with the decrease primarily driven by the same factors as described in the three-month discussion above.

Noninterest expense decreased $189 million, or four percent, to $4.3 billion primarily driven by the same factors as described in the three-month discussion above.

Average loans and leases increased $13.9 billion, or five percent, and average deposits increased $7.5 billion, or three percent, primarily driven by the same factors as described in the three-month discussion above.

The return on average economic capital and average economic capital decreased primarily due to the same factors as discussed in the three-month discussion above. For more information regarding economic capital, see Supplemental Financial Data on page 17.

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Global Corporate and Global Commercial Banking

Global Corporate and Global Commercial Banking includes Global Treasury Services and Business Lending activities. Global Treasury Services includes deposit, treasury management, credit card, foreign exchange, short-term investment and custody solutions to corporate and commercial banking clients. Business Lending includes various loan-related products and services including commercial loans, leases, commitment facilities, trade financing, real estate lending, asset-based lending and indirect consumer loans. The table below presents total net revenue, total average and ending deposits, and total average and ending loans and leases for Global Corporate and Global Commercial Banking.

Global Corporate and Global Commercial Banking

	Three Months Ended June 30					
	Global Corporate Banking		Global Commercial Banking		Total	
(Dollars in millions)	2012	2011	2012	2011	2012	2011
Revenue						
Global Treasury Services	$619	$638	$893	$912	$1,512	$1,550
Business Lending	850	786	1,129	1,370	1,979	2,156
Total revenue, net of interest expense	$1,469	$1,424	$2,022	$2,282	$3,491	$3,706
Average						
Total loans and leases	$108,367	$96,874	$159,295	$162,194	$267,662	$259,068
Total deposits	108,450	109,324	130,578	126,291	239,028	235,615
	Six Months Ended June 30					
	2012	2011	2012	2011	2012	2011
Revenue						
Global Treasury Services	$1,264	$1,259	$1,836	$1,766	$3,100	$3,025
Business Lending	1,730	1,772	2,276	2,608	4,006	4,380
Total revenue, net of interest expense	$2,994	$3,031	$4,112	$4,374	$7,106	$7,405
Average						
Total loans and leases	$110,649	$93,939	$161,270	$163,377	$271,919	$257,316
Total deposits	107,071	106,662	131,193	124,036	238,264	230,698
Period end						
Total loans and leases	$107,146	$100,207	$158,077	$161,845	$265,223	$262,052
Total deposits	111,551	114,388	129,764	129,584	241,315	243,972

Global Corporate and Global Commercial Banking revenue decreased $215 million to $3.5 billion and $299 million to $7.1 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011.

Global Treasury Services revenue decreased $19 million in both Global Corporate Banking and Global Commercial Banking for the three months ended June 30, 2012 due to the low rate environment. Global Treasury Services revenue increased $5 million and $70 million in Global Corporate Banking and Global Commercial Banking for the six months ended June 30, 2012 as growth in U.S. and non-U.S. deposit volumes was partially offset by the low rate environment.

Business Lending revenue in Global Corporate Banking increased $64 million for the three months ended June 30, 2012 as growth in loan volumes and gains from certain legacy portfolios were offset by lower accretion on acquired portfolios due to the impact of prepayments in prior periods. Business Lending revenue in Global Corporate Banking declined $42 million for the six months ended June 30, 2012 from lower net interest income impacted by the rate environment and lower accretion on acquired portfolios partially offset by the growth in loan volumes and gains from certain legacy portfolios. Business Lending revenue declined $241 million and $332 million in Global Commercial Banking for the three and six months ended June 30, 2012 as planned reductions in the commercial real estate and auto portfolios and lower accretion on acquired portfolios were partially offset by increases in the commercial and industrial portfolio.

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Average loans and leases in Global Corporate and Global Commercial Banking increased three percent and six percent for the three and six months ended June 30, 2012 compared to the same periods in 2011 as growth in U.S. and non-U.S. commercial and non-U.S. trade finance portfolios driven by continued international demand and improved domestic momentum was partially offset by planned reductions in the commercial real estate and auto portfolios. Average deposits in Global Corporate and Global Commercial Banking increased one and three percent for the three and six months ended June 30, 2012 as balances continued to grow due to excess market liquidity and limited alternative investment options.

Investment Banking

Client teams and product specialists underwrite and distribute debt, equity and other loan products, and provide advisory services and tailored risk management solutions. The economics of certain investment banking and underwriting activities are shared primarily between Global Banking and Global Markets based on the contribution by, and involvement of each segment. To provide a complete discussion of our consolidated investment banking income, the table below presents total Corporation investment banking income as well as the portion attributable to Global Banking.

Investment Banking Fees

	Three Months Ended June 30				Six Months Ended June 30			
	Global Banking		Total Corporation		Global Banking		Total Corporation	
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011
Products								
Advisory	$314	$356	$340	$382	$504	$657	$543	$702
Debt issuance	248	420	647	939	594	809	1,424	1,785
Equity issuance	71	172	192	422	186	349	497	869
Gross investment banking fees	633	948	1,179	1,743	1,284	1,815	2,464	3,356
Self-led	(5)	(32)	(33)	(59)	(26)	(38)	(101)	(94)
Total investment banking fees	$628	$916	$1,146	$1,684	$1,258	$1,777	$2,363	$3,262

Total Corporation investment banking fees, excluding self-led deals, decreased $538 million, or 32 percent, and $899 million, or 28 percent, for the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily driven by lower underwriting fees due to a decrease in our market share and an overall decline in global fee pools. Investment banking fees may be adversely impacted during the remainder of 2012 by lower client activity and challenging market conditions as a result of, among other factors, the European sovereign debt crisis and continued market uncertainty.

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Global Markets

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2012	2011	% Change	2012	2011	% Change
Net interest income (FTE basis)	$650	$874	(26)%	$1,448	$1,894	(24)%
Noninterest income:						
Investment and brokerage services	445	557	(20)	955	1,204	(21)
Investment banking fees	438	700	(37)	994	1,350	(26)
Trading account profits	1,707	2,014	(15)	3,744	4,628	(19)
All other income	125	268	(53)	417	609	(32)
Total noninterest income	2,715	3,539	(23)	6,110	7,791	(22)
Total revenue, net of interest expense (FTE basis)	3,365	4,413	(24)	7,558	9,685	(22)
Provision for credit losses	(14)	(8)	75	(34)	(41)	(17)
Noninterest expense	2,711	3,263	(17)	5,787	6,376	(9)
Income before income taxes	668	1,158	(42)	1,805	3,350	(46)
Income tax expense (FTE basis)	206	247	(17)	545	1,044	(48)
Net income	$462	$911	(49)	$1,260	$2,306	(45)
Return on average allocated equity	10.84 %	15.90 %		14.29 %	18.85 %	
Return on average economic capital	14.92	19.99		19.42	23.23	
Efficiency ratio (FTE basis)	80.59	73.94		76.58	65.84	
Balance Sheet						
Average						
Total trading-related assets [(1)]	$459,869	$499,274	(8)	$454,300	$478,242	(5)
Total earning assets [(1)]	444,537	457,845	(3)	434,447	461,526	(6)
Total assets	581,952	622,915	(7)	570,273	602,447	(5)
Allocated equity	17,132	22,990	(25)	17,725	24,667	(28)
Economic capital	12,524	18,344	(32)	13,096	20,069	(35)
Period end				June 30 2012	December 31 2011	
Total trading-related assets [(1)]				$443,948	$397,876	12
Total earning assets [(1)]				428,940	372,851	15
Total assets				561,815	501,824	12

(1) Trading-related assets include assets which are not considered earning assets (i.e., derivative assets).

Global Markets offers sales and trading services, including research, to institutional clients across fixed-income, credit, currency, commodity and equity businesses. Global Markets product coverage includes securities and derivative products in both the primary and secondary markets. Global Markets provides market-making, financing, securities clearing, settlement and custody services globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate clients to provide risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of our market-making activities in these products, we may be required to manage risk in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, MBS, commodities and asset-backed securities (ABS). In addition, the economics of certain investment banking and underwriting activities are shared primarily between Global Markets and Global Banking based on the activities performed by each segment. Global Banking originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by Global Markets. For additional information on investment banking fees on a consolidated basis, see page 46.

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Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Net income decreased $449 million to $462 million primarily driven by lower sales and trading revenue as discussed below, and a decline in new issuance activity. Investment banking fees decreased $262 million to $438 million primarily driven by lower underwriting fees due to a decline in our market share and an overall decline in the global fee pool. Noninterest expense decreased $552 million, or 17 percent, to $2.7 billion due to lower personnel and related expenses.

The return on average economic capital decreased due to lower net income, partially offset by a 32 percent decrease in average economic capital due to a decline in trading risk primarily due to lower trading-related balances.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net income decreased $1.0 billion to $1.3 billion primarily driven by lower sales and trading revenue as discussed below, including higher net DVA losses. Net DVA losses were $1.6 billion compared to $234 million due to more significant tightening of our credit spreads. Investment banking fees decreased $356 million to $994 million. Noninterest expense decreased $589 million, or nine percent, to $5.8 billion due to a reduction in personnel and related expenses, and lower brokerage, clearing and exchange expenses.

Average earning assets decreased $27.1 billion to $434.4 billion driven by the movement of certain equity securities to non-earning trading-related assets. At June 30, 2012, period-end earning assets were $428.9 billion, an increase of $56.1 billion from December 31, 2011 primarily due to client activity resulting in increases in trading-related assets and securities borrowed transactions.

The return on average economic capital and average economic capital decreased due to the same factors as described in the three-month discussion above. For more information regarding economic capital, see Supplemental Financial Data on page 17.

Sales and Trading Revenue

Sales and trading revenue includes unrealized and realized gains and losses on trading and other assets, net interest income, and fees primarily from commissions on equity securities. The table below and related discussion present total sales and trading revenue, substantially all of which is in Global Markets with the remainder in Global Banking. Sales and trading revenue is segregated into fixed income (investment and non-investment grade corporate debt obligations, commercial mortgage-backed securities, RMBS and collateralized debt obligations (CDOs)), currencies (interest rate and foreign exchange contracts), commodities (primarily futures, forwards, swaps and options) and equity income from equity-linked derivatives and cash equity activity.

Sales and Trading Revenue [1, 2]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Sales and trading revenue				
Fixed income, currencies and commodities	$2,418	$2,642	$5,261	$6,031
Equity income	759	1,077	1,666	2,316
Total sales and trading revenue	$3,177	$3,719	$6,927	$8,347
Sales and trading revenue, excluding DVA				
Fixed income, currencies and commodities	$2,555	$2,550	$6,685	$6,247

Equity income	778	1,046	1,832	2,334
Total sales and trading revenue, excluding DVA	$3,333	$3,596	$8,517	$8,581

(1) Includes a FTE adjustment of $57 million and $105 million for the three and six months ended June 30, 2012 compared to $43 million and $99 million for the same periods in 2011. For additional information on sales and trading revenue, see Note 3 – Derivatives to the Consolidated Financial Statements.

(2) Includes Global Banking sales and trading revenue of $240 million and $445 million for the three and six months ended June 30, 2012 compared to $32 million and $136 million for the same periods in 2011.

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Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Fixed income, currencies and commodities (FICC) revenue decreased $224 million, or eight percent, to $2.4 billion due to increased investor risk aversion resulting from market uncertainty stemming from the Eurozone crisis and slower economic growth as reflected in lower trading volumes. Equity income decreased $318 million, or 30 percent, to $759 million primarily due to lower commissions and trading revenue as a result of lower market volumes. Sales and trading revenue included total commissions and brokerage fee revenue of $445 million ($435 million from equities and $10 million from FICC) for the three months ended June 30, 2012 and $557 million ($531 million from equities and $26 million from FICC) for the three months ended June 30, 2011. The $112 million decrease in commissions and brokerage fee revenue was primarily due to lower market volumes.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

FICC revenue decreased $770 million, or 13 percent, to $5.3 billion primarily due to net DVA losses. Excluding net DVA losses, FICC revenue increased $438 million, or seven percent, to $6.7 billion, primarily driven by our rates and currencies business as a result of stronger client flows and a gain on the sale of an equity investment in our mortgage business. This was partially offset by our exit from the stand-alone proprietary trading business in the prior year. Equity income decreased $650 million, or 28 percent, to $1.7 billion. Sales and trading revenue included total commissions and brokerage fee revenue of $955 million ($930 million from equities and $25 million from FICC) for the six months ended June 30, 2012 and $1.2 billion ($1.1 billion from equities and $55 million from FICC) for the six months ended June 30, 2011. Commissions and brokerage fee revenue decreased $249 million. These changes were due to the same factors as described in the three-month discussion above.

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

In conjunction with regulatory reform measures and our initiative to optimize our balance sheet, we exited our stand-alone proprietary trading business as of June 30, 2011, which involved trading activities in a variety of products, including stocks, bonds, currencies and commodities. There was no proprietary trading revenue for the three and six months ended June 30, 2012 compared to $231 million and $434 million for the same periods in 2011. For additional information on restrictions on proprietary trading, see Regulatory Matters – Limitations on Proprietary Trading on page 43 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

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Global Wealth & Investment Management

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in millions)	2012	2011	% Change	2012	2011	% Change
Net interest income (FTE basis)	$1,446	$1,573	(8)%	$3,024	$3,143	(4)%
Noninterest income:						
Investment and brokerage services	2,334	2,378	(2)	4,630	4,756	(3)
All other income	537	544	(1)	1,023	1,092	(6)
Total noninterest income	2,871	2,922	(2)	5,653	5,848	(3)
Total revenue, net of interest expense (FTE basis)	4,317	4,495	(4)	8,677	8,991	(3)
Provision for credit losses	47	72	(35)	93	118	(21)
Noninterest expense	3,408	3,624	(6)	6,858	7,213	(5)
Income before income taxes	862	799	8	1,726	1,660	4
Income tax expense (FTE basis)	319	286	12	636	605	5
Net income	$543	$513	6	$1,090	$1,055	3
Net interest yield (FTE basis)	2.26 %	2.34 %		2.33 %	2.32 %	
Return on average allocated equity	12.15	11.71		12.46	11.98	
Return on average economic capital	30.03	30.45		31.81	30.72	
Efficiency ratio (FTE basis)	78.94	80.64		79.03	80.24	
Balance Sheet						
Average						
Total loans and leases	$104,102	$102,201	2	$103,569	$101,530	2
Total earning assets	256,958	269,208	(5)	261,112	273,193	(4)
Total assets	276,914	289,262	(4)	280,920	293,369	(4)
Total deposits	251,121	255,432	(2)	251,913	257,066	(2)
Allocated equity	17,974	17,560	2	17,601	17,745	(1)
Economic capital	7,353	6,854	7	6,970	7,028	(1)
Period end				June 30 2012	December 31 2011	
Total loans and leases				$105,395	$103,460	2
Total earning assets				257,884	263,501	(2)
Total assets				277,988	284,062	(2)
Total deposits				249,755	253,264	(1)

GWIM consists of two primary businesses: Merrill Lynch Global Wealth Management (MLGWM) and U.S. Trust, Bank of America Private Wealth Management (U.S. Trust).

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

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

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Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Net income increased $30 million to $543 million driven by lower noninterest expense and lower provision expense, partially offset by lower revenue. Revenue decreased $178 million, or four percent, to $4.3 billion primarily due to lower net interest income resulting from the continued low rate environment, and lower transactional activity, partially offset by higher asset management fees driven by continued long-term assets under management (AUM) flows and higher market levels. Noninterest expense decreased $216 million, or six percent, to $3.4 billion driven by lower FDIC and other volume-driven expenses, lower litigation expense and other expense reductions, partially offset by continued investment in the business.

The provision for credit losses decreased $25 million to $47 million due to improving portfolio trends within the residential mortgage portfolio.

Revenue from MLGWM was $3.6 billion, down four percent driven by lower transactional activity and net interest income. Revenue from U.S. Trust was $655 million, down seven percent primarily driven by lower net interest income.

The return on average economic capital was relatively unchanged as net income and average economic capital increased modestly.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net income increased $35 million to $1.1 billion driven by the same factors as described in the three-month discussion above. Revenue decreased $314 million, or three percent, to $8.7 billion and noninterest expense decreased $355 million, or five percent, to $6.9 billion driven by the same factors as described in the three-month discussion above.

The provision for credit losses decreased $25 million to $93 million due to the same factors as described in the three-month discussion above.

Revenue from MLGWM was $7.3 billion, down three percent and revenue from U.S. Trust was $1.3 billion, down six percent driven by the same factors as described in the three-month discussion above.

The return on average economic capital increased primarily due to higher net income while average economic capital remained relatively unchanged. For more information regarding economic capital, see Supplemental Financial Data on page 17.

Migration Summary

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

Migration Summary

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Average				
Total deposits — GWIM from / (to) CBB	$355	$(2,087)	$133	$(1,704)

Total loans — GWIM to CRES and the ALM portfolio	(198)	(184)	(146)	(93)
Period end				
Total deposits — GWIM from / (to) CBB	$738	$1,387	$651	$(2,500)
Total loans — GWIM to CRES and the ALM portfolio	(79)	(189)	(223)	(189)

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Client Balances

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

Client Balances by Type

(Dollars in millions)	June 30 2012	December 31 2011
Assets under management	$682,227	$647,126
Brokerage assets	1,039,942	1,024,193
Assets in custody	111,357	107,989
Deposits	249,755	253,264
Loans and leases (1)	108,792	106,672
Total client balances	$2,192,073	$2,139,244

(1) Includes margin receivables which are classified in other assets on the Corporation's Consolidated Balance Sheet.

The increase of $52.8 billion, or two percent, in client balances was driven by higher market levels and inflows into long-term AUM and loans, partially offset by deposit outflows.

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All Other

(Dollars in millions)	Three Months Ended June 30 2012	2011	% Change	Six Months Ended June 30 2012	2011	% Change
Net interest income (FTE basis)	$84	$543	(85)%	$507	$1,370	(63)%
Noninterest income:						
Card income	84	149	(44)	171	303	(44)
Equity investment income (loss)	(63)	1,139	n/m	354	2,554	(86)
Gains on sales of debt securities	354	831	(57)	1,066	1,299	(18)
All other loss	(71)	(112)	(37)	(2,324)	(879)	164
Total noninterest income (loss)	304	2,007	(85)	(733)	3,277	n/m
Total revenue, net of interest expense (FTE basis)	388	2,550	(85)	(226)	4,647	n/m
Provision for credit losses	536	1,841	(71)	1,782	4,007	(56)
Merger and restructuring charges	—	159	n/m	—	361	n/m
All other noninterest expense	849	587	45	3,135	2,318	35
Loss before income taxes	(997)	(37)	n/m	(5,143)	(2,039)	152
Income tax expense (benefit) (FTE basis)	(661)	130	n/m	(2,215)	(759)	192
Net loss	$(336)	$(167)	101	$(2,928)	$(1,280)	129

Balance Sheet						
Average						
Loans and leases:						
Residential mortgage	$216,974	$227,307	(5)	$219,501	$226,531	(3)
Non-U.S. credit card	13,641	27,259	(50)	13,896	27,445	(49)
Discontinued real estate	10,243	12,450	(18)	10,510	12,673	(17)
Other	16,483	20,824	(21)	16,820	21,419	(21)
Total loans and leases	257,341	287,840	(11)	260,727	288,068	(9)
Total assets [(1)]	310,129	374,561	(17)	311,302	393,993	(21)
Total deposits	31,274	48,109	(35)	35,524	49,110	(28)
Allocated equity [(2)]	86,926	77,759	12	85,245	71,568	19

Period end	June 30 2012	December 31 2011	
Loans and leases:			
Residential mortgage	$213,826	$224,654	(5)
Non-U.S. credit card	13,431	14,418	(7)
Discontinued real estate	10,059	11,095	(9)
Other	16,189	17,454	(7)
Total loans and leases	253,505	267,621	(5)
Total assets [(1)]	295,207	309,613	(5)
Total deposits	27,157	32,869	(17)

(1) For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets from All Other to those segments to match liabilities (i.e., deposits) and allocated equity. Such allocated assets were $516.6 billion and $514.2 billion for the three and six months ended

June 30, 2012 compared to $501.4 billion and $493.7 billion for the same periods in 2011, and $526.4 billion and $495.3 billion at June 30, 2012 and December 31, 2011.

(2) Represents the economic capital assigned to All Other as well as the remaining portion of equity not specifically allocated to the business segments. Allocated equity increased due to the disposition of certain assets, as previously disclosed.

n/m = not meaningful

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All Other consists of two broad groupings, Equity Investments and Other. Equity Investments includes Global Principal Investments (GPI) which is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. Equity Investments also includes Strategic investments which include our investment in CCB in which we currently hold approximately one percent of the outstanding common shares, and certain other investments. For additional information on our investment in CCB, see Note 4 – Securities to the Consolidated Financial Statements. Other includes liquidating businesses, ALM activities such as the residential mortgage portfolio and investment securities, as well as economic hedges, gains/losses on structured liabilities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. Other also includes certain residential mortgage and discontinued real estate loans that are managed by Legacy Assets & Servicing within CRES.

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

The net loss increased $169 million to $336 million primarily due to lower net interest income as a result of lower securities yields, a decrease in equity investment income, lower gains on the sales of debt securities and negative fair value adjustments on structured liabilities of $62 million compared to positive fair value adjustments of $214 million in the same period in 2011. Partially offsetting these items are a $1.3 billion reduction in the provision for credit losses and $505 million of net gains resulting from the repurchase of certain debt and trust preferred securities. Equity investment income decreased $1.2 billion as the year-ago quarter included an $836 million CCB dividend and a $377 million gain on the sale of an equity investment.

Noninterest expense increased $262 million due to higher litigation expense. There were no merger and restructuring expenses for the three months ended June 30, 2012 compared to $159 million in the same period in 2011.

The provision for credit losses decreased $1.3 billion to $536 million primarily driven by continued improvement in credit quality in the residential mortgage portfolio as well as a lower provision related to the Countrywide PCI discontinued real estate and residential mortgage portfolios.

The income tax benefit was $661 million compared to an expense of $130 million and changed primarily as a result of the larger pre-tax loss in All Other, a valuation allowance recorded in the second quarter of 2011 and recurring tax preference items.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

The net loss increased $1.6 billion to $2.9 billion primarily due to lower net interest income as a result of lower securities yields, negative fair value adjustments on structured liabilities of $3.4 billion related to the tightening of our credit spreads during the 2012 period compared to $372 million of negative fair value adjustments in the same period in 2011 and a $2.2 billion decrease in equity investment income. Partially offsetting these items are a $2.2 billion reduction in the provision for credit losses and $1.7 billion of net gains resulting from repurchases of certain debt and trust preferred securities in 2012. The decrease in equity investment income was a result of the same factors described in the three-month discussion above, as well as a $1.1 billion gain related to an IPO of an equity investment in the six-month period in 2011.

Noninterest expense increased $817 million driven by the same factor as described in the three-month discussion above. There were no merger and restructuring expenses for the six months ended June 30, 2012 compared to $361 million in the same period in 2011.

The provision for credit losses decreased $2.2 billion to $1.8 billion driven by the same factors as described in the three-month discussion above.

The income tax benefit was $2.2 billion compared to a benefit of $759 million and changed primarily due to the same factors as described in the three-month discussion above.

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Equity Investment Activity

The tables below present the components of equity investments in All Other at June 30, 2012 and December 31, 2011, and also a reconciliation to the total consolidated equity investment income for the three and six months ended June 30, 2012 and 2011. The increase in equity investment income in the business segments was primarily driven by the gains on the sale of an equity investment in Global Markets.

Equity Investments

(Dollars in millions)	June 30 2012	December 31 2011
Global Principal Investments	$4,123	$5,659
Strategic and other investments	1,328	1,343
Total equity investments included in All Other	$5,451	$7,002

Equity Investment Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Global Principal Investments	$(137)	$401	$266	$1,768
Strategic and other investments	74	738	88	786
Total equity investment income (loss) included in All Other	(63)	1,139	354	2,554
Total equity investment income included in the business segments	431	73	779	133
Total consolidated equity investment income	$368	$1,212	$1,133	$2,687

Equity investments included in All Other decreased $1.6 billion at June 30, 2012 compared to December 31, 2011, with substantially all of the decrease due to sales in the GPI portfolio. GPI had unfunded equity commitments of $282 million and $710 million at June 30, 2012 and December 31, 2011 related to certain investments. In connection with the Corporation's strategy to reduce risk-weighted assets, we sold certain investments, including related commitments.

Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. For additional information on our obligations and commitments, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements, Off-Balance Sheet Arrangements and Contractual Obligations on page 33 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K, as well as Note 13 – Long-term Debt and Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Representations and Warranties

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

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

For additional information about accounting for representations and warranties and our representations and warranties claims and exposures, see Complex Accounting Estimates – Representations and Warranties. Additionally, see Note 9 – Representations and Warranties Obligations and Corporate Guarantees and Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Representations and Warranties Bulk Settlement Actions

We have settled, or entered into agreements to settle, certain bulk representations and warranties claims with a trustee (the Trustee) for certain legacy Countrywide private-label securitization trusts (the BNY Mellon Settlement); two monoline insurers Assured Guaranty Ltd. (the Assured Guaranty Settlement) and Syncora Guarantee Inc. and Syncora Holdings, Ltd. (the Syncora Settlement); and with each of the GSEs (the GSE Agreements). We have vigorously contested any request for repurchase when we conclude that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, we have reached bulk settlements, or agreements for bulk settlements, including settlement amounts which are material, with the above-referenced counterparties in lieu of a loan-by-loan review process. We may reach other settlements in the future if opportunities arise on terms we believe to be advantageous. However, there can be no assurance that we will reach future settlements or, if we do, that the terms of past settlements, such as the Syncora Settlement, can be relied upon to predict the terms of future settlements. For a summary of the larger bulk settlement actions taken in 2010 and 2011 and the related impact on the representations and warranties provision and liability, see Note 9 – Representations and Warranties Obligations and Corporate Guarantees and Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. These bulk settlements generally did not cover all transactions with the relevant counterparties or all potential claims that may arise, including in some instances securities law, fraud and servicing claims, and our liability in connection with the transactions and claims not covered by these settlements could be material.

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Recent Developments Related to the BNY Mellon Settlement

The BNY Mellon Settlement is subject to final court approval and certain other conditions. Under an order entered by the state court in connection with the BNY Mellon Settlement, potentially interested persons had the opportunity to give notice of intent to object to the settlement (including on the basis that more information was needed) until August 30, 2011. Approximately 44 groups or entities appeared prior to the deadline; seven of those groups or entities have subsequently withdrawn from the proceeding and one motion to intervene was denied. Certain of these groups or entities filed notices of intent to object, made motions to intervene, or both filed notices of intent to object and made motions to intervene. The parties filing motions to intervene include the Attorneys General of the states of New York and Delaware; the Attorneys General's motions were granted on June 6, 2012.

Certain of the motions to intervene and/or notices of intent to object allege various purported bases for opposition to the settlement. These include challenges to the nature of the court proceeding and the lack of an opt-out mechanism, alleged conflicts of interest on the part of the institutional investor group and/or the Trustee, the inadequacy of the settlement amount and the method of allocating the settlement amount among the 525 legacy Countrywide first-lien and five second-lien non-GSE residential mortgage-backed securitization trusts (the Covered Trusts), while other motions do not make substantive objections but state that they need more information about the settlement. Parties who filed notices stating that they wished to obtain more information about the settlement include the FDIC and the Federal Housing Finance Agency.

An investor opposed to the settlement removed the proceeding to federal district court, and the federal district court denied the Trustee's motion to remand the proceeding to state court. On February 27, 2012, the U.S. Court of Appeals issued an opinion reversing the district court denial of the Trustee's motion to remand the proceeding to state court and ordering that the proceeding be remanded to state court. On April 24, 2012, a hearing was held on threshold issues, at which the court denied the objectors' motion to convert the proceeding to a plenary proceeding. Several status hearings on discovery and other case administration matters have taken place. We are not a party to the proceeding.

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

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

There can be no assurance that final court approval of the BNY Mellon Settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and legacy Countrywide will not determine to withdraw from the settlement. If final court approval is not obtained or if we and legacy Countrywide determine to withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different than existing accruals and the estimated range of possible loss over existing accruals as described under Experience with Investors Other than Government-sponsored Enterprises on page 63. For more information about the risks associated with the BNY Mellon Settlement, see Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Recent Syncora Settlement

On July 17, 2012, we, including certain of our affiliates, entered into an agreement with Syncora Guarantee Inc. and Syncora Holdings, Ltd. (Syncora) to resolve all of the monoline insurer's outstanding and potential claims related to alleged representations and warranties breaches involving eight first- and six second-lien RMBS trusts where Syncora provided financial guarantee insurance. The agreement, among other things, also resolves historical loan servicing issues and other potential liabilities to Syncora with respect to these trusts. The agreement covers the five second-lien RMBS trusts that were the subject of litigation and nine other first- and second-lien RMBS trusts, which had an original principal balance of first-lien mortgages of approximately $9.6 billion and second-lien mortgages of approximately $7.7 billion. As of June 30, 2012, $3.0 billion of loans in these first-lien trusts and $1.4 billion of loans in these second-lien trusts have defaulted or are 180 days or more past due (severely delinquent). The agreement provided for a cash payment of $375 million to Syncora. In addition, the parties entered into securities transfers and purchase transactions in connection with the settlement in order to terminate certain other relationships among the parties. The total cost to the Corporation was approximately $400 million and was fully accrued for by the Corporation at June 30, 2012.

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Unresolved Claims Status

Unresolved Repurchase Claims

At June 30, 2012, the total notional amount of our unresolved representations and warranties repurchase claims was approximately $22.7 billion compared to $12.6 billion at December 31, 2011. These repurchase claims do not include any repurchase claims related to the Covered Trusts. Unresolved repurchase claims represent the notional amount of repurchase claims made by counterparties, typically the outstanding principal balance or the unpaid principal balance at the time of default. For a table of unresolved repurchase claims, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements. In the case of first-lien mortgages, the claim amount is often significantly greater than the expected loss amount due to the benefit of collateral and, in some cases, mortgage insurance or mortgage guarantee payments. Claims received from a counterparty remain as outstanding until the underlying loan is repurchased, the claim is rescinded by the counterparty, or the claim is otherwise resolved. When a claim is denied and we do not receive a response from the counterparty, the claim remains in the unresolved claims balance until resolution. We expect unresolved repurchase claims to continue to increase due to, among other things, our differences with Fannie Mae (FNMA) regarding our interpretation of the governing contracts ongoing litigation with monoline insurers, and a continuing submission of claims by private-label securitization trustees in combination with the lack of an established process to resolve disputes with private-label securitization trustees. For more information see Estimated Range of Possible Loss – Government-sponsored Enterprises on page 60.

The notional amount of unresolved GSE repurchase claims totaled $11.0 billion at June 30, 2012. We continued to experience elevated levels of new claims from FNMA, including claims related to loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) and, to a lesser extent, loans which defaulted more than 18 months prior to the repurchase request. Unresolved claims from FNMA totaled $10.1 billion at June 30, 2012, including $7.3 billion of claims related to loans on which the borrower has made at least 25 payments. During the six months ended June 30, 2012, we received $6.3 billion of claims from FNMA, including $5.5 billion of claims related to loans originated between 2005 and 2007. This amount includes $4.4 billion of loans on which the borrower had made at least 25 payments, including $2.1 billion of loans on which the borrower had made at least 37 payments. Historically, for those claims that have been approved for repurchase from the GSEs, our loss severity rate on loans originated between 2004 and 2008 has averaged approximately 55 percent of the claim amount, which may or may not be predictive of future loss severity rates. We continue to believe that our interpretation of the governing contracts is consistent with past practices between the parties and our contractual obligations. For further discussion of our experience with the GSEs, see Government-sponsored Enterprises Experience on page 61.

The notional amount of unresolved monoline repurchase claims totaled $3.1 billion at June 30, 2012. We have had limited repurchase claims experience with monoline insurers due to ongoing litigation and have not received a significant amount of new repurchase claims from the monolines in recent periods. We have reviewed and declined to repurchase substantially all of the unresolved claims at June 30, 2012 based on an assessment of whether a breach exists that materially and adversely affected the insurer's interest in the mortgage loan. Further, in our experience, the monolines have been generally unwilling to withdraw repurchase claims, regardless of whether and what evidence was offered to refute a claim. Substantially all of the unresolved monoline claims pertain to second-lien loans and, except those that have been resolved in the Syncora Settlement, are currently the subject of litigation. In addition, $674 million of monoline claims outstanding at June 30, 2012 were resolved through the Syncora Settlement on July 17, 2012. For further discussion of our experience with the monoline insurers, see Monoline Insurers on page 63.

The notional amount of unresolved claims from private-label securitization trustees, whole-loan investors and others increased to $8.6 billion at June 30, 2012 compared to $3.3 billion at December 31, 2011. The increase is primarily due to increases in submission of claims by private-label securitization trustees. We anticipated an increase in aggregate non-GSE claims at the time of the BNY Mellon Settlement a year ago, and such increase in aggregate non-GSE claims was taken into consideration in developing the increase in our reserves at that time. We do expect unresolved repurchase claims from private-label securitization trustees to increase as claims continue to be submitted by private-label securitization trustees and there is not an established process for the ultimate resolution of claims on which there is a disagreement. At least 25 payments have been made on approximately 63 percent of the defaulted and severely delinquent loans sold to non-GSE securitizations or as whole loans between 2004 and 2008. For further discussion of our experience with whole loans and private-label securitizations, see Whole Loans and Private-label Securitizations on page 64.

During the three months ended June 30, 2012, the Corporation received $8.2 billion in new repurchase claims, including $4.4 billion submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations, $3.7 billion submitted by private-label securitization trustees and $119 million submitted by whole-loan investors. During the three months ended June 30, 2012, $1.6 billion in claims were resolved, primarily with the GSEs. Of the claims resolved, $876 million were resolved through rescissions and $704 million were resolved through mortgage repurchases and make-whole payments.

During the six months ended June 30, 2012, the Corporation received $12.9 billion in new repurchase claims, including $7.4 billion submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations, $5.3 billion submitted by private-label securitization trustees and $226 million submitted by whole-loan investors. During the six months ended June 30, 2012, $2.8 billion in claims were resolved, primarily with the GSEs. Of the claims resolved, $1.6 billion were resolved through rescissions and $1.2 billion were resolved through mortgage repurchases and make-whole payments. In both periods new claims from monolines remained low, which the Corporation believes was due in part to the monolines' continued focus on litigation. For more information on repurchase claims received from the GSEs, monoline insurers, and private-label securitization trustees, whole-loan investors and others, and the resolution of such claims, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements. For additional information concerning FHA-insured loans, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 65.

In addition and not included in total unresolved repurchase claims of $22.7 billion, we have received repurchase demands from private-label securitization investors and a master servicer where we believe the claimants have not satisfied the contractual thresholds to direct the securitization trustee to take action and/or that these demands are otherwise procedurally or substantively invalid. The total amounts outstanding of such demands were $3.1 billion and $1.7 billion as of June 30, 2012 and December 31, 2011. During the three months ended June 30, 2012 no additional such demands were received. We do not believe that the $3.1 billion in demands received are valid repurchase claims, and therefore it is not possible to predict the resolution with respect to such demands. Of the demands outstanding at June 30, 2012 and December 31, 2011, $1.7 billion relates to loans underlying securitizations included in the BNY Mellon Settlement. A claimant, Walnut Place (11 entities with the common name Walnut Place, including Walnut Place LLC, and Walnut Place II LLC through Walnut Place XI LLC), had filed two lawsuits against the Corporation relating to $1.4 billion of these demands; following determination by the courts that the governing agreements bar repurchase claims by certificateholders and the consequent dismissal of Walnut Place's first lawsuit, the parties stipulated in July 2012 to the dismissal of Walnut Place's second lawsuit. For more information on the litigation with Walnut Place LLC, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements and Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. If the BNY Mellon Settlement is approved by the court, the remaining repurchase demands related to loans underlying securitizations included in the BNY Mellon Settlement will be resolved by the settlement.

Open Mortgage Insurance Rescission Notices

In addition to repurchase claims, we receive notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices) and the amount of such notices has remained elevated. At June 30, 2012, we had approximately 106,000 open MI rescission notices compared to 90,000 at December 31, 2011. Through June 30, 2012, 28 percent of the MI rescission notices received have been resolved. Of those resolved, 21 percent were resolved through our acceptance of the MI rescission, 51 percent were resolved through reinstatement of coverage or payment of the claim by the mortgage insurance company, and 28 percent were resolved on an aggregate basis through settlement, policy commutation or similar arrangement. As of June 30, 2012, 72 percent of the MI rescission notices we have received have not yet been resolved. Of those not yet resolved, 44 percent are implicated by ongoing litigation where no loan-level review is currently contemplated (nor required to preserve our legal rights). In this litigation, the litigating mortgage insurance companies are also seeking bulk rescission of certain policies, separate and apart from loan-by-loan denials or rescissions. We are in the process of reviewing 37 percent of the remaining open MI rescission notices, and we have reviewed and are contesting the MI rescission with respect to 63 percent of these MI rescission notices. Of the remaining open MI rescission notices, 23 percent are also the subject of ongoing litigation; although, at present, these MI rescissions are being processed in a manner generally consistent with those not affected by litigation. For additional information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

In 2011, FNMA issued an announcement requiring servicers to report all MI rescission notices with respect to loans sold to FNMA and confirmed FNMA's view of its position that a mortgage insurance company's issuance of a MI rescission notice constitutes a breach of the lender's representations and warranties and permits FNMA to require the lender to repurchase the mortgage loan or promptly remit a make-whole payment covering FNMA's loss even if the lender is contesting the MI rescission notice. According to FNMA's announcement, through June 30, 2012, lenders had 90 days to appeal FNMA's repurchase request and 30 days (or such other time frame specified by FNMA) to appeal after that date. We also expect that in many cases, particularly in the context of individual or bulk rescissions being contested through litigation, we will not be able to resolve MI rescission notices with the mortgage insurance companies before the expiration of the appeal period prescribed by the FNMA announcement. We have informed FNMA that we do not believe that the new policy is valid under our contracts with FNMA, and that we do not intend to repurchase loans under the terms set forth in the new policy. Our pipeline of outstanding repurchase claims from the GSEs based solely on MI rescission notices has increased to $2.0 billion at June 30, 2012 from $1.2 billion at December 31, 2011. Approximately 75 percent of this increase relates to loans for which the borrower has made at least 25 payments. If we are required to abide by the terms of FNMA's stated policy regarding MI rescission notices, the amount of loans we are required to repurchase could increase; and if it does, our representations and warranties liability will increase. For additional information on the FNMA announcement, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements. Additionally, see Off-Balance Sheet Arrangements and Contractual Obligations – Government-sponsored Enterprises Experience on page 37 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

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Representations and Warranties Liability

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Corporation's Consolidated Balance Sheet and the related provision is included in mortgage banking income. The estimate of the liability for representations and warranties is based on currently available information, significant judgment and a number of other factors that are subject to change. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material adverse impact on our results of operations for any particular period. For additional information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

The liability for obligations under representations and warranties with respect to GSE and non-GSE exposures and the corresponding estimated range of possible loss for non-GSE representations and warranties exposures does not consider any losses related to litigation matters disclosed in Note 10 – Commitments and Contingencies to the Consolidated Financial Statements or Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any other possible losses related to potential claims for breaches of performance of servicing obligations, except as such losses are included as potential costs of the BNY Mellon Settlement, potential securities law or fraud claims or potential indemnity or other claims against us, including claims related to loans insured by the FHA. We are not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law, fraud or other claims against us, except to the extent reflected in the aggregate range of possible loss for litigation and regulatory matters disclosed in Note 10 – Commitments and Contingencies to the Consolidated Financial Statements, however, such loss could be material.

At both June 30, 2012 and December 31, 2011, the liability was $15.9 billion. For the three and six months ended June 30, 2012, the provision for representations and warranties and corporate guarantees was $395 million and $677 million compared to $14.0 billion and $15.1 billion for the same periods in 2011. The provision in the three months ended June 30, 2012 included provision related to non-GSE exposures where it was determined that the loss was probable based on recent activity with certain counterparties and, to a lesser extent, GSE exposures. The decrease in the provision from the prior-year period was primarily due to a higher provision in the prior-year period attributable to the BNY Mellon Settlement, other non-GSE exposures, and to a lesser extent, GSE exposures. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties Liability on page 35 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Estimated Range of Possible Loss

Government-sponsored Enterprises

Our estimated liability as of June 30, 2012 for obligations under representations and warranties with respect to GSE exposures is necessarily dependent on, and limited by, our historical claims experience with the GSEs. It includes our understanding of our agreements with the GSEs and projections of future defaults as well as certain other assumptions and judgmental factors. Accordingly, future provisions associated with obligations under representations and warranties made to the GSEs may be materially impacted if actual experiences are different from historical experience or our understandings, interpretations or assumptions. Over time FNMA's repurchase requests, standards for rescission of repurchase requests and resolution processes have become inconsistent with its own past conduct and the Corporation's interpretation of the parties' contractual obligations. While we are seeking to resolve our differences with FNMA, whether we will be able to achieve a resolution of these differences on acceptable terms, and the timing and cost thereof, is subject to significant uncertainty.

It is reasonably possible that future representations and warranties losses with respect to GSE exposures may occur in excess of the amounts recorded for the GSE exposures, and the amount of any such additional liability could be material. Due to the significant uncertainty related to our continued differences with FNMA concerning each party's interpretation of the requirements of the governing contracts, it is not possible to reasonably estimate what the outcome or range of such additional possible loss may be. For information related to the sensitivity of the assumptions used to estimate our liability for obligations under representations and warranties, see Complex Accounting Estimates – Representations and Warranties on page 133.

Non-Government-sponsored Enterprises

The population of private-label securitizations included in the BNY Mellon Settlement encompasses almost all legacy Countrywide first-lien private-label securitizations including loans originated between 2004 and 2008. For the remainder of the population of private-label securitizations, other claimants have come forward and we believe it is probable that other claimants in certain types of securitizations may continue to come forward, with claims that meet the requirements of the terms of the securitizations. During the second quarter of 2012, we have seen an increase in repurchase claims from certain private-label securitization trustees. We believe that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded have provided for a substantial portion of our non-GSE representations and warranties exposure. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. In addition, we have not recorded any representations and warranties liability for certain potential monoline exposures and certain potential whole-loan and other private-label securitization exposures. We currently estimate that the range of possible loss related to non-GSE representations and warranties exposure as of June 30, 2012 could be up to $5 billion over existing accruals. The estimated range of possible loss for non-GSE representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change. For additional information about the methodology used to estimate the non-GSE representations and warranties liability and the corresponding range of possible loss, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Future provisions and/or ranges of possible loss for non-GSE representations and warranties may be significantly impacted if actual experiences are different from our assumptions in our predictive models, including, without limitation, those regarding ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, economic conditions, estimated home prices, consumer and counterparty behavior, and a variety of other judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss could result in significant increases to future provisions and this estimated range of possible loss. For example, if courts, in the context of claims brought by private-label securitization trustees, were to disagree with our interpretation that the underlying agreements require a claimant to prove that the representations and warranties breach was the cause of the loss, it could significantly impact this estimated range of possible loss. Additionally, if court rulings related to monoline litigation, including one related to us, that have allowed sampling of loan files instead of requiring a loan-by-loan review to determine if a representations and warranties breach has occurred are followed generally by the courts, private-label securitization investors may view litigation as a more attractive alternative compared to a loan-by-loan review. For additional information regarding these issues, see MBIA litigation in Litigation and Regulatory Matters in Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. Finally, although we believe that the representations and warranties typically given in non-GSE transactions are less rigorous and actionable than those given in GSE transactions, we do not have significant experience resolving loan-level claims in non-GSE transactions to measure the impact of these differences on the probability that a loan will be required to be repurchased.

Government-sponsored Enterprises Experience

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

Bank of America and legacy Countrywide sold approximately $1.1 trillion of loans originated from 2004 through 2008 to the GSEs. As of June 30, 2012, 12 percent of the original funded balance of loans in these vintages have defaulted or are 180 days or more past due (severely delinquent). At least 25 payments have been made on approximately 66 percent of severely delinquent or defaulted loans. Through June 30, 2012, we have received $39.1 billion in repurchase claims associated with these vintages, representing approximately three percent of the original funded balance of loans sold to the GSEs in these vintages. We have resolved $27.8 billion of these claims with a net loss experience of approximately 31 percent, after considering the effect of collateral. Our collateral loss severity rate on approved repurchases has averaged approximately 55 percent. In addition, $839 million of claims were extinguished as a result of the agreement with Freddie Mac (FHLMC) in 2010.

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Table 15 highlights our experience with the GSEs related to loans originated from 2004 through 2008.

Table 15
Overview of GSE Balances - 2004-2008 Originations

	Legacy Originator			
(Dollars in billions)	Countrywide	Other	Total	Percent of Total
Original funded balance	$846	$272	$1,118	
Principal payments	(478)	(164)	(642)	
Defaults	(66)	(11)	(77)	
Total outstanding balance at June 30, 2012	$302	$97	$399	
Outstanding principal balance 180 days or more past due (severely delinquent)	$44	$11	$55	
Defaults plus severely delinquent	110	22	132	
Payments made by borrower:				
Less than 13			$15	12 %
13-24			30	22
25-36			33	25
More than 36			54	41
Total payments made by borrower			$132	100 %
Unresolved GSE representations and warranties claims (all vintages)				
As of December 31, 2011			$6.3	
As of June 30, 2012			11.0	
Cumulative GSE representations and warranties losses (2004-2008 vintages)			$9.8	

We continued to experience elevated levels of new claims from FNMA, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) and, to a lesser extent, loans which defaulted more than 18 months prior to the repurchase request. Over time the criteria and the processes by which FNMA is ultimately willing to resolve claims have changed in ways that are unfavorable to us. In light of our disagreements with FNMA, we have adopted repurchase guidelines in order to be more consistent with past practices between the parties and with our understanding of our contractual obligations. These developments have resulted in an increase in claims outstanding from the GSEs to $11.0 billion at June 30, 2012 from $6.3 billion at December 31, 2011. Outstanding claims related to loans on which the borrower had made at least 25 payments totaled $7.9 billion at June 30, 2012 compared to $3.7 billion at December 31, 2011. We expect outstanding claims to continue to increase until we have resolved our differences with FNMA. While we are seeking to resolve our differences with FNMA, whether we will be able to achieve a resolution of these differences on acceptable terms, and the timing and cost thereof, continues to be subject to significant uncertainty. We have repurchased and continue to repurchase loans to the extent required under the contracts that govern our relationships with the GSEs. For additional information, see Open Mortgage Insurance Rescission Notices on page 59.

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

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Experience with Investors Other than Government-sponsored Enterprises

As detailed in Table 16, legacy companies and certain subsidiaries sold pools of first-lien mortgage loans and home equity loans as private-label securitizations or in the form of whole loans originated from 2004 through 2008 with an original principal balance of $963 billion to investors other than GSEs (although the GSEs are investors in certain private-label securitizations), of which approximately $517 billion in principal has been paid and $243 billion has defaulted or is severely delinquent at June 30, 2012. For additional information, see Experience with Investors Other than Government-sponsored Enterprises on page 38 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Table 16 details the population of loans originated between 2004 and 2008 and the population of loans sold as whole loans or in non-agency securitizations by entity and product together with the defaulted and severely delinquent loans stratified by the number of payments the borrower made prior to default or becoming severely delinquent as of June 30, 2012. As shown in Table 16, at least 25 payments have been made on approximately 63 percent of the defaulted and severely delinquent loans. We believe many of the defaults observed in these securitizations have been, and continue to be, driven by external factors like the substantial depreciation in home prices, persistently high unemployment and other negative economic trends, diminishing the likelihood that any loan defect (assuming one exists at all) was the cause of a loan’s default. As of June 30, 2012, approximately 25 percent of the loans sold to non-GSEs that were originated between 2004 and 2008 have defaulted or are severely delinquent. Of the original principal balance for Countrywide, $409 billion is included in the BNY Mellon Settlement and of this amount $113 billion is defaulted or severely delinquent at June 30, 2012.

Table 16
Overview of Non-Agency Securitization and Whole Loan Balances

(Dollars in billions)	Principal Balance		Defaulted or Severely Delinquent						
	Original Principal Balance	Outstanding Principal Balance June 30, 2012	Outstanding Principal Balance 180 Days or More Past Due	Defaulted Principal Balance	Defaulted or Severely Delinquent	Borrower Made Less than 13 Payments	Borrower Made 13 to 24 Payments	Borrower Made 25 to 36 Payments	Borrower Made More than 36 Payments
By Entity									
Bank of America	$100	$ 25	$4	$5	$9	$1	$2	$2	$4
Countrywide	716	227	71	118	189	24	44	46	75
Merrill Lynch	65	18	5	12	17	3	4	3	7
First Franklin	82	19	6	22	28	5	6	4	13
Total (1, 2)	$963	$ 289	$86	$157	$243	$33	$56	$55	$99
By Product									
Prime	$302	$ 93	$14	$20	$34	$2	$6	$7	$19
Alt-A	172	64	18	32	50	7	12	12	19
Pay option	150	49	24	33	57	5	14	16	22
Subprime	245	68	29	54	83	16	19	16	32
Home equity	88	13	—	17	17	2	5	4	6
Other	6	2	1	1	2	1	—	—	1
Total	$963	$ 289	$86	$157	$243	$33	$56	$55	$99

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

Monoline Insurers

Legacy companies sold $184.5 billion of loans originated between 2004 and 2008 into monoline-insured securitizations, which are included in Table 16, including $103.9 billion of first-lien mortgages and $80.6 billion of second-lien mortgages. Of these balances, $46.9 billion of the first-lien mortgages and $51.0 billion of the second-lien mortgages have been paid in full and $34.4 billion of the first-lien mortgages and $17.3 billion of the second-lien mortgages have defaulted or are severely delinquent at June 30, 2012. At least 25 payments have been made on approximately 58 percent of the defaulted and severely delinquent loans. Of the first-lien mortgages sold, $39.1 billion, or 38 percent, were sold as whole loans to other institutions which subsequently included these loans with those of other originators in private-label securitization transactions in which the monolines typically insured one or more securities. Through June 30, 2012, we have received $5.6 billion of representations and warranties claims from the monoline insurers related to the monoline-insured transactions, predominately second-lien transactions. Of these repurchase claims, $1.6 billion were resolved through the Assured Guaranty Settlement, $760 million were resolved through repurchase or indemnification with losses of $677 million, and $122 million were rescinded by the monoline insurers or paid in full. In addition, $674 million of monoline claims outstanding at June 30, 2012 were resolved through the Syncora Settlement on July 17, 2012. The majority of resolved claims with monolines related to second-lien mortgages. Our limited experience with most of the monoline insurers has varied in terms of process, and experience with these counterparties has not been predictable. Our limited claims experience with the monoline insurers, other than Assured Guaranty and Syncora, in the repurchase process is a result of these monoline insurers having instituted litigation against legacy Countrywide and/or Bank of America, which limits our ability to enter into constructive dialogue with these monolines to resolve the open claims. For additional information, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements.

At June 30, 2012, for loans originated between 2004 and 2008, the unpaid principal balance of loans related to unresolved monoline repurchase claims was $3.1 billion, substantially all of which we have reviewed and declined to repurchase based on an assessment of whether a material breach exists. This amount includes $674 million of claims that were resolved through the Syncora Settlement on July 17, 2012. At June 30, 2012, the unpaid principal balance of loans in these vintages for which the monolines had requested loan files for review but for which no repurchase claim had been received was $7.1 billion, excluding loans that had been paid in full and including $1.8 billion of file requests for loans included in trusts settled with Syncora subsequent to June 30, 2012. There will likely be additional requests for loan files in the future leading to repurchase claims. In addition, we have received claims from private-label securitization trustees related to first-lien third-party sponsored securitizations that include monoline insurance. For additional information, see Whole Loans and Private-label Securitizations below.

It is not possible at this time to reasonably estimate probable future repurchase obligations with respect to those monolines with whom we have limited repurchase experience and, therefore, no representations and warranties liability has been recorded in connection with these monolines, other than a liability for repurchase claims where we have determined that there are valid loan defects and determined that there is a breach of a representation and warranty and that any other requirements for repurchase have been met. Outside of the standard quality control process that is an integral part of our loan origination process, we do not generally review loan files until we receive a repurchase claim, including with respect to monoline exposures. Our estimated range of possible loss related to non-GSE representations and warranties exposure as of June 30, 2012 included possible losses related to these monoline insurers.

Whole Loans and Private-label Securitizations

Legacy entities, and to a lesser extent Bank of America, sold loans to investors as whole loans or via private-label securitizations. The majority of the loans sold were included in private-label securitizations, including third-party sponsored transactions. The loans sold with total principal balance of $778.2 billion, included in Table 16, were originated between 2004 and 2008, of which $418.8 billion have been paid in full and $191.3 billion are defaulted or severely delinquent at June 30, 2012. We provided representations and warranties to the whole-loan investors and these investors may retain those rights even when the whole loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. At least 25 payments have been made on approximately 65 percent of the defaulted and severely delinquent loans. We have received approximately $14.4 billion of representations and warranties claims from whole-loan investors and private-label securitization investors and trustees related to these vintages, including $6.1 billion from whole-loan investors, $7.5 billion from private-label securitization trustees and $818 million from one private-label securitization counterparty. In private-label securitizations, certain presentation thresholds need to be met in order for investors to direct a trustee to assert repurchase claims. Recent increases in new private-label claims are primarily related to repurchase requests received from trustees for private-label securitization transactions not included in the BNY Mellon Settlement, including claims related to first-lien third-party sponsored securitizations that include monoline insurance. Over time, there has been an increase in requests for loan files from certain private-label securitization trustees, as well as requests for tolling agreements to toll the applicable statutes of limitation relating to representations and warranties claims, and we believe it is likely that these requests will lead to an increase in repurchase claims from private-label securitization trustees with standing to bring such claims.

We have resolved $6.1 billion of the claims received from whole-loan investors and private-label securitization investors and trustees with losses of $1.5 billion. The majority of these resolved claims were from third-party whole-loan investors. Approximately $2.8 billion of these claims were resolved through repurchase or indemnification and $3.3 billion were rescinded by the investor. At June 30, 2012, for loans originated between 2004 and 2008, the notional amount of unresolved repurchase requests was $8.3 billion. We have performed an initial review with respect to $5.7 billion of these claims and do not believe a valid basis for repurchase has been established by the claimant and are still in the process of reviewing the remaining $2.6 billion of these claims.

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Certain whole-loan investors have engaged with us in a consistent repurchase process and we have used that and other experience to record the liability related to existing and future claims from such counterparties. The BNY Mellon Settlement led to the determination that we had sufficient experience to record a liability related to our exposure on certain other private-label securitizations but did not provide sufficient experience related to certain private-label securitizations sponsored by third-party whole-loan investors. As it relates to the other private-label securitizations sponsored by third-party whole-loan investors and certain other whole loan sales, it is not possible to determine whether a loss has occurred or is probable and, therefore, no representations and warranties liability has been recorded in connection with these transactions. We have not reviewed loan files related to private-label securitizations sponsored by third-party whole-loan investors (and are not required by the governing documents to do so). Our estimated range of possible loss related to non-GSE representations and warranties exposure as of June 30, 2012 included possible losses related to these whole loan sales and private-label securitizations sponsored by third-party whole-loan investors.

Private-label securitization investors generally do not have the contractual right to demand repurchase of loans directly or the right to access loan files. We have received repurchase demands totaling $3.1 billion from private-label securitization investors and a master servicer where in each case we believe the claimant has not satisfied the contractual thresholds to direct the securitization trustee to take action and/or that the demands are otherwise procedurally or substantively invalid. For additional information, see Unresolved Claim Status on page 58.

Servicing Matters and Foreclosure Processes

We service a large portion of the loans we or our subsidiaries have securitized and also service loans on behalf of third-party securitization vehicles and other investors. Servicing agreements with the GSEs generally provide the GSEs with broader rights relative to the servicer than are found in servicing agreements with private investors. For example, each GSE typically claims the right to demand that the servicer repurchase loans that breach the seller's representations and warranties made in connection with the initial sale of the loans even if the servicer was not the seller. The GSEs also claim that they have the contractual right to demand indemnification or loan repurchase for certain servicing breaches. In addition, the GSEs' first mortgage seller/servicer guides provide for timelines to resolve delinquent loans through workout efforts or liquidation, if necessary, and purport to require the imposition of compensatory fees if those deadlines are not satisfied except for reasons beyond the control of the servicer, although we believe that the governing contracts and legal principles should inform resolution of these matters. Under our servicing agreements for loans serviced on behalf of third parties, we are also required to provide certain advances for foreclosure costs which are not reimbursable. Foreclosure delays resulting in high delinquencies have resulted and are likely to continue to result in elevated advances and reserves. In addition, we service VA loans that are partially guaranteed. In the event that a loss on a VA loan exceeds the guarantee, we may be responsible for the loss in excess of the guarantee.

Many non-agency RMBS and whole-loan servicing agreements require the servicer to indemnify the trustee or other investor for or against failures by the servicer to perform its servicing obligations or acts or omissions that involve willful malfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, the servicer’s duties.

It is not possible to reasonably estimate our liability with respect to certain potential servicing-related claims. While we have recorded certain accruals for servicing-related claims, the amount of potential liability in excess of existing accruals could be material. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 40 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current servicing and foreclosure activities, including those claims not covered by the global settlement agreement reached on March 12, 2012 between the Corporation, 49 state Attorneys General and certain federal agencies. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. The current environment of heightened regulatory scrutiny may subject us to inquiries or investigations that could significantly adversely affect our reputation and result in material costs to us.

Servicing Resolution Agreements

The global settlement agreement among the Corporation and certain of its affiliates and subsidiaries, together with the U.S. Department of Justice, the U.S. Department of Housing and Urban Development and other federal agencies and 49 state Attorneys General concerning the terms of a settlement resolving investigations into certain residential mortgage origination, servicing and foreclosure practices (Global Settlement Agreement), was entered by the court as a consent judgment (Consent Judgment) on April 5, 2012. The Global Settlement Agreement provides for the establishment of certain uniform servicing standards, upfront cash payments of approximately $1.9 billion to the state and federal governments and for borrower restitution, approximately $7.6 billion in borrower assistance in the form of, among other things, credits earned for principal reduction, short sales, deeds-in-lieu of foreclosure, and approximately $1.0 billion of credits earned for interest rate reduction modifications. In addition, the settlement with the FHA provides for an upfront cash payment of $500 million to settle certain claims related to FHA-insured loans. We will also be obligated to provide additional cash payments of up to $850 million if we fail to earn an additional $850 million of credits stemming from incremental first-lien principal reductions over a three-year period. The liability for upfront payments totaling approximately $2.4 billion was included in our litigation reserves at March 31, 2012 and these payments were made in April 2012.

The borrower assistance program is not expected to result in any incremental credit provision, as we believe that the existing allowance for credit losses is adequate to absorb any costs that have not already been recorded as charge-offs. The interest rate modification program will consist of interest rate reductions on first-lien loans originated prior to January 1, 2009 that have a current loan-to-value (LTV) ratio greater than 100 percent and that meet certain eligibility criteria, including the requirement that all payments due for the last twelve months have been made in a timely manner. This program commits us to forego future interest payments that we may not otherwise have agreed to forego, and no loss has been recognized in the financial statements related to such forgone interest. Due to the time required to underwrite the modified loans, a significant number of modifications have not yet been completed. The interest rate modification program is expected to include approximately 20,000 to 25,000 loans with an aggregate unpaid principal balance of $5.4 billion to $6.8 billion. Assuming an average interest rate reduction of approximately two percent, the modifications are expected to result in a reduction of annual interest income of approximately $100 million to $130 million when the program is complete. Assuming a weighted-average loan life of approximately eight years, the fair value of loans in the program is expected to decrease by approximately $700 million to $900 million as a result of the interest rate reductions. The financial impact will vary depending on final terms of modifications offered and the rate of borrower acceptance. We do not expect loans modified under the program to be accounted for as troubled debt restructurings (TDRs). If the program is expanded to include loans that do not meet specified underwriting criteria, such as maximum debt-to-income ratios or minimum FICO scores, the modifications of such loans will be accounted for as TDRs.

We could be required to make additional payments if we fail to meet our borrower assistance and rate reduction modification commitments over a three-year period, in an amount equal to 125 percent to 140 percent of the shortfall, dependent on the two- and three-year commitment target. We also entered into agreements with several states under which we committed to perform certain minimum levels of principal reduction and related activities within those states as part of the Global Settlement Agreement, and under which we could be required to make additional payments if we fail to meet such minimum levels.

We believe that it is likely that we will meet all borrower assistance, rate reduction modification and principal reduction commitments required under the Global Settlement Agreement and, therefore, do not expect to be required to make additional cash payments. Although it is reasonably possible that the cost of fulfilling the commitments could increase, leading to an incremental credit provision, the amount of any such incremental provision is not reasonably estimable. Although we may incur additional operating costs such as servicing costs to implement parts of the Global Settlement Agreement in future periods, we do not expect that those costs will be material.

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

The Global Settlement Agreement does not cover certain claims arising out of securitization (including representations made to investors with respect to MBS), criminal claims, private claims by borrowers, claims by certain states for injunctive relief or actual economic damages to borrowers related to the Mortgage Electronic Registration Systems, Inc. (MERS), and claims by the GSEs (including repurchase demands), among other items. For additional information on MERS, see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage Electronic Registration Systems, Inc. on page 42 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Impact of Foreclosure Delays

In the six months ended June 30, 2012, we recorded $399 million of mortgage-related assessments, waivers and similar costs related to delayed foreclosures. We continue to disagree with the GSEs' attempt to make retroactive changes to the criteria for calculating and assessing compensatory fees for foreclosure delays. The GSEs have claimed compensatory fees significantly in excess of the amounts that we believe can be claimed under the governing contracts and legal principles. We expect higher costs will continue related to resources necessary to implement new servicing standards mandated for the industry, to implement other operational changes and delayed foreclosures. This will likely result in continued higher noninterest expense, including higher default servicing costs and legal expenses in CRES. It is also possible that the delays in foreclosure sales may result in additional costs and expenses, including costs associated with the maintenance of properties or possible home price declines while foreclosures are delayed. In addition, required process changes, including those required under the consent orders with federal bank regulators and the Consent Judgment with the federal agencies, are likely to result in further increases in our default servicing costs over the longer term. Finally, the time to complete foreclosure sales may continue to be protracted, which may result in a greater number of nonperforming loans and increased servicing advances and may impact the collectability of such advances and the value of our MSR asset, MBS and real estate owned properties. Accordingly, delays in foreclosure sales, including any delays beyond those currently anticipated, our continued process enhancements, including those required under the Office of the Comptroller of the Currency (OCC) and Federal Reserve consent orders and the Consent Judgment, and any issues that may arise out of alleged irregularities in our foreclosure process could significantly increase the costs associated with our mortgage operations.

Mortgage-related Settlements – Servicing Matters

In connection with the BNY Mellon Settlement, BANA has agreed to implement certain servicing changes. The Trustee and BANA have agreed to clarify and conform certain servicing standards related to loss mitigation. In particular, the BNY Mellon Settlement clarifies that it is permissible to apply the same loss mitigation strategies to the Covered Trusts as are applied to BANA affiliates' held-for-investment (HFI) portfolios. This portion of the agreement was effective in the second quarter of 2011 and is not conditioned on final court approval. In connection with the Global Settlement Agreement, BANA has agreed to implement certain additional servicing changes. The uniform servicing standards established under the Global Settlement Agreement are broadly consistent with the residential mortgage servicing practices imposed by the OCC consent order; however, they are more prescriptive and cover a broader range of our residential mortgage servicing activities. Implementation of these uniform servicing standards is expected to incrementally increase costs associated with the servicing process, but is not expected to result in material delays or dislocation in the performance of our mortgage servicing obligations, including the completion of foreclosures. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Mortgage-related Settlements – Servicing Matters on page 42 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Regulatory Matters

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Financial Reform Act) requires that all bank holding companies (BHCs) with assets greater than $50 billion submit a resolution plan to the Federal Reserve and the FDIC and file an updated plan annually. The resolution plan is a detailed roadmap for the orderly liquidation of the BHC and material entities under a hypothetical scenario. We submitted our resolution plan to the Federal Reserve and FDIC on June 29, 2012.

For information regarding other significant regulatory matters, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements herein, Regulatory Matters on page 43 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K, and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Managing Risk

Overview

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

We take a comprehensive approach to risk management. We have a defined risk framework and clearly articulated risk appetite which is approved annually by the Corporation's Board of Directors (the Board). Risk management planning is integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole as well as managing risk across the enterprise and within individual business units, products, services and transactions, and across all geographic locations. We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities. For a more detailed discussion of our risk management activities, see pages 45 through 97 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Strategic Risk Management

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

For more information on our Strategic Risk Management activities, see page 48 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Capital Management

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

To determine the appropriate level of capital, we assess the results of our Internal Capital Adequacy Assessment Process (ICAAP), the current economic and market environment, and feedback from investors, rating agencies and regulators. Based upon this analysis, we set capital guidelines for Tier 1 common capital and Tier 1 capital to ensure we can maintain an adequate capital position, including in a severe adverse economic scenario. We also target to maintain capital in excess of the capital required per our economic capital measurement process. For additional information, see Economic Capital on page 73. Management and the Board annually approve a comprehensive capital plan which documents the ICAAP and related results, analysis and support for the capital guidelines, and planned capital actions.

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

Regulatory Capital

As a financial services holding company, we are subject to the risk-based capital guidelines (Basel 1) issued by federal banking regulators. At June 30, 2012, we operated banking activities primarily under two charters: BANA and FIA Card Services, N.A. (FIA). Under these guidelines, the Corporation and its affiliated banking entities measure capital adequacy based on Tier 1 common capital, Tier 1 capital and Total capital (Tier 1 plus Tier 2 capital). Capital ratios are calculated by dividing each capital amount by risk-weighted assets. Additionally, Tier 1 capital is divided by adjusted quarterly average total assets to derive the Tier 1 leverage ratio.

The Corporation has issued notes to certain unconsolidated corporate-sponsored trust companies which issued qualifying trust preferred securities (Trust Securities) and hybrid securities. In accordance with Federal Reserve guidance, Trust Securities continue to qualify as Tier 1 capital with revised quantitative limits. As a result, at June 30, 2012, the Corporation included qualifying Trust Securities in the aggregate amount of $14.4 billion (approximately

121 bps of Tier 1 capital) in Tier 1 capital. Under a notice of proposed rulemaking on Basel 3 issued by U.S. banking regulatory agencies (Basel 3 NPR), outstanding Trust Securities will be excluded from Tier 1 capital, with the exclusion to be phased in incrementally over a four-year period, beginning January 1, 2013. The treatment of Trust Securities during the phase-in period is subject to future rulemaking. For additional information on trust preferred exchanges, see Recent Events – Capital and Liquidity Related Matters on page 6.

For additional information on these and other regulatory requirements, see Capital Management – Regulatory Capital on page 49 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K and Note 18 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

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On January 6, 2012, we submitted a capital plan to the Federal Reserve consistent with the rules governing Comprehensive Capital Analysis and Review (CCAR) and received results on March 13, 2012. The CCAR is the central element to the Federal Reserve's approach to ensuring large BHC have thorough and robust processes for managing their capital. The submitted capital plan included the ICAAP and related results, analysis and support for the capital guidelines and planned capital actions. The Federal Reserve's stress scenario projections for the Corporation estimated a minimum Tier 1 common capital ratio of 5.9 percent under severe adverse economic conditions with all proposed capital actions through the end of 2013, exceeding the five percent reference rate for all institutions involved in the CCAR. The capital plan submitted by the Corporation to the Federal Reserve did not include a request to return capital to stockholders in 2012 above the current dividend rate. The Federal Reserve did not object to our capital plan.

Capital Composition and Ratios

Tier 1 common capital was $134.1 billion at June 30, 2012, an increase of $7.4 billion from December 31, 2011. The increase was primarily driven by earnings eligible to be included in capital, which positively impacted the Tier 1 common capital ratio by approximately 25 bps, including the impact of repurchases of senior and subordinated debt and trust preferred securities. The Tier 1 common capital ratio also benefited seven bps from the issuance of common stock in lieu of cash for a portion of employee incentive compensation. Total capital decreased $6.2 billion at June 30, 2012 compared to December 31, 2011 primarily due to a reduction in subordinated debt from repurchases, partially offset by earnings.

Risk-weighted assets decreased $91.0 billion to $1,193 billion at June 30, 2012 compared to December 31, 2011. The decrease was primarily driven by lower loan levels and a decline in off-balance sheet assets, which in the aggregate increased the Tier 1 common, Tier 1 and Total capital ratios 65 bps, 81 bps and 106 bps, respectively. The Tier 1 leverage ratio increased 31 bps at June 30, 2012 compared to December 31, 2011 primarily driven by the increase in Tier 1 capital.

Table 17 presents Bank of America Corporation’s capital ratios and related information at June 30, 2012 and December 31, 2011.

Table 17
Bank of America Corporation Regulatory Capital

	June 30, 2012 Actual				December 31, 2011 Actual			
(Dollars in millions)	Ratio		Amount	Minimum Required [1]	Ratio		Amount	Minimum Required [1]
Tier 1 common capital ratio	11.24	%	$134,082	n/a	9.86	%	$126,690	n/a
Tier 1 capital ratio	13.80		164,665	$47,737	12.40		159,232	$ 51,379
Total capital ratio	17.51		208,936	95,474	16.75		215,101	102,757
Tier 1 leverage ratio	7.84		164,665	84,036	7.53		159,232	84,557

	June 30 2012	December 31 2011
Risk-weighted assets (in billions)	$1,193	$ 1,284
Adjusted quarterly average total assets (in billions) [2]	2,101	2,114

[1] Dollar amount required to meet guidelines for adequately capitalized institutions.
[2] Reflects adjusted average total assets for the three months ended June 30, 2012 and December 31, 2011.

n/a = not applicable

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Table 18 presents the capital composition at June 30, 2012 and December 31, 2011.

Table 18
Capital Composition

(Dollars in millions)	June 30 2012	December 31 2011
Total common shareholders' equity	$217,213	$ 211,704
Goodwill	(69,976)	(69,967)
Nonqualifying intangible assets (includes core deposit intangibles, affinity relationships, customer relationships and other intangibles)	(5,433)	(5,848)
Net unrealized gains on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	(225)	682
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	3,360	4,391
Fair value adjustment related to structured liabilities [1]	3,071	944
Disallowed deferred tax asset	(15,598)	(16,799)
Other	1,670	1,583
Total Tier 1 common capital	134,082	126,690
Qualifying preferred stock	15,844	15,479
Trust preferred securities	14,400	16,737
Noncontrolling interests	339	326
Total Tier 1 capital	164,665	159,232
Long-term debt qualifying as Tier 2 capital	27,734	38,165
Allowance for loan and lease losses	30,288	33,783
Reserve for unfunded lending commitments	574	714
Allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets	(15,701)	(18,159)
Other	1,376	1,366
Total capital	$208,936	$ 215,101

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

Regulatory Capital Changes

We manage regulatory capital to adhere to internal capital guidelines and regulatory standards of capital adequacy based on our current understanding of the rules and the application of such rules to our business as currently conducted. The regulatory capital rules continue to evolve.

We currently measure and report our capital ratios and related information in accordance with Basel 1. See Capital Management on page 68 for additional information. In December 2007, U.S. banking regulators published final Basel 2 rules (Basel 2). We measure and report our capital ratios and related information under Basel 2 on a confidential basis to U.S. banking regulators during the required parallel period. In June 2012, U.S. banking regulators issued final rules that amend the Basel 1 Market Risk rules (Market Risk Amendment) effective January 1, 2013. U.S. banking regulators also issued the Basel 3 NPR in June 2012 to implement the Basel 3 regulatory capital reforms from the Basel Committee on Banking Supervision (Basel Committee) and changes required by the Financial Reform Act. The Basel 3 NPR also requires approval by the U.S. regulatory agencies of analytical models used as part of capital measurement. If these models are not approved, it would likely lead to an increase in our risk-weighted assets, which in some cases could be significant.

Portions of the Basel 3 NPR are proposed to be effective on specific dates from January 1, 2013 through January 1, 2018, based on specific transition provisions in the rules. The Market Risk Amendment and Basel 3 NPR are expected to substantially increase our capital requirements. We continue to evaluate the capital impact of these rules and currently anticipate that we will be in compliance with the rules by the current effective adoption date on January 1, 2013.

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Under the Basel 3 NPR, Trust Securities will not be included in Tier 1 capital on a transition basis from a 25 percent exclusion starting on January 1, 2013, to full exclusion on January 1, 2016 and thereafter. The Basel 3 NPR also proposes material changes to the deduction of certain assets from capital, new minimum capital ratios and buffer requirements, a Standardized Approach in lieu of Basel 1 that provides a floor to the calculation of risk-weighted assets and significant changes to the calculation of credit and counterparty credit risk. Many of the changes to capital deductions are subject to a transition period where the impact is recognized in 20 percent increments beginning on January 1, 2014 through January 1, 2018. The majority of the other aspects of the Basel 3 NPR are proposed to become effective on January 1, 2013. The phase-in period for the new minimum capital requirements and related buffers is proposed to occur between 2013 and 2019.

Based on Basel 2, our interpretation of the Market Risk Amendment and the international Basel 3 rules issued by the Basel Committee, we estimated our Basel 3 Tier 1 common capital ratio, on a fully-phased in basis, to be 8.10 percent at June 30, 2012. As of June 30, 2012, we estimated that our Tier 1 common capital would be $127 billion and total risk-weighted assets would be $1,566 billion, also on a fully phased-in basis. This assumes the approval by U.S. banking regulators of our internal analytical models. Additionally, if we had utilized the Basel 3 NPR recently issued by U.S. regulatory agencies and the final Market Risk Amendment, the estimated Basel 3 Tier 1 common capital ratio of 8.10 percent would be approximately 15 bps lower. Important differences between Basel 1 and Basel 3 include capital deductions related to our MSRs, deferred tax assets and defined benefit pension assets, and the inclusion of unrealized gains and losses on debt and equity securities recognized in accumulated OCI, each of which will be impacted by future changes in both interest rates as well as overall earnings performance. Our estimates under the Basel 3 NPR will be refined over time as our businesses change, as we continue to refine our models, as our and the industry's understanding and interpretation of the rules evolve and as a result of further rulemaking or clarification by U.S. regulating agencies. Preparing for the implementation of the new capital rules is a top strategic priority, and we expect to comply with the final rules when issued and effective. We intend to continue to build capital through retaining earnings, actively managing our portfolios and implementing other capital related initiatives, including focusing on reducing both higher risk-weighted assets and assets proposed to be deducted from capital under the Basel 3 NPR.

Additionally, capital requirements for global, systemically important financial institutions including the methodology for measuring systemic importance, the additional capital required (the SIFI buffer), and the arrangements by which they will be phased in were proposed by the Basel Committee in 2011. As proposed, the SIFI buffer would increase minimum capital requirements for Tier 1 common capital from one percent to 2.5 percent, and in certain circumstances, 3.5 percent. This is proposed to be phased in from 2016 through 2018. U.S. banking regulators have not yet provided similar rules for the U.S. implementation of a SIFI buffer.

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

For additional information regarding Basel 2, the Market Risk Amendment, Basel 3 and other proposed regulatory capital changes, see Note 18 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

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

Table 19 presents regulatory capital information for BANA and FIA at June 30, 2012 and December 31, 2011.

Table 19
Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

	June 30, 2012			December 31, 2011		
	Actual			Actual		
(Dollars in millions)	Ratio	Amount	Minimum Required [1]	Ratio	Amount	Minimum Required [1]
Tier 1 capital ratio						
Bank of America, N.A.	12.88 %	$120,372	$37,371	11.74 %	$119,881	$40,830
FIA Card Services, N.A.	16.02	20,769	5,187	17.63	24,660	5,596
Total capital ratio						
Bank of America, N.A.	15.64	146,111	74,742	15.17	154,885	81,661
FIA Card Services, N.A.	17.39	22,558	10,375	19.01	26,594	11,191
Tier 1 leverage ratio						
Bank of America, N.A.	8.76	120,372	54,955	8.65	119,881	55,454
FIA Card Services, N.A.	13.19	20,769	6,298	14.22	24,660	6,935

[1] Dollar amount required to meet guidelines for adequately capitalized institutions.

BANA's Tier 1 capital ratio increased 114 bps to 12.88 percent and the Total capital ratio increased 47 bps to 15.64 percent at June 30, 2012 compared to December 31, 2011. The increase in the ratios was driven by a decrease in risk-weighted assets of $86.5 billion compared to December 31, 2011 and earnings eligible to be included in capital of $3.7 billion and $6.9 billion during the three and six months ended June 30, 2012, partially offset by dividends paid to Bank of America Corporation of $2.3 billion and $6.7 billion during the three and six months ended June 30, 2012.

FIA's Tier 1 capital ratio decreased 161 bps to 16.02 percent and the Total capital ratio decreased 162 bps to 17.39 percent at June 30, 2012 compared to December 31, 2011. The Tier 1 leverage ratio decreased 103 bps to 13.19 percent at June 30, 2012 compared to December 31, 2011. The decrease in the Tier 1 capital and Total capital ratios was driven by returns of capital of $3.0 billion and $6.0 billion to Bank of America Corporation during the three and six months ended June 30, 2012, partially offset by earnings eligible to be included in capital of $953 million and $2.0 billion. The decrease in the Tier 1 leverage ratio was driven by the decrease in Tier 1 capital, partially offset by a decrease in adjusted quarterly average total assets of $15.9 billion.

Broker/Dealer Regulatory Capital

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

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At June 30, 2012, MLPF&S’s regulatory net capital as defined by Rule 15c3-1 was $10.8 billion and exceeded the minimum requirement of $684 million by $10.1 billion. MLPCC’s net capital of $1.7 billion exceeded the minimum requirement of $219 million by $1.5 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of $1.0 billion, net capital in excess of $500 million and notify the SEC in the event its tentative net capital is less than $5.0 billion. At June 30, 2012, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

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Economic Capital

Our economic capital measurement process provides a risk-based measurement of the capital required for unexpected credit, market and operational losses over a one-year time horizon at a 99.97 percent confidence level. Economic capital is allocated to each business unit, and is used for capital adequacy, performance measurement and risk management purposes. The strategic planning process utilizes economic capital with the goal of allocating risk appropriately and measuring returns consistently across all businesses and activities. Economic capital allocation plans are incorporated into the Corporation's financial plan which is approved by the Board on an annual basis. For additional information regarding economic capital, credit risk capital, market risk capital and operational risk capital, see page 52 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Common Stock Dividends

Table 20 is a summary of our declared quarterly cash dividends on common stock during 2012 and through August 2, 2012.

Table 20
Common Stock Cash Dividend Summary

Declaration Date	Record Date	Payment Date	Dividend Per Share
July 11, 2012	September 7, 2012	September 28, 2012	$0.01
April 11, 2012	June 1, 2012	June 22, 2012	0.01
January 11, 2012	March 2, 2012	March 23, 2012	0.01

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Preferred Stock Dividends

Table 21 is a summary of our cash dividend declarations on preferred stock during the second quarter of 2012 and through August 2, 2012. For additional information on preferred stock, see Note 15 – Shareholders' Equity to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Table 21
Preferred Stock Cash Dividend Summary

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate		Dividend Per Share
Series B [1]	$ 1	April 11, 2012	July 11, 2012	July 25, 2012	7.00	%	$1.75
		July 11, 2012	October 11, 2012	October 25, 2012	7.00		1.75
Series D [2]	$ 654	April 3, 2012	May 31, 2012	June 14, 2012	6.204	%	$0.38775
		July 3, 2012	August 31, 2012	September 14, 2012	6.204		0.38775
Series E [2]	$ 317	April 3, 2012	April 30, 2012	May 15, 2012	Floating		$0.25000
		July 3, 2012	July 31, 2012	August 15, 2012	Floating		0.25556
Series F	$ 141	April 3, 2012	May 31, 2012	June 15, 2012	Floating		$1,022.22
		July 3, 2012	August 31, 2012	September 17, 2012	Floating		1,022.22
Series G	$ 493	April 3, 2012	May 31, 2012	June 15, 2012	Adjustable		$1,022.22
		July 3, 2012	August 31, 2012	September 17, 2012	Adjustable		1,022.22
Series H [2]	$ 2,862	April 3, 2012	April 15, 2012	May 1, 2012	8.20	%	$0.51250
		July 3, 2012	July 15, 2012	August 1, 2012	8.20		0.51250
Series I [2]	$ 365	April 3, 2012	June 15, 2012	July 2, 2012	6.625	%	$0.41406
		July 3, 2012	September 15, 2012	October 1, 2012	6.625		0.41406
Series J [2]	$ 951	April 3, 2012	April 15, 2012	May 1, 2012	7.25	%	$0.45312
		July 3, 2012	July 15, 2012	August 1, 2012	7.25		0.45312
Series K [3, 4]	$ 1,544	July 3, 2012	July 15, 2012	July 30, 2012	Fixed-to-Floating		$40.00
Series L	$ 3,080	June 15, 2012	July 1, 2012	July 30, 2012	7.25	%	$18.125
Series M [3, 4]	$ 1,310	April 3, 2012	April 30, 2012	May 15, 2012	Fixed-to-Floating		$40.625
Series T [1]	$ 5,000	June 15, 2012	June 25, 2012	July 10, 2012	6.00	%	$1,500.00
Series 1 [5]	$ 98	April 3, 2012	May 15, 2012	May 29, 2012	Floating		$0.18750
		July 3, 2012	August 15, 2012	August 28, 2012	Floating		0.18750
Series 2 [5]	$ 299	April 3, 2012	May 15, 2012	May 29, 2012	Floating		$0.18750
		July 3, 2012	August 15, 2012	August 28, 2012	Floating		0.19167
Series 3 [5]	$ 653	April 3, 2012	May 15, 2012	May 29, 2012	6.375	%	$0.39843
		July 3, 2012	August 15, 2012	August 28, 2012	6.375		0.39843
Series 4 [5]	$ 210	April 3, 2012	May 15, 2012	May 29, 2012	Floating		$0.25000
		July 3, 2012	August 15, 2012	August 28, 2012	Floating		0.25556
Series 5 [5]	$ 422	April 3, 2012	May 1, 2012	May 21, 2012	Floating		$0.25000
		July 3, 2012	August 1, 2012	August 21, 2012	Floating		0.25556
Series 6 [6]	$ 59	April 3, 2012	June 15, 2012	June 29, 2012	6.70	%	$0.41875

		July 3, 2012	September 14, 2012	September 28, 2012	6.70		0.41875
Series 7 (6)	$ 17	April 3, 2012	June 15, 2012	June 29, 2012	6.25	%	$0.39062
		July 3, 2012	September 14, 2012	September 28, 2012	6.25		0.39062
Series 8 (5)	$ 2,673	April 3, 2012	May 15, 2012	May 29, 2012	8.625	%	$0.53906
		July 3, 2012	August 15, 2012	August 28, 2012	8.625		0.53906

(1) Dividends are cumulative.

(2) Dividends per depositary share, each representing a 1/1,000th interest in a share of preferred stock.

(3) Initially pays dividends semi-annually.

(4) Dividends per depositary share, each representing a 1/25th interest in a share of preferred stock.

(5) Dividends per depositary share, each representing a 1/1,200th interest in a share of preferred stock.

(6) Dividends per depositary share, each representing a 1/40th interest in a share of preferred stock.

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Enterprise-wide Stress Testing

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

Liquidity Risk

Funding and Liquidity Risk Management

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

Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. For additional information regarding global funding and liquidity risk management, see Funding and Liquidity Risk Management on page 53 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Global Excess Liquidity Sources and Other Unencumbered Assets

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

Our Global Excess Liquidity Sources were $378 billion at both June 30, 2012 and December 31, 2011 and were maintained as presented in Table 22.

Table 22

Global Excess Liquidity Sources

(Dollars in billions)	June 30 2012	December 31 2011	Average for Three Months Ended June 30, 2012
Parent company	$111	$ 125	$120
Bank subsidiaries	240	222	243
Broker/dealers	27	31	29
Total global excess liquidity sources	$378	$ 378	$392

As shown in Table 22, parent company Global Excess Liquidity Sources totaled $111 billion and $125 billion at June 30, 2012 and December 31, 2011. The decrease in parent company liquidity was primarily due to long-term debt maturities. Typically, parent company cash is deposited overnight with BANA.

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Global Excess Liquidity Sources available to our bank subsidiaries totaled $240 billion and $222 billion at June 30, 2012 and December 31, 2011. The increase in liquidity available to our bank subsidiaries was primarily due to a reduction in loan balances. These amounts are distinct from the cash deposited by the parent company presented in Table 22. In addition to their Global Excess Liquidity Sources, our bank subsidiaries hold other unencumbered investment-grade securities that we believe could also be used to generate liquidity. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain Federal Home Loan Banks (FHLBs) and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was approximately $198 billion and $189 billion at June 30, 2012 and December 31, 2011. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can only be used to fund obligations within the bank subsidiaries and can only be transferred to the parent company or nonbank subsidiaries with prior regulatory approval.

Global Excess Liquidity Sources available to our broker/dealer subsidiaries totaled $27 billion and $31 billion at June 30, 2012 and December 31, 2011. Our broker/dealers also held other unencumbered investment-grade securities and equities that we believe could also be used to generate additional liquidity. Liquidity held in a broker/dealer subsidiary is available to meet the obligations of that entity and can only be transferred to the parent company or to any other subsidiary with prior regulatory approval due to regulatory restrictions and minimum requirements.

Table 23 presents the composition of Global Excess Liquidity Sources at June 30, 2012 and December 31, 2011.

Table 23
Global Excess Liquidity Sources Composition

(Dollars in billions)	June 30 2012	December 31 2011
Cash on deposit	$85	$ 79
U.S. treasuries	28	48
U.S. agency securities and mortgage-backed securities	246	228
Non-U.S. government and supranational securities	19	23
Total global excess liquidity sources	$378	$ 378

Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is “Time to Required Funding.” This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation or Merrill Lynch & Co., Inc. (Merrill Lynch). These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity. The Corporation has established a target minimum for Time to Required Funding of 21 months. Our Time to Required Funding was 37 months at June 30, 2012. For purposes of calculating Time to Required Funding at June 30, 2012, we have also included in the amount of unsecured contractual obligations the $8.6 billion liability related to the BNY Mellon Settlement and the previously announced subordinated debt and trust preferred securities calls that settled in the third quarter of 2012. The BNY Mellon Settlement is subject to final court approval and certain other conditions, and the timing of payment is not certain.

We utilize liquidity stress models to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. These models are risk sensitive and have become increasingly important in analyzing our potential contractual and contingent cash outflows beyond those outflows considered in the Time to Required Funding analysis. We evaluate the liquidity requirements under a range of scenarios with varying levels of severity and time horizons. The scenarios we consider and utilize incorporate market-wide and Corporation-specific events, including potential credit ratings downgrades for the parent company and our subsidiaries, and are based on historical experience, regulatory guidance, and both expected and unexpected future events.

The types of potential contractual and contingent cash outflows we consider in our scenarios may include, but are not limited to, upcoming contractual maturities of unsecured debt and reductions in new debt issuance; diminished access to secured financing markets; potential deposit withdrawals and reduced rollover of maturing term deposits by customers; increased draws on loan commitments, liquidity facilities and letters of credit, including Variable Rate Demand Notes; additional collateral that counterparties could call if our credit ratings were further downgraded; collateral, margin and subsidiary capital requirements arising from losses; and potential liquidity required to maintain businesses and finance customer activities. Changes in certain market factors, including but not limited to credit rating downgrades, could negatively impact potential contractual and contingent outflows and the related financial instruments, and in some cases these impacts could be material to our financial results.

For additional information on Time to Required Funding and liquidity stress modeling, see page 54 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Basel 3 Liquidity Standards

In December 2010, the Basel Committee proposed two measures of liquidity risk which are considered part of Basel 3. The first proposed liquidity measure is the Liquidity Coverage Ratio (LCR), which is calculated as the amount of a financial institution’s unencumbered, high-quality, liquid assets relative to the net cash outflows the institution could encounter under an acute 30-day stress scenario. The second proposed liquidity measure is the Net Stable Funding Ratio (NSFR), which measures the amount of longer-term, stable sources of funding employed by a financial institution relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations over a one-year period. The Basel Committee expects the LCR requirement to be implemented in January 2015 and the NSFR requirement to be implemented in January 2018, following an observation period that began in 2011. We continue to monitor the development and the potential impact of these proposals, and assuming adoption by U.S. banking regulators, we expect to meet the final standards within the regulatory timelines.

Diversified Funding Sources

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

We fund a substantial portion of our lending activities through our deposits, which were $1.04 trillion and $1.03 trillion at June 30, 2012 and December 31, 2011. Deposits are primarily generated by our CBB, GWIM and Global Banking segments. These deposits are diversified by clients, product type and geography, and the majority of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including securitizations with GSEs, the FHA and private-label investors, as well as FHLB loans.

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

We reduced unsecured short-term borrowings at the parent company and broker/dealer subsidiaries, including commercial paper and master notes, to relatively insignificant amounts during the third quarter of 2011. For average and period-end balance discussions, see Balance Sheet Overview on page 13. For more information, see Note 12 – Federal Funds Sold, Securities Borrowed or Purchased Under Agreements to Resell and Short-term Borrowings to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

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Table 24 presents information on short-term borrowings.

Table 24
Short-term Borrowings

	Three Months Ended June 30				Six Months Ended June 30			
	Amount		Rate		Amount		Rate	
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011
Average during period								
Federal funds purchased	$213	$1,798	0.05 %	0.06 %	$237	$2,365	0.05 %	0.09 %
Securities loaned or sold under agreements to repurchase	279,283	274,875	1.07	1.52	267,713	289,096	1.08	1.34
Commercial paper	6	14,166	2.37	0.76	9	16,305	2.20	0.74
Other short-term borrowings	39,407	47,853	2.05	2.30	38,023	47,276	2.02	2.34
Total	$318,909	$338,692	1.19	1.59	$305,982	$355,042	1.20	1.43
Maximum month-end balance during period								
Federal funds purchased	$206	$1,622			$331	$4,133		
Securities loaned or sold under agreements to repurchase	287,310	284,944			287,310	293,519		
Commercial paper	11	17,423			172	21,212		
Other short-term borrowings	39,019	47,087			39,327	47,087		

	June 30, 2012		December 31, 2011	
	Amount	Rate	Amount	Rate
Period-end balance				
Federal funds purchased	$206	0.05 %	$243	0.06 %
Securities loaned or sold under agreements to repurchase	285,708	0.96	214,621	1.08
Commercial paper	—	—	23	1.70
Other short-term borrowings	39,019	2.01	35,675	2.35
Total	$324,933	1.11	$250,562	1.36

We issue the majority of our long-term unsecured debt at the parent company. During the three and six months ended June 30, 2012, the parent company issued $2.6 billion and $10.9 billion of long-term unsecured debt, including structured liabilities of $2.6 billion and $5.0 billion. We may also issue long-term unsecured debt at BANA, although there were no new issuances during the six months ended June 30, 2012. We issue long-term unsecured debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or the Corporation, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

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

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, see Interest Rate Risk Management for Nontrading Activities on page 126.

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We also diversify our unsecured funding sources by issuing various types of debt instruments including structured liabilities, which are debt obligations that pay investors returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivative positions and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured liability obligations for cash or other securities prior to maturity under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. We had outstanding structured liabilities with a carrying value of $52.5 billion and $50.9 billion at June 30, 2012 and December 31, 2011.

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

Prior to 2010, we participated in the FDIC's Temporary Liquidity Guarantee Program, which allowed us to issue senior unsecured debt guaranteed by the FDIC in return for a fee based on the amount and maturity of the debt. At June 30, 2012, there were no outstanding borrowings under the program.

Table 25 represents the carrying value of aggregate annual maturities of long-term debt at June 30, 2012.

Table 25
Long-term Debt By Maturity

(Dollars in millions)	2012	2013	2014	2015	2016	Thereafter	Total
Bank of America Corporation	$8,318	$11,045	$19,747	$14,799	$20,219	$73,692	$147,820
Merrill Lynch & Co., Inc. and subsidiaries	12,251	16,748	17,888	4,751	3,488	37,835	92,961
Bank of America, N.A. and subsidiaries	757	72	22	—	1,178	8,120	10,149
Other debt	4,134	4,927	1,637	353	15	1,396	12,462
Total long-term debt excluding consolidated VIEs	25,460	32,792	39,294	19,903	24,900	121,043	263,392
Long-term debt of consolidated VIEs	3,660	13,674	8,738	1,408	2,636	8,340	38,456
Total long-term debt	$29,120	$46,466	$48,032	$21,311	$27,536	$129,383	$301,848

Table 26 presents our long-term debt in the following currencies at June 30, 2012 and December 31, 2011.

Table 26
Long-term Debt By Major Currency

(Dollars in millions)	June 30 2012	December 31 2011
U.S. Dollar	$202,373	$ 255,262
Euro	59,648	68,799
Japanese Yen	16,803	19,568
British Pound	10,717	12,554
Canadian Dollar	3,458	4,621
Australian Dollar	2,866	4,900
Swiss Franc	1,850	2,268
Other	4,133	4,293
Total long-term debt	$301,848	$ 372,265

Total long-term debt decreased $70.4 billion or 19 percent at June 30, 2012 compared to December 31, 2011, primarily driven by maturities and liability management. This reflects our ongoing initiative to reduce our debt balances over time and we anticipate that debt levels will continue to decline, from both maturities and liability management, as appropriate through 2013. We may, from time to time, purchase outstanding debt securities in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, our broker/dealer subsidiaries may make markets in our debt instruments to provide liquidity for investors. For additional information regarding debt repurchases, see Recent Events – Capital and Liquidity Related Matters on page 6. For additional information on long-term debt funding, see Note 13 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K and for additional information regarding funding and liquidity risk management, see pages 53 through 57 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

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Contingency Planning

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

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

Credit Ratings

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

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

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

Each of the three major rating agencies, Moody's, S&P and Fitch, downgraded the ratings for the Corporation and its rated subsidiaries in late 2011. On June 21, 2012, Moody's completed its previously-announced review for possible downgrade of financial institutions with global capital markets operations, downgrading the ratings of 15 banks and securities firms, including our ratings. The Corporation's long-term debt rating and BANA's long-term and short-term debt ratings were downgraded one notch as part of this action. The Moody's downgrade did not have a material impact on our financial condition, results of operations or liquidity during the second quarter of 2012.

Currently, the Corporation's long-term/short-term senior debt ratings and outlooks expressed by the rating agencies are as follows: Baa2/P-2 (negative) by Moody's; A-/A-2 (negative) by S&P; and A/F1 (stable) by Fitch. BANA's long-term/short-term senior debt ratings and outlooks currently are as follows: A3/P-2 (stable) by Moody's; A/A-1 (negative) by S&P; and A/F1 (stable) by Fitch. The credit ratings of Merrill Lynch from the three major credit rating agencies are the same as those of Bank of America Corporation. The major credit rating agencies have indicated that the primary drivers of Merrill Lynch's credit ratings are Bank of America Corporation's credit ratings. MLPF&S's long-term/short-term senior debt ratings and outlooks are A/A-1 (negative) by S&P and A/F1 (stable) by Fitch. Merrill Lynch International's long-term/short-term senior debt ratings are A/A-1 (negative) by S&P.

The major rating agencies have each indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments. For additional information, see Liquidity Risk – Credit Ratings on page 56 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

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

At June 30, 2012, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the amount of additional collateral contractually required by derivative contracts and other trading agreements would have been approximately $2.3 billion comprised of $1.3 billion for BANA and $939 million for Merrill Lynch and certain of its subsidiaries. If the agencies had downgraded their long-term senior debt ratings for these entities by a second incremental notch, an incremental $4.2 billion in additional collateral comprised of $338 million for BANA and $3.8 billion for Merrill Lynch and certain of its subsidiaries, would have been required.

Also, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of June 30, 2012 was $6.1 billion, against which $5.3 billion of collateral had been posted. If the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries a second incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of June 30, 2012 was an incremental $1.9 billion, against which $1.4 billion of collateral had been posted.

While certain potential impacts are contractual and quantifiable, the full scope of consequences of a credit ratings downgrade to a financial institution is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a firm’s long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For additional information on potential impacts of credit ratings downgrades, see Time to Required Funding and Stress Modeling on page 76.

For information regarding the additional collateral and termination payments that could be required in connection with certain OTC derivative contracts and other trading agreements as a result of such a credit ratings downgrade, see Note 3 – Derivatives to the Consolidated Financial Statements and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

On June 8, 2012, S&P affirmed its 'AA+' long-term and 'A-1+' short-term sovereign credit rating on the U.S. The outlook remains negative. On July 10, 2012, Fitch affirmed its 'AAA' long-term and 'F1+' short-term sovereign credit rating on the U.S. The outlook remains negative. All three rating agencies have indicated that they will continue to assess fiscal projections and consolidation measures, as well as the medium-term economic outlook for the U.S. For additional information, see Liquidity Risk – Credit Ratings on page 56 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

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Credit Risk Management

Credit quality continued to show improvement during the second quarter of 2012. Our proactive credit risk management initiatives positively impacted the credit portfolio as charge-offs and delinquencies continued to improve across most portfolios and risk ratings improved in the commercial portfolios. However, global and national economic uncertainty, home price declines and regulatory reform continued to weigh on the credit portfolios through June 30, 2012. For more information, see Executive Summary – Second Quarter 2012 Economic and Business Environment on page 6.

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

Since January 2008, and through the second quarter of 2012, Bank of America and Countrywide have completed approximately 1.1 million loan modifications with customers. During the second quarter of 2012, we completed more than 20,000 customer loan modifications with a total unpaid principal balance of approximately $5 billion, including approximately 6,500 permanent modifications under the government’s Making Home Affordable Program. Of the loan modifications completed in the three months ended June 30, 2012, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, most were in the portfolio serviced for investors and were not on our balance sheet. The most common types of modifications include a combination of rate reduction and capitalization of past due amounts which represented 57 percent of the volume of modifications completed during the three months ended June 30, 2012, while principal forbearance represented 19 percent, capitalization of past due amounts represented eight percent and principal reductions and forgiveness represented five percent. For modified loans on our balance sheet, these modification types are generally considered TDRs. For more information on TDRs and portfolio impacts, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 99 and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, have experienced varying degrees of financial stress. Risks from the ongoing debt crisis in these countries could continue to disrupt the financial markets which could have a detrimental impact on global economic conditions and sovereign and non-sovereign debt in these countries. Market sentiment continued to evolve during the three and six months ended June 30, 2012 driven most recently by concerns over Greece's ability to meet conditions precedent to continued funding under various support programs, and the viability of Spain's banking sector and its impact on the solvency of the Spanish government. The lack of a clear resolution to the crisis and fears of contagion continue to contribute to market uncertainty. For additional information on our exposures and related risks in non-U.S. countries, see Non-U.S. Portfolio on page 114 and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

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Consumer Portfolio Credit Risk Management

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

During the first quarter of 2012, the bank regulatory agencies jointly issued interagency supervisory guidance on nonaccrual status for junior-lien consumer real estate loans. In accordance with this regulatory interagency guidance, we classify junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing, and as a result, we reclassified $1.9 billion of performing home equity loans to nonperforming as of March 31, 2012, and $1.8 billion was included in nonperforming loans at June 30, 2012. The regulatory interagency guidance had no impact on our allowance for loan and lease losses or provision expense as the delinquency status of the underlying first-lien was already considered in our reserving process. For more information, see Consumer Portfolio Credit Risk Management – Home Equity on page 90.

For further information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and TDRs for the consumer portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

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Consumer Credit Portfolio

Improvement in the U.S. economy and labor markets throughout most of 2011 and into the six months ended June 30, 2012 resulted in lower credit losses in most consumer portfolios compared to the six months ended June 30, 2011. However, continued stress in the housing market, including declines in home prices, continued to adversely impact the home loans portfolio.

Table 27 presents our outstanding consumer loans and the Countrywide PCI loan portfolio. Loans that were acquired from Countrywide and considered credit-impaired were recorded at fair value upon acquisition. In addition to being included in the "Outstandings" columns in Table 27, these loans are also shown separately, net of purchase accounting adjustments, in the "Countrywide Purchased Credit-impaired Loan Portfolio" column. For additional information, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements. The impact of the Countrywide PCI loan portfolio on certain credit statistics is reported where appropriate. See Countrywide Purchased Credit-impaired Loan Portfolio on page 94 for more information. Under certain circumstances, loans that were originally classified as discontinued real estate loans upon acquisition have been subsequently modified from pay option or subprime loans into loans with more conventional terms and are now included in the residential mortgage portfolio, but continue to be classified as PCI loans as shown in Table 27.

Table 27
Consumer Loans

(Dollars in millions)	Outstandings		Countrywide Purchased Credit-impaired Loan Portfolio	
	June 30 2012	December 31 2011	June 30 2012	December 31 2011
Residential mortgage (1)	$252,635	$ 262,290	$9,603	$ 9,966
Home equity	118,011	124,699	11,639	11,978
Discontinued real estate (2)	10,059	11,095	8,949	9,857
U.S. credit card	94,291	102,291	n/a	n/a
Non-U.S. credit card	13,431	14,418	n/a	n/a
Direct/Indirect consumer (3)	83,164	89,713	n/a	n/a
Other consumer (4)	2,568	2,688	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	574,159	607,194	30,191	31,801
Loans accounted for under the fair value option (5)	1,172	2,190	n/a	n/a
Total consumer loans	$575,331	$ 609,384	$30,191	$ 31,801

(1) Outstandings includes non-U.S. residential mortgages of $92 million and $85 million at June 30, 2012 and December 31, 2011.

(2) Outstandings includes $9.0 billion and $9.9 billion of pay option loans and $1.1 billion and $1.2 billion of subprime loans at June 30, 2012 and December 31, 2011. We no longer originate these products.

(3) Outstandings includes dealer financial services loans of $36.7 billion and $43.0 billion, consumer lending loans of $6.3 billion and $8.0 billion, U.S. securities-based lending margin loans of $25.7 billion and $23.6 billion, student loans of $5.4 billion and $6.0 billion, non-U.S. consumer loans of $7.8 billion and $7.6 billion and other consumer loans of $1.3 billion and $1.5 billion at June 30, 2012 and December 31, 2011.

(4) Outstandings includes consumer finance loans of $1.5 billion and $1.7 billion, other non-U.S. consumer loans of $908 million and $929 million and consumer overdrafts of $127 million and $103 million at June 30, 2012 and December 31, 2011.

(5) Consumer loans accounted for under the fair value option include residential mortgage loans of $172 million and $906 million and discontinued real estate loans of $1.0 billion and $1.3 billion at June 30, 2012 and December 31,

2011. See Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 98 and Note 16 – Fair Value Option to the Consolidated Financial Statements for additional information on the fair value option.

n/a = not applicable

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Table 28 presents accruing consumer loans past due 90 days or more and consumer nonperforming loans. Nonperforming loans do not include past due consumer credit card loans, consumer non-real estate-secured loans or unsecured consumer loans as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans that are insured by the FHA or individually insured under long-term stand-by agreements with FNMA and FHLMC (fully-insured loan portfolio) are reported as accruing as opposed to nonperforming since the principal repayment is insured. Fully-insured loans included in accruing past due 90 days or more are primarily related to our purchases of delinquent FHA loans pursuant to our servicing agreements. Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the Countrywide PCI loan portfolio or loans accounted for under the fair value option even though the customer may be contractually past due. For additional information on FHA loans, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 65.

Table 28
Consumer Credit Quality

(Dollars in millions)	Accruing Past Due 90 Days or More		Nonperforming	
	June 30 2012	December 31 2011	June 30 2012 (1)	December 31 2011
Residential mortgage (2)	$22,287	$21,164	$14,621	$15,970
Home equity	—	—	4,207	2,453
Discontinued real estate	—	—	257	290
U.S. credit card	1,594	2,070	n/a	n/a
Non-U.S. credit card	253	342	n/a	n/a
Direct/Indirect consumer	627	746	35	40
Other consumer	2	2	1	15
Total (3)	$24,763	$24,324	$19,121	$18,768
Consumer loans as a percentage of outstanding consumer loans (3)	4.31 %	4.01 %	3.33 %	3.09 %
Consumer loans as a percentage of outstanding loans excluding Countrywide PCI and fully-insured loan portfolios (3)	0.55	0.66	4.25	3.90

(1) Nonperforming home equity loans include $1.8 billion of junior-lien loans less than 90 days past due that have a senior-lien loan that is 90 days or more past due in accordance with regulatory interagency guidance. For more information, see Consumer Portfolio Credit Risk Management on page 83.

(2) Balances accruing past due 90 days or more are fully-insured loans. These balances include $18.1 billion and $17.0 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured and $4.2 billion and $4.2 billion of loans on which interest was still accruing at June 30, 2012 and December 31, 2011.

(3) Balances exclude consumer loans accounted for under the fair value option. At June 30, 2012 and December 31, 2011, $433 million and $713 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest.

n/a = not applicable

Table 29 presents net charge-offs and related ratios for consumer loans and leases for the three and six months ended June 30, 2012 and 2011.

Table 29
Consumer Net Charge-offs and Related Ratios

	Net Charge-offs	Net Charge-off Ratios (1)

	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011
Residential mortgage	$734	$1,104	$1,632	$2,009	1.16 %	1.67 %	1.28 %	1.54 %
Home equity	892	1,263	1,849	2,442	3.00	3.84	3.06	3.68
Discontinued real estate	16	26	32	46	0.65	0.84	0.62	0.73
U.S. credit card	1,244	1,931	2,575	4,205	5.27	7.29	5.36	7.85
Non-U.S. credit card	135	429	338	831	3.97	6.31	4.89	6.11
Direct/Indirect consumer	181	366	407	891	0.86	1.64	0.95	2.00
Other consumer	49	43	105	83	7.71	6.44	8.15	6.19
Total	$3,251	$5,162	$6,938	$10,507	2.25	3.27	2.37	3.32

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

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Net charge-off ratios excluding the Countrywide PCI and fully-insured loan portfolios were 1.94 percent and 2.13 percent for residential mortgage, 3.32 percent and 3.39 percent for home equity, 5.85 percent and 5.54 percent for discontinued real estate and 2.86 percent and 3.00 percent for the total consumer portfolio for the three and six months ended June 30, 2012, respectively. Net charge-off ratios excluding the Countrywide PCI and fully-insured loan portfolios were 2.58 percent and 2.33 percent for residential mortgage, 4.24 percent and 4.05 percent for home equity, 8.09 percent and 6.78 percent for discontinued real estate and 4.00 percent and 4.04 percent for the total consumer portfolio for the three and six months ended June 30, 2011, respectively. These are the only product classifications impacted by the Countrywide PCI and fully-insured loan portfolios for the three and six months ended June 30, 2012 and 2011.

Table 30 presents outstandings, nonperforming balances and net charge-offs for the Core portfolio and the Legacy Assets & Servicing portfolio within the home loans portfolio. For more information on Legacy Assets & Servicing within CRES, see page 36 and Consumer Portfolio Credit Risk Management on page 58 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Table 30
Home Loans Portfolio

	Outstandings		Nonperforming		Net Charge-offs Three Months Ended June 30		Six Months Ended June 30	
	June 30 2012	December 31 2011	June 30 2012 (1)	December 31 2011				
(Dollars in millions)					2012	2011	2012	2011
Core portfolio								
Residential mortgage	$173,716	$ 178,337	$2,767	$ 2,414	$142	$34	$285	$57
Home equity	64,106	67,055	1,063	439	171	100	355	148
Total Core portfolio	237,822	245,392	3,830	2,853	313	134	640	205
Legacy Assets & Servicing portfolio								
Residential mortgage (2)	78,919	83,953	11,854	13,556	592	1,070	1,347	1,952
Home equity	53,905	57,644	3,144	2,014	721	1,163	1,494	2,294
Discontinued real estate (2)	10,059	11,095	257	290	16	26	32	46
Total Legacy Assets & Servicing portfolio	142,883	152,692	15,255	15,860	1,329	2,259	2,873	4,292
Home loans portfolio								
Residential mortgage	252,635	262,290	14,621	15,970	734	1,104	1,632	2,009
Home equity	118,011	124,699	4,207	2,453	892	1,263	1,849	2,442
Discontinued real estate	10,059	11,095	257	290	16	26	32	46
Total home loans portfolio	$380,705	$ 398,084	$19,085	$ 18,713	$1,642	$2,393	$3,513	$4,497

(1) Nonperforming home equity loans in the Core portfolio and the Legacy Assets & Servicing portfolio include $517 million and $1.2 billion of junior-lien loans less than 90 days past due that have a senior-lien loan that is 90 days or more past due in accordance with regulatory interagency guidance. For more information, see Consumer Portfolio Credit Risk Management on page 83.

(2) Balances exclude consumer loans accounted for under the fair value option of $172 million and $906 million of residential mortgage loans and $1.0 billion and $1.3 billion of discontinued real estate loans at June 30, 2012 and December 31, 2011. See Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 98 and Note 16 – Fair Value Option to the Consolidated Financial Statements for additional information on the fair value option.

We believe that the presentation of information adjusted to exclude the impact of the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage, home equity and discontinued real estate portfolios, we provide information that excludes the impact of the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the Countrywide PCI loan portfolios on page 94.

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Residential Mortgage

The residential mortgage portfolio, which for purposes of the consumer credit portfolio discussion and related tables excludes the discontinued real estate portfolio acquired from Countrywide, makes up the largest percentage of our consumer loan portfolio at 44 percent of consumer loans at June 30, 2012. Approximately 15 percent of the residential mortgage portfolio is in GWIM and represents residential mortgages that are originated for the home purchase and refinancing needs of our wealth management clients. The remaining portion of the portfolio is primarily in All Other and is comprised of originated loans, purchased loans used in our overall ALM activities, delinquent FHA loans repurchased pursuant to our servicing agreements with GNMA as well as repurchases related to our representations and warranties.

Outstanding balances in the residential mortgage portfolio, excluding $172 million of loans accounted for under the fair value option, decreased $9.7 billion at June 30, 2012 compared to December 31, 2011 as paydowns, charge-offs and transfers to foreclosed properties more than offset new origination volume retained on our balance sheet.

At June 30, 2012 and December 31, 2011, the residential mortgage portfolio included $93.7 billion and $93.9 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of either FHA insurance or long-term stand-by agreements with FNMA and FHLMC. At June 30, 2012 and December 31, 2011, $67.3 billion and $69.5 billion had FHA insurance and $26.4 billion and $24.4 billion were protected by long-term stand-by agreements. All of these loans are individually insured and therefore the Corporation does not record an allowance for credit losses.

At June 30, 2012 and December 31, 2011, $24.3 billion and $24.0 billion of the FHA-insured loan population were repurchases of delinquent FHA loans pursuant to our servicing agreements with GNMA.

In addition to the abovementioned purchased long-term stand-by agreements with FNMA and FHLMC, we have mitigated a portion of our credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles as described in Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements. At June 30, 2012 and December 31, 2011, the synthetic securitization vehicles referenced principal balances of $20.6 billion and $23.9 billion of residential mortgage loans and provided loss protection up to $633 million and $783 million. At June 30, 2012 and December 31, 2011, the Corporation had a receivable of $344 million and $359 million from these vehicles for reimbursement of losses. The Corporation records an allowance for credit losses on loans referenced by the synthetic securitization vehicles. The reported net charge-offs for the residential mortgage portfolio do not include the benefit of amounts reimbursable from these vehicles. Adjusting for the benefit of the credit protection from the synthetic securitizations, the residential mortgage net charge-off ratio, excluding the Countrywide PCI and fully-insured loan portfolios, for the three and six months ended June 30, 2012 would have been reduced by nine bps and eight bps compared to 16 bps for both periods in 2011.

Synthetic securitizations and the long-term stand-by agreements with FNMA and FHLMC together reduce our regulatory risk-weighted assets due to the transfer of a portion of our credit risk to unaffiliated parties. At June 30, 2012 and December 31, 2011, these programs had the cumulative effect of reducing our risk-weighted assets by $8.3 billion and $7.9 billion, and increasing our Tier 1 capital ratio by nine bps and eight bps, and our Tier 1 common capital ratio by eight bps and six bps.

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Table 31 presents certain residential mortgage key credit statistics on both a reported basis excluding loans accounted for under the fair value option, and excluding the Countrywide PCI loan portfolio, fully-insured loan portfolio and loans accounted for under the fair value option. We believe the presentation of information adjusted to exclude these loan portfolios is more representative of the credit risk in the residential mortgage loan portfolio. As such, the following discussion presents the residential mortgage portfolio excluding the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the Countrywide PCI loan portfolio, see page 94.

Table 31
Residential Mortgage – Key Credit Statistics

	Reported Basis [1]		Excluding Countrywide Purchased Credit-impaired and Fully-insured Loans	
(Dollars in millions)	June 30 2012	December 31 2011	June 30 2012	December 31 2011
Outstandings	$252,635	$ 262,290	$149,322	$ 158,470
Accruing past due 30 days or more	28,702	28,688	3,396	3,950
Accruing past due 90 days or more	22,287	21,164	n/a	n/a
Nonperforming loans	14,621	15,970	14,621	15,970
Percent of portfolio				
Refreshed LTV greater than 90 but less than 100	14 %	15 %	11 %	11 %
Refreshed LTV greater than 100	34	33	25	26
Refreshed FICO below 620	21	21	15	15
2006 and 2007 vintages [2]	25	27	36	37

	Reported Basis				Excluding Countrywide Purchased Credit-impaired and Fully-insured Loans			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011	2012	2011	2012	2011
Net charge-off ratio [3]	1.16 %	1.67 %	1.28 %	1.54 %	1.94 %	2.58 %	2.13 %	2.33 %

(1) Outstandings, accruing past due, nonperforming loans and percent of portfolio exclude loans accounted for under the fair value option. There were $172 million and $906 million of residential mortgage loans accounted for under the fair value option at June 30, 2012 and December 31, 2011. See Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 98 and Note 16 – Fair Value Option to the Consolidated Financial Statements for additional information on the fair value option.

(2) These vintages of loans account for 61 percent and 63 percent of nonperforming residential mortgage loans at June 30, 2012 and December 31, 2011, and 72 percent of residential mortgage net charge-offs for both the three and six months ended June 30, 2012 and 73 percent and 74 percent for the three and six months ended June 30, 2011.

(3)

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

n/a = not applicable

Nonperforming residential mortgage loans decreased $1.3 billion compared to December 31, 2011 as outflows outpaced new inflows, which continued to improve due to favorable delinquency trends in the six months ended June 30, 2012. Accruing loans past due 30 days or more decreased $554 million compared to December 31, 2011. At June 30, 2012, $10.0 billion, or 68 percent, of the nonperforming residential mortgage loans were 180 days or more past due and had been written down to the estimated fair value of the collateral less estimated costs to sell.

Net charge-offs decreased $370 million to $734 million for the three months ended June 30, 2012, or 1.94 percent of total average residential mortgage loans compared to 2.58 percent for the same period in 2011. Net charge-offs decreased $377 million to $1.6 billion for the six months ended June 30, 2012, or 2.13 percent of total average residential mortgage loans compared to 2.33 percent for the same period in 2011. These decreases in net charge-offs for the three- and six-month periods were driven by lower write-downs on loans greater than 180 days past due which were written down to the estimated fair value of the collateral less estimated costs to sell, and favorable delinquency trends partially offset by lower recoveries. Net charge-off ratios were further impacted by lower loan balances primarily due to paydowns and charge-offs outpacing new originations.

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Loans in the residential mortgage portfolio with certain characteristics have greater risk of loss than others. These characteristics include loans with a high refreshed LTV, loans originated at the peak of home prices in 2006 and 2007, interest-only loans and loans to borrowers located in California and Florida where we have concentrations and where significant declines in home prices have been experienced. Although the following disclosures address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which contributed to a disproportionate share of the losses in the portfolio. The residential mortgage loans with all of these higher risk characteristics comprised six percent of the residential mortgage portfolio at both June 30, 2012 and December 31, 2011, and accounted for 20 percent and 21 percent of the residential mortgage net charge-offs during the three and six months ended June 30, 2012 compared to 22 percent and 23 percent for the same periods in 2011.

Residential mortgage loans with a greater than 90 percent but less than 100 percent refreshed LTV represented 11 percent of the residential mortgage portfolio at both June 30, 2012 and December 31, 2011. Loans with a refreshed LTV greater than 100 percent represented 25 percent and 26 percent of the residential mortgage loan portfolio at June 30, 2012 and December 31, 2011. Of the loans with a refreshed LTV greater than 100 percent, 93 percent and 92 percent were performing at June 30, 2012 and December 31, 2011. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent primarily due to home price deterioration over the past several years. Loans to borrowers with refreshed FICO scores below 620 represented 15 percent of the residential mortgage portfolio at both June 30, 2012 and December 31, 2011.

Of the $149.3 billion and $158.5 billion in total residential mortgage loans outstanding at June 30, 2012 and December 31, 2011, as shown in Table 31, 40 percent were originated as interest-only loans for both periods. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $13.8 billion, or 23 percent, at June 30, 2012. Residential mortgage loans that have entered the amortization period have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. As of June 30, 2012, $400 million, or three percent, of outstanding interest-only residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to $3.4 billion, or two percent, of accruing past due 30 days or more for the entire residential mortgage portfolio. In addition, at June 30, 2012, $2.1 billion, or 16 percent, of outstanding interest-only residential mortgages that had entered the amortization period were nonperforming compared to $14.6 billion, or 10 percent, of nonperforming loans for the entire residential mortgage portfolio. Loans in our interest-only residential mortgage portfolio have an interest-only period of three to 10 years and more than 80 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

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Table 32 presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 12 percent of outstandings at both June 30, 2012 and December 31, 2011. Loans within this MSA comprised only eight percent of net charge-offs for both the three and six months ended June 30, 2012 and seven percent and six percent of net charge-offs for the three and six months ended June 30, 2011.

Table 32
Residential Mortgage State Concentrations

	Outstandings [1]		Nonperforming [1]		Net Charge-offs Three Months Ended June 30		Six Months Ended June 30	
	June 30 2012	December 31 2011	June 30 2012	December 31 2011				
(Dollars in millions)					2012	2011	2012	2011
California	$50,591	$ 54,203	$4,962	$ 5,606	$248	$365	$580	$673
Florida	11,548	12,338	1,680	1,900	113	186	199	342
New York	11,218	11,539	822	838	20	37	40	56
Texas	7,113	7,525	407	425	10	14	28	26
Virginia	5,335	5,709	382	399	12	23	28	37
Other U.S./Non-U.S.	63,517	67,156	6,368	6,802	331	479	757	875
Residential mortgage loans [2]	$149,322	$ 158,470	$14,621	$ 15,970	$734	$1,104	$1,632	$2,009
Fully-insured loan portfolio	93,710	93,854						
Countrywide purchased credit-impaired residential mortgage loan portfolio	9,603	9,966						
Total residential mortgage loan portfolio	$252,635	$ 262,290						

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were $172 million and $906 million of residential mortgage loans accounted for under the fair value option at June 30, 2012 and December 31, 2011. See Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 98 and Note 16 – Fair Value Option to the Consolidated Financial Statements for additional information on the fair value option.

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

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. At June 30, 2012 and December 31, 2011, our CRA portfolio was $11.9 billion and $12.5 billion, or eight percent, of the residential mortgage loan balances for both periods. The CRA portfolio included $2.3 billion and $2.5 billion of nonperforming loans at June 30, 2012 and December 31, 2011 representing 16 percent and 15 percent of total nonperforming residential mortgage loans at June 30, 2012 and December 31, 2011. Net charge-offs related to the CRA portfolio were $134 million and $204 million for the three months ended June 30, 2012 and 2011, or 18 percent and 19 percent of total net charge-offs for the residential mortgage portfolio. Net charge-offs related to the CRA portfolio were $320 million and $412 million for the six months ended June 30, 2012 and 2011, or 20 percent and 21 percent of total net charge-offs for the residential mortgage portfolio.

For information on representations and warranties related to our residential mortgage portfolio, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 56 and Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Home Equity

The home equity portfolio makes up 21 percent of the consumer portfolio and is comprised of HELOCs, home equity loans and reverse mortgages. As of June 30, 2012, our HELOC portfolio had an outstanding balance of $98.1 billion, or 83 percent of the home equity portfolio. HELOCs generally have an initial draw period of 10 years with approximately 13 percent of the portfolio having a draw period of five years with a five-year renewal option. During the initial draw period, the borrowers are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

As of June 30, 2012, our home equity loan portfolio had an outstanding balance of $18.6 billion, or 16 percent of the total home equity portfolio. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and approximately 50 percent of these loans have 25- to 30-year terms.

As of June 30, 2012, our reverse mortgage portfolio had an outstanding balance of $1.3 billion, or one percent of the total home equity portfolio. In 2011, we exited the reverse mortgage origination business.

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At June 30, 2012, approximately 88 percent of the home equity portfolio was included in CRES while the remainder of the portfolio was primarily in GWIM. Outstanding balances in the home equity portfolio decreased $6.7 billion at June 30, 2012 compared to December 31, 2011 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at June 30, 2012 and December 31, 2011, $22.9 billion, or 19 percent, and $24.5 billion, or 20 percent, were in first-lien positions (21 percent and 22 percent excluding the Countrywide PCI home equity portfolio at June 30, 2012 and December 31, 2011). As of June 30, 2012, outstanding balances in the home equity portfolio that were in a second-lien or more junior-lien position and where we also held the first-lien loan totaled $33.9 billion, or 32 percent of our total home equity portfolio excluding the Countrywide PCI loan portfolio.

Unused HELOCs totaled $64.9 billion at June 30, 2012 compared to $67.5 billion at December 31, 2011. This decrease was primarily due to customers choosing to close accounts as well as line management initiatives on deteriorating accounts, which more than offset new production. The HELOC utilization rate was 60 percent at June 30, 2012 compared to 61 percent at December 31, 2011.

Table 33 presents certain home equity portfolio key credit statistics on both a reported basis as well as excluding the Countrywide PCI loan portfolio. We believe the presentation of information adjusted to exclude the impact of the Countrywide PCI loan portfolio is more representative of the credit risk in this portfolio.

Table 33
Home Equity – Key Credit Statistics

(Dollars in millions)	Reported Basis		Excluding Countrywide Purchased Credit-impaired Loans	
	June 30 2012	December 31 2011	June 30 2012	December 31 2011
Outstandings	$ 118,011	$ 124,699	$ 106,372	$ 112,721
Accruing past due 30 days or more [(1)]	1,217	1,658	1,217	1,658
Nonperforming loans [(1)]	4,207	2,453	4,207	2,453
Percent of portfolio				
Refreshed combined LTV greater than 90 but less than 100	11 %	10 %	11 %	11 %
Refreshed combined LTV greater than 100	39	36	35	32
Refreshed FICO below 620 [(2)]	9	10	9	9
2006 and 2007 vintages [(3)]	49	50	46	46

	Reported Basis				Excluding Countrywide Purchased Credit-impaired Loans			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011	2012	2011	2012	2011
Net charge-off ratio [(4)]	3.00 %	3.84 %	3.06 %	3.68 %	3.32 %	4.24 %	3.39 %	4.05 %

(1) Accruing past due 30 days or more includes $399 million and $609 million and nonperforming loans includes $1.2 billion and $703 million of loans where we serviced the underlying first-lien at June 30, 2012 and December 31,

2011.

(2) Beginning in the first quarter of 2012, home equity FICO metrics reflected an updated scoring model. Prior period amounts were adjusted to reflect these updates.

(3) These vintages of loans have higher refreshed combined LTV ratios and accounted for 54 percent of nonperforming home equity loans at both June 30, 2012 and December 31, 2011, and accounted for 64 percent of net charge-offs for both the three and six months ended June 30, 2012 and 65 percent and 66 percent for the three and six months ended June 30, 2011.

(4) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans.

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

Nonperforming outstanding balances in the home equity portfolio increased $1.8 billion at June 30, 2012 compared to December 31, 2011 driven primarily by the reclassification to nonperforming of junior-lien loans less than 90 days past due that have a senior-lien loan that is 90 days or more past due in accordance with regulatory interagency guidance. Excluding the impact of this change, nonperforming loans were relatively flat compared to December 31, 2011. Outstanding balances accruing past due 30 days or more decreased $441 million at June 30, 2012 primarily driven by the reclassification of junior-lien home equity loans to nonperforming in accordance with regulatory interagency guidance. Excluding the impact of the reclassification, accruing outstanding balances past due 30 days or more decreased $177 million. At June 30, 2012, $1.2 billion, or 28 percent, of the nonperforming home equity portfolio was 180 days or more past due and had been written down to the estimated fair value of the collateral less estimated costs to sell. For more information on the change as a result of the regulatory interagency guidance, see Consumer Portfolio Credit Risk Management on page 83.

In some cases, the junior-lien home equity outstanding balance that we hold is performing, but the underlying first-lien is not. For outstanding balances in the home equity portfolio in which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans in which the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first-lien mortgage pertains to the same property for which we hold a junior-lien loan. At June 30, 2012, we estimate that $2.8 billion of current and $632 million of 30 to 89 days past due junior-lien loans were behind a delinquent first-lien loan. We service the first-lien loans on $1.4 billion of these combined amounts, with the remaining $2.1 billion serviced by third parties. Of the $3.5 billion current to 89 days past due junior-lien loans, based on available credit bureau data and our own internal servicing data, we estimate that approximately $1.8 billion had first-lien loans that were 90 days or more past due.

Net charge-offs decreased $371 million to $892 million, or 3.32 percent of the total average home equity portfolio, for the three months ended June 30, 2012 compared to $1.3 billion, or 4.24 percent, for the same period in the prior year. Net charge-offs decreased $593 million to $1.8 billion, or 3.39 percent of the total average home equity portfolio, for the six months ended June 30, 2012 compared to $2.4 billion, or 4.05 percent, for the same period in the prior year. These decreases in net charge-offs for the three- and six-month periods were primarily driven by favorable portfolio trends due in part to improvement in the U.S. economy. Net charge-off ratios were further impacted by lower outstanding balances primarily as a result of paydowns and charge-offs outpacing new originations and draws on existing lines.

There are certain characteristics of the outstanding loan balances in the home equity portfolio that have contributed to higher losses including those loans with a high refreshed combined loan-to-value (CLTV), loans that were originated at the peak of home prices in 2006 and 2007 and loans in geographic areas that have experienced the most significant declines in home prices. Home price declines coupled with the fact that most home equity outstandings are secured by second-lien positions have significantly reduced and, in some cases, eliminated all collateral value after consideration of the first-lien position. Although the disclosures in this section address each of these risk characteristics separately, there is significant overlap in outstanding balances with these characteristics, which has contributed to a disproportionate share of losses in the portfolio. Outstanding balances in the home equity portfolio with all of these higher risk characteristics comprised 10 percent of the total home equity portfolio at both June 30, 2012 and December 31, 2011, and accounted for 22 percent and 24 percent of the home equity net charge-offs for the three and six months ended June 30, 2012 compared to 29 percent and 28 percent for the same periods in 2011.

Outstanding balances in the home equity portfolio with greater than 90 percent but less than 100 percent refreshed CLTVs comprised 11 percent of the home equity portfolio at both June 30, 2012 and December 31, 2011. Outstanding balances with refreshed CLTVs greater than 100 percent comprised 35 percent and 32 percent of the home equity portfolio at June 30, 2012 and December 31, 2011. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where the carrying value and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Home price deterioration over the past several years has contributed to an increase in CLTV ratios. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 95 percent of the customers were current at June 30, 2012. For second-lien loans with a refreshed CLTV greater than 100 percent that are current, 92 percent were also current on the underlying first-lien loans at June 30, 2012. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented nine percent of the home equity portfolio at both June 30, 2012 and December 31, 2011.

Of the $106.4 billion and $112.7 billion in total home equity portfolio outstandings at June 30, 2012 and December 31, 2011, 79 percent and 78 percent were interest-only loans, almost all of which were HELOCs. The outstanding balance of HELOCs that have entered the amortization period was $2.1 billion, or two percent of total HELOCs, at June 30, 2012. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. As of June 30, 2012, $70 million, or three percent of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to $1.1 billion, or one percent of outstanding accruing past due 30 days or more for the entire HELOC portfolio. In addition, at June 30, 2012, $126 million, or six percent of outstanding HELOCs that had entered the amortization period were nonperforming compared to $3.7 billion, or four percent of outstandings that were nonperforming for the entire HELOC portfolio. Loans in our HELOC portfolio generally have an initial draw period of 10 years and more than 85 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During the three months ended June 30, 2012, approximately 63 percent of these customers did not pay any principal on their HELOCs.

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Table 34 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of the outstanding home equity portfolio at both June 30, 2012 and December 31, 2011. This MSA comprised seven percent and eight percent of net charge-offs for the three and six months ended June 30, 2012 and seven percent of net charge-offs for both the same periods in 2011. The Los Angeles-Long Beach-Santa Ana MSA within California made up 11 percent and 12 percent of the outstanding home equity portfolio at June 30, 2012 and December 31, 2011. This MSA comprised nine percent and 11 percent of net charge-offs for the three and six months ended June 30, 2012 and 11 percent and 10 percent for the same periods in 2011.

For information on representations and warranties related to our home equity portfolio, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 56 and Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 34
Home Equity State Concentrations

	Outstandings		Nonperforming		Net Charge-offs Three Months Ended June 30		Six Months Ended June 30	
	June 30 2012	December 31 2011	June 30 2012 (1)	December 31 2011				
(Dollars in millions)					2012	2011	2012	2011
California	$30,669	$ 32,398	$1,147	$ 627	$263	$409	$579	$777
Florida	12,705	13,450	746	411	123	247	287	486
New Jersey	7,152	7,483	300	175	34	48	77	90
New York	7,082	7,423	393	242	47	57	95	110
Massachusetts	4,664	4,919	122	67	21	22	35	42
Other U.S./Non-U.S.	44,100	47,048	1,499	931	404	480	776	937
Home equity loans (2)	$106,372	$ 112,721	$4,207	$ 2,453	$892	$1,263	$1,849	$2,442
Countrywide purchased credit-impaired home equity portfolio	11,639	11,978						
Total home equity loan portfolio	$118,011	$ 124,699						

(1) Nonperforming home equity loans include $1.8 billion of junior-lien loans less than 90 days past due that have a senior-lien loan that is 90 days or more past due in accordance with regulatory interagency guidance. For more information, see Consumer Portfolio Credit Risk Management on page 83.
(2) Amount excludes the Countrywide PCI home equity portfolio.

Discontinued Real Estate

The discontinued real estate portfolio, excluding $1.0 billion of loans accounted for under the fair value option, totaled $10.1 billion at June 30, 2012 and consists of pay option and subprime loans acquired in the Countrywide acquisition. Upon acquisition, the majority of the discontinued real estate portfolio was considered credit-impaired and written down to fair value. At June 30, 2012, the Countrywide PCI loan portfolio was $8.9 billion, or 89 percent of the total discontinued real estate portfolio. This portfolio is included in All Other and is managed as part of our overall ALM activities. See Countrywide Purchased Credit-impaired Loan Portfolio on page 94 for more information on the discontinued real estate portfolio.

At June 30, 2012, the purchased discontinued real estate portfolio that was not credit-impaired upon acquisition was $1.1 billion. Loans with greater than 90 percent refreshed LTVs and CLTVs comprised 28 percent of the portfolio and those with refreshed FICO scores below 620 represented 43 percent of the portfolio. The Los Angeles-Long Beach-Santa Ana MSA within California made up 16 percent of outstanding discontinued real estate loans at June 30, 2012.

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

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

At June 30, 2012, the unpaid principal balance of pay option loans was $10.3 billion, with a carrying amount of $9.0 billion, including $8.2 billion of loans that were credit-impaired upon acquisition, and accordingly, the reserve is based on a life-of-loan loss estimate. The total unpaid principal balance of pay option loans with accumulated negative amortization was $7.8 billion including $575 million of negative amortization. For those borrowers who are making payments in accordance with their contractual terms, 18 percent and 22 percent at June 30, 2012 and December 31, 2011 elected to make only the minimum payment on option ARMs. We believe the majority of borrowers are now making scheduled payments primarily because the low interest rate environment has caused the fully indexed rates to be affordable to more borrowers. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans including the Countrywide PCI pay option loan portfolio and have taken into consideration several assumptions regarding this evaluation including prepayment and default rates. Of the loans in the pay option portfolio at June 30, 2012 that have not already experienced a payment reset, three percent are expected to reset during the remainder of 2012 and approximately 21 percent thereafter. In addition, approximately seven percent are expected to prepay and approximately 69 percent are expected to default prior to being reset, most of which were severely delinquent as of June 30, 2012.

Countrywide Purchased Credit-impaired Loan Portfolio

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

Table 35 presents the unpaid principal balance, carrying value, related valuation allowance and the net carrying value as a percentage of the unpaid principal balance for the Countrywide PCI loan portfolio at June 30, 2012 and December 31, 2011.

Table 35
Countrywide Purchased Credit-impaired Loan Portfolio

	June 30, 2012				
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	Percent of Unpaid Principal Balance
Residential mortgage	$9,691	$9,603	$1,593	$8,010	82.65 %
Home equity	11,515	11,639	5,335	6,304	54.75
Discontinued real estate	10,494	8,949	2,024	6,925	65.99
Total Countrywide purchased credit-impaired loan portfolio	$31,700	$30,191	$8,952	$21,239	67.00

	December 31, 2011					
Residential mortgage	$10,426	$9,966	$1,331	$8,635	82.82	%
Home equity	12,516	11,978	5,129	6,849	54.72	
Discontinued real estate	11,891	9,857	1,999	7,858	66.08	
Total Countrywide purchased credit-impaired loan portfolio	$34,833	$31,801	$8,459	$23,342	67.01	

Of the unpaid principal balance of $31.7 billion at June 30, 2012, $11.2 billion was 180 days or more past due, including $7.8 billion of first-lien and $3.4 billion of home equity loans. Of the $20.5 billion that was less than 180 days past due, $18.0 billion, or 88 percent, of the total unpaid principal balance was current based on the contractual terms while $1.4 billion, or seven percent, was in early stage delinquency. During the three months ended June 30, 2012, we recorded $6 million of provision for credit losses for the Countrywide PCI loan portfolio including $100 million for home equity loans partially offset by a $47 million net recovery for residential mortgage and a $47 million net recovery for discontinued real estate. This compared to a total provision of $394 million during the three months ended June 30, 2011. During the six months ended June 30, 2012, we recorded $493 million of provision for credit losses for the Countrywide PCI loan portfolio including $86 million for residential mortgage, $184 million for home equity loans and $223 million for discontinued real estate. This compared to a total provision of $1.9 billion during the six months ended June 30, 2011. Provision expense

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for the six months ended June 30, 2012 was primarily driven by a downward refinement of our home price outlook during the first quarter of 2012. For further information on the Countrywide PCI loan portfolio, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

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

Purchased Credit-impaired Residential Mortgage Loan Portfolio

The Countrywide PCI residential mortgage loan portfolio comprised 32 percent of the total Countrywide PCI loan portfolio at June 30, 2012. Those loans to borrowers with a refreshed FICO score below 620 represented 35 percent of the Countrywide PCI residential mortgage loan portfolio at June 30, 2012. Loans with a refreshed LTV greater than 90 percent represented 63 percent of the Countrywide PCI residential mortgage loan portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 85 percent based on the unpaid principal balance at June 30, 2012. Those loans that were originally classified as Countrywide PCI discontinued real estate loans upon acquisition and have been subsequently modified are now included in Countrywide PCI residential mortgage outstandings. Table 36 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 36
Outstanding Countrywide Purchased Credit-impaired Loan Portfolio – Residential Mortgage State Concentrations

(Dollars in millions)	June 30 2012	December 31 2011
California	$5,317	$ 5,535
Florida	724	757
Virginia	517	532
Maryland	252	258
Texas	123	130
Other U.S./Non-U.S.	2,670	2,754
Total Countrywide purchased credit-impaired residential mortgage loan portfolio	$9,603	$ 9,966

Purchased Credit-impaired Home Equity Portfolio

The Countrywide PCI home equity portfolio comprised 38 percent of the total Countrywide PCI loan portfolio at June 30, 2012. Those loans with a refreshed FICO score below 620 represented 14 percent of the Countrywide PCI home equity portfolio at June 30, 2012. Loans with a refreshed CLTV greater than 90 percent represented 78 percent of the Countrywide PCI home equity portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 83 percent based on the unpaid principal balance at June 30, 2012. Table 37 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 37
Outstanding Countrywide Purchased Credit-impaired Loan Portfolio – Home Equity State Concentrations

(Dollars in millions)	June 30 2012	December 31 2011
California	$3,868	$ 3,999
Florida	706	734
Virginia	485	496
Arizona	484	501

Colorado	327	337
Other U.S./Non-U.S.	5,769	5,911
Total Countrywide purchased credit-impaired home equity portfolio	$11,639	$ 11,978

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Purchased Credit-impaired Discontinued Real Estate Loan Portfolio

The Countrywide PCI discontinued real estate loan portfolio comprised 30 percent of the total Countrywide PCI loan portfolio at June 30, 2012. Those loans to borrowers with a refreshed FICO score below 620 represented 58 percent of the Countrywide PCI discontinued real estate loan portfolio at June 30, 2012. Loans with a refreshed LTV, or CLTV in the case of second-liens, greater than 90 percent represented 41 percent of the Countrywide PCI discontinued real estate loan portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 87 percent based on the unpaid principal balance at June 30, 2012. Those loans that were originally classified as discontinued real estate loans upon acquisition and have been subsequently modified are now excluded from this portfolio and included in the Countrywide PCI residential mortgage loan portfolio, but remain in the PCI loan pool. Table 38 presents outstandings net of purchase accounting adjustments and before the related valuation adjustment, by certain state concentrations.

Table 38
Outstanding Countrywide Purchased Credit-impaired Loan Portfolio – Discontinued Real Estate State Concentrations

(Dollars in millions)	June 30 2012	December 31 2011
California	$4,678	$ 5,262
Florida	875	958
Washington	321	331
Virginia	251	277
Arizona	214	251
Other U.S./Non-U.S.	2,610	2,778
Total Countrywide purchased credit-impaired discontinued real estate loan portfolio	$8,949	$ 9,857

U.S. Credit Card

The U.S. credit card portfolio is managed in CBB. Outstandings in the U.S. credit card portfolio decreased $8.0 billion compared to December 31, 2011 due to a seasonal decline in retail transaction volume and portfolio sales. For the three and six months ended June 30, 2012, net charge-offs decreased $687 million to $1.2 billion and $1.6 billion to $2.6 billion compared to the same periods in the prior year due to improvements in delinquencies and bankruptcies as a result of an improved economic environment, account management on higher risk accounts and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased $875 million while loans 90 days or more past due and still accruing interest decreased $476 million compared to December 31, 2011 due to improvement in the U.S. economy. Table 39 presents certain key credit statistics for the consumer U.S. credit card portfolio.

Table 39
U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	June 30 2012	December 31 2011
Outstandings	$94,291	$ 102,291
Accruing past due 30 days or more	2,948	3,823
Accruing past due 90 days or more	1,594	2,070

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Net charge-offs	$1,244	$1,931	$2,575	$4,205

Net charge-off ratios [1]	5.27 %	7.29 %	5.36 %	7.85 %

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

Unused lines of credit for U.S. credit card totaled $354.8 billion at June 30, 2012 compared to $368.1 billion at December 31, 2011. The $13.3 billion decrease was driven by closure of inactive accounts and account management initiatives on higher risk accounts.

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Table 40 presents certain state concentrations for the U.S. credit card portfolio.

Table 40
U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
	June 30 2012	December 31 2011	June 30 2012	December 31 2011	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)					2012	2011	2012	2011
California	$14,121	$ 15,246	$273	$ 352	$226	$372	$470	$822
Florida	7,382	7,999	161	221	138	225	290	496
Texas	6,405	6,885	103	131	78	113	160	249
New York	5,680	6,156	99	126	72	107	149	231
New Jersey	3,875	4,183	67	86	49	72	102	157
Other U.S.	56,828	61,822	891	1,154	681	1,042	1,404	2,250
Total U.S. credit card portfolio	$94,291	$ 102,291	$1,594	$ 2,070	$1,244	$1,931	$2,575	$4,205

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, decreased $987 million compared to December 31, 2011 due to lower origination volume and charge-offs. Compared to the three and six months ended June 30, 2011, net charge-offs decreased $294 million to $135 million, and $493 million to $338 million primarily due to the sale of the Canadian consumer credit card portfolio and improvement in delinquencies.

Unused lines of credit for non-U.S. credit card totaled $36.1 billion at June 30, 2012 compared to $36.8 billion at December 31, 2011. The $754 million decrease was primarily driven by a decline in the number of outstanding accounts.

Table 41 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 41
Non-U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	June 30 2012	December 31 2011
Outstandings	$13,431	$14,418
Accruing past due 30 days or more	465	610
Accruing past due 90 days or more	253	342

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Net charge-offs	$135	$429	$338	$831
Net charge-off ratios [1]	3.97 %	6.31 %	4.89 %	6.11 %

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

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Direct/Indirect Consumer

At June 30, 2012, approximately 44 percent of the direct/indirect portfolio was included in Global Banking (dealer financial services - automotive, marine, aircraft and recreational vehicle loans), 42 percent was included in GWIM (principally other non-real estate-secured, unsecured personal loans and securities-based lending margin loans), eight percent was included in CBB (consumer personal loans) and the remainder was in All Other (student loans).

Outstanding loans and leases decreased $6.5 billion compared to December 31, 2011 due to an auto loan sale and securitization within the dealer financial services portfolio and lower outstandings in the unsecured consumer lending portfolio partially offset by growth in securities-based lending. For the three and six months ended June 30, 2012, net charge-offs decreased $185 million to $181 million, and $484 million to $407 million, or 0.86 percent and 0.95 percent of total average direct/indirect loans compared to 1.64 percent and 2.00 percent for the same periods in the prior year. These decreases were primarily driven by improvements in delinquencies, collections and bankruptcies in the unsecured consumer lending portfolio as a result of an improved economic environment as well as reduced outstandings.

For the three and six months ended June 30, 2012, net charge-offs in the unsecured consumer lending portfolio decreased $160 million to $134 million, and $401 million to $291 million, or 8.03 percent and 8.18 percent of total average unsecured consumer lending loans compared to 11.27 percent and 12.55 percent for the same periods in the prior year. Direct/indirect loans that were past due 30 days or more and still accruing interest declined $439 million to $1.4 billion at June 30, 2012 compared to $1.9 billion at December 31, 2011 due to improvements in both the unsecured consumer lending and dealer financial services portfolios.

Table 42 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 42
Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs			
	June 30 2012	December 31 2011	June 30 2012	December 31 2011	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)					2012	2011	2012	2011
California	$10,390	$ 11,152	$66	$ 81	$25	$54	$56	$136
Texas	7,119	7,882	45	54	15	25	33	70
Florida	6,877	7,456	40	55	19	30	44	84
New York	4,898	5,160	33	40	13	22	26	49
Georgia	2,533	2,828	32	38	9	14	18	35
Other U.S./Non-U.S.	51,347	55,235	411	478	100	221	230	517
Total direct/indirect loan portfolio	$83,164	$ 89,713	$627	$ 746	$181	$366	$407	$891

Other Consumer

At June 30, 2012, approximately 95 percent of the $2.6 billion other consumer portfolio was associated with certain consumer finance businesses that we previously exited and non-U.S. consumer loan portfolios that are included in All Other. The remainder is primarily deposit overdrafts included in CBB.

Consumer Loans Accounted for Under the Fair Value Option

Outstanding consumer loans accounted for under the fair value option were $1.2 billion at June 30, 2012 and include $1.0 billion of discontinued real estate loans and $172 million of residential mortgage loans in consolidated variable interest entities (VIEs). During the three and six months ended June 30, 2012, we recorded losses of $3 million and gains of $11 million resulting from changes in the fair value of the loan portfolio. These were offset by gains and losses recorded on the related long-term debt during the three and six months ended June 30, 2012.

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Nonperforming Consumer Loans and Foreclosed Properties Activity

Table 43 presents nonperforming consumer loans and foreclosed properties activity for the three and six months ended June 30, 2012 and 2011. Nonperforming LHFS are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include past due consumer credit card loans and in general, past due consumer loans not secured by real estate as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due. The fully-insured loan portfolio is not reported as nonperforming as principal repayment is insured. Additionally, nonperforming loans do not include the Countrywide PCI loan portfolio or loans accounted for under the fair value option. For further information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. Nonperforming loans decreased $603 million during the three months ended June 30, 2012 as delinquency inflows to nonperforming loans slowed due to favorable portfolio trends, and were more than offset by charge-offs, returns to performing status, and paydowns and payoffs. Nonperforming loans increased $353 million for the six months ended June 30, 2012 as the $1.9 billion first quarter impact of the regulatory interagency guidance was partially offset as charge-offs, returns to performing status, paydowns and payoffs, and transfers to foreclosed properties out-paced new nonperforming loans. For more information on the regulatory interagency guidance, see Consumer Portfolio Credit Risk Management on page 83.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value, after reducing the estimated property value for estimated costs to sell, is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At June 30, 2012, $12.5 billion, or 62 percent, of nonperforming consumer real estate loans and foreclosed properties had been written down to their estimated property value less estimated costs to sell, including $11.4 billion of nonperforming loans 180 days or more past due and $1.1 billion of foreclosed properties.

Foreclosed properties decreased $697 million and $883 million during the three and six months ended June 30, 2012 as liquidations outpaced additions. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date; however, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. PCI related foreclosed properties decreased $187 million and $224 million during the three and six months ended June 30, 2012. Not included in foreclosed properties at June 30, 2012 was $1.2 billion of real estate that was acquired upon foreclosure of delinquent FHA-insured loans. We hold this real estate on our balance sheet until we convey these properties to the FHA. We exclude these amounts from our nonperforming loans and foreclosed properties activity as we will be reimbursed once the property is conveyed to the FHA for principal and, up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period. For additional information on the review of our foreclosure processes, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 65.

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Restructured Loans

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. Nonperforming TDRs, excluding those modified loans in the Countrywide PCI loan portfolio, are included in Table 43.

Table 43
Nonperforming Consumer Loans and Foreclosed Properties Activity [1]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Nonperforming loans, beginning of period	$19,724	$20,456	$18,768	$20,854
Additions to nonperforming loans:				
New nonperforming loans	3,259	3,803	6,567	7,930
Impact of regulatory interagency guidance [2]	n/a	n/a	1,853	n/a
Reductions to nonperforming loans:				
Paydowns and payoffs	(858)	(792)	(2,011)	(1,571)
Returns to performing status [3]	(1,271)	(1,311)	(2,184)	(2,651)
Charge-offs [4]	(1,541)	(2,270)	(3,278)	(4,290)
Transfers to foreclosed properties	(192)	(408)	(594)	(794)
Total net additions (reductions) to nonperforming loans	(603)	(978)	353	(1,376)
Total nonperforming loans, June 30 [5]	19,121	19,478	19,121	19,478
Foreclosed properties, beginning of period	1,805	1,331	1,991	1,249
Additions to foreclosed properties:				
New foreclosed properties	190	930	737	1,536
Reductions to foreclosed properties:				
Sales	(835)	(416)	(1,484)	(875)
Write-downs	(52)	(48)	(136)	(113)
Total net additions (reductions) to foreclosed properties	(697)	466	(883)	548
Total foreclosed properties, June 30	1,108	1,797	1,108	1,797
Nonperforming consumer loans and foreclosed properties, June 30	$20,229	$21,275	$20,229	$21,275
Nonperforming consumer loans as a percentage of outstanding consumer loans [6]	3.33 %	3.08 %		
Nonperforming consumer loans and foreclosed properties as a percentage of outstanding consumer loans and foreclosed properties [6]	3.52	3.35		

(1) Balances do not include nonperforming LHFS of $606 million and $835 million and nonaccruing TDRs removed from the PCI portfolio prior to January 1, 2010 of $461 million and $465 million at June 30, 2012 and 2011 as well as loans accruing past due 90 days or more as presented in Table 28 and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

(2) As a result of the regulatory interagency guidance, we reclassified $1.9 billion of performing home equity loans to nonperforming during the first quarter of 2012.

(3) Consumer loans may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

(4) Our policy is not to classify consumer credit card and consumer loans not secured by real estate as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity and accordingly are excluded from this table.

(5) At June 30, 2012, 60 percent of nonperforming loans were 180 days or more past due and were written down through charge-offs to 62 percent of their unpaid principal balance.

(6) Outstanding consumer loans exclude loans accounted for under the fair value option.

n/a = not applicable

Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for loan and lease losses during the first 90 days after transfer of a loan to foreclosed properties. Thereafter, all gains and losses in value are recorded in noninterest expense. New foreclosed properties included in Table 43 are net of $60 million and $201 million of charge-offs for the three and six months ended June 30, 2012 compared to $99 million and $160 million for the same periods in 2011, recorded during the first 90 days after transfer.

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We work with customers that are experiencing financial difficulty by modifying credit card and other consumer loans, while complying with Federal Financial Institutions Examination Council (FFIEC) guidelines. Substantially all of our credit card and other consumer loan modifications involve a reduction in the cardholder’s interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, both of which are considered to be TDRs (the renegotiated TDR portfolio). We make modifications primarily through internal renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded from Table 43 as substantially all of these loans remain on accrual status until either charged off or paid in full. At June 30, 2012 and December 31, 2011, our renegotiated TDR portfolio was $5.3 billion and $7.1 billion, of which $4.2 billion and $5.5 billion were current or less than 30 days past due under the modified terms. The decline in the renegotiated TDR portfolio was primarily driven by paydowns and charge-offs in the second quarter of 2012 as well as lower new program enrollments. For more information on the renegotiated TDR portfolio, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 44 presents TDRs for the home loans portfolio. Performing TDR balances are excluded from nonperforming loans in Table 43.

Table 44
Home Loans Troubled Debt Restructurings

	June 30, 2012			December 31, 2011		
(Dollars in millions)	Total	Nonperforming	Performing	Total	Nonperforming	Performing
Residential mortgage [1, 2]	$20,316	$ 5,506	$14,810	$19,287	$ 5,034	$14,253
Home equity [3]	1,654	663	991	1,776	543	1,233
Discontinued real estate [4]	367	203	164	399	214	185
Total home loans troubled debt restructurings	$22,337	$ 6,372	$15,965	$21,462	$ 5,791	$15,671

(1) Residential mortgage TDRs deemed collateral dependent totaled $6.1 billion and $5.3 billion, and included $2.8 billion and $2.2 billion of loans classified as nonperforming and $3.3 billion and $3.1 billion of loans classified as performing at June 30, 2012 and December 31, 2011.

(2) Residential mortgage performing TDRs included $7.5 billion and $7.0 billion of loans that were fully-insured at June 30, 2012 and December 31, 2011.

(3) Home equity TDRs deemed collateral dependent totaled $801 million and $824 million, and included $373 million and $282 million of loans classified as nonperforming and $428 million and $542 million of loans classified as performing at June 30, 2012 and December 31, 2011.

(4) Discontinued real estate TDRs deemed collateral dependent totaled $220 million and $230 million, and included $120 million and $118 million of loans classified as nonperforming and $100 million and $112 million as performing at June 30, 2012 and December 31, 2011.

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Commercial Portfolio Credit Risk Management

Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our international portfolio, we evaluate exposures by region and by country. Tables 49, 54, 61 and 62 summarize our concentrations. We also utilize syndications of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the commercial credit portfolio.

For information on our accounting policies regarding delinquencies, nonperforming status and net charge-offs for the commercial portfolio, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Commercial Credit Portfolio

Table 45 presents our commercial loans and leases, and related credit quality information at June 30, 2012 and December 31, 2011.

Table 45
Commercial Loans and Leases

	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	June 30 2012	December 31 2011	June 30 2012	December 31 2011	June 30 2012	December 31 2011
U.S. commercial	$184,924	$ 179,948	$1,841	$ 2,174	$33	$ 75
Commercial real estate (1)	36,535	39,596	2,498	3,880	20	7
Commercial lease financing	21,692	21,989	39	26	16	14
Non-U.S. commercial	53,850	55,418	194	143	—	—
	297,001	296,951	4,572	6,223	69	96
U.S. small business commercial (2)	12,794	13,251	143	114	167	216
Commercial loans excluding loans accounted for under the fair value option	309,795	310,202	4,715	6,337	236	312
Loans accounted for under the fair value option (3)	7,189	6,614	21	73	—	—
Total commercial loans and leases	$316,984	$ 316,816	$4,736	$ 6,410	$236	$ 312

(1) Includes U.S. commercial real estate loans of $35.0 billion and $37.8 billion and non-U.S. commercial real estate loans of $1.5 billion and $1.8 billion at June 30, 2012 and December 31, 2011.

(2) Includes card-related products.

(3) Commercial loans accounted for under the fair value option include U.S. commercial loans of $1.9 billion and $2.2 billion and non-U.S. commercial loans of $5.3 billion and $4.4 billion at June 30, 2012 and December 31, 2011. See Note 16 – Fair Value Option to the Consolidated Financial Statements for additional information on the fair value option.

The commercial loan and lease portfolio was relatively unchanged at June 30, 2012 compared to December 31, 2011, with an increase in U.S. commercial offset by decreases in commercial real estate and non-U.S. commercial. During the three and six months ended June 30, 2012, credit quality in the commercial loan portfolio continued to show improvement relative to prior periods. Reservable criticized balances and nonperforming loans, leases and foreclosed property balances in the commercial credit portfolio declined during the six months ended June 30, 2012. The reductions in reservable criticized and nonperforming loans, leases and foreclosed property were primarily in the commercial real estate and U.S. commercial portfolios. Commercial real estate continued to show improvement in both the residential and non-residential portfolios, however, levels of stressed commercial real estate loans remained elevated. The reduction in reservable criticized U.S. commercial loans was driven by broad-based improvements in terms of clients, industries and businesses. Most other credit indicators across the remaining commercial portfolios also improved.

Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases were 1.49 percent and 2.02 percent (1.52 percent and 2.04 percent excluding loans accounted for under the fair value option) at June 30, 2012 and December 31, 2011. Accruing commercial loans and leases past due 90 days or more as a percentage of outstanding commercial loans and leases were 0.07 percent and 0.10 percent at June 30, 2012 and December 31, 2011.

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Table 46 presents net charge-offs and related ratios for our commercial loans and leases for the three and six months ended June 30, 2012 and 2011. Improving portfolio trends drove lower charge-offs across most of the portfolio. Commercial real estate net charge-offs declined during the three and six months ended June 30, 2012 in both the residential and non-residential portfolios. U.S. small business commercial net charge-offs declined primarily due to improvements in delinquencies, collections and bankruptcies. U.S. commercial net charge-offs increased due to lower recoveries during the three and six months ended June 30, 2012 compared to the same periods in 2011.

Table 46
Commercial Net Charge-offs and Related Ratios

	Net Charge-offs				Net Charge-off Ratios [1]			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011
U.S. commercial	$94	$60	$160	$39	0.20 %	0.14 %	0.18 %	0.05 %
Commercial real estate	77	163	209	451	0.83	1.43	1.10	1.93
Commercial lease financing	14	(8)	5	(7)	0.25	(0.15)	0.04	(0.06)
Non-U.S. commercial	7	13	2	116	0.06	0.13	0.01	0.64
	192	228	376	599	0.26	0.32	0.26	0.43
U.S. small business commercial	183	275	368	587	5.74	7.78	5.68	8.24
Total commercial	$375	$503	$744	$1,186	0.49	0.68	0.48	0.81

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

Table 47 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes standby letters of credit (SBLCs), financial guarantees, bankers' acceptances and commercial letters of credit for which we are legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial committed credit exposure decreased $26.1 billion at June 30, 2012 compared to December 31, 2011 driven primarily by decreases in derivative assets, loans and leases, and SBLCs.

Total commercial utilized credit exposure decreased $21.1 billion at June 30, 2012 compared to December 31, 2011 driven primarily by decreases in derivatives, SBLCs and debt securities. The decrease in derivatives relates primarily to a lower valuation of existing trades due to interest rate decreases. The utilization rate for loans and leases, SBLCs and financial guarantees, and bankers' acceptances was 57 percent at both June 30, 2012 and December 31, 2011.

Table 47
Commercial Credit Exposure by Type

	Commercial Utilized [1]		Commercial Unfunded [2, 3]		Total Commercial Committed	
(Dollars in millions)	June 30 2012	December 31 2011	June 30 2012	December 31 2011	June 30 2012	December 31 2011
Loans and leases	$316,984	$ 316,816	$270,126	$ 276,195	$587,110	$ 593,011
Derivative assets [4]	59,939	73,023	—	—	59,939	73,023
Standby letters of credit and financial guarantees	50,027	55,384	1,708	1,592	51,735	56,976
Debt securities and other investments	9,301	11,108	6,251	5,147	15,552	16,255
Loans held-for-sale	4,385	5,006	102	229	4,487	5,235

Commercial letters of credit	2,813	2,411	793	832	3,606	3,243
Bankers' acceptances	275	797	3	28	278	825
Foreclosed properties and other [5]	1,715	1,964	—	—	1,715	1,964
Total	$445,439	$ 466,509	$278,983	$ 284,023	$724,422	$ 750,532

(1) Total commercial utilized exposure at June 30, 2012 and December 31, 2011 includes loans outstanding of $7.2 billion and $6.6 billion and letters of credit with a notional value of $748 million and $1.3 billion accounted for under the fair value option.

(2) Total commercial unfunded exposure at June 30, 2012 and December 31, 2011 includes loan commitments with a notional value of $21.1 billion and $24.4 billion accounted for under the fair value option.

(3) Excludes unused business card lines which are not legally binding.

(4) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $59.3 billion and $58.9 billion at June 30, 2012 and December 31, 2011. Not reflected in utilized and committed exposure is additional derivative collateral held of $17.1 billion and $16.1 billion which consists primarily of other marketable securities.

(5) Includes $1.3 billion of net monoline exposure at both June 30, 2012 and December 31, 2011, as discussed in Monoline and Related Exposure on page 110.

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Table 48 presents commercial utilized reservable criticized exposure by product type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial utilized reservable criticized exposure decreased $6.8 billion, or 25 percent, at June 30, 2012 compared to December 31, 2011, primarily in commercial real estate and U.S. commercial property types driven largely by continued paydowns, sales and rating upgrades outpacing downgrades. Despite the improvements, utilized reservable criticized levels remain elevated, particularly in the U.S. commercial, commercial real estate and U.S. small business commercial portfolios. At June 30, 2012, approximately 86 percent of commercial utilized reservable criticized exposure was secured compared to 85 percent at December 31, 2011.

Table 48
Commercial Utilized Reservable Criticized Exposure

(Dollars in millions)	June 30, 2012 Amount (1)	June 30, 2012 Percent (2)	December 31, 2011 Amount (1)	December 31, 2011 Percent (2)
U.S. commercial	$10,065	4.40 %	$11,731	5.16 %
Commercial real estate	6,704	17.17	11,525	27.13
Commercial lease financing	1,140	5.26	1,140	5.18
Non-U.S. commercial	1,500	2.50	1,524	2.44
	19,409	5.56	25,920	7.32
U.S. small business commercial	1,033	8.07	1,327	10.01
Total commercial utilized reservable criticized exposure	$20,442	5.64	$27,247	7.41

(1) Total commercial utilized reservable criticized exposure at June 30, 2012 and December 31, 2011 includes loans and leases of $18.8 billion and $25.3 billion and commercial letters of credit of $1.7 billion and $1.9 billion.

(2) Percentages are calculated as commercial utilized reservable criticized exposure divided by total commercial utilized reservable exposure for each exposure category.

U.S. Commercial

At June 30, 2012, 66 percent of the U.S. commercial loan portfolio, excluding small business, was managed in Global Banking, 10 percent in both CBB and Global Markets, and the remainder primarily in GWIM (business-purpose loans for wealthy clients). U.S. commercial loans, excluding loans accounted for under the fair value option, increased $5.0 billion as growth in Global Commercial Banking and Global Markets, and a margin loan refinancing, was partially offset by declines in corporate loans, and payoffs outpacing new originations in most other lines of business. Reservable criticized balances and nonperforming loans and leases declined $1.7 billion and $333 million at June 30, 2012 compared to December 31, 2011. The declines were broad-based in terms of clients and industries and were driven by improved client credit profiles and liquidity. Net charge-offs increased $34 million and $121 million for the three and six months ended June 30, 2012 compared to the same periods in 2011 due to lower recoveries in the current period.

Commercial Real Estate

The commercial real estate portfolio is predominantly managed in Global Banking and consists of loans made primarily to public and private developers, homebuilders and commercial real estate firms. Outstanding loans decreased $3.1 billion at June 30, 2012 compared to December 31, 2011 due to paydowns outpacing new originations and renewals.

The portfolio remained diversified across property types and geographic regions. California represented the largest state concentration at 21 percent and 20 percent of commercial real estate loans and leases at June 30, 2012 and December 31, 2011. For more information on geographic and property concentrations, see Table 49.

Credit quality for commercial real estate continued to show signs of improvement; however, the recovery is generally slow across commercial real estate markets, with the recovery varying by property type. Nonperforming commercial real estate loans and foreclosed properties decreased 35 percent compared to December 31, 2011, primarily in the non-residential portfolio. Reservable criticized balances decreased $4.8 billion primarily due to declines in the non-residential portfolio. For the three and six months ended June 30, 2012, net charge-offs decreased $86 million and $242 million compared to the same periods in 2011 due to improvement in both the residential and non-residential portfolios.

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Table 49 presents outstanding commercial real estate loans by geographic region, based on the geographic location of the collateral, and by property type. Commercial real estate primarily includes commercial loans and leases secured by non-owner-occupied real estate which is dependent on the sale or lease of the real estate as the primary source of repayment.

Table 49
Outstanding Commercial Real Estate Loans

(Dollars in millions)	June 30 2012	December 31 2011
By Geographic Region		
California	$7,834	$ 7,957
Northeast	6,256	6,554
Southwest	4,631	5,243
Southeast	4,462	4,844
Midwest	3,464	4,051
Florida	2,220	2,502
Midsouth	1,744	1,751
Northwest	1,657	1,574
Illinois	1,630	1,871
Non-U.S.	1,547	1,824
Other [1]	1,090	1,425
Total outstanding commercial real estate loans	$36,535	$ 39,596
By Property Type		
Non-residential		
Office	$7,066	$ 7,571
Multi-family rental	5,589	6,105
Shopping centers/retail	5,387	5,985
Industrial/warehouse	3,669	3,988
Hotels/motels	2,915	2,653
Multi-use	2,819	3,218
Land and land development	1,252	1,599
Other	5,943	6,050
Total non-residential	34,640	37,169
Residential	1,895	2,427
Total outstanding commercial real estate loans	$36,535	$ 39,596

(1) Includes unsecured outstandings to real estate investment trusts and national home builders whose portfolios of properties span multiple geographic regions and properties in the states of Colorado, Utah, Hawaii, Wyoming and Montana.

For the three and six months ended June 30, 2012, we continued to see improvements in both the residential and non-residential portfolios, however, certain portions of the non-residential portfolio remain at risk as occupancy rates, rental rates and commercial property prices remain under pressure. We use a number of proactive risk mitigation initiatives to reduce utilized and potential exposure in the commercial real estate portfolios including refinement of our credit standards, additional transfers of deteriorating exposures to management by independent special asset officers and the pursuit of loan restructurings or asset sales to achieve the best results for our customers and the Corporation.

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Tables 50 and 51 present commercial real estate credit quality data by non-residential and residential property types. The residential portfolio presented in Tables 49, 50 and 51 includes condominiums and other residential real estate. Other property types in Tables 49, 50 and 51 primarily include special purpose, nursing/retirement homes, medical facilities and restaurants, as well as unsecured loans to borrowers whose primary business is commercial real estate.

Table 50
Commercial Real Estate Credit Quality Data

(Dollars in millions)	Nonperforming Loans and Foreclosed Properties [1] June 30 2012	December 31 2011	Utilized Reservable Criticized Exposure [2] June 30 2012	December 31 2011
Non-residential				
Office	$486	$ 807	$1,232	$ 2,375
Multi-family rental	229	339	753	1,604
Shopping centers/retail	344	561	861	1,378
Industrial/warehouse	335	521	733	1,317
Hotels/motels	161	173	589	716
Multi-use	229	345	661	971
Land and land development	378	530	464	749
Other	145	223	505	997
Total non-residential	2,307	3,499	5,798	10,107
Residential	624	993	906	1,418
Total commercial real estate	$2,931	$ 4,492	$6,704	$ 11,525

(1) Includes commercial foreclosed properties of $433 million and $612 million at June 30, 2012 and December 31, 2011.
(2) Includes loans, SBLCs and bankers’ acceptances and excludes loans accounted for under the fair value option.

Table 51
Commercial Real Estate Net Charge-offs and Related Ratios

(Dollars in millions)	Net Charge-offs Three Months Ended June 30 2012	2011	Six Months Ended June 30 2012	2011	Net Charge-off Ratios [1] Three Months Ended June 30 2012	2011	Six Months Ended June 30 2012	2011
Non-residential								
Office	$40	$(10)	$99	$24	2.21 %	(0.46)%	2.72 %	0.54 %
Multi-family rental	8	20	12	29	0.58	1.14	0.43	0.80
Shopping centers/retail	21	22	29	110	1.50	1.25	1.01	3.09
Industrial/warehouse	9	6	24	26	0.93	0.49	1.25	1.10
Hotels/motels	2	3	3	11	0.33	0.48	0.24	0.86
Multi-use	28	13	39	22	4.00	1.29	2.64	1.10
Land and land development	(79)	42	(73)	92	(23.51)	7.85	(10.28)	8.35
Other	—	(4)	8	(2)	0.04	(0.23)	0.26	(0.11)
Total non-residential	29	92	141	312	0.34	0.87	0.79	1.45
Residential	48	71	68	139	9.49	8.30	6.31	7.57
Total commercial real estate	$77	$163	$209	$451	0.83	1.43	1.10	1.93

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

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At June 30, 2012, total committed non-residential exposure was $51.9 billion compared to $53.1 billion at December 31, 2011, of which $34.6 billion and $37.2 billion were funded secured loans. Non-residential nonperforming loans and foreclosed properties were $2.3 billion and $3.5 billion at June 30, 2012 and December 31, 2011, which represented 6.60 percent and 9.29 percent of total non-residential loans and foreclosed properties. The decline in nonperforming loans and foreclosed properties in the non-residential portfolio was driven by decreases in the office, shopping centers/retail, industrial/warehouse, and land and land development property types. Non-residential utilized reservable criticized exposure decreased to $5.8 billion, or 15.65 percent of non-residential utilized reservable exposure, at June 30, 2012 compared to $10.1 billion, or 25.34 percent, at December 31, 2011. The decrease in reservable criticized exposure was driven primarily by office, multi-family rental, and industrial/warehouse property types. For the non-residential portfolio, net charge-offs decreased $63 million and $171 million for the three and six months ended June 30, 2012 compared to the same periods in 2011, primarily due to improving appraisal values, improved borrower credit profiles and higher recoveries.

At June 30, 2012, we had committed residential exposure of $3.2 billion compared to $3.9 billion at December 31, 2011, of which $1.9 billion and $2.4 billion were funded secured loans. The decline in residential committed exposure was due to repayments, net charge-offs, and continued risk reduction and mitigation initiatives in line with our portfolio strategy. Residential nonperforming loans and foreclosed properties decreased $369 million compared to December 31, 2011 due to repayments, a decline in the volume of loans being downgraded to nonaccrual status and net charge-offs. Residential utilized reservable criticized exposure decreased $512 million to $906 million at June 30, 2012 due to repayments and net charge-offs. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the residential portfolio were 31.27 percent and 45.83 percent at June 30, 2012 compared to 38.89 percent and 54.65 percent at December 31, 2011. Net charge-offs for the residential portfolio decreased $23 million and $71 million for the three and six months ended June 30, 2012 compared to the same periods in 2011.

At June 30, 2012 and December 31, 2011, the commercial real estate loan portfolio included $8.5 billion and $10.9 billion of funded construction and land development loans that were originated to fund the construction and/or rehabilitation of commercial properties. The decline in construction and land development loans was driven by repayments, net charge-offs and continued risk mitigation initiatives which outpaced new originations. This portfolio is mostly secured and diversified across property types and geographic regions but faces continuing challenges in the housing and rental markets. Weak rental demand and cash flows, along with depressed property valuations of land, have contributed to elevated levels of reservable criticized exposure, nonperforming loans and foreclosed properties, and net charge-offs. Reservable criticized construction and land development loans totaled $3.0 billion and $4.9 billion, and nonperforming construction and land development loans and foreclosed properties totaled $1.2 billion and $2.1 billion at June 30, 2012 and December 31, 2011. During a property’s construction phase, interest income is typically paid from interest reserves that are established at the inception of the loan. As construction is completed and the property is put into service, these interest reserves are depleted and interest payments from operating cash flows begin. Loans generally continue to be classified as construction loans until operating cash flows reach appropriate levels or the loans are refinanced. We do not recognize interest income on nonperforming loans regardless of the existence of an interest reserve.

Non-U.S. Commercial

The non-U.S. commercial loan portfolio is managed primarily in Global Banking. Outstanding loans, excluding loans accounted for under the fair value option, decreased $1.6 billion from December 31, 2011 primarily due to a reduction in corporate loans. Net charge-offs decreased $6 million and $114 million for the three and six months ended June 30, 2012 compared to the same periods in 2011. For additional information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 114.

U.S. Small Business Commercial

The U.S. small business commercial loan portfolio is comprised of small business card and small business loans managed in CBB. U.S. small business commercial net charge-offs decreased $92 million and $219 million for the three and six months ended June 30, 2012 compared to the same periods in 2011 driven by improvements in delinquencies, collections and bankruptcies resulting from an improved economic environment as well as the reduction of higher risk vintages and the impact of higher credit quality originations. Of the U.S. small business commercial net charge-offs, 62 percent and 64 percent were credit card-related products for the three and six months ended June 30, 2012 compared to 73 percent and 74 percent for the same periods in 2011.

Commercial Loans Accounted for Under the Fair Value Option

The portfolio of commercial loans accounted for under the fair value option is managed primarily in Global Banking. Outstanding commercial loans accounted for under the fair value option increased $575 million to an aggregate fair value of $7.2 billion at June 30, 2012 compared to December 31, 2011 primarily due to increased corporate borrowings under bank credit facilities. We recorded net gains (losses) of $(53) million and $75 million during the three and six months ended June 30, 2012, compared to $(37) million and $69 million for the same periods in 2011 resulting from changes in the fair value of the loan portfolio. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income and do not reflect the results of hedging activities.

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In addition, unfunded lending commitments and letters of credit accounted for under the fair value option had an aggregate fair value of $948 million and $1.2 billion at June 30, 2012 and December 31, 2011 which was recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit accounted for under the fair value option was $21.8 billion and $25.7 billion at June 30, 2012 and December 31, 2011. We recorded net gains (losses) of $(112) million and $292 million during the three and six months ended June 30, 2012 compared to $(76) million and $56 million for the same periods in 2011 resulting from changes in the fair value of commitments and letters of credit. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income and do not reflect the results of hedging activities.

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 52 presents the nonperforming commercial loans, leases and foreclosed properties activity during the three and six months ended June 30, 2012 and 2011. Nonperforming commercial loans and leases decreased $1.0 billion and $1.6 billion during the three and six months ended June 30, 2012 to $4.7 billion compared to $6.3 billion at December 31, 2011 driven by paydowns, sales and charge-offs outpacing new nonperforming loans. Approximately 92 percent of commercial nonperforming loans, leases and foreclosed properties are secured and approximately 49 percent are contractually current. Commercial nonperforming loans are carried at approximately 65 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated property value less estimated costs to sell.

Table 52
Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity [1, 2]

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Nonperforming loans and leases, beginning of period	$5,751	$9,131	$6,337	$9,836
Additions to nonperforming loans and leases:				
New nonperforming loans and leases	788	1,042	1,387	2,341
Advances	14	52	38	119
Reductions in nonperforming loans and leases:				
Paydowns	(806)	(1,023)	(1,379)	(1,787)
Sales	(392)	(141)	(529)	(388)
Returns to performing status [3]	(152)	(362)	(297)	(682)
Charge-offs [4]	(379)	(290)	(670)	(778)
Transfers to foreclosed properties	(109)	(241)	(172)	(441)
Transfers to loans held-for-sale	—	(63)	—	(115)
Total net reductions to nonperforming loans and leases	(1,036)	(1,026)	(1,622)	(1,731)
Total nonperforming loans and leases, June 30	4,715	8,105	4,715	8,105
Foreclosed properties, beginning of period	510	725	612	725
Additions to foreclosed properties:				
New foreclosed properties	83	130	127	261
Reductions in foreclosed properties:				
Sales	(137)	(151)	(260)	(271)
Write-downs	(23)	(26)	(46)	(37)
Total net reductions to foreclosed properties	(77)	(47)	(179)	(47)
Total foreclosed properties, June 30	433	678	433	678
Nonperforming commercial loans, leases and foreclosed properties, June 30	$5,148	$8,783	$5,148	$8,783
	1.52 %	2.71 %		

Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases (5)		
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties (5)	1.66	2.93

(1) Balances do not include nonperforming LHFS of $756 million and $1.3 billion at June 30, 2012 and 2011.

(2) Includes U.S. small business commercial activity.

(3) Commercial loans and leases may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected or when the loan otherwise becomes well-secured and is in the process of collection. TDRs are generally classified as performing after a sustained period of demonstrated payment performance.

(4) Small business card loans are not classified as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity and accordingly are excluded from this table.

(5) Excludes loans accounted for under the fair value option.

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Table 53 presents our commercial TDRs by product type and performing status. U.S. small business commercial TDRs are comprised of renegotiated small business card loans and are not classified as nonperforming as they are charged off no later than the end of the month in which the loan becomes 180 days past due. For additional information on TDRs, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

Table 53
Commercial Troubled Debt Restructurings

	June 30, 2012			December 31, 2011		
(Dollars in millions)	Total	Non-performing	Performing	Total	Non-performing	Performing
U.S. commercial	$1,461	$ 577	$884	$1,329	$ 531	$798
Commercial real estate	1,387	797	590	1,675	1,076	599
Non-U.S. commercial	108	93	15	54	38	16
U.S. small business commercial	284	—	284	389	—	389
Total commercial troubled debt restructurings	$3,240	$ 1,467	$1,773	$3,447	$ 1,645	$1,802

Industry Concentrations

Table 54 presents commercial committed and utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and unfunded portions of certain credit exposures. Our commercial credit exposure is diversified across a broad range of industries. The decrease in commercial committed exposure of $26.1 billion from December 31, 2011 to June 30, 2012 was driven by decreases primarily in government and public education, healthcare equipment and services, and consumer services.

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

Diversified financials, our largest industry concentration, experienced a decline in committed exposure of $1.7 billion, or two percent, at June 30, 2012 compared to December 31, 2011. This decrease was primarily driven by decreases in derivative exposure partially offset by an increase in margin loans.

Real estate, our second largest industry concentration, experienced a decline in committed exposure of $2.7 billion, or four percent, at June 30, 2012 compared to December 31, 2011 primarily due to paydowns and sales which outpaced new originations and renewals as we continue to focus on exiting higher risk assets. Real estate construction and land development exposure represented 18 percent of the total real estate industry committed exposure at June 30, 2012, down from 20 percent at December 31, 2011. For more information on commercial real estate and related portfolios, see Commercial Real Estate on page 104.

Committed exposure in government and public education decreased $3.0 billion, or five percent, at June 30, 2012 compared to December 31, 2011 primarily driven by decreases in loans and SBLCs partially offset by an increase in derivatives. Healthcare equipment and services committed exposure decreased by $2.8 billion, or six percent, at June 30, 2012 compared to December 31, 2011 with the decrease concentrated in the managed health care and hospitals not-for-profit sectors. Consumer services committed exposure decreased $2.7 billion, or seven percent, at June 30, 2012 compared to December 31, 2011 reflecting lower exposure to education, restaurants and gaming. Capital goods committed exposure decreased $2.0 billion, or four percent, at June 30, 2012 compared to December 31, 2011 primarily due to lower exposure to one large relationship.

Our committed state and municipal exposure of $41.3 billion at June 30, 2012 consisted of $31.6 billion of commercial utilized exposure (including $16.6 billion of funded loans, $10.7 billion of SBLCs and $4.0 billion of derivative assets) and unfunded commercial exposure of $9.7 billion (primarily unfunded loan commitments and letters of credit) and is reported in the government and public education industry in Table 54. Economic conditions continue to impact debt issued by state and local municipalities and certain exposures to these municipalities. While historical default rates have been low, as part of our overall and ongoing risk management processes, we continually monitor these exposures through a rigorous review process. Additionally, internal communications surrounding certain at-risk counterparties and/or sectors are regularly circulated ensuring exposure levels are in compliance with established concentration guidelines.

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Table 54
Commercial Credit Exposure by Industry [1]

(Dollars in millions)	Commercial Utilized June 30 2012	December 31 2011	Total Commercial Committed June 30 2012	December 31 2011
Diversified financials	$60,797	$ 64,957	$93,272	$ 94,969
Real estate [2]	44,420	48,138	59,886	62,566
Government and public education	41,816	43,090	53,991	57,021
Capital goods	22,850	24,025	45,987	48,013
Healthcare equipment and services	30,171	31,298	45,385	48,141
Retailing	26,861	25,478	45,159	46,290
Banks	34,209	35,231	38,310	38,735
Materials	19,236	19,384	36,710	38,070
Consumer services	22,672	24,445	35,795	38,498
Energy	14,030	15,151	31,487	32,074
Food, beverage and tobacco	14,441	15,904	31,019	30,501
Commercial services and supplies	18,388	20,089	29,564	30,831
Utilities	8,675	8,102	23,444	24,552
Media	11,099	11,447	20,215	21,158
Transportation	12,784	12,683	19,505	19,036
Individuals and trusts	13,937	14,993	17,298	19,001
Insurance, including monolines	8,832	10,090	15,312	16,157
Pharmaceuticals and biotechnology	4,457	4,141	11,555	11,328
Technology hardware and equipment	4,643	5,247	10,694	12,173
Religious and social organizations	7,842	8,536	10,361	11,160
Software and services	4,464	4,304	10,134	9,579
Telecommunication services	3,792	4,297	9,756	10,424
Consumer durables and apparel	3,997	4,505	8,192	8,965
Automobiles and components	3,277	2,813	7,583	7,178
Food and staples retailing	3,191	3,273	6,470	6,476
Other	4,558	4,888	7,338	7,636
Total commercial credit exposure by industry	$445,439	$ 466,509	$724,422	$ 750,532
Net credit default protection purchased on total commitments [3]			$(18,697)	$ (19,356)

(1) Includes U.S. small business commercial exposure.

(2) Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table, the real estate industry is defined based on the borrowers' or counterparties' primary business activity using operating cash flows and primary source of repayment as key factors.

(3) Represents net notional credit protection purchased. See Risk Mitigation on page 111 for additional information.

Monoline and Related Exposure

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

We also have indirect exposure to monolines in the form of guarantees supporting our mortgage and other loan sales. Indirect exposure may exist when credit protection was purchased from monolines to hedge all or a portion of the credit risk on certain mortgage and other loan exposures. A loss may occur when we are required to repurchase a loan and the market value of the loan has declined, or we are required to indemnify or provide recourse for a guarantor's loss. For additional information regarding our exposure to representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 56 and Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

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Table 55 presents the notional amount of our monoline derivative credit exposure, mark-to-market adjustment and the counterparty credit valuation adjustment.

Table 55
Derivative Credit Exposures

(Dollars in millions)			June 30 2012	December 31 2011
Notional amount of monoline exposure			$14,314	$21,070
Mark-to-market			$1,428	$1,766
Counterparty credit valuation adjustment [1]			(255)	(417)
Net mark-to-market			$1,173	$1,349
	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Gains (losses) from credit valuation changes	$27	$(261)	$131	$(668)

[1] Covered 18 percent and 24 percent of mark-to-market exposure at June 30, 2012 and December 31, 2011.

The notional amount of monoline exposure at June 30, 2012 decreased $6.8 billion from December 31, 2011 due to terminations, paydowns and maturities of monoline contracts.

We also have indirect exposure to monolines as we invest in securities where the issuers have purchased wraps. For example, municipalities and corporations purchase insurance in order to reduce their cost of borrowing. If the rating agencies downgrade the monolines, the credit rating of the bond may fall and this may have an adverse impact on the market value of the security. In the case of default, we first look to the underlying securities and then to the purchased insurance for recovery. Investments in securities with purchased wraps issued by municipalities and corporations had a notional value of $47 million at June 30, 2012 compared to $150 million at December 31, 2011. The market value of the investment exposure was $9 million at June 30, 2012 compared to $89 million at December 31, 2011.

Risk Mitigation

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

At June 30, 2012 and December 31, 2011, net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, was $18.7 billion and $19.4 billion. The mark-to-market effects resulted in net gains (losses) of $124 million and $(369) million for the three and six months ended June 30, 2012, compared to $(12) million and $(209) million for the same periods in 2011. Table 56 presents the average Value-at-Risk (VaR) for these derivatives. See Trading Risk Management on page 123 for a description of our VaR calculation for the market-based trading portfolio.

Table 56
Credit Derivative Value-at-Risk

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Average	$58	$47	$63	$52

Credit exposure average	80	57	86	55
Combined average [1]	20	31	23	35

(1) Reflects the diversification effect between net credit default protection hedging our credit exposure and the related credit exposure.

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Tables 57 and 58 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at June 30, 2012 and December 31, 2011.

Table 57
Net Credit Default Protection by Maturity Profile

	June 30 2012	December 31 2011
Less than or equal to one year	14 %	16 %
Greater than one year and less than or equal to five years	80	78
Greater than five years	6	6
Total net credit default protection	100 %	100 %

Table 58
Net Credit Default Protection by Credit Exposure Debt Rating

(Dollars in millions)	June 30, 2012		December 31, 2011	
Ratings [2, 3]	Net Notional [1]	Percent of Total	Net Notional [1]	Percent of Total
AAA	$(209)	1.1 %	$(32)	0.2 %
AA	(707)	3.8	(779)	4.0
A	(8,051)	43.1	(7,184)	37.1
BBB	(6,972)	37.3	(7,436)	38.4
BB	(1,106)	5.9	(1,527)	7.9
B	(1,211)	6.5	(1,534)	7.9
CCC and below	(494)	2.6	(661)	3.4
NR [4]	53	(0.3)	(203)	1.1
Total net credit default protection	$(18,697)	100.0 %	$(19,356)	100.0 %

(1) Represents net credit default protection (purchased) sold.
(2) Ratings are refreshed on a quarterly basis.
(3) Ratings of BBB- or higher are considered to meet the definition of investment-grade.
(4) In addition to names that have not been rated, “NR” includes $9 million in net credit default swap index positions at December 31, 2011 (none at June 30, 2012). While index positions are principally investment grade, credit default swap indices include names in and across each of the ratings categories.

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

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Table 59 presents the total contract/notional amount of credit derivatives outstanding and includes both purchased and written credit derivatives. The credit risk amounts are measured as net asset exposure by counterparty, taking into consideration all contracts and collateral with that counterparty. For information on our written credit derivatives, see Note 3 – Derivatives to the Consolidated Financial Statements.

The credit risk amounts discussed above and presented in Table 59 take into consideration the effects of legally enforceable master netting agreements while amounts disclosed in Note 3 – Derivatives to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing our overall exposure.

Table 59
Credit Derivatives

	June 30, 2012		December 31, 2011	
(Dollars in millions)	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	$1,647,119	$12,708	$1,944,764	$14,163
Total return swaps/other	36,366	859	17,519	776
Total purchased credit derivatives	1,683,485	13,567	1,962,283	14,939
Written credit derivatives:				
Credit default swaps	1,591,226	n/a	1,885,944	n/a
Total return swaps/other	55,208	n/a	17,838	n/a
Total written credit derivatives	1,646,434	n/a	1,903,782	n/a
Total credit derivatives	$3,329,919	$13,567	$3,866,065	$14,939

n/a = not applicable

Counterparty Credit Risk Valuation Adjustments

We record a counterparty credit risk valuation adjustment on certain derivative assets, including our credit default protection purchased, in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments are subsequently adjusted due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparty. Table 60 presents credit valuation gains/losses, net of hedges, for the three and six months ended June 30, 2012 and 2011. Credit valuation losses for the three months ended June 30, 2012 were due to decreased counterparty creditworthiness offset by hedge results. Credit valuation gains for the six months ended June 30, 2012 were due to improved counterparty creditworthiness partially offset by hedge results. For information on our monoline counterparty credit risk, see Monoline and Related Exposure on page 110.

Table 60
Credit Valuation Activity

	Three Months Ended June 30						Six Months Ended June 30					
	2012			2011			2012			2011		
(Dollars in millions)	Gross	Hedge	Net	Gross	Hedge	Net	Gross	Hedge	Net	Gross	Hedge	Net
Credit valuation gains (losses)	$(313)	$326	$13	$(592)	$441	$(151)	$200	$(38)	$162	$(444)	$(173)	$(617)

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Non-U.S. Portfolio

Our non-U.S. credit and trading portfolios are subject to country risk. We define country risk as the risk of loss from unfavorable economic and political conditions, currency fluctuations, social instability and changes in government policies. A risk management framework is in place to measure, monitor and manage non-U.S. risk and exposures. Management oversight of country risk, including cross-border risk, is provided by the Country Credit Risk Committee, formally known as the Regional Risk Committee, a subcommittee of the CRC. In addition to the direct risk of doing business in a country, we also are exposed to indirect country risks (for example, related to the collateral received on secured financing transactions or related to client clearing activities). These indirect exposures are managed in the normal course of business through credit, market and operational risk governance, rather than through the country risk governance.

Non-U.S. exposure includes credit exposure, securities and other investments issued by or domiciled in countries other than the U.S. Total non-U.S. exposure can be adjusted for externally guaranteed loans outstanding and certain collateral types. Exposures which are subject to external guarantees are reported under the country of the guarantor. Exposures with tangible collateral are reflected in the country where the collateral is held. For securities received, other than cross-border resale agreements, outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are generally presented based on the domicile of the counterparty.

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As presented in Table 61, non-U.S. exposure to borrowers or counterparties in emerging markets increased $1.6 billion to $61.1 billion at June 30, 2012 compared to $59.5 billion at December 31, 2011. The increase was primarily due to increases in Central and Eastern Europe, Middle East and Africa, and Asia, partially offset by a decrease in Latin America. Non-U.S. exposure to borrowers or counterparties in emerging markets represented 33 percent and 31 percent of total non-U.S. exposure at June 30, 2012 and December 31, 2011.

Table 61
Selected Emerging Markets [1]

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing [2]	Net Counterparty Exposure [3]	Securities/ Other Investments [4]	Total Cross-border Exposure [5]	Local Country Exposure Net of Local Liabilities [6]	Total Selected Emerging Market Exposure at June 30, 2012	Increase (Decrease) from December 31, 2011
Region/Country								
Asia Pacific								
India	$ 4,615	$1,156	$ 651	$ 2,756	$9,178	$328	$9,506	$(976)
China	4,213	206	913	2,063	7,395	314	7,709	555
South Korea	1,182	1,028	437	2,824	5,471	1,800	7,271	(52)
Hong Kong	533	545	346	857	2,281	1,806	4,087	926
Singapore	597	134	463	1,598	2,792	—	2,792	(155)
Taiwan	523	21	142	940	1,626	780	2,406	19
Thailand	81	10	48	858	997	—	997	302
Other Asia Pacific [7]	764	42	175	700	1,681	—	1,681	(116)
Total Asia Pacific	$ 12,508	$3,142	$ 3,175	$ 12,596	$31,421	$5,028	$36,449	$503
Latin America								
Brazil	$ 2,073	$138	$ 380	$ 2,496	$5,087	$2,363	$7,450	$(714)
Mexico	2,063	383	332	723	3,501	—	3,501	(489)
Chile	1,078	54	258	16	1,406	22	1,428	(179)
Other Latin America [7]	575	411	31	301	1,318	156	1,474	(30)
Total Latin America	$ 5,789	$986	$ 1,001	$ 3,536	$11,312	$2,541	$13,853	$(1,412)
Middle East and Africa								
United Arab Emirates	$ 2,195	$46	$ 170	$ 66	$2,477	$—	$2,477	$770
South Africa	505	48	158	9	720	—	720	57
Saudi Arabia	167	72	445	4	688	22	710	2
Other Middle East and Africa [7]	677	109	104	206	1,096	8	1,104	(89)
Total Middle East and Africa	$ 3,544	$275	$ 877	$ 285	$4,981	$30	$5,011	$740
Central and Eastern Europe								
Russian Federation	$ 1,999	$326	$ 30	$ 160	$2,515	$11	$2,526	$602
Turkey	1,190	553	34	449	2,226	89	2,315	1,146
Other Central and Eastern Europe [7]	103	229	163	404	899	—	899	3

Total Central and Eastern Europe	$ 3,292	$1,108	$ 227	$ 1,013	$5,640	$100	$5,740	$1,751
Total emerging market exposure	$ 25,133	$5,511	$ 5,280	$ 17,430	$53,354	$7,699	$61,053	$1,582

(1) There is no generally accepted definition of emerging markets. The definition that we use includes all countries in Asia Pacific excluding Japan, Australia and New Zealand; all countries in Latin America excluding Cayman Islands and Bermuda; all countries in Middle East and Africa; and all countries in Central and Eastern Europe. At June 30, 2012 and December 31, 2011, there was $2.9 billion and $1.7 billion in emerging market exposure accounted for under the fair value option.

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

(3) Net counterparty exposure includes the fair value of derivatives and secured financing transactions. Derivatives have been reduced by $1.4 billion in collateral, predominantly in cash, pledged under legally enforceable netting agreements. Secured financing transactions have been reduced by eligible cash or securities pledged. The notional amount of repurchase transactions was $5.0 billion at June 30, 2012.

(4) Securities exposures are reduced by hedges and short positions on a single-name basis to but not below zero.

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

(6) Local country exposure includes amounts payable to the Corporation by borrowers with a country of residence in which the credit is booked regardless of the currency in which the claim is denominated. Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements. Total amount of available local liabilities funding local country exposure was $17.3 billion and $18.7 billion at June 30, 2012 and December 31, 2011. Local liabilities at June 30, 2012 in Asia Pacific, Latin America, and Middle East and Africa were $15.0 billion, $1.9 billion and $318 million, respectively, of which $6.3 billion was in Singapore, $2.6 billion in China, $1.6 billion in Hong Kong, $1.4 billion in both India and Mexico, $854 million in Korea, $653 million in Thailand, $593 million in Malaysia, $586 million in Taiwan and $545 million in Brazil. There were no other countries with available local liabilities funding local country exposure greater than $500 million.

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

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At both June 30, 2012 and December 31, 2011, 60 percent of the emerging markets exposure was in Asia Pacific. Emerging markets exposure in Asia Pacific increased by $503 million with growth in Hong Kong, China and Thailand partially offset by a decrease in other financing and net counterparty exposure in India. Our investment in CCB was $716 million at both June 30, 2012 and December 31, 2011. For more information on our investment in CCB, see Note 4 – Securities to the Consolidated Financial Statements.

At June 30, 2012 and December 31, 2011, 23 percent and 26 percent of the emerging markets exposure was in Latin America. Latin America emerging markets exposure decreased $1.4 billion driven by a decrease in local country exposure in Brazil and a decrease in loans and securities in Mexico.

At June 30, 2012 and December 31, 2011, eight percent and seven percent of the emerging markets exposure was in the Middle East and Africa. At June 30, 2012 and December 31, 2011, nine percent and seven percent of the emerging markets exposure was in Central and Eastern Europe.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, have experienced varying degrees of financial stress. Risks from the ongoing debt crisis in these countries could continue to disrupt the financial markets which could have a detrimental impact on global economic conditions and sovereign and non-sovereign debt in these countries. Market sentiment continued to evolve during the three and six months ended June 30, 2012 driven most recently by concerns over Greece's ability to meet conditions precedent to continued funding under various support programs and the viability of Spain's banking sector and its impact on the solvency of the Spanish government. The lack of a clear resolution to the crisis and fears of contagion continue to contribute to market uncertainty.

Table 62 shows our direct sovereign and non-sovereign exposures, excluding consumer credit card exposure, in these countries at June 30, 2012. Our total sovereign and non-sovereign exposure to these countries was $14.5 billion at June 30, 2012 compared to $15.2 billion at December 31, 2011. The total exposure to these countries, net of previously unapplied hedges, was $9.6 billion at June 30, 2012 compared to $10.3 billion at December 31, 2011, of which $252 million and $362 million was total sovereign exposure. At both June 30, 2012 and December 31, 2011, the fair value of unapplied hedges and net credit default protection purchased was $4.9 billion.

We hedge certain of our selected European country exposure with credit default protection in the form of credit default swaps (CDS). The majority of our CDS contracts are with highly-rated financial institutions primarily outside of the Eurozone and we work to limit or eliminate correlated CDS. Due to our engagement in market-making activities, our CDS portfolio contains contracts with various maturities to a diverse set of counterparties. We work to limit mismatches in maturities between our exposures and the CDS we use to hedge them. However, there may be instances where the protection purchased has a different maturity from the exposure for which the protection was purchased, in which case, those exposures and hedges are subject to more active monitoring and management.

The gross notional amount of single-name CDS protection purchased and sold on reference assets in Greece, Ireland, Italy, Portugal and Spain at June 30, 2012 was $74.0 billion and $68.6 billion, of which $32.9 billion and $30.0 billion were sovereign. After the consideration of legally-enforceable counterparty master netting agreements, the gross notional CDS protection purchased and sold on those same reference assets at June 30, 2012 was $19.8 billion and $14.3 billion, of which $9.9 billion and $7.2 billion were sovereign.

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

In addition to our direct sovereign and non-sovereign exposures, a significant deterioration in the European debt crisis could result in material reductions in the value of sovereign debt and other asset classes, disruptions in capital markets, widening of credit spreads of U.S. and other financial institutions, loss of investor confidence in the financial services industry, a slowdown in global economic activity and other adverse developments. For additional information on the debt crisis in Europe, see Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

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Table 62
Selected European Countries

(Dollars in millions)	Funded Loans and Loan Equivalents (1)	Unfunded Loan Commitments	Net Counter-party Exposure (2)	Securities/ Other Investments (3)	Country Exposure at June 30, 2012	Hedges and Credit Default Protection (4)	Net Country Exposure at June 30, 2012 (5)	Increase(Decrease) from December 31, 2011
Greece								
Sovereign	$—	$ —	$ —	$6	$6	$—	$6	$ (23)
Financial Institutions	—	—	10	12	22	(4)	18	21
Corporates	311	106	21	30	468	(1)	467	33
Total Greece	$311	$ 106	$ 31	$48	$496	$(5)	$491	$ 31
Ireland								
Sovereign	$17	$ —	$ 17	$8	$42	$—	$42	$ (79)
Financial Institutions	121	328	157	395	1,001	(14)	987	189
Corporates	1,054	291	74	31	1,450	(19)	1,431	(64)
Total Ireland	$1,192	$ 619	$ 248	$434	$2,493	$(33)	$2,460	$ 46
Italy								
Sovereign	$—	$ —	$ 1,656	$526	$2,182	$(1,701)	$481	$ 267
Financial Institutions	1,826	211	111	201	2,349	(559)	1,790	59
Corporates	1,844	1,512	173	175	3,704	(1,221)	2,483	(427)
Total Italy	$3,670	$ 1,723	$ 1,940	$902	$8,235	$(3,481)	$4,754	$ (101)
Portugal								
Sovereign	$—	$ —	$ 44	$—	$44	$(65)	$(21)	$ (12)
Financial Institutions	15	—	13	60	88	(13)	75	71
Corporates	148	71	15	46	280	(172)	108	47
Total Portugal	$163	$ 71	$ 72	$106	$412	$(250)	$162	$ 106
Spain								
Sovereign	$36	$ 6	$ 28	$1	$71	$(327)	$(256)	$ (263)
Financial Institutions	49	13	138	148	348	(73)	275	(387)
Corporates	1,609	632	153	63	2,457	(746)	1,711	(158)
Total Spain	$1,694	$ 651	$ 319	$212	$2,876	$(1,146)	$1,730	$ (808)
Total								
Sovereign	$53	$ 6	$ 1,745	$541	$2,345	$(2,093)	$252	$ (110)
Financial Institutions	2,011	552	429	816	3,808	(663)	3,145	(47)
Corporates	4,966	2,612	436	345	8,359	(2,159)	6,200	(569)
Total Selected European exposure	$7,030	$ 3,170	$ 2,610	$1,702	$14,512	$(4,915)	$9,597	$ (726)

(1) Includes loans, leases, overdrafts, acceptances, due froms, SBLCs, commercial letters of credit and formal guarantees, which have not been reduced by collateral, hedges or credit default protection. Funded loans are reported net of charge-offs, prior to any impairment provision.

(2)

Net counterparty exposure includes the fair value of derivatives and secured financing transactions. Derivatives have been reduced by $3.7 billion in collateral, predominantly in cash, pledged under legally enforceable netting agreements. Secured financing transactions have been reduced by eligible cash or securities pledged. The notional amount of the repurchase transactions was $732 million at June 30, 2012. Counterparty exposure has not been reduced by hedges or credit default protection.

(3) Securities exposures are reduced by hedges and short positions on a single-name basis to but not below zero.

(4) Represents unapplied net credit default protection purchased, including $(2.8) billion in net credit default protection purchased to hedge loans and securities, $(2.1) billion in additional credit default protection to hedge derivative assets and $(49) million in other short positions. Based on the credit default protection notional amount assuming zero recovery adjusted for any fair value receivable or payable.

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

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Provision for Credit Losses

The provision for credit losses decreased $1.5 billion to $1.8 billion, and decreased $2.9 billion to $4.2 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011. The provision for credit losses was $1.9 billion and $3.5 billion lower than net charge-offs for the three and six months ended June 30, 2012 resulting in reductions in the allowance for credit losses. This compared to reductions of $2.4 billion and $4.6 billion in the allowance for credit losses for the three and six months ended June 30, 2011. Absent unexpected deterioration in the economy, we expect reductions in the allowance for loan and lease losses, excluding the valuation allowance for PCI loans, to continue in the near term, though at a slower pace than in 2011.

The provision for credit losses for the consumer portfolio decreased $2.0 billion to $1.7 billion, and decreased $3.3 billion to $4.4 billion for the three and six months ended June 30, 2012 compared to the same periods in 2011 driven by lower credit costs in the home equity and residential mortgage loan portfolios due to improved portfolio trends, including lower reserve additions in our PCI portfolios, partially offset by stabilizing portfolio trends in the U.S. credit card and unsecured lending portfolio within CBB. The provision for credit losses related to the consumer PCI loan portfolios was $6 million and $493 million for the three and six months ended June 30, 2012 compared to $412 million and $2.0 billion for the same periods in 2011.

The provision for credit losses for the commercial portfolio, net of the provision benefit for unfunded lending commitments, increased $563 million to $40 million, and $450 million to a benefit of $186 million for the three and six months ended June 30, 2012 compared to the same periods in 2011 due to stabilization in the credit quality of the core commercial portfolio.

Allowance for Credit Losses

Allowance for Loan and Lease Losses

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

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

The second component of the allowance for loan and lease losses covers the remaining consumer and commercial loans and leases that have incurred losses but they are not yet individually identifiable. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio evaluations, generally by product type. Loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. Our consumer real estate loss forecast model estimates the portion of loans that will default based on individual loan attributes, the most significant of which are refreshed LTV or CLTV, and borrower credit score as well as vintage and geography, all of which are further broken down into current delinquency status. Additionally, we incorporate the delinquency status of underlying first-lien loans on our junior-lien home equity portfolio in our allowance process. Incorporating refreshed LTV and CLTV into our probability of default allows us to factor the impact of changes in home prices into our allowance for loan and lease losses. These loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment. As of June 30, 2012, the loss forecast process resulted in reductions in the allowance for all major consumer portfolios.

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The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic and obligor concentrations within each portfolio and any other pertinent information. The statistical models for commercial loans are generally updated annually and utilize our historical database of actual defaults and other data. The loan risk ratings and composition of the commercial portfolios are updated at least quarterly to incorporate the most recent data reflecting the current economic environment. For risk-rated commercial loans, we estimate the probability of default and the loss given default (LGD) based on our historical experience of defaults and credit losses. Factors considered when assessing the internal risk rating include the value of the underlying collateral, if applicable, the industry in which the obligor operates, the obligor's liquidity and other financial indicators, and other quantitative and qualitative factors relevant to the obligor's credit risk. When estimating the allowance for loan and lease losses, management relies not only on models derived from historical experience but also on its judgment in considering the effect on probable losses inherent in the portfolios due to the current macroeconomic environment and trends, inherent uncertainty in models and other qualitative factors. As of June 30, 2012, updates to the loan risk ratings and portfolio composition resulted in reductions in the allowance for all commercial portfolios.

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

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

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

The allowance for loan and lease losses for the consumer portfolio as presented in Table 64 was $27.0 billion at June 30, 2012, a decrease of $2.7 billion from December 31, 2011. This decrease was primarily due to improving economic conditions and improvement in delinquencies and bankruptcies in the U.S. credit card and unsecured consumer lending portfolios in CBB as well as lower levels of projected losses in the non-PCI home equity portfolio. With respect to the consumer PCI loan portfolios, updates to our projected cash flows resulted in a provision of $6 million and $493 million for the three and six months ended June 30, 2012, primarily due to our updated home price outlook. Reserve increases related to the consumer PCI loan portfolios in the three and six months ended June 30, 2011 were $412 million and $2.0 billion.

The allowance for loan and lease losses for the commercial portfolio as presented in Table 64 was $3.3 billion at June 30, 2012, an $835 million decrease from December 31, 2011. The decrease was driven by improvement in economic conditions impacting the core commercial portfolio.

The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 3.43 percent at June 30, 2012 compared to 3.68 percent at December 31, 2011. The decrease in the ratio was primarily due to improved credit quality and economic conditions which led to the reduction in the allowance for credit losses discussed above. The June 30, 2012 and December 31, 2011 ratios above include the PCI loan portfolio. Excluding the PCI loan portfolio, the allowance for loan and lease losses as a percentage of total loans and leases outstanding was 2.50 percent at June 30, 2012 compared to 2.86 percent at December 31, 2011.

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Table 63 presents a rollforward of the allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, for the three and six months ended June 30, 2012 and 2011.

Table 63
Allowance for Credit Losses

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Allowance for loan and lease losses, beginning of period	$32,211	$39,843	$33,783	$41,885
Loans and leases charged off				
Residential mortgage	(777)	(1,244)	(1,734)	(2,226)
Home equity	(973)	(1,332)	(2,004)	(2,614)
Discontinued real estate	(19)	(27)	(38)	(52)
U.S. credit card	(1,428)	(2,139)	(2,963)	(4,624)
Non-U.S. credit card	(223)	(498)	(484)	(949)
Direct/Indirect consumer	(308)	(552)	(686)	(1,292)
Other consumer	(61)	(56)	(129)	(111)
Total consumer charge-offs	(3,789)	(5,848)	(8,038)	(11,868)
U.S. commercial (1)	(360)	(440)	(685)	(893)
Commercial real estate	(230)	(299)	(434)	(641)
Commercial lease financing	(20)	(6)	(21)	(17)
Non-U.S. commercial	(12)	(14)	(13)	(114)
Total commercial charge-offs	(622)	(759)	(1,153)	(1,665)
Total loans and leases charged off	(4,411)	(6,607)	(9,191)	(13,533)
Recoveries of loans and leases previously charged off				
Residential mortgage	43	140	102	217
Home equity	81	69	155	172
Discontinued real estate	3	1	6	6
U.S. credit card	184	208	388	419
Non-U.S. credit card	88	69	146	118
Direct/Indirect consumer	127	186	279	401
Other consumer	12	13	24	28
Total consumer recoveries	538	686	1,100	1,361
U.S. commercial (2)	83	105	157	267
Commercial real estate	153	136	225	190
Commercial lease financing	6	14	16	24
Non-U.S. commercial	5	1	11	(2)
Total commercial recoveries	247	256	409	479
Total recoveries of loans and leases previously charged off	785	942	1,509	1,840
Net charge-offs	(3,626)	(5,665)	(7,682)	(11,693)
Provision for loan and lease losses	1,840	3,260	4,297	7,176
Other (3)	(137)	(126)	(110)	(56)
Allowance for loan and lease losses, June 30	30,288	37,312	30,288	37,312
Reserve for unfunded lending commitments, beginning of period	651	961	714	1,188
Provision for unfunded lending commitments	(67)	(5)	(106)	(107)
Other (4)	(10)	(59)	(34)	(184)
Reserve for unfunded lending commitments, June 30	574	897	574	897
Allowance for credit losses, June 30	$30,862	$38,209	$30,862	$38,209

(1) Includes U.S. small business commercial charge-offs of $206 million and $414 million for the three and six months ended June 30, 2012 compared to $304 million and $640 million for the same periods in 2011.
(2) Includes U.S. small business commercial recoveries of $23 million and $46 million for the three and six months ended June 30, 2012 compared to $29 million and $53 million for the same periods in 2011.
(3) Represents primarily the impacts of portfolio sales, deconsolidations and foreign currency translation adjustments.
(4) Represents primarily accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions.

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Table 63
Allowance for Credit Losses (continued)

(Dollars in millions)	Three Months Ended June 30 2012		Three Months Ended June 30 2011		Six Months Ended June 30 2012		Six Months Ended June 30 2011	
Loan and allowance ratios:								
Loans and leases outstanding at June 30 (5)	$883,954		$931,660		$883,954		$931,660	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at June 30 (5)	3.43	%	4.00	%	3.43	%	4.00	%
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at June 30 (6)	4.70		5.04		4.70		5.04	
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at June 30 (7)	1.07		1.82		1.07		1.82	
Average loans and leases outstanding (5)	$891,185		$929,408		$897,899		$932,352	
Annualized net charge-offs as a percentage of average loans and leases outstanding (5)	1.64	%	2.44	%	1.72	%	2.53	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at June 30 (5, 8)	127		135		127		135	
Ratio of the allowance for loan and lease losses at June 30 to annualized net charge-offs	2.08		1.64		1.96		1.58	
Amounts included in allowance for loan and lease losses that are excluded from nonperforming loans and leases at June 30 (9)	$16,327		$19,935		$16,327		$19,935	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding amounts included in the allowance for loan and lease losses that are excluded from nonperforming loans and leases at June 30 (9)	59	%	63	%	59	%	63	%
Loan and allowance ratios excluding purchased credit-impaired loans:								
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at June 30 (5)	2.50	%	3.24	%	2.50	%	3.24	%
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at June 30 (6)	3.32		3.95		3.32		3.95	
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at June 30 (7)	1.07		1.82		1.07		1.82	
Annualized net charge-offs as a percentage of average loans and leases outstanding (5)	1.69		2.54		1.78		2.63	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at June 30 (5, 8)	90		105		90		105	
Ratio of the allowance for loan and lease losses at June 30 to annualized net charge-offs	1.46		1.28		1.38		1.23	

(5) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option. Loans accounted for under the fair value option were $8.4 billion and $9.6 billion at June 30, 2012 and 2011. Average loans accounted for under the fair value option were $8.3 billion and $8.7 billion for the three and six months ended June 30, 2012 compared to $9.1 billion and $6.4 billion for the same periods in 2011.

(6) Excludes consumer loans accounted for under the fair value option of $1.2 billion and $5.2 billion at June 30, 2012 and 2011.

(7) Excludes commercial loans accounted for under the fair value option of $7.2 billion and $4.4 billion at June 30, 2012 and 2011.

(8) For more information on our definition of nonperforming loans, see pages 99 and 108.

(9) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in CBB, PCI loans and the non-U.S. credit card portfolio in All Other.

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For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is available to absorb any credit losses within the loan portfolio, without restriction. Table 64 presents our allocation by product type.

Table 64
Allocation of the Allowance for Credit Losses by Product Type

	June 30, 2012			December 31, 2011		
(Dollars in millions)	Amount	Percent of Total	Percent of Loans and Leases Outstanding [1]	Amount	Percent of Total	Percent of Loans and Leases Outstanding [1]
Allowance for loan and lease losses						
Residential mortgage	$5,899	19.48 %	2.33 %	$5,935	17.57 %	2.26 %
Home equity	11,994	39.60	10.16	13,094	38.76	10.50
Discontinued real estate	2,071	6.84	20.59	2,050	6.07	18.48
U.S. credit card	5,228	17.26	5.54	6,322	18.71	6.18
Non-U.S. credit card	777	2.57	5.79	946	2.80	6.56
Direct/Indirect consumer	875	2.89	1.05	1,153	3.41	1.29
Other consumer	144	0.47	5.59	148	0.44	5.50
Total consumer	26,988	89.11	4.70	29,648	87.76	4.88
U.S. commercial [2]	2,016	6.66	1.02	2,441	7.23	1.26
Commercial real estate	967	3.19	2.65	1,349	3.99	3.41
Commercial lease financing	80	0.26	0.37	92	0.27	0.42
Non-U.S. commercial	237	0.78	0.44	253	0.75	0.46
Total commercial [3]	3,300	10.89	1.07	4,135	12.24	1.33
Allowance for loan and lease losses	30,288	100.00 %	3.43	33,783	100.00 %	3.68
Reserve for unfunded lending commitments	574			714		
Allowance for credit losses [4]	$30,862			$34,497		

(1) Ratios are calculated as allowance for loan and lease losses as a percentage of loans and leases outstanding excluding loans accounted for under the fair value option. Consumer loans accounted for under the fair value option include residential mortgage loans of $172 million and $906 million and discontinued real estate loans of $1.0 billion and $1.3 billion at June 30, 2012 and December 31, 2011. Commercial loans accounted for under the fair value option include U.S. commercial loans of $1.9 billion and $2.2 billion and non-U.S. commercial loans of $5.3 billion and $4.4 billion at June 30, 2012 and December 31, 2011.

(2) Includes allowance for U.S. small business commercial loans of $812 million and $893 million at June 30, 2012 and December 31, 2011.

(3) Includes allowance for loan and lease losses for impaired commercial loans of $422 million and $545 million at June 30, 2012 and December 31, 2011.

(4) Includes $9.0 billion and $8.5 billion of valuation allowance presented with the allowance for credit losses related to PCI loans at June 30, 2012 and December 31, 2011.

Reserve for Unfunded Lending Commitments

In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments such as letters of credit, financial guarantees, unfunded bankers' acceptances and binding loan commitments, excluding commitments accounted for under the fair value option. Unfunded lending commitments are subject to the same assessment as funded loans, including estimates of probability of default and LGD. Due to the nature of unfunded commitments, the estimate of probable losses must also consider utilization. To estimate the portion of these undrawn commitments that is likely to be drawn by a borrower at the time of estimated default, analyses of the Corporation's historical experience are applied to the unfunded commitments to estimate the funded exposure at default (EAD). The expected loss for unfunded lending commitments is the product of the probability of default, the LGD and the EAD, adjusted for any qualitative factors including economic uncertainty and inherent imprecision in models.

The reserve for unfunded lending commitments at June 30, 2012 was $574 million, $140 million lower than December 31, 2011 driven by improved credit quality in the unfunded portfolio and accretion of purchase accounting adjustments on acquired Merrill Lynch unfunded positions.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business, customer and other trading operations, the ALM process, credit risk mitigation activities and mortgage banking activities. In the event of market volatility, factors such as underlying market movements and liquidity have an impact on the results of the Corporation. For additional information on our market risk management process, see pages 89 through 96 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Trading Risk Management

Trading-related revenues represent the amount earned from trading positions, including trading-related net interest income, which are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities and derivative positions are reported at fair value. For more information on fair value, see Note 15 – Fair Value Measurements to the Consolidated Financial Statements. Trading-related revenues can be volatile and are largely driven by general market conditions and customer demand. Also, trading-related revenues are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment.

The Global Markets Risk Committee (GMRC), chaired by the Global Markets Risk Executive, has been designated by ALMRC as the primary governance authority for global markets risk management including trading risk management. The GMRC’s focus is to take a forward-looking view of the primary credit and market risks impacting Global Markets and prioritize those that need a proactive risk mitigation strategy. Market risks that impact businesses outside of Global Markets are monitored and governed by their respective governance authorities.

The GMRC monitors significant daily revenues and losses by business and the primary drivers of the revenues or losses. Thresholds are in place for each of our businesses in order to determine if the revenue or loss is considered to be significant for that business. If any of the thresholds are exceeded, an explanation of the variance is provided to the GMRC. The thresholds are developed in coordination with the respective risk managers to highlight those revenues or losses that exceed what is considered to be normal daily income statement volatility.

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The histogram below is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for the three months ended June 30, 2012 compared to the three months ended March 31, 2012. During the three months ended June 30, 2012, positive trading-related revenue was recorded for 95 percent, or 60 of the 63 trading days of which 75 percent (47 days) were daily trading gains of over $25 million and the largest loss was $11 million. These results can be compared to the three months ended March 31, 2012, where positive trading-related revenue was recorded for 100 percent (62 days) of the trading days of which 95 percent (59 days) were daily trading gains of over $25 million. There were no daily trading losses recorded during the three months ended March 31, 2012.

To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. VaR is a key statistic used to measure market risk. In order to manage day-to-day risks, VaR is subject to trading limits both for our overall trading portfolio and within individual businesses. All limit excesses are communicated to management for review.

A VaR model simulates the value of a portfolio under a range of hypothetical scenarios in order to generate a distribution of potential gains and losses. VaR represents the worst loss the portfolio is expected to experience based on historical trends with a given level of confidence and depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated. Within any VaR model, there are significant and numerous assumptions that will differ from company to company. In addition, the accuracy of a VaR model depends on the availability and quality of historical data for each of the positions in the portfolio. A VaR model may require additional modeling assumptions for new products that do not have extensive historical price data or for illiquid positions for which accurate daily prices are not consistently available.

A VaR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios. There are, however, many limitations inherent in a VaR model as it utilizes historical results over a defined time period to estimate future performance. Historical results may not always be indicative of future results and changes in market conditions or in the composition of the underlying portfolio could have a material impact on the accuracy of the VaR model. In order for the VaR model to reflect current market conditions, we update the historical data underlying our VaR model on a weekly basis and regularly review the assumptions underlying the model. Our VaR model utilizes three years of historical data. This time period was chosen to ensure that the VaR reflects both a broad range of market movements as well as being sensitive to recent changes in market volatility.

We continually review, evaluate and enhance our VaR model so that it reflects the material risks in our trading portfolio. Nevertheless, due to the limitations previously discussed, we have historically used the VaR model as only one of the components in managing our trading risk and also use other techniques such as stress testing and desk level limits. Periods of extreme market stress influence the reliability of these techniques to varying degrees.

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The accuracy of the VaR methodology is reviewed by backtesting which compares the VaR results from historical data against the actual daily profit and loss. Graphic representation of the backtesting results with additional explanation of backtesting excesses are reported to the GMRC. Backtesting excesses occur when trading losses exceed VaR. Senior management reviews and evaluates the results of these tests. In periods of market stress, the GMRC members communicate daily to discuss losses and VaR limit excesses. As a result of this process, the businesses may selectively reduce risk. Where economically feasible, positions are sold or macroeconomic hedges are executed to reduce the exposure.

Our VaR model uses a historical simulation approach based on three years of historical data and an expected shortfall methodology equivalent to a 99 percent confidence level. Statistically, this means that losses will exceed VaR, on average, one out of 100 trading days, or two to three times each year. The number of actual backtesting excesses observed is dependent on current market performance relative to historic market volatility. Actual losses did not exceed daily trading VaR in the twelve months ended June 30, 2012 or the twelve months ended June 30, 2011. The graph below shows daily trading-related revenue and VaR for the twelve months ended June 30, 2012.
Table 65 presents average, high and low daily trading VaR for the three months ended June 30, 2012, March 31, 2012 and June 30, 2011, as well as average daily trading VaR for the six months ended June 30, 2012 and 2011.

Table 65
Trading Activities Market Risk VaR

	Three Months Ended June 30, 2012			Three Months Ended March 31, 2012			Three Months Ended June 30, 2011			Six Months Ended June 30 2012	Six Months Ended June 30 2011
(Dollars in millions)	Average	High (1)	Low (1)	Average	High (1)	Low (1)	Average	High (1)	Low (1)	Average	Average
Foreign exchange	$19.8	$27.1	$15.1	$19.0	$24.4	$11.5	$14.3	$34.6	$6.0	$19.4	$21.4
Interest rate	49.2	67.1	31.2	49.5	75.3	32.5	63.6	76.6	49.5	49.4	56.2
Credit	37.4	53.9	31.1	50.3	66.7	35.9	133.6	155.3	97.3	43.8	135.9
Real estate/mortgage	32.3	40.4	28.3	36.9	45.0	31.2	100.2	138.9	72.5	34.6	97.0
Equities	23.9	35.5	16.1	40.7	54.8	28.6	55.2	79.5	32.1	32.2	52.7
Commodities	11.9	15.2	7.2	13.1	16.6	8.4	23.7	33.8	15.9	12.5	23.8
Portfolio diversification	(112.0)	—	—	(125.4)	—	—	(161.4)	—	—	(118.7)	(180.3)
Total trading-related portfolio	$62.5	$85.5	$48.5	$84.1	$114.5	$50.1	$229.2	$318.6	$140.9	$73.2	$206.7

(1) The high and low for the total portfolio may not equal the sum of the individual components as the highs or lows of the individual portfolios may have occurred on different trading days.

The $22 million decrease in average VaR during the three months ended June 30, 2012 was primarily due to lower client activity during the period and is reflected primarily in the decreases in equities and credit where average VaR decreased $17 million and $13 million. These decreases were partially offset by a reduction in portfolio diversification VaR of $13 million.

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Counterparty credit risk is an adjustment to the mark-to-market value of our derivative exposures to reflect the impact of the credit quality of counterparties on our derivative assets. Since counterparty credit exposure is not included in the VaR component of the regulatory capital allocation, we do not include it in our trading VaR, and it is therefore not included in the daily trading-related revenue illustrated in our histogram or used for backtesting.

Trading Portfolio Stress Testing

Because the very nature of a VaR model suggests results can exceed our estimates, and is dependent on a limited lookback window, we also "stress test" our portfolio. Stress testing estimates the value change in our trading portfolio that may result from abnormal market movements. Various scenarios, categorized as either historical or hypothetical, are regularly run and reported for the overall trading portfolio and individual businesses. Historical scenarios simulate the impact of price changes that occurred during a set of extended historical market events. Generally, a 10-business-day window or longer, representing the most severe point during a crisis, is selected for each historical scenario. Hypothetical scenarios provide simulations of anticipated shocks from pre-defined market stress events. These stress events include shocks to underlying market risk variables which may be well beyond the shocks found in the historical data used to calculate VaR. As with the historical scenarios, the hypothetical scenarios are designed to represent a short-term market disruption. Scenarios are reviewed and updated as necessary in light of changing positions and new economic or political information. In addition to the value afforded by the results themselves, this information provides senior management with a clear picture of the trend of risk being taken given the relatively static nature of the shocks applied. Stress testing for the trading portfolio is also integrated with enterprise-wide stress testing and incorporated into the limits framework. A process has been in place to promote consistency between the scenarios used for the trading portfolio and those used for enterprise-wide stress testing. The scenarios used for enterprise-wide stress testing purposes differ from the typical trading portfolio scenarios in that they have a longer time horizon and the results are forecasted over multiple periods for use in consolidated capital and liquidity planning. For additional information on enterprise-wide stress testing, see page 75.

Interest Rate Risk Management for Nontrading Activities

The following discussion presents net interest income excluding the impact of trading-related activities on net interest income.

Interest rate risk represents the most significant market risk exposure to our nontrading balance sheet. Interest rate risk is measured as the potential volatility in net interest income caused by changes in market interest rates. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet.

We prepare forward-looking forecasts of net interest income. The baseline forecast takes into consideration expected future business growth, ALM positioning and the direction of interest rate movements as implied by the market-based forward curve. We then measure and evaluate the impact that alternative interest rate scenarios have on the baseline forecast in order to assess interest rate sensitivity under varied conditions. The net interest income forecast is frequently updated for changing assumptions and differing outlooks based on economic trends, market conditions and business strategies. Thus, we continually monitor our balance sheet position in an effort to maintain an acceptable level of exposure to interest rate changes.

The interest rate scenarios that we analyze incorporate balance sheet assumptions such as loan and deposit growth and pricing, changes in funding mix, product repricing and maturity characteristics, but do not include the impact of hedge ineffectiveness. Our overall goal is to manage interest rate risk so that movements in interest rates do not adversely affect net interest income and capital.

The spot and 12-month forward monthly rates used in our baseline forecasts at June 30, 2012 and December 31, 2011 are presented in Table 66.

Table 66
Forward Rates

	June 30, 2012			December 31, 2011		
	Federal Funds	Three-month LIBOR	10-Year Swap	Federal Funds	Three-month LIBOR	10-Year Swap
Spot rates	0.25 %	0.46 %	1.78 %	0.25 %	0.58 %	2.03 %
12-month forward rates	0.25	0.55	2.04	0.25	0.75	2.29

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Table 67 shows the pre-tax dollar impact to forecasted net interest income over the next twelve months from June 30, 2012 and December 31, 2011, resulting from instantaneous parallel and non-parallel shocks to the market-based forward curve. Periodically we evaluate the scenarios presented to ensure that they provide a comprehensive view of our interest rate risk exposure and are meaningful in the context of the current rate environment. Given the potential volatility in long end rates and our sensitivity to those rates, we have replaced gradual shocks previously reported with instantaneous shocks. For further discussion of net interest income excluding the impact of trading-related activities, see page 23.

Table 67
Estimated Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions)	Short Rate	Long Rate	June 30	December 31
Curve Change	(bps)	(bps)	2012	2011
Parallel shifts				
+100 bps instantaneous parallel shift	+100	+100	$2,977	$2,883
-50 bps instantaneous parallel shift	-50	-50	(1,695)	(1,795)
Flatteners				
Short end instantaneous change	+100	—	1,268	979
Long end instantaneous change	—	-50	(1,473)	(1,319)
Steepeners				
Short end instantaneous change	-50	—	(219)	(464)
Long end instantaneous change	—	+100	1,729	1,935

The sensitivity analysis in Table 67 assumes that we take no action in response to these rate shocks. Our net interest income was asset sensitive to a parallel move in interest rates at both June 30, 2012 and December 31, 2011. As part of our ALM activities, we use securities, residential mortgages, and interest rate and foreign exchange derivatives in managing interest rate sensitivity.

Securities

The securities portfolio is an integral part of our ALM positioning and is primarily comprised of debt securities including MBS and to a lesser extent U.S. Treasury, corporate, municipal and other debt securities. At June 30, 2012 and December 31, 2011, we held AFS debt securities with a fair value of $300.0 billion and $276.2 billion. During the three months ended June 30, 2012 and 2011, we purchased AFS debt securities of $32.8 billion and $36.4 billion, sold $20.0 billion and $29.1 billion, and had maturities and received paydowns of $16.0 billion and $11.0 billion. We realized $400 million and $899 million in net gains on sales of debt securities during the three months ended June 30, 2012 and 2011. At June 30, 2012 and December 31, 2011, we held $35.2 billion and $35.3 billion of held-to-maturity securities.

During the six months ended June 30, 2012 and 2011, we purchased AFS debt securities of $99.7 billion and $59.8 billion, sold $45.8 billion and $40.0 billion, and had maturities and received paydowns of $31.8 billion and $28.7 billion. We realized $1.2 billion and $1.4 billion in net gains on sales of debt securities during the six months ended June 30, 2012 and 2011.

Accumulated OCI included after-tax net unrealized gains of $3.7 billion and $1.6 billion on AFS debt securities and $16 million and $6.5 billion on AFS marketable equity securities at June 30, 2012 and 2011. For additional information on accumulated OCI, see Note 12 – Accumulated Other Comprehensive Income (Loss) to the Consolidated Financial Statements. The amount of pre-tax net unrealized gains on AFS debt securities increased $2.3 billion and $888 million during the three and six months ended June 30, 2012 to $5.9 billion primarily due to the impact of lower interest rates. For additional information on our securities portfolio, see Note 4 – Securities to the Consolidated

Financial Statements.

We recognized $6 million and $46 million of other-than-temporary impairment (OTTI) losses in earnings on AFS debt securities in the three and six months ended June 30, 2012 compared to $45 million and $133 million for the same periods in the prior year. The recognition of OTTI losses is based on a variety of factors, including the length of time and extent to which the market value has been less than amortized cost, the financial condition of the issuer of the security including credit ratings and any specific events affecting the operations of the issuer, underlying assets that collateralize the debt security, other industry and macroeconomic conditions, and our intent and ability to hold the security to recovery.

Residential Mortgage Portfolio

At June 30, 2012 and December 31, 2011, our residential mortgage portfolio was $252.6 billion and $262.3 billion which excludes $10.1 billion and $11.1 billion in the discontinued real estate loan portfolio and $1.2 billion and $2.2 billion of consumer loans accounted for under the fair value option. For more information on consumer fair value option loans, see Consumer Portfolio Credit Risk Management – Consumer Loans Accounted for Under the Fair Value Option on page 98. The $9.7 billion decrease in the six months ended June 30, 2012 was due to new origination volume which was more than offset by paydowns, charge-offs and transfers to foreclosed properties.

Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

There were $7.9 billion in first-lien mortgages originated by CRES and GWIM, which we retained, compared to $13.0 billion in the prior-year period. Additionally, we repurchased $2.2 billion of delinquent FHA loans pursuant to our servicing agreements with GNMA and received paydowns of $11.9 billion compared to repurchases of $1.7 billion and paydowns of $8.5 billion in the prior-year period. We securitized and retained $21 million in loans during the current period compared to none in the prior-year period. There were no purchases of residential mortgages related to ALM activities during either period. We sold $18 million and $50 million of residential mortgages, all of which were originated residential mortgages. Gains recognized on securitizations completed during the current period and net gains on the sales of residential mortgages in both periods were minimal.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

There were $16.2 billion in first-lien mortgages originated by CRES and GWIM, which we retained, compared to $23.8 billion in the prior-year period. Additionally, we repurchased $2.3 billion of delinquent FHA loans pursuant to our servicing agreements with GNMA and received paydowns of $24.4 billion compared to repurchases of $7.5 billion and paydowns of $20.3 billion in the prior-year period. We securitized and retained $21 million in loans during the current period compared to none in the prior-year period. Additionally, there were no purchases of residential mortgages related to ALM activities compared to $72 million in the prior-year period. We sold $37 million and $73 million of residential mortgages, all of which were originated residential mortgages. Gains recognized on securitizations completed during the current period and net gains on the sales of residential mortgages in both periods were minimal.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to manage our interest rate and foreign exchange risk. We use derivatives to hedge the variability in cash flows or changes in fair value on our balance sheet due to interest rate and foreign exchange components. For additional information on our hedging activities, see Note 3 – Derivatives to the Consolidated Financial Statements.

Our interest rate contracts are generally non-leveraged generic interest rate and foreign exchange basis swaps, options, futures and forwards. In addition, we use foreign exchange contracts, including cross-currency interest rate swaps, foreign currency forward contracts and options to mitigate the foreign exchange risk associated with foreign currency-denominated assets and liabilities.

Changes to the composition of our derivatives portfolio during the six months ended June 30, 2012 reflect actions taken for interest rate and foreign exchange rate risk management. The decisions to reposition our derivatives portfolio are based upon the current assessment of economic and financial conditions including the interest rate and foreign currency environments, balance sheet composition and trends, and the relative mix of our cash and derivative positions.

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Table 68 presents derivatives utilized in our ALM activities including those designated as accounting and economic hedging instruments and shows the notional amount, fair value, weighted-average receive-fixed and pay-fixed rates, expected maturity and estimated duration of our open ALM derivatives at June 30, 2012 and December 31, 2011. These amounts do not include derivative hedges on our MSRs.

Table 68
Asset and Liability Management Interest Rate and Foreign Exchange Contracts

		June 30, 2012							
		Expected Maturity							
(Dollars in millions, average estimated duration in years)	Fair Value	Total	2012	2013	2014	2015	2016	Thereafter	Average Estimated Duration
Receive-fixed interest rate swaps (1, 2)	$12,542								6.14
Notional amount		$85,504	$4,972	$7,175	$7,604	$10,263	$11,362	$44,128	
Weighted-average fixed-rate		4.30 %	2.16 %	4.06 %	3.79 %	4.07 %	3.98 %	4.81 %	
Pay-fixed interest rate swaps (1, 2)	(8,529)								13.51
Notional amount		$42,392	$—	$466	$1,230	$3,520	$1,025	$36,151	
Weighted-average fixed-rate		3.32 %	— %	3.78 %	1.65 %	2.23 %	1.65 %	3.53 %	
Same-currency basis swaps (3)	67								
Notional amount		$247,556	$20,547	$75,415	$61,550	$23,676	$23,017	$43,351	
Foreign exchange basis swaps (2, 4, 5)	702								
Notional amount		216,712	27,716	40,015	47,978	25,586	15,494	59,923	
Option products (6)	(1,356)								
Notional amount (7)		7,198	—	2,950	600	300	—	3,348	
Foreign exchange contracts (2, 5, 8)	3,979								
Notional amount (7)		54,433	19,832	6,728	9,762	2,034	2,327	13,750	
Futures and forward rate contracts	—								
Notional amount (7)		1,760	1,760	—	—	—	—	—	
Net ALM contracts	$7,405								

			December 31, 2011						
			Expected Maturity						
	Fair	Total	2012	2013	2014	2015	2016	Thereafter	Average

(Dollars in millions, average estimated duration in years)	Value								Estimated Duration
Receive-fixed interest rate swaps (1, 2)	$13,989								5.99
Notional amount		$105,938	$22,422	$8,144	$7,604	$10,774	$11,660	$45,334	
Weighted-average fixed-rate		4.09 %	2.65 %	3.70 %	3.79 %	4.01 %	3.96 %	4.98 %	
Pay-fixed interest rate swaps (1, 2)	(13,561)								12.17
Notional amount		$77,985	$2,150	$1,496	$1,750	$15,026	$8,951	$48,612	
Weighted-average fixed-rate		3.29 %	1.45 %	2.68 %	1.80 %	2.35 %	3.13 %	3.76 %	
Same-currency basis swaps (3)	61								
Notional amount		$222,641	$44,898	$83,248	$35,678	$14,134	$17,113	$27,570	
Foreign exchange basis swaps (2, 4, 5)	3,409								
Notional amount		262,428	60,359	49,161	55,111	20,401	43,360	34,036	
Option products (6)	(1,875)								
Notional amount (7)		10,413	1,500	2,950	600	300	458	4,605	
Foreign exchange contracts (2, 5, 8)	2,522								
Notional amount (7)		52,328	20,470	3,556	10,165	2,071	2,603	13,463	
Futures and forward rate contracts	153								
Notional amount (7)		12,160	12,160	—	—	—	—	—	
Net ALM contracts	$4,698								

(1) At June 30, 2012 and December 31, 2011, the receive-fixed interest rate swap notional amounts that represented forward starting swaps and which will not be effective until their respective contractual start dates totaled $263 million and $1.7 billion. The forward starting pay-fixed swap positions at June 30, 2012 and December 31, 2011 were $520 million and $8.8 billion.

(2) Does not include basis adjustments on either fixed-rate debt issued by the Corporation or AFS debt securities which are hedged using derivatives designated as fair value hedging instruments that substantially offset the fair values of these derivatives.

(3) At June 30, 2012 and December 31, 2011, the notional amount of same-currency basis swaps consisted of $247.6 billion and $222.6 billion in both foreign currency and U.S. dollar-denominated basis swaps in which both sides of the swap are in the same currency.

(4) Foreign exchange basis swaps consisted of cross-currency variable interest rate swaps used separately or in conjunction with receive-fixed interest rate swaps.

(5) Does not include foreign currency translation adjustments on certain non-U.S. debt issued by the Corporation that substantially offset the fair values of these derivatives.

(6)

The notional amount of option products of $7.2 billion at June 30, 2012 were comprised of $17 million in purchased caps/floors and $7.2 billion in swaptions. Option products of $10.4 billion at December 31, 2011 were comprised of $30 million in purchased caps/floors and $10.4 billion in swaptions.

(7) Reflects the net of long and short positions.

(8) The notional amount of foreign exchange contracts of $54.4 billion at June 30, 2012 was comprised of $35.9 billion in foreign currency-denominated and cross-currency receive-fixed swaps, $432 million in foreign currency-denominated pay-fixed swaps, and $18.9 billion in net foreign currency forward rate contracts. Foreign exchange contracts of $52.3 billion at December 31, 2011 were comprised of $40.6 billion in foreign currency-denominated and cross-currency receive-fixed swaps, $647 million in foreign currency-denominated pay-fixed swaps and $12.4 billion in net foreign currency forward rate contracts.

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We use interest rate derivative instruments to hedge the variability in the cash flows of our assets and liabilities and other forecasted transactions (collectively referred to as cash flow hedges). The net losses on both open and terminated derivative instruments recorded in accumulated OCI, net-of-tax, were $3.5 billion and $3.8 billion at June 30, 2012 and December 31, 2011. These net losses are expected to be reclassified into earnings in the same period as the hedged cash flows affect earnings and will decrease income or increase expense on the respective hedged cash flows. Assuming no change in open cash flow derivative hedge positions and no changes in prices or interest rates beyond what is implied in forward yield curves at June 30, 2012, the pre-tax net losses are expected to be reclassified into earnings as follows: $1.3 billion, or 24 percent, within the next year, 57 percent in years two through five, and 12 percent in years six through ten, with the remaining seven percent thereafter. For more information on derivatives designated as cash flow hedges, see Note 3 – Derivatives to the Consolidated Financial Statements.

We hedge our net investment in non-U.S. operations determined to have functional currencies other than the U.S. dollar using forward foreign exchange contracts that typically settle in less than 180 days, cross-currency basis swaps, foreign exchange options and foreign currency-denominated debt. We recorded after-tax gains on derivatives and foreign currency-denominated debt in accumulated OCI associated with net investment hedges which were offset by losses on our net investments in consolidated non-U.S. entities at June 30, 2012.

Mortgage Banking Risk Management

We originate, fund and service mortgage loans, which subject us to credit, liquidity and interest rate risks, among others. We determine whether loans will be HFI or held-for-sale at the time of commitment and manage credit and liquidity risks by selling or securitizing a portion of the loans we originate.

Interest rate risk and market risk can be substantial in the mortgage business. Fluctuations in interest rates drive consumer demand for new mortgages and the level of refinancing activity, which in turn, affects total origination and service fee income. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and a decrease in the value of the MSRs driven by higher prepayment expectations. Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires complex modeling and ongoing monitoring. IRLCs and the related residential first mortgage LHFS are subject to interest rate risk between the date of the IRLC and the date the loans are sold to the secondary market. To hedge interest rate risk, we utilize forward loan sale commitments and other derivative instruments including purchased options. These instruments are used as economic hedges of IRLCs and residential first mortgage LHFS. At June 30, 2012 and December 31, 2011, the notional amounts of derivatives economically hedging the IRLCs and residential first mortgage LHFS were $40.0 billion and $14.7 billion.

MSRs are nonfinancial assets created when the underlying mortgage loan is sold to investors and we retain the right to service the loan. We use certain derivatives such as interest rate options, interest rate swaps, forward settlement contracts and Eurodollar futures, as well as MBS and U.S. Treasuries as economic hedges of MSRs. The notional amounts of the derivative contracts and other securities designated as economic hedges of MSRs were $2.7 trillion and $41.3 billion at June 30, 2012 and $2.6 trillion and $46.3 billion at December 31, 2011. For the three and six months ended June 30, 2012, we recorded gains in mortgage banking income of $1.8 billion and $1.3 billion related to the change in fair value of these economic hedges compared to gains of $1.5 billion and $1.3 billion for the same periods in the prior year. For additional information on MSRs, see Note 18 – Mortgage Servicing Rights to the Consolidated Financial Statements and for more information on mortgage banking income, see CRES on page 36.

Compliance Risk Management

Compliance risk arises from the failure to adhere to laws, rules, regulations, and internal policies and procedures. Compliance risk can expose the Corporation to reputational risks as well as fines, civil money penalties or payment of damages and can lead to diminished business opportunities and diminished ability to expand key operations. Compliance is at the core of the Corporation’s culture and is a key component of risk management discipline.

The Global Compliance organization is responsible for driving a culture of compliance; establishing compliance program standards and policies; executing, monitoring and testing of business controls; performing risk assessments on the businesses’ adherence to laws, rules and standards as well as effectiveness of business controls; delivering compliance risk reporting; and supporting the identification, escalation and reporting of emerging and existing compliance risks and for overseeing remediation of compliance risks and issues executed by the businesses. Global Compliance is also responsible for facilitating processes to effectively manage regulatory changes and build constructive relationships with regulators.

The Board provides oversight of compliance risks through its Audit Committee.

Operational Risk Management

The Corporation defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may occur anywhere in the Corporation, not solely in operations functions, and its effects may extend beyond financial losses. Operational risk includes legal risk. Successful operational risk management is particularly important to diversified financial services companies because of the nature, volume and complexity of the financial services business. Global banking guidelines and country-specific requirements for managing operational risk were established in Basel 2 which requires that the Corporation has internal operational risk management processes to assess and measure operational risk exposure and to set aside appropriate capital to address those exposures.

We approach operational risk management from two perspectives to best manage operational risk within the structure of the Corporation: (1) at the enterprise level to provide independent, integrated management of operational risk across the organization, and (2) at the business and enterprise control function levels to address operational risk in revenue producing and non-revenue producing units. A sound internal governance structure enhances the effectiveness of the Corporation's Operational Risk Management Program and is accomplished at the enterprise level through formal oversight by the Board, the Chief Risk Officer and a variety of management committees and risk oversight groups aligned to the Corporation's overall risk governance framework and practices. Of these, the Compliance and Operational Risk Committee (CORC) oversees the Corporation's policies and processes for sound operational management. The CORC also serves as an escalation point for critical operational risk matters within the Corporation. The CORC reports operational risk activities to the Enterprise Risk Committee of the Board.

Within the Global Risk Management organization, the Corporate Operational Risk team develops and guides the strategies, policies, practices, controls and monitoring tools for assessing and managing operational risks across the organization and reports results to the businesses, enterprise control functions, senior management, governance committees and the Board.

The business and enterprise control functions are responsible for all the risks within their units, including operational risks. In addition to enterprise risk management tools such as loss reporting, scenario analysis, and risk and control self assessments, operational risk executives, working in conjunction with senior business executives, have developed key tools to help identify, measure, mitigate and monitor risk in each business and enterprise control function.

Independent review and challenge to the Corporation's overall operational risk management framework is performed by the Corporate Operational Risk Validation Team.

For more information on our operational risk management activities, see page 96 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Complex Accounting Estimates

Our significant accounting principles, as described in Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K, are essential in understanding the Management's Discussion and Analysis of Financial Condition and Results of Operations. Many of our significant accounting principles require complex judgments to estimate the values of assets and liabilities. We have procedures and processes in place to facilitate making these judgments.

The more judgmental estimates impacting results for the six months ended June 30, 2012 are summarized in the following discussion. We have identified and described the development of the variables most important in the estimation processes that involve mathematical models to derive the estimates. In many cases, there are numerous alternative judgments that could be used in the process of determining the inputs to the models. Where alternatives exist, we have used the factors that we believe represent the most reasonable value in developing the inputs. Actual performance that differs from our estimates of the key variables could impact our results of operations. Separate from the possible future impact to our results of operations from input and model variables, the value of our lending portfolio and market-sensitive assets and liabilities may change subsequent to the balance sheet date, often significantly, due to the nature and magnitude of future credit and market conditions. Such credit and market conditions may change quickly and in unforeseen ways and the resulting volatility could have a significant, negative effect on future operating results. These fluctuations would not be indicative of deficiencies in our models or inputs.

For additional information, see Complex Accounting Estimates on page 97 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

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Level 3 Assets and Liabilities

Financial assets and liabilities whose values are based on valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy established in applicable accounting guidance. The Level 3 financial assets and liabilities include certain loans, MBS, ABS, CDOs and structured liabilities, as well as highly structured, complex or long-dated derivative contracts, private equity investments and consumer MSRs. The fair value of these Level 3 financial assets and liabilities is determined using pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value requires significant management judgment or estimation.

Table 69
Level 3 Asset and Liability Summary

	June 30, 2012			December 31, 2011		
(Dollars in millions)	Level 3 Fair Value	As a % of Total Level 3 Assets	As a % of Total Assets	Level 3 Fair Value	As a % of Total Level 3 Assets	As a % of Total Assets
Trading account assets	$10,263	25.22 %	0.47 %	$11,455	22.21 %	0.54 %
Derivative assets	11,397	28.01	0.53	14,366	27.85	0.67
AFS debt securities	5,816	14.29	0.27	8,012	15.53	0.38
All other Level 3 assets at fair value	13,220	32.48	0.61	17,744	34.41	0.83
Total Level 3 assets at fair value [(1)]	$40,696	100.00 %	1.88 %	$51,577	100.00 %	2.42 %
	Level 3 Fair Value	As a % of Total Level 3 Liabilities	As a % of Total Liabilities	Level 3 Fair Value	As a % of Total Level 3 Liabilities	As a % of Total Liabilities
Derivative liabilities	$6,796	72.85 %	0.35 %	$8,500	73.46 %	0.45 %
Long-term debt	2,388	25.60	0.12	2,943	25.43	0.15
All other Level 3 liabilities at fair value	145	1.55	0.01	128	1.11	0.01
Total Level 3 liabilities at fair value [(1)]	$9,329	100.00 %	0.48 %	$11,571	100.00 %	0.61 %

(1) Level 3 total assets and liabilities are shown before the impact of counterparty netting related to our derivative positions.

During the three and six months ended June 30, 2012, we recognized net losses of $419 million and $345 million on Level 3 assets and liabilities. The net losses during the three months ended June 30, 2012 were primarily losses on MSRs partially offset by gains on net derivative assets. Unrealized losses on MSRs were primarily due to the impact of the decline in interest rates on forecasted prepayments. Unrealized gains on net derivative assets were primarily due to the impact of recording IRLCs. The net losses during the six months ended June 30, 2012 were primarily losses on MSRs, as described above, combined with trading losses on net derivative assets as a result of the tightening of counterparty spreads, partially offset by gains on net derivative assets within mortgage banking income as a result of the same factors described above in the three-month discussion. There were net unrealized gains of $67 million in accumulated OCI on Level 3 assets and liabilities at June 30, 2012. For additional information on the components of net realized and unrealized gains and losses during three and six months ended June 30, 2012, see Note 15 – Fair Value Measurements to the Consolidated Financial Statements.

Level 3 financial instruments, such as our consumer MSRs, may be economically hedged with derivatives classified as Level 1 or 2; therefore, gains or losses associated with Level 3 financial instruments may be offset by gains or losses associated with financial instruments classified in other levels of the fair value hierarchy. The Level 3 gains and losses recorded in earnings did not have a significant impact on our liquidity or capital resources.

We conduct a review of our fair value hierarchy classifications on a quarterly basis. Transfers into or out of Level 3 are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively, in the current marketplace. These transfers are considered to be effective as of the beginning of the quarter in which they occur. For additional information on the significant transfers into and out of Level 3 during the three and six months ended June 30, 2012, see Note 15 – Fair Value Measurements to the Consolidated Financial Statements.

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Representations and Warranties

The methodology used to estimate the liability for obligations under representations and warranties related to transfers of residential mortgage loans is a function of the representations and warranties given and considers a variety of factors. Depending upon the counterparty, these factors include actual defaults, estimated future defaults, historical loss experience, estimated home prices, other economic conditions, estimated probability that we will receive a repurchase request, including consideration of whether presentation thresholds will be met, number of payments made by the borrower prior to default and estimated probability that we will be required to repurchase a loan. It also considers other relevant facts and circumstances, such as bulk settlements and identity of the counterparty or type of counterparty, as appropriate. The estimate of the liability for obligations under representations and warranties is based upon currently available information, significant judgment, and a number of factors, including those set forth above, that are subject to change. Changes to any one of these factors could significantly impact the estimate of our liability.

The provision for representations and warranties may vary significantly each period as the methodology used to estimate the expense continues to be refined based on the level and type of repurchase requests presented, defects identified, the latest experience gained on repurchase requests and other relevant facts and circumstances. The estimated range of possible loss related to non-GSE representations and warranties exposure has been disclosed. For the GSE claims where we have established a representations and warranties liability as discussed in Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements, an assumed simultaneous increase or decrease of 10 percent in estimated future defaults, loss severity and the net repurchase rate would result in an increase of approximately $800 million or decrease of approximately $700 million in the representations and warranties liability as of June 30, 2012. These sensitivities are hypothetical and are intended to provide an indication of the impact of a significant change in these key assumptions on the representations and warranties liability. In reality, changes in one assumption may result in changes in other assumptions, which may or may not counteract the sensitivity.

For additional information on representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 56, as well as Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements herein and Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Glossary

Alt-A Mortgage – A type of U.S. mortgage that, for various reasons, is considered riskier than A-paper, or "prime," and less risky than "subprime," the riskiest category. Alt-A interest rates, which are determined by credit risk, therefore tend to be between those of prime and subprime home loans. Typically, Alt-A mortgages are characterized by borrowers with less than full documentation, lower credit scores and higher LTVs.

Assets in Custody – Consist largely of custodial and non-discretionary trust assets excluding brokerage assets administered for clients. Trust assets encompass a broad range of asset types including real estate, private company ownership interest, personal property and investments.

Assets Under Management (AUM) – The total market value of assets under the investment advisory and discretion of GWIM which generate asset management fees based on a percentage of the assets' market values. AUM reflects assets that are generally managed for institutional, high net-worth and retail clients, and are distributed through various investment products including mutual funds, other commingled vehicles and separate accounts.

Carrying Value (with respect to loans) – The amount at which a loan is recorded on the balance sheet. For loans recorded at amortized cost, carrying value is the unpaid principal balance net of unamortized deferred loan origination fees and costs, and unamortized purchase premium or discount. For loans that are or have been on nonaccrual status, the carrying value is also reduced by any net charge-offs that have been recorded and the amount of interest payments applied as a reduction of principal under the cost recovery method. For PCI loans, the carrying value equals fair value upon acquisition adjusted for subsequent cash collections and yield accreted to date. For credit card loans, the carrying value also includes interest that has been billed to the customer. For loans classified as held-for-sale, carrying value is the lower of carrying value as described in the sentences above, or fair value. For loans for which we have elected the fair value option, the carrying value is fair value.

Client Brokerage Assets – Include client assets which are held in brokerage accounts. This includes non-discretionary brokerage and fee-based assets which generate brokerage income and asset management fee revenue.

Committed Credit Exposure – Includes any funded portion of a facility plus the unfunded portion of a facility on which the lender is legally bound to advance funds during a specified period under prescribed conditions.

Credit Derivatives – Contractual agreements that provide protection against a credit event on one or more referenced obligations. The nature of a credit event is established by the protection purchaser and protection seller at the inception of the transaction, and such events generally include bankruptcy or insolvency of the referenced credit entity, failure to meet payment obligations when due, as well as acceleration of indebtedness and payment repudiation or moratorium. The purchaser of the credit derivative pays a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event. A credit default swap is a type of a credit derivative.

Interest Rate Lock Commitment (IRLC) – Commitment with a loan applicant in which the loan terms, including interest rate and price, are guaranteed for a designated period of time subject to credit approval.

Letter of Credit – A document issued on behalf of a customer to a third party promising to pay the third party upon presentation of specified documents. A letter of credit effectively substitutes the issuer's credit for that of the customer.

Loan-to-value (LTV) – A commonly used credit quality metric that is reported in terms of ending and average LTV. Ending LTV is calculated as the outstanding carrying value of the loan at the end of the period divided by the estimated value of the property securing the loan. Estimated property values are primarily determined by utilizing the Case-Schiller Home Index, a widely used index based on data from repeat sales of single family homes. Case-Schiller indices are updated quarterly and are reported on a three-month or one-quarter lag. An additional metric related to LTV is combined loan-to-value (CLTV) which is similar to the LTV metric, yet combines the outstanding balance on the residential mortgage loan and the outstanding carrying value on the home equity loan or available line of credit, both of which are secured by the same property, divided by the estimated value of the property. A LTV of 100 percent reflects a loan that is currently secured by a property valued at an amount exactly equal to the carrying value or available line of the loan. Under certain circumstances, estimated values can also be determined by utilizing an automated valuation method (AVM) or Mortgage Risk Assessment Corporation (MRAC) index. An AVM is a tool that estimates the value of a property by reference to large volumes of market data including sales of comparable properties and price trends specific to the MSA in which the property being valued is located. The MRAC index is similar to the Case-Schiller Home Index in that it is an index that is based on data from repeat sales of single family homes and is reported on a lag.

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Margin Receivables – An extension of credit secured by eligible securities in certain brokerage accounts.
Mortgage Servicing Right (MSR) – The right to service a mortgage loan when the underlying loan is sold or securitized. Servicing includes collections for principal, interest and escrow payments from borrowers and accounting for and remitting principal and interest payments to investors.
Net Interest Yield – Net interest income divided by average total interest-earning assets.
Nonperforming Loans and Leases – Includes loans and leases that have been placed on nonaccrual status, including nonaccruing loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties (TDRs). Loans accounted for under the fair value option, PCI loans and LHFS are not reported as nonperforming loans and leases. Consumer credit card loans, business card loans, consumer loans not secured by real estate, and consumer loans secured by real estate, which include loans insured by the FHA and individually insured long-term credit protection agreements with FNMA and FHLMC (fully-insured loan portfolio), are not placed on nonaccrual status and are, therefore, not reported as nonperforming loans and leases.
Purchased Credit-impaired (PCI) Loan – A loan purchased as an individual loan, in a portfolio of loans or in a business combination with evidence of deterioration in credit quality since origination for which it is probable, upon acquisition, that the investor will be unable to collect all contractually required payments. These loans are recorded at fair value upon acquisition.
Subprime Loans – Although a standard industry definition for subprime loans (including subprime mortgage loans) does not exist, the Corporation defines subprime loans as specific product offerings for higher risk borrowers, including individuals with one or a combination of high credit risk factors, such as low FICO scores, high debt to income ratios and inferior payment history.
Super Senior CDO Exposure – Represents the most senior class of commercial paper or notes that are issued by CDO vehicles. These financial instruments benefit from the subordination of all other securities, including AAA-rated securities, issued by CDO vehicles.
Tier 1 Common Capital – Tier 1 capital less preferred stock, qualifying trust preferred securities, hybrid securities and qualifying noncontrolling interest in subsidiaries.
Troubled Debt Restructurings (TDRs) – Loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. Certain consumer loans for which a binding offer to restructure has been extended are also classified as TDRs. Concessions could include a reduction in the interest rate to a rate that is below market on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. TDRs are generally reported as nonperforming loans and leases while on nonaccrual status. Nonperforming TDRs may be returned to accrual status when, among other criteria, payment in full of all amounts due under the restructured terms is expected and the borrower has demonstrated a sustained period of repayment performance, typically six months. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which they are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout their remaining lives unless and until they cease to perform in accordance with their modified contractual terms, at which time they would be placed on nonaccrual status and reported as nonperforming TDRs.
Value-at-Risk (VaR) – VaR represents the worst loss a portfolio is expected to experience based on historical trends with a given level of confidence, and depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated. A VaR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios and is a key statistic used to measure and manage market risk.

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Acronyms

ABS	Asset-backed securities
AFS	Available-for-sale
ALM	Asset and liability management
ALMRC	Asset Liability Market Risk Committee
ARM	Adjustable-rate mortgage
CDO	Collateralized debt obligation
CLO	Collateralized loan obligation
CMBS	Commercial mortgage-backed securities
CORC	Compliance and Operational Risk Committee
CRA	Community Reinvestment Act
CRC	Credit Risk Committee
DVA	Debit valuation adjustment
EAD	Exposure at default
EU	European Union
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHLMC	Freddie Mac
FICC	Fixed income, currencies and commodities
FICO	Fair Isaac Corporation (credit score)
FNMA	Fannie Mae
FTE	Fully taxable-equivalent
GAAP	Accounting principles generally accepted in the United States of America
GNMA	Government National Mortgage Association
GMRC	Global Markets Risk Committee
GSE	Government-sponsored enterprise
HFI	Held-for-investment
HPI	Home Price Index
HUD	U.S. Department of Housing and Urban Development
IPO	Initial public offering
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LHFS	Loans held-for-sale
LIBOR	London InterBank Offered Rate
MBS	Mortgage-backed securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MI	Mortgage insurance
MSA	Metropolitan statistical area
NSFR	Net Stable Funding Ratio
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PPI	Payment protection insurance
RMBS	Residential mortgage-backed securities
ROTE	Return on average tangible shareholders' equity
SBLCs	Standby letters of credit

SEC	Securities and Exchange Commission
TLGP	Temporary Liquidity Guarantee Program
VA	U.S. Department of Veterans Affairs

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Market Risk Management on page 123 in the MD&A and the sections referenced therein for Quantitative and Qualitative Disclosures about Market Risk.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report and pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (Exchange Act), the Corporation’s management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Corporation’s disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Corporation’s Chief Executive Officer and Chief Financial Officer concluded that the Corporation’s disclosure controls and procedures were effective, as of the end of the period covered by this report, in recording, processing, summarizing and reporting information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act, within the time periods specified in the Securities and Exchange Commission’s rules and forms.

Changes in Internal Controls

There have been no changes in the Corporation’s internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the three months ended June 30, 2012 that have materially affected or are reasonably likely to materially affect the Corporation’s internal control over financial reporting.

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Part I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
Bank of America Corporation and Subsidiaries
Consolidated Statement of Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions, except per share information)	2012	2011	2012	2011
Interest income				
Loans and leases	$9,744	$11,320	$19,917	$23,249
Debt securities	1,902	2,675	4,627	5,557
Federal funds sold and securities borrowed or purchased under agreements to resell	360	597	820	1,114
Trading account assets	1,246	1,538	2,598	3,164
Other interest income	740	918	1,491	1,886
Total interest income	13,992	17,048	29,453	34,970
Interest expense				
Deposits	519	843	1,068	1,682
Short-term borrowings	943	1,341	1,824	2,525
Trading account liabilities	448	627	925	1,254
Long-term debt	2,534	2,991	5,242	6,084
Total interest expense	4,444	5,802	9,059	11,545
Net interest income	9,548	11,246	20,394	23,425
Noninterest income				
Card income	1,578	1,967	3,035	3,795
Service charges	1,934	2,012	3,846	4,044
Investment and brokerage services	2,847	3,009	5,723	6,110
Investment banking income	1,146	1,684	2,363	3,262
Equity investment income	368	1,212	1,133	2,687
Trading account profits	1,764	2,091	3,839	4,813
Mortgage banking income (loss)	1,659	(13,196)	3,271	(12,566)
Insurance income	127	400	67	1,013
Gains on sales of debt securities	400	899	1,152	1,445
Other income (loss)	603	1,957	(531)	2,218
Other-than-temporary impairment losses on available-for-sale debt securities:				
Total other-than-temporary impairment losses	(13)	(63)	(62)	(157)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	7	18	16	24
Net impairment losses recognized in earnings on available-for-sale debt securities	(6)	(45)	(46)	(133)
Total noninterest income	12,420	1,990	23,852	16,688
Total revenue, net of interest expense	21,968	13,236	44,246	40,113
Provision for credit losses	1,773	3,255	4,191	7,069
Noninterest expense				
Personnel	8,729	9,171	18,917	19,339

Occupancy	1,117	1,245	2,259	2,434
Equipment	546	593	1,157	1,199
Marketing	449	560	914	1,124
Professional fees	922	766	1,705	1,412
Amortization of intangibles	321	382	640	767
Data processing	692	643	1,548	1,338
Telecommunications	417	391	817	762
Other general operating	3,855	6,343	8,232	11,800
Goodwill impairment	—	2,603	—	2,603
Merger and restructuring charges	—	159	—	361
Total noninterest expense	17,048	22,856	36,189	43,139
Income (loss) before income taxes	3,147	(12,875)	3,866	(10,095)
Income tax expense (benefit)	684	(4,049)	750	(3,318)
Net income (loss)	$2,463	$(8,826)	$3,116	$(6,777)
Preferred stock dividends	365	301	690	611
Net income (loss) applicable to common shareholders	$2,098	$(9,127)	$2,426	$(7,388)
Per common share information				
Earnings (loss)	$0.19	$(0.90)	$0.23	$(0.73)
Diluted earnings (loss)	0.19	(0.90)	0.22	(0.73)
Dividends paid	0.01	0.01	0.02	0.02
Average common shares issued and outstanding (in thousands)	10,775,695	10,094,928	10,714,881	10,085,479
Average diluted common shares issued and outstanding (in thousands)	11,556,011	10,094,928	11,509,945	10,085,479

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Net income (loss)	$2,463	$(8,826)	$3,116	$(6,777)
Other comprehensive income, net-of-tax:				
Net change in available-for-sale debt and marketable equity securities	1,530	593	606	754
Net change in derivatives	(81)	(332)	301	(66)
Employee benefit plan adjustments	79	63	1,031	138
Net change in foreign currency translation adjustments	(32)	6	(1)	33
Other comprehensive income	1,496	330	1,937	859
Comprehensive income (loss)	$3,959	$(8,496)	$5,053	$(5,918)

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet

(Dollars in millions)	June 30 2012	December 31 2011
Assets		
Cash and cash equivalents	$123,717	$120,102
Time deposits placed and other short-term investments	22,350	26,004
Federal funds sold and securities borrowed or purchased under agreements to resell (includes $94,687 and $87,453 measured at fair value)	226,116	211,183
Trading account assets (includes $102,458 and $80,130 pledged as collateral)	204,725	169,319
Derivative assets	59,939	73,023
Debt securities:		
Available-for-sale (includes $63,117 and $69,021 pledged as collateral)	300,049	276,151
Held-to-maturity, at cost (fair value - $35,994 and $35,442; $13,432 and $24,009 pledged as collateral)	35,168	35,265
Total debt securities	335,217	311,416
Loans and leases (includes $8,361 and $8,804 measured at fair value and $59,206 and $73,463 pledged as collateral)	892,315	926,200
Allowance for loan and lease losses	(30,288)	(33,783)
Loans and leases, net of allowance	862,027	892,417
Premises and equipment, net	12,653	13,637
Mortgage servicing rights (includes $5,708 and $7,378 measured at fair value)	5,880	7,510
Goodwill	69,976	69,967
Intangible assets	7,335	8,021
Loans held-for-sale (includes $10,187 and $7,630 measured at fair value)	13,289	13,762
Customer and other receivables	71,458	66,999
Other assets (includes $32,625 and $37,084 measured at fair value)	146,172	145,686
Total assets	$2,160,854	$2,129,046
Assets of consolidated VIEs included in total assets above (isolated to settle the liabilities of the VIEs)		
Trading account assets	$8,499	$8,595
Derivative assets	1,007	1,634
Loans and leases	128,386	140,194
Allowance for loan and lease losses	(4,074)	(5,066)
Loans and leases, net of allowance	124,312	135,128
Loans held-for-sale	2,163	1,635
All other assets	4,113	4,769
Total assets of consolidated VIEs	$140,094	$151,761

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet (continued)

(Dollars in millions)	June 30 2012	December 31 2011
Liabilities		
Deposits in U.S. offices:		
Noninterest-bearing	$343,308	$332,228
Interest-bearing (includes $2,874 and $3,297 measured at fair value)	621,076	624,814
Deposits in non-U.S. offices:		
Noninterest-bearing	6,871	6,839
Interest-bearing	63,970	69,160
Total deposits	1,035,225	1,033,041
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes $48,663 and $34,235 measured at fair value)	285,914	214,864
Trading account liabilities	77,458	60,508
Derivative liabilities	51,515	59,520
Commercial paper and other short-term borrowings (includes $4,468 and $6,558 measured at fair value)	39,019	35,698
Accrued expenses and other liabilities (includes $17,509 and $15,743 measured at fair value and $574 and $714 of reserve for unfunded lending commitments)	133,900	123,049
Long-term debt (includes $48,345 and $46,239 measured at fair value)	301,848	372,265
Total liabilities	1,924,879	1,898,945
Commitments and contingencies (Note 7 – Securitizations and Other Variable Interest Entities, Note 8 – Representations and Warranties Obligations and Corporate Guarantees and Note 10 – Commitments and Contingencies)		
Shareholders’ equity		
Preferred stock, $0.01 par value; authorized — 100,000,000 shares; issued and outstanding — 3,685,410 and 3,689,084 shares	18,762	18,397
Common stock and additional paid-in capital, $0.01 par value; authorized — 12,800,000,000 shares; issued and outstanding — 10,776,869,270 and 10,535,937,957 shares	158,001	156,621
Retained earnings	62,712	60,520
Accumulated other comprehensive income (loss)	(3,500)	(5,437)
Total shareholders’ equity	235,975	230,101
Total liabilities and shareholders’ equity	$2,160,854	$2,129,046
Liabilities of consolidated VIEs included in total liabilities above		
Commercial paper and other short-term borrowings (includes $1,408 and $650 of non-recourse liabilities)	$4,449	$5,777
Long-term debt (includes $34,401 and $44,976 of non-recourse debt)	38,456	49,054
All other liabilities (includes $240 and $225 of non-recourse liabilities)	1,161	1,116
Total liabilities of consolidated VIEs	$44,066	$55,947

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital Shares	Common Stock and Additional Paid-in Capital Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other	Total Shareholders' Equity
Balance, December 31, 2010	$16,562	10,085,155	$150,905	$60,849	$ (66)	$(2)	$ 228,248
Net loss				(6,777)			(6,777)
Net change in available-for-sale debt and marketable equity securities					754		754
Net change in derivatives					(66)		(66)
Employee benefit plan adjustments					138		138
Net change in foreign currency translation adjustments					33		33
Dividends paid:							
Common				(207)			(207)
Preferred				(611)			(611)
Common stock issued under employee plans and related tax effects		48,035	662			1	663
Other						1	1
Balance, June 30, 2011	$16,562	10,133,190	$151,567	$53,254	$ 793	$—	$ 222,176
Balance, December 31, 2011	$18,397	10,535,938	$156,621	$60,520	$ (5,437)	$—	$ 230,101
Net income				3,116			3,116
Net change in available-for-sale debt and marketable equity securities					606		606
Net change in derivatives					301		301
Employee benefit plan adjustments					1,031		1,031
Net change in foreign currency translation adjustments					(1)		(1)
Dividends paid:							
Common				(232)			(232)
Preferred				(734)			(734)
Net issuance of preferred stock	661			(2)			659
Common stock issued in connection with exchanges of preferred stock and trust preferred securities	(296)	49,867	412	44			160
Common stock issued under employee plans and related tax effects		191,064	968				968
Balance, June 30, 2012	$18,762	10,776,869	$158,001	$62,712	$ (3,500)	$—	$ 235,975

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Statement of Cash Flows

	Six Months Ended June 30	
(Dollars in millions)	2012	2011
Operating activities		
Net income (loss)	$3,116	$(6,777)
Reconciliation of net income (loss) to net cash provided by operating activities:		
Provision for credit losses	4,191	7,069
Goodwill impairment	—	2,603
Gains on sales of debt securities	(1,152)	(1,445)
Depreciation and premises improvements amortization	910	1,002
Amortization of intangibles	640	767
Deferred income taxes	159	(3,418)
Net (increase) decrease in trading and derivative instruments	(12,749)	4,716
Net (increase) decrease in other assets	(5,461)	19,340
Net increase in accrued expenses and other liabilities	9,835	9,556
Other operating activities, net	3,264	17,790
Net cash provided by operating activities	2,753	51,203
Investing activities		
Net decrease in time deposits placed and other short-term investments	3,654	6,142
Net increase in federal funds sold and securities borrowed or purchased under agreements to resell	(14,933)	(25,565)
Proceeds from sales of available-for-sale debt securities	46,974	41,422
Proceeds from paydowns and maturities of available-for-sale debt securities	31,757	28,729
Purchases of available-for-sale debt securities	(99,693)	(59,846)
Proceeds from paydowns and maturities of held-to-maturity debt securities	2,451	—
Purchases of held-to-maturity debt securities	(2,608)	—
Proceeds from sales of loans and leases	686	1,517
Other changes in loans and leases, net	26,493	(8,147)
Net sales (purchases) of premises and equipment	74	(489)
Proceeds from sales of foreclosed properties	1,744	1,146
Other investing activities, net	(238)	(313)
Net cash used in investing activities	(3,639)	(15,404)
Financing activities		
Net increase in deposits	2,184	27,978
Net increase (decrease) in federal funds purchased and securities loaned or sold under agreements to repurchase	71,050	(5,838)
Net increase (decrease) in commercial paper and other short-term borrowings	2,718	(9,330)
Proceeds from issuance of long-term debt	14,181	16,959
Retirement of long-term debt	(85,134)	(53,929)
Proceeds from issuance of preferred stock	661	—
Cash dividends paid	(966)	(818)
Excess tax benefits on share-based payments	13	39
Other financing activities, net	59	—
Net cash provided by (used in) financing activities	4,766	(24,939)
Effect of exchange rate changes on cash and cash equivalents	(265)	240
Net increase in cash and cash equivalents	3,615	11,100
Cash and cash equivalents at January 1	120,102	108,427
Cash and cash equivalents at June 30	$123,717	$119,527

During the six months ended June 30, 2011, the Corporation entered into an agreement with Assured Guaranty Ltd. and subsidiaries which resulted in non-cash increases to loans of $5.3 billion, other assets of $504 million and long-term debt of $5.8 billion.

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 – Summary of Significant Accounting Principles

Bank of America Corporation (collectively with its subsidiaries, the Corporation), a financial holding company, provides a diverse range of financial services and products throughout the U.S. and in certain international markets. The term “the Corporation” as used herein may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation’s subsidiaries or affiliates.

The Corporation conducts its activities through banking and nonbanking subsidiaries. The Corporation operates its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A.).

Principles of Consolidation and Basis of Presentation

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

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

The Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 as supplemented by a Current Report on Form 8-K filed on May 4, 2012 to reflect reclassified business segment information is referred to herein as the 2011 Annual Report on Form 10-K. These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. The nature of the Corporation’s business is such that the results of any interim period are not necessarily indicative of results for a full year. In the opinion of management, all adjustments, which consist of normal recurring adjustments necessary for a fair statement of the interim period results have been made. The Corporation evaluates subsequent events through the date of filing with the Securities and Exchange Commission (SEC). Certain prior period amounts have been reclassified to conform to current period presentation.

New Accounting Pronouncements

Effective January 1, 2012, the Corporation adopted amendments to the fair value accounting guidance. The amendments clarify the application of the highest and best use, and valuation premise concepts, preclude the application of "blockage factors" in the valuation of all financial instruments and include criteria for applying the fair value measurement principles to portfolios of financial instruments. The amendments also prescribe additional disclosures for Level 3 fair value measurements and financial instruments not carried at fair value. The adoption of this guidance did not have a material impact on the Corporation’s consolidated financial position or results of operations. For the new disclosures, see Note 15 – Fair Value Measurements and Note 17 – Fair Value of Financial

Instruments.

Effective January 1, 2012, the Corporation adopted new accounting guidance on the presentation of comprehensive income in financial statements. The Corporation adopted the new guidance by reporting the components of comprehensive income in two separate but consecutive statements. For the new statement and related information, see the Consolidated Statement of Comprehensive Income and Note 12 – Accumulated Other Comprehensive Income (Loss).

Effective January 1, 2013, the Corporation will be required to retrospectively adopt new accounting guidance requiring additional disclosures on the effect of netting arrangements on an entity's financial position. The disclosures primarily relate to derivatives and securities financing agreements that are either offset on the balance sheet under existing accounting guidance or are subject to a legally enforceable master netting or similar agreement. This new guidance addresses only disclosures, and accordingly will have no impact on the Corporation's consolidated financial position or results of operations.

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All significant accounting policies are discussed either in Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K or included in the Notes herein listed below.

Note 3 – Derivatives
Note 7 – Securitizations and Other Variable Interest Entities
Note 9 – Goodwill and Intangible Assets
Note 10 – Commitments and Contingencies
Note 11 – Shareholders' Equity
Note 13 – Earnings Per Common Share
Note 14 – Pension, Postretirement and Certain Compensation Plans
Note 15 – Fair Value Measurements
Note 18 – Mortgage Servicing Rights
Note 19 – Business Segment Information

NOTE 2 – Trading Account Assets and Liabilities

The table below presents the components of trading account assets and liabilities at June 30, 2012 and December 31, 2011.

(Dollars in millions)	June 30 2012	December 31 2011
Trading account assets		
U.S. government and agency securities [(1)]	$76,234	$ 52,613
Corporate securities, trading loans and other	32,089	36,571
Equity securities	29,518	23,674
Non-U.S. sovereign debt	51,279	42,946
Mortgage trading loans and asset-backed securities	15,605	13,515
Total trading account assets	$204,725	$ 169,319
Trading account liabilities		
U.S. government and agency securities	$23,959	$ 20,710
Equity securities	25,016	14,594
Non-U.S. sovereign debt	19,137	17,440
Corporate securities and other	9,346	7,764
Total trading account liabilities	$77,458	$ 60,508

(1) Includes $26.5 billion and $27.3 billion of government-sponsored enterprise obligations at June 30, 2012 and December 31, 2011.

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NOTE 3 – Derivatives

Derivative Balances

Derivatives are entered into on behalf of customers, for trading, as economic hedges or as qualifying accounting hedges. For additional information on the Corporation’s derivatives and hedging activities, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. The following tables identify derivative instruments included on the Corporation’s Consolidated Balance Sheet in derivative assets and liabilities at June 30, 2012 and December 31, 2011. Balances are presented on a gross basis, prior to the application of counterparty and cash collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral received or paid.

	June 30, 2012						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional (1)	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges	Total	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges	Total
Interest rate contracts							
Swaps	$37,046.1	$1,233.9	$ 14.4	$1,248.3	$1,219.4	$ 8.0	$1,227.4
Futures and forwards	12,434.5	2.9	—	2.9	3.0	—	3.0
Written options	2,334.1	—	—	—	115.0	—	115.0
Purchased options	2,255.8	115.8	—	115.8	—	—	—
Foreign exchange contracts							
Swaps	2,476.6	44.0	1.9	45.9	54.1	2.3	56.4
Spot, futures and forwards	2,828.9	30.1	0.8	30.9	31.2	0.3	31.5
Written options	461.5	—	—	—	7.4	—	7.4
Purchased options	376.8	7.2	—	7.2	—	—	—
Equity contracts							
Swaps	109.4	2.0	—	2.0	2.1	—	2.1
Futures and forwards	56.0	1.4	—	1.4	1.4	—	1.4
Written options	306.4	—	—	—	19.9	—	19.9
Purchased options	295.3	19.9	—	19.9	—	—	—
Commodity contracts							
Swaps	85.4	4.7	0.1	4.8	6.3	—	6.3
Futures and forwards	643.4	6.2	—	6.2	3.8	—	3.8
Written options	177.4	—	—	—	9.3		