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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 17 is a summary of our cash dividend declarations on preferred stock during 2012 and through May 3, 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 17

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	January 11, 2012	April 11, 2012	April 25, 2012	7.00	% \$1.75
		April 11, 2012	July 11, 2012	July 25, 2012	7.00	1.75
Series D ⁽²⁾	\$ 654	January 4, 2012	February 29, 2012	March 14, 2012	6.204	% \$0.38775
		April 3, 2012	May 31, 2012	June 14, 2012	6.204	0.38775
Series E ⁽²⁾	\$ 340	January 4, 2012	January 31, 2012	February 15, 2012	Floating	\$0.25556
		April 3, 2012	April 30, 2012	May 15, 2012	Floating	0.25000
Series F	\$ 141	April 3, 2012	May 31, 2012	June 15, 2012	Floating	\$1,022.22
Series G	\$ 493	April 3, 2012	May 31, 2012	June 15, 2012	Adjustable	\$1,022.22
Series H ⁽²⁾	\$ 2,862	January 4, 2012	January 15, 2012	February 1, 2012	8.20	% \$0.51250
		April 3, 2012	April 15, 2012	May 1, 2012	8.20	0.51250
Series I ⁽²⁾	\$ 365	January 4, 2012	March 15, 2012	April 2, 2012	6.625	% \$0.41406
		April 3, 2012	June 15, 2012	July 2, 2012	6.625	0.41406
Series J ⁽²⁾	\$ 951	January 4, 2012	January 15, 2012	February 1, 2012	7.25	% \$0.45312
		April 3, 2012	April 15, 2012	May 1, 2012	7.25	0.45312
Series K ^(3, 4)	\$ 1,544	January 4, 2012	January 15, 2012	January 30, 2012	Fixed-to-floating	\$40.00
Series L	\$ 3,080	March 16, 2012	April 1, 2012	April 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	March 16, 2012	March 26, 2012	April 10, 2012	6.00	% \$1,500.00
Series 1 ⁽⁵⁾	\$ 109	January 4, 2012	February 15, 2012	February 28, 2012	Floating	\$0.19167
		April 3, 2012	May 15, 2012	May 29, 2012	Floating	0.18750
Series 2 ⁽⁵⁾	\$ 363	January 4, 2012	February 15, 2012	February 28, 2012	Floating	\$0.19167
		April 3, 2012	May 15, 2012	May 29, 2012	Floating	0.18750
Series 3 ⁽⁵⁾	\$ 653	January 4, 2012	February 15, 2012	February 28, 2012	6.375	% \$0.39843
		April 3, 2012	May 15, 2012	May 29, 2012	6.375	0.39843
Series 4 ⁽⁵⁾	\$ 323	January 4, 2012	February 15, 2012	February 28, 2012	Floating	\$0.25556
		April 3, 2012	May 15, 2012	May 29, 2012	Floating	0.25000
Series 5 ⁽⁵⁾	\$ 507	January 4, 2012			Floating	\$0.25556

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			February 1, 2012	February 21, 2012		
	422	April 3, 2012	May 1, 2012	May 21, 2012	Floating	0.25000
Series 6 ⁽⁶⁾	\$ 60	January 4, 2012	March 15, 2012	March 30, 2012	6.70	% \$0.41875
	59	April 3, 2012	June 15, 2012	June 29, 2012	6.70	0.41875
Series 7 ⁽⁶⁾	\$ 17	January 4, 2012	March 15, 2012	March 30, 2012	6.25	% \$0.39062
		April 3, 2012	June 15, 2012	June 29, 2012	6.25	0.39062
Series 8 ⁽⁵⁾	\$ 2,673	January 4, 2012	February 15, 2012	February 28, 2012	8.625	% \$0.53906
		April 3, 2012	May 15, 2012	May 29, 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 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 76 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 increased \$28 billion to \$406 billion at March 31, 2012 compared to December 31, 2011 and were maintained as presented in Table 18. This increase was primarily due to liquidity generated by our bank subsidiaries through deposit growth, reduced loan balances and other factors. Partially offsetting the increase were the results of our ongoing reductions of our long-term debt.

Table 18
Global Excess Liquidity Sources

(Dollars in billions)	March 31 2012	December 31 2011	Average for Three Months Ended March 31, 2012
Parent company	\$129	\$ 125	\$122
Bank subsidiaries	250	222	235
Broker/dealers	27	31	31
Total global excess liquidity sources	\$406	\$ 378	\$388

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As shown in Table 18, parent company Global Excess Liquidity Sources totaled \$129 billion and \$125 billion at March 31, 2012 and December 31, 2011. This increase in parent company liquidity was primarily due to unsecured debt issuance and dividends from subsidiaries, partially offset by debt maturities and repurchases. Typically, parent company cash is deposited overnight with BANA.

Global Excess Liquidity Sources available to our bank subsidiaries totaled \$250 billion and \$222 billion at March 31, 2012 and December 31, 2011. These amounts are distinct from the cash deposited by the parent company presented in Table 18. In addition to their Global Excess Liquidity Sources, our bank subsidiaries hold significant amounts of other unencumbered securities that we believe could also be used to generate liquidity, primarily investment-grade MBS. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain Federal Home Loan Banks (FHLBs) and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was approximately \$193 billion and \$189 billion at March 31, 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 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 at March 31, 2012 and December 31, 2011 totaled \$27 billion and \$31 billion. Our broker/dealers also held significant amounts of other unencumbered securities that we believe could also be used to generate additional liquidity, including investment-grade securities and equities. Liquidity held in a broker/dealer subsidiary is 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 19 presents the composition of Global Excess Liquidity Sources at March 31, 2012 and December 31, 2011.

Table 19

Global Excess Liquidity Sources Composition

(Dollars in billions)	March 31 2012	December 31 2011
Cash on deposit	\$88	\$ 79
U.S. treasuries	41	48
U.S. agency securities and mortgage-backed securities	254	228
Non-U.S. government and supranational securities	23	23
Total global excess liquidity sources	\$406	\$ 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 and issuances under the FDIC's Temporary Liquidity Guarantee Program (TLGP), all of which will mature by June 30, 2012. The Corporation has established a target minimum for Time to Required Funding of 21 months. Our

Time to Required Funding was 31 months at March 31, 2012. For purposes of calculating Time to Required Funding at March 31, 2012, we have also included in the amount of unsecured contractual obligations the \$8.6 billion liability related to the BNY Mellon Settlement and payments related to the Global Settlement Agreement made during April 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. These scenarios incorporate market-wide and Corporation-specific events, including potential credit ratings downgrades for the parent company and our subsidiaries. We consider and utilize scenarios, including potential credit rating downgrades based on historical experience, regulatory guidance, and both expected and unexpected future events.

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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 77 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Basel III Liquidity Standards

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

Diversified Funding Sources

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

We fund a substantial portion of our lending activities through our deposits, which were \$1.04 trillion and \$1.03 trillion at March 31, 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 in 2011. During the three months ended March 31, 2012, securities loaned or sold under agreements to repurchase increased due to an increase in trading account assets as a result of customer demand. 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 20 presents information on short-term borrowings.

Table 20

Short-term borrowings

(Dollars in millions)	Three Months Ended March 31					
	Amount		Rate			
	2012	2011	2012	2011		
Average during period						
Federal funds purchased	\$261	\$2,940	0.05	% 0.11	%	
Securities loaned or sold under agreements to repurchase	256,144	303,475	1.10		1.17	
Commercial paper	12	18,467	2.13		0.73	
Other short-term borrowings	36,639	46,691	1.99		2.39	
Total	\$293,056	\$371,573	1.21		1.29	
Maximum month-end balance during period						
Federal funds purchased	\$331	\$4,133				
Securities loaned or sold under agreements to repurchase	276,403	293,519				
Commercial paper	172	21,212				
Other short-term borrowings	39,327	46,267				
			March 31, 2012		December 31, 2011	
			Amount	Rate	Amount	Rate
Period-end balance						
Federal funds purchased	\$223	0.05	%	\$243	0.06	%
Securities loaned or sold under agreements to repurchase	258,268	1.06		214,621	1.08	
Commercial paper	12	2.36		23	1.70	
Other short-term borrowings	39,242	2.11		35,675	2.35	
Total	\$297,745	1.22		\$250,562	1.36	

We issue the majority of our long-term unsecured debt at the parent company. During the three months ended March 31, 2012, the parent company issued \$8.3 billion of long-term unsecured debt, including structured liabilities of \$2.4 billion. We may also issue long-term unsecured debt at BANA, although there were no new issuances during the three months ended March 31, 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 108.

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 book value of \$54.5 billion and \$50.9 billion at March 31, 2012 and December 31, 2011.

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

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

Table 21 represents the carrying value of aggregate annual maturities of long-term debt at March 31, 2012.

Table 21

Long-term Debt By Maturity

(Dollars in millions)	2012	2013	2014	2015	2016	Thereafter	Total
Bank of America Corporation	\$39,573	\$10,599	\$19,945	\$14,326	\$20,504	\$77,365	\$182,312
Merrill Lynch & Co., Inc. and subsidiaries	16,079	17,199	18,466	4,756	3,483	38,676	98,659
Bank of America, N.A. and subsidiaries	5,347	—	23	—	1,050	7,237	13,657
Other debt	6,675	4,877	1,777	496	25	2,167	16,017
Total long-term debt excluding consolidated VIEs	67,674	32,675	40,211	19,578	25,062	125,445	310,645
Long-term debt of consolidated VIEs	7,170	13,935	8,720	1,341	2,943	10,158	44,267
Total long-term debt	\$74,844	\$46,610	\$48,931	\$20,919	\$28,005	\$135,603	\$354,912

Table 22 presents our long-term debt in the following currencies at March 31, 2012 and December 31, 2011.

Table 22

Long-term Debt By Major Currency

(Dollars in millions)	March 31 2012	December 31 2011
U.S. Dollar	\$246,821	\$255,262
Euro	64,755	68,799
Japanese Yen	18,223	19,568
British Pound	12,251	12,554
Canadian Dollar	3,536	4,621
Australian Dollar	3,079	4,900
Swiss Franc	2,077	2,268
Other	4,170	4,293
Total long-term debt	\$354,912	\$372,265

Total long-term debt decreased \$17.4 billion or five percent at March 31, 2012 compared to December 31, 2011. This decrease reflects our ongoing initiative to reduce our debt balances over time, and we anticipate that debt levels will continue to decline, 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 on long-term debt funding, see Note 13 – Long-term Debt to the Consolidated Financial Statements of the

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Corporation's 2011 Annual Report on Form 10-K. For additional information regarding funding and liquidity risk management, see pages 76 through 80 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

During the three months ended March 31, 2012, we repurchased \$4.2 billion of subordinated debt and \$730 million of trust preferred securities, using both cash and common stock, that in total resulted in a gain of \$1.2 billion.

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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 directly impacted by our credit ratings. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions, including 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 of the Corporation and its subsidiaries in late 2011. On February 15, 2012, Moody's placed the Corporation's long-term debt rating and BANA's long-term and short-term debt ratings on review for possible downgrade as part of its review of 17 financial institutions with global capital markets operations. On April 13, 2012, Moody's indicated that the review is expected to conclude between early May and the end of June 2012. Any adjustment to our ratings will be determined based on Moody's review; however, Moody's offered guidance that downgrades to our ratings, if any, would likely be limited to one notch.

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 79 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Currently, the Corporation's long-term/short-term senior debt ratings and outlooks expressed by the rating agencies are as follows: Baa1/P-2 (review for downgrade) by Moody's; A-/A-2 (negative) by S&P; and A/F1 (stable) by Fitch.

BANA's long-term/short-term senior debt ratings and outlooks currently are as follows: A2/P-1 (review for downgrade) 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 rating agencies could make further adjustments to our ratings at any time and they provide no assurances that they will maintain our ratings at current levels.

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

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At March 31, 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 \$2.7 billion comprised of \$2.1 billion for BANA and approximately \$539 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 \$2.4 billion in additional collateral comprised of \$1.8 billion for BANA and \$646 million for Merrill Lynch and certain of its subsidiaries, would have been required.

Also, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of March 31, 2012 was \$3.3 billion, against which \$2.5 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 March 31, 2012 was an incremental \$5.0 billion, against which \$4.7 billion of collateral had been posted.

While certain potential impacts are contractual and quantifiable, the full scope of consequences of a credit ratings downgrade to a financial institution are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a firm's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties. For additional information on potential impacts of credit ratings downgrades, see Time to Required Funding and Stress Modeling on page 61.

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.

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 79 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Credit Risk Management

Credit quality continued to show improvement during the first quarter of 2012. Continued economic stability and our proactive credit risk management initiatives positively impacted the credit portfolio as charge-offs and delinquencies continued to improve across most portfolios and risk ratings improved in the commercial portfolios. However, global and national economic uncertainty, home price declines and regulatory reform continued to weigh on the credit portfolios through March 31, 2012. For more information, see Executive Summary – First 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 first quarter of 2012, Bank of America and Countrywide have completed over one million loan modifications with customers. During the first quarter of 2012, we completed nearly 37,000 customer

loan modifications with a total unpaid principal balance of approximately \$8 billion, including approximately 14,000 permanent modifications under the government's Making Home Affordable Program. Of the loan modifications completed in the three months ended March 31, 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 represent 55 percent of the volume of modifications completed during the three months ended March 31, 2012, while principal forbearance represented 26 percent, capitalization of past due amounts represented seven percent and principal reductions and forgiveness represented four 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 81 and Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

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Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, continue to experience varying degrees of financial stress. During the first quarter of 2012, S&P, Fitch and Moody's downgraded the credit ratings of several European countries, and S&P downgraded the credit rating of the European Financial Stability Facility, adding to concerns about investor appetite for continued support in stabilizing the affected countries. Market sentiment improved during the three months ended March 31, 2012 driven by a second long-term ECB financing program and the successful Greek debt restructuring and bailout package that reinforced confidence in the financial system and solvency of systemically important banks. However, the lack of a clear resolution to the crisis and fears of contagion continue to contribute to volatility in credit spreads. For additional information on our direct sovereign and non-sovereign exposures in non-U.S. countries, see Non-U.S. Portfolio on page 96 and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Consumer Portfolio Credit Risk Management

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

Consumer Credit Portfolio

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

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Table 23 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 23, 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 77 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 23.

Table 23
Consumer Loans

(Dollars in millions)	Outstandings		Countrywide Purchased Credit-impaired Loan Portfolio	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011
Residential mortgage ⁽¹⁾	\$256,431	\$ 262,290	\$9,748	\$ 9,966
Home equity	121,246	124,699	11,818	11,978
Discontinued real estate ⁽²⁾	10,453	11,095	9,281	9,857
U.S. credit card	96,433	102,291	n/a	n/a
Non-U.S. credit card	13,914	14,418	n/a	n/a
Direct/Indirect consumer ⁽³⁾	86,128	89,713	n/a	n/a
Other consumer ⁽⁴⁾	2,607	2,688	n/a	n/a
Consumer loans excluding loans accounted for under the fair value option	587,212	607,194	30,847	31,801
Loans accounted for under the fair value option ⁽⁵⁾	2,204	2,190	n/a	n/a
Total consumer loans	\$589,416	\$ 609,384	\$30,847	\$ 31,801

(1) Outstandings includes non-U.S. residential mortgages of \$87 million and \$85 million at March 31, 2012 and December 31, 2011.

(2) Outstandings includes \$9.3 billion and \$9.9 billion of pay option loans and \$1.1 billion and \$1.2 billion of subprime loans at March 31, 2012 and December 31, 2011. We no longer originate these products.

(3) Outstandings includes dealer financial services loans of \$40.2 billion and \$43.0 billion, consumer lending loans of \$7.1 billion and \$8.0 billion, U.S. securities-based lending margin loans of \$24.0 billion and \$23.6 billion, student loans of \$5.7 billion and \$6.0 billion, non-U.S. consumer loans of \$7.6 billion and \$7.6 billion and other consumer loans of \$1.5 billion and \$1.5 billion at March 31, 2012 and December 31, 2011.

(4) Outstandings includes consumer finance loans of \$1.6 billion and \$1.7 billion, other non-U.S. consumer loans of \$951 million and \$929 million and consumer overdrafts of \$58 million and \$103 million at March 31, 2012 and December 31, 2011.

(5) Consumer loans accounted for under the fair value option include residential mortgage loans of \$881 million and \$906 million and discontinued real estate loans of \$1.3 billion and \$1.3 billion at March 31, 2012 and

December 31, 2011. See Consumer Credit Risk – Consumer Loans Accounted for Under the Fair Value Option on page 81 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 24 presents accruing consumer loans past due 90 days or more and consumer nonperforming loans. Nonperforming loans do not include past due consumer credit card loans, consumer non-real estate-secured loans or unsecured consumer loans as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans, which include loans insured by the FHA and individually insured 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 – Unresolved Claims Status on page 45.

Table 24
Consumer Credit Quality

(Dollars in millions)	Accruing Past Due 90 Days or More		Nonperforming ⁽¹⁾		
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	
Residential mortgage ⁽²⁾	\$21,176	\$21,164	\$15,049	\$15,970	
Home equity	—	—	4,360	2,453	
Discontinued real estate	—	—	269	290	
U.S. credit card	1,866	2,070	n/a	n/a	
Non-U.S. credit card	294	342	n/a	n/a	
Direct/Indirect consumer	697	746	41	40	
Other consumer	2	2	5	15	
Total ⁽³⁾	\$24,035	\$24,324	\$19,724	\$18,768	
Consumer loans as a percentage of outstanding consumer loans ⁽³⁾	4.09	% 4.01	% 3.36	% 3.09	%
Consumer loans as a percentage of outstanding loans excluding Countrywide PCI and fully-insured loan portfolios ⁽³⁾	0.62	0.66	4.27	3.90	

At March 31, 2012, nonperforming home equity loans include \$1.9 billion of loans that were reclassified to ⁽¹⁾ nonperforming loans in accordance with regulatory interagency guidance. For more information, see Consumer Portfolio Credit Risk Management on page 67.

Balances accruing past due 90 days or more are fully-insured loans. These balances include \$17.0 billion of loans ⁽²⁾ 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 of loans on which interest was still accruing at both March 31, 2012 and December 31, 2011.

Balances exclude consumer loans accounted for under the fair value option. At March 31, 2012 and December 31, ⁽³⁾ 2011, \$718 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 25 presents net charge-offs and related ratios for consumer loans and leases for the three months ended March 31, 2012 and 2011.

Table 25
Consumer Net Charge-offs and Related Ratios

Three Months Ended March 31

(Dollars in millions)	Net Charge-offs		Net Charge-off Ratios ⁽¹⁾			
	2012	2011	2012	2011		
Residential mortgage	\$898	\$905	1.39	%	1.40	%
Home equity	957	1,179	3.13		3.51	
Discontinued real estate	16	20	0.59		0.61	
U.S. credit card	1,331	2,274	5.44		8.39	
Non-U.S. credit card	203	402	5.78		5.91	
Direct/Indirect consumer	226	525	1.03		2.36	
Other consumer	56	40	8.59		5.93	
Total	\$3,687	\$5,345	2.48		3.38	

(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 2.31 percent and 2.08 percent for residential mortgage, 3.47 percent and 3.87 percent for home equity, 5.24 percent and 5.57 percent for discontinued real estate and 3.14 percent and 4.08 percent for the total consumer portfolio for the three months ended March 31, 2012 and 2011. These are the only product classifications materially impacted by the Countrywide PCI and fully-insured loan portfolios for the three months ended March 31, 2012 and 2011.

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

• Discontinued real estate loans including subprime and pay option

• Residential mortgage loans and home equity loans for products we no longer originate including reduced document loans and interest-only loans not underwritten to fully amortizing payment

• Loans that would not have been originated under our underwriting standards at December 31, 2010 including conventional loans with an original LTV greater than 95 percent and government-insured loans for which the borrower has a FICO score less than 620

• Countrywide PCI loan portfolios

• Certain loans that met a pre-defined delinquency and probability of default threshold as of January 1, 2011

For more information on Legacy Assets & Servicing within CRES, see page 30.

Table 26 presents outstandings, nonperforming balances and net charge-offs for the Core portfolio and the Legacy Assets & Servicing portfolio within the home loans portfolio.

Table 26
Home Loans Portfolio

	Outstandings		Nonperforming ⁽¹⁾		Net Charge-offs	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	Three Months Ended March 31	
(Dollars in millions)					2012	2011
Core portfolio						
Residential mortgage	\$175,322	\$178,337	\$2,433	\$2,414	\$143	\$23
Home equity	65,261	67,055	1,042	439	184	48
Legacy Assets & Servicing portfolio						
Residential mortgage ⁽²⁾	81,109	83,953	12,616	13,556	755	882
Home equity	55,985	57,644	3,318	2,014	773	1,131
Discontinued real estate ⁽²⁾	10,453	11,095	269	290	16	20
Home loans portfolio						
Residential mortgage	256,431	262,290	15,049	15,970	898	905
Home equity	121,246	124,699	4,360	2,453	957	1,179
Discontinued real estate	10,453	11,095	269	290	16	20
Total home loans portfolio	\$388,130	\$398,084	\$19,678	\$18,713	\$1,871	\$2,104

(1)

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At March 31, 2012, nonperforming home equity loans in the Core portfolio and the Legacy Assets & Servicing portfolio include \$547 million and \$1.3 billion of loans that were reclassified to nonperforming loans in accordance with regulatory interagency guidance. For more information, see Consumer Portfolio Credit Risk Management on page 67.

(2) Balances exclude consumer loans accounted for under the fair value option of \$881 million and \$906 million of residential mortgage loans and \$1.3 billion and \$1.3 billion of discontinued real estate loans at March 31, 2012 and December 31, 2011. See Note 16 – Fair Value Option to the Consolidated Financial Statements for additional information on the fair value option.

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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 77.

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 March 31, 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 both originated loans as well as purchased loans used in our overall ALM activities.

Outstanding balances in the residential mortgage portfolio, excluding \$881 million of loans accounted for under the fair value option, decreased \$5.9 billion at March 31, 2012 compared to December 31, 2011 as paydowns, charge-offs and transfers to foreclosed properties more than offset new origination volume.

At March 31, 2012 and December 31, 2011, the residential mortgage portfolio included \$94.0 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 March 31, 2012 and December 31, 2011, \$68.0 billion and \$69.5 billion had FHA insurance and \$26.0 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 March 31, 2012 and December 31, 2011, \$23.4 billion and \$24.0 billion of the FHA-insured loan population were related to 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 March 31, 2012 and December 31, 2011, the synthetic securitization vehicles referenced principal balances of \$22.3 billion and \$23.9 billion of residential mortgage loans and provided loss protection up to \$697 million and \$783 million. At March 31, 2012 and December 31, 2011, the Corporation had a receivable of \$368 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 months ended March 31, 2012 would have been reduced by seven bps compared to 15 bps for the same period 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 March 31, 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 seven bps and six bps.

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Table 27 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 77.

Table 27
Residential Mortgage – Key Credit Statistics

(Dollars in millions)	Reported Basis ⁽¹⁾		Excluding Countrywide Purchased Credit-impaired and Fully-insured Loans	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011
Outstandings	\$256,431	\$262,290	\$152,645	\$158,470
Accruing past due 30 days or more	27,390	28,688	3,296	3,950
Accruing past due 90 days or more	21,176	21,164	n/a	n/a
Nonperforming loans	15,049	15,970	15,049	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⁾	26	27	37	37
	Three Months Ended March 31			
	2012	2011	2012	2011
Net charge-off ratio ⁽³⁾	1.39	% 1.40	% 2.31	% 2.08

⁽¹⁾ Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were \$881 million and \$906 million of residential mortgage loans accounted for under the fair value option at March 31, 2012 and December 31, 2011. See 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 62 percent and 63 percent of nonperforming residential mortgage loans at March 31, 2012 and December 31, 2011, and 73 percent and 74 percent of residential mortgage net charge-offs for the three months ended March 31, 2012 and 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 \$921 million compared to December 31, 2011 as outflows outpaced new inflows, which continued to slow in the three months ended March 31, 2012 due to favorable delinquency trends and lower repurchases of delinquent loans. Accruing loans past due 30 days or more decreased \$654 million compared to December 31, 2011. At March 31, 2012, \$10.4 billion, or 69 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 were \$898 million in the first quarter of 2012, relatively

unchanged compared to the same period in the prior year, or 2.31 percent of total average residential mortgage loans compared to 2.08 percent for the same period in 2011. Favorable delinquency trends were offset by further deterioration in home prices on loans greater than 180 days past due. Net charge-off ratios were further impacted by lower loan balances primarily due to paydowns and charge-offs outpacing new originations.

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

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with a refreshed LTV greater than 100 percent, 93 percent and 92 percent were performing at March 31, 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 March 31, 2012 and December 31, 2011.

Of the \$152.6 billion and \$158.5 billion in total residential mortgage loans outstanding at March 31, 2012 and December 31, 2011, as shown in Table 27, 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 22 percent, at March 31, 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 March 31, 2012, \$402 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 \$3.3 billion, or two percent, of accruing past due 30 days or more for the entire residential mortgage portfolio. In addition, at March 31, 2012, \$2.1 billion, or 16 percent, of outstanding interest-only residential mortgages that had entered the amortization period were nonperforming compared to \$15.0 billion, or 10 percent, of nonperforming loans for the entire residential mortgage portfolio. Loans in our interest-only residential mortgage portfolio have an interest-only period of three to 10 years and more than 80 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

Table 28 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 March 31, 2012 and December 31, 2011. Loans within this MSA comprised only nine percent and six percent of net charge-offs for the three months ended March 31, 2012 and 2011.

Table 28
Residential Mortgage State Concentrations

	Outstandings ⁽¹⁾		Nonperforming ⁽¹⁾		Net Charge-offs Three Months Ended March 31	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	2012	2011
(Dollars in millions)						
California	\$52,024	\$ 54,203	\$5,207	\$ 5,606	\$332	\$308
Florida	11,837	12,338	1,752	1,900	86	156
New York	11,302	11,539	825	838	20	19
Texas	7,251	7,525	406	425	18	12
Virginia	5,498	5,709	389	399	16	14
Other U.S./Non-U.S.	64,733	67,156	6,470	6,802	426	396
Residential mortgage loans ⁽²⁾	\$152,645	\$ 158,470	\$15,049	\$ 15,970	\$898	\$905
Fully-insured loan portfolio	94,038	93,854				
Countrywide purchased credit-impaired residential mortgage loan portfolio	9,748	9,966				
Total residential mortgage loan portfolio	\$256,431	\$ 262,290				

Outstandings and nonperforming amounts exclude loans accounted for under the fair value option. There were \$881 million and \$906 million of residential mortgage loans accounted for under the fair value option at March 31, 2012 and December 31, 2011. See 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 March 31, 2012 and December 31, 2011, our CRA portfolio was \$11.8 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 March 31, 2012 and December 31, 2011 representing 15 percent of total nonperforming residential mortgage loans for both periods. Net charge-offs related to the CRA portfolio were \$187 million and \$208 million for the three months ended March 31, 2012 and 2011, or 21 percent and 23 percent, of total net charge-offs for the residential mortgage portfolio.

For information on representations and warranties related to our residential mortgage portfolio, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 44 and Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

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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 March 31, 2012, our HELOC portfolio had an outstanding balance of \$100.7 billion, or 83 percent, of the home equity portfolio. HELOCs generally have an initial draw period of 10 years with approximately 12 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 March 31, 2012, our home equity loan portfolio had an outstanding balance of \$19.3 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 52 percent of these loans have 25- to 30-year terms.

As of March 31, 2012, our reverse mortgage portfolio had an outstanding balance of \$1.2 billion, or one percent of the total home equity portfolio. In 2011, we exited the reverse mortgage origination business.

At March 31, 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 \$3.5 billion at March 31, 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 March 31, 2012 and December 31, 2011, \$23.6 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 March 31, 2012 and December 31, 2011). As of March 31, 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 \$35.6 billion, or 33 percent of our total home equity portfolio excluding the Countrywide PCI loan portfolio.

Unused HELOCs totaled \$66.1 billion at March 31, 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 March 31, 2012 compared to 61 percent at December 31, 2011.

Table 29 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 29

Home Equity – Key Credit Statistics

(Dollars in millions)	Reported Basis		Excluding Countrywide Purchased Credit-impaired Loans		
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	
Outstandings	\$ 121,246	\$ 124,699	\$ 109,428	\$ 112,721	
Accruing past due 30 days or more ⁽¹⁾	1,294	1,658	1,294	1,658	
Nonperforming loans ⁽¹⁾	4,360	2,453	4,360	2,453	
Percent of portfolio					
Refreshed combined LTV greater than 90 but less than 100	10	% 10	% 11	% 11	%
Refreshed combined LTV greater than 100	37	36	33	32	

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Refreshed FICO below 620 ⁽²⁾	10	10	9	9
2006 and 2007 vintages ⁽³⁾	50	50	46	46

Three Months Ended March 31

	2012		2011		2012		2011
Net charge-off ratio ⁽⁴⁾	3.13	%	3.51	%	3.47	%	3.87

Accruing past due 30 days or more includes \$439 million and \$609 million and nonperforming loans includes \$1.3 billion and \$703 million of loans where we serviced the underlying first-lien at March 31, 2012 and December 31, 2011.

⁽²⁾ As of March 31, 2012, home equity FICO metrics reflect an updated scoring model. Prior periods were adjusted to reflect these updates.

These vintages of loans have higher refreshed combined LTV ratios and accounted for 55 percent and 54 percent of nonperforming home equity loans at March 31, 2012 and December 31, 2011 and accounted for 65 percent and 67 percent of net charge-offs for the three months ended March 31, 2012 and 2011.

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

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

Nonperforming outstanding balances in the home equity portfolio increased \$1.9 billion compared to December 31, 2011 driven by the reclassification to nonperforming of junior-lien loans in accordance with regulatory interagency guidance. Excluding the impact of this change, nonperforming loans increased \$55 million, or two percent, compared to December 31, 2011 as delinquency inflows, which continued to slow during the three months ended March 31, 2012 due to favorable early stage delinquency trends, outpaced charge-offs and paydowns. Outstanding balances accruing past due 30 days or more decreased \$364 million at March 31, 2012 primarily driven by the reclassification of junior-lien home equity loans to nonperforming in accordance with regulatory interagency guidance. Excluding the impact of this change, accruing outstanding balances past due 30 days or more decreased \$100 million. At March 31, 2012, \$1.1 billion, or 25 percent, of the nonperforming home equity portfolio was 180 days or more past due and had been written down to their respective fair values. For more information on the change as a result of the regulatory interagency guidance, see Consumer Portfolio Credit Risk Management on page 67.

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 mortgage pertains to the same property for which we hold a junior-lien loan. At March 31, 2012, we estimate that \$3.1 billion of current and \$756 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 \$1.6 billion of these combined amounts, with the remaining \$2.3 billion serviced by third parties. Of the \$3.9 billion current to 89 days past due junior-lien loans, based on available credit bureau data, we estimate that approximately \$1.9 billion had first-lien loans that were 90 days or more past due.

Net charge-offs decreased \$222 million to \$957 million, or 3.47 percent of the total average home equity portfolio, for the three months ended March 31, 2012 compared to \$1.2 billion, or 3.87 percent, for the same period in the prior year 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 below address each of these risk characteristics separately, there is significant overlap in outstanding balances with these characteristics, which has contributed to a disproportionate share of losses in the portfolio. Outstanding balances in the home equity portfolio with all of these higher risk characteristics comprised 10 percent of the total home equity portfolio at both March 31, 2012 and December 31, 2011, and accounted for 26 percent and 27 percent of the home equity net charge-offs for the three months ended March 31, 2012 and 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 March 31, 2012 and December 31, 2011.

Outstanding balances with refreshed CLTVs greater than 100 percent comprised 33 percent and 32 percent of the home equity portfolio at March 31, 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, 94 percent of the customers were current at March 31, 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 March 31, 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 March 31, 2012 and December 31, 2011.

Of the \$109.4 billion and \$112.7 billion in total home equity portfolio outstandings at March 31, 2012 and December 31, 2011, 78 percent at both periods were originated as interest-only loans, almost all of which were HELOCs. The outstanding balance of these HELOCs that have entered the amortization period was \$1.8 billion, or two percent of total HELOCs, at March 31, 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 March 31, 2012, \$50 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 March 31, 2012, \$94 million, or five percent, of outstanding HELOCs that had entered the amortization period were nonperforming compared to \$3.8 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.

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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 March 31, 2012, approximately 63 percent of these customers did not pay any principal on their HELOCs.

Table 30 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 March 31, 2012 and December 31, 2011. This MSA comprised eight percent and seven percent of net charge-offs for the three months ended March 31, 2012 and 2011. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent of the outstanding home equity portfolio at both March 31, 2012 and December 31, 2011. This MSA comprised 12 percent and 10 percent of net charge-offs for the three months ended March 31, 2012 and 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 44 and Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Table 30
Home Equity State Concentrations

	Outstandings		Nonperforming		Net Charge-offs	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	Three Months Ended March 31	
(Dollars in millions)					2012	2011
California	\$31,516	\$ 32,398	\$1,193	\$ 627	\$316	\$368
Florida	13,082	13,450	784	411	164	239
New Jersey	7,297	7,483	306	175	43	42
New York	7,244	7,423	405	242	48	53
Massachusetts	4,755	4,919	127	67	14	20
Other U.S./Non-U.S.	45,534	47,048	1,545	931	372	457
Home equity loans ⁽¹⁾	\$109,428	\$ 112,721	\$4,360	\$ 2,453	\$957	\$1,179
Countrywide purchased credit-impaired home equity portfolio	11,818	11,978				
Total home equity loan portfolio	\$121,246	\$ 124,699				

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

Discontinued Real Estate

The discontinued real estate portfolio, excluding \$1.3 billion of loans accounted for under the fair value option, totaled \$10.5 billion at March 31, 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 March 31, 2012, the Countrywide PCI loan portfolio was \$9.3 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 77 for more information on the discontinued real estate portfolio.

At March 31, 2012, the purchased discontinued real estate portfolio that was not credit-impaired was \$1.2 billion. Loans with greater than 90 percent refreshed LTVs and CLTVs comprised 29 percent of the portfolio and those with

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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 March 31, 2012.

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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.

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 March 31, 2012, the unpaid principal balance of pay option loans was \$10.8 billion, with a carrying amount of \$9.3 billion, including \$8.5 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 \$8.4 billion including \$609 million of negative amortization. For those borrowers who are making payments in accordance with their contractual terms, 19 percent and 22 percent at March 31, 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 March 31, 2012 that have not already experienced a payment reset, five percent are expected to reset during the remainder of 2012 and approximately 20 percent thereafter. In addition, approximately seven percent are expected to prepay and approximately 68 percent are expected to default prior to being reset, most of which are severely delinquent as of March 31, 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 31 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 March 31, 2012 and December 31, 2011.

Table 31

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Countrywide Purchased Credit-impaired Loan Portfolio

	March 31, 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	\$9,944	\$9,748	\$1,627	\$8,121	81.67	%
Home equity	11,971	11,818	5,235	6,583	54.99	
Discontinued real estate	10,986	9,281	2,084	7,197	65.51	
Total Countrywide purchased credit-impaired loan portfolio	\$32,901	\$30,847	\$8,946	\$21,901	66.57	
	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	

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Of the unpaid principal balance at March 31, 2012, \$11.7 billion was 180 days or more past due, including \$8.2 billion of first-lien and \$3.5 billion of home equity loans. Of the \$21.2 billion that was less than 180 days past due, \$18.7 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 March 31, 2012, we recorded \$487 million of provision for credit losses for the Countrywide PCI loan portfolio including \$133 million for residential mortgage, \$84 million for home equity loans and \$270 million for discontinued real estate. This compared to a total provision of \$1.5 billion during the three months ended March 31, 2011. Provision expense for the three months ended March 31, 2012 was primarily driven by a more negative home price outlook versus previous expectations. For further information on the Countrywide PCI loan portfolio, see Note 5 – Outstanding Loans and Leases to the Consolidated Financial Statements.

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

Purchased Credit-impaired Residential Mortgage Loan Portfolio

The Countrywide PCI residential mortgage loan portfolio comprised 32 percent of the total Countrywide PCI loan portfolio at March 31, 2012. Those loans to borrowers with a refreshed FICO score below 620 represented 36 percent of the Countrywide PCI residential mortgage loan portfolio at March 31, 2012. Loans with a refreshed LTV greater than 90 percent represented 61 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 March 31, 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 32 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 32

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

(Dollars in millions)	March 31 2012	December 31 2011
California	\$5,408	\$ 5,535
Florida	739	757
Virginia	526	532
Maryland	254	258
Texas	125	130
Other U.S./Non-U.S.	2,696	2,754
Total Countrywide purchased credit-impaired residential mortgage loan portfolio	\$9,748	\$ 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 March 31, 2012. Those loans with a refreshed FICO score below 620 represented 15 percent of the Countrywide PCI home equity portfolio at March 31, 2012. Loans with a refreshed CLTV greater than 90 percent represented 79 percent of the Countrywide PCI home equity portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 84 percent based on the unpaid principal balance at March 31, 2012. Table 33 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 33

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

(Dollars in millions)	March 31 2012	December 31 2011
California	\$3,933	\$ 3,999
Florida	721	734
Arizona	492	501
Virginia	491	496
Colorado	333	337
Other U.S./Non-U.S.	5,848	5,911
Total Countrywide purchased credit-impaired home equity portfolio	\$11,818	\$ 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 March 31, 2012. Those loans to borrowers with a refreshed FICO score below 620 represented 59 percent of the Countrywide PCI discontinued real estate loan portfolio at March 31, 2012. Loans with a refreshed LTV, or CLTV in the case of second-liens, greater than 90 percent represented 40 percent of the Countrywide PCI discontinued real estate loan portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 85 percent based on the unpaid principal balance at March 31, 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 34 presents outstandings net of purchase accounting adjustments and before the related valuation adjustment, by certain state concentrations.

Table 34

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

(Dollars in millions)	March 31 2012	December 31 2011
California	\$4,875	\$ 5,262
Florida	906	958
Washington	325	331
Virginia	264	277
Arizona	228	251
Other U.S./Non-U.S.	2,683	2,778
Total Countrywide purchased credit-impaired discontinued real estate loan portfolio	\$9,281	\$ 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 \$5.9 billion compared to December 31, 2011 due to a seasonal decline in retail transaction volume. For the three months ended March 31, 2012, net charge-offs decreased \$943 million to \$1.3 billion compared to the same period in the prior year due to improvements in delinquencies, collections and bankruptcies as a result of an improved economic environment and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased \$439 million while loans 90 days or more past due and still accruing interest decreased \$204 million compared to December 31, 2011 due to improvement in the U.S. economy. Table 35 presents certain key credit statistics for the consumer U.S. credit card portfolio.

Table 35

U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	March 31 2012	December 31 2011
Outstandings	\$96,433	\$ 102,291
Accruing past due 30 days or more	3,384	3,823
Accruing past due 90 days or more	1,866	2,070
	Three Months Ended March 31	
	2012	2011
Net charge-offs	\$1,331	\$ 2,274
Net charge-off ratios ⁽¹⁾	5.44	% 8.39

⁽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 \$360.5 billion at March 31, 2012 compared to \$368.1 billion at December 31, 2011. The \$7.6 billion decrease was driven by the closure of inactive accounts and account management initiatives on higher risk accounts.

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Table 36 presents certain state concentrations for the U.S. credit card portfolio.

Table 36
U.S. Credit Card State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
	March 31	December 31	March 31	December 31	Three Months Ended	
	2012	2011	2012	2011	March 31 2012	2011
(Dollars in millions)						
California	\$14,375	\$ 15,246	\$315	\$ 352	\$243	\$450
Florida	7,579	7,999	196	221	151	271
Texas	6,533	6,885	119	131	82	136
New York	5,791	6,156	112	126	77	124
New Jersey	3,933	4,183	78	86	53	85
Other U.S.	58,222	61,822	1,046	1,154	725	1,208
Total U.S. credit card portfolio	\$96,433	\$ 102,291	\$1,866	\$ 2,070	\$1,331	\$2,274

Non-U.S. Credit Card

Outstandings in the non-U.S. credit card portfolio, which are recorded in All Other, decreased \$504 million compared to December 31, 2011 due to lower origination volume and charge-offs. Net charge-offs decreased \$199 million to \$203 million primarily driven by the sale of the Canadian consumer credit card portfolio.

Unused lines of credit for non-U.S. credit card totaled \$37.5 billion at March 31, 2012 compared to \$36.8 billion at December 31, 2011. The \$623 million increase was primarily driven by strengthening of the British pound against the U.S. dollar.

Table 37 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 37
Non-U.S. Credit Card – Key Credit Statistics

(Dollars in millions)	March 31 2012	December 31 2011
Outstandings	\$13,914	\$14,418
Accruing past due 30 days or more	537	610
Accruing past due 90 days or more	294	342
	Three Months Ended March 31	
	2012	2011
Net charge-offs	\$203	\$402
Net charge-off ratios ⁽¹⁾	5.78	% 5.91

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

Direct/Indirect Consumer

At March 31, 2012, approximately 47 percent of the direct/indirect portfolio was included in Global Banking (dealer financial services - automotive, marine, aircraft and recreational vehicle loans), 38 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 \$3.6 billion compared to December 31, 2011 due to lower outstandings in the dealer financial services and unsecured consumer lending portfolios partially offset by growth in securities-based lending. For the three months ended March 31, 2012, net charge-offs decreased \$299 million to \$226 million, or 1.03 percent of total average direct/indirect loans compared to 2.36 percent for the same period in the prior year. This decrease was primarily driven by improvements in delinquencies, collections and bankruptcies in the unsecured consumer lending portfolio as a result of an improved economic environment as well as reduced outstandings. An additional driver was lower net charge-offs in the dealer financial services portfolio due to the impact of higher credit quality originations.

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For the three months ended March 31, 2012, net charge-offs in the unsecured consumer lending portfolio decreased \$241 million to \$157 million, or 8.31 percent of total average unsecured consumer lending loans compared to 13.71 percent for the same period in the prior year. For the three months ended March 31, 2012, net charge-offs in the dealer financial services portfolio decreased \$45 million to \$58 million, or 0.55 percent of total average dealer financial services loans compared to 0.98 percent for the same period in the prior year. Direct/indirect loans that were past due 30 days or more and still accruing interest declined \$330 million to \$1.6 billion at March 31, 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 38 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 38
Direct/Indirect State Concentrations

	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	Three Months Ended March 31	
(Dollars in millions)					2012	2011
California	\$10,708	\$ 11,152	\$72	\$ 81	\$31	\$82
Texas	7,521	7,882	52	54	18	45
Florida	7,232	7,456	43	55	25	54
New York	4,938	5,160	40	40	12	27
Georgia	2,687	2,828	37	38	9	21
Other U.S./Non-U.S.	53,042	55,235	453	478	131	296
Total direct/indirect loan portfolio	\$86,128	\$ 89,713	\$697	\$ 746	\$226	\$525

Other Consumer

At March 31, 2012, approximately 98 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 \$2.2 billion at March 31, 2012 and include \$1.3 billion of discontinued real estate loans and \$881 million of residential mortgage loans in consolidated variable interest entities (VIEs). During the three months ended March 31, 2012, we recorded gains of \$14 million resulting from changes in the fair value of the loan portfolio. These gains were offset by losses recorded on the related long-term debt.

Nonperforming Consumer Loans and Foreclosed Properties Activity

Table 39 presents nonperforming consumer loans and foreclosed properties activity for the three months ended March 31, 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 that we account for under the fair value option. For further information on nonperforming loans, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. Nonperforming loans increased \$956 million to \$19.7 billion at March 31, 2012 compared to \$18.8 billion at December 31, 2011 driven by the \$1.9 billion reclassification to nonperforming of junior-lien loans that are less than 90 days past due but have a first-lien loan that is more than 90 days past due, in accordance with regulatory interagency guidance. Excluding the impact of this change, nonperforming loans decreased \$897 million compared to December 31, 2011 as delinquency inflows to nonperforming loans slowed compared to the same period in 2011 due to favorable portfolio trends, and were more than offset by charge-offs, paydowns and payoffs, and nonperforming loans returning to performing status. For more information on the regulatory interagency guidance, see Consumer Portfolio Credit Risk Management on page 67.

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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 March 31, 2012, \$13.5 billion, or 63 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 \$11.7 billion of nonperforming loans 180 days or more past due and \$1.8 billion of foreclosed properties.

Foreclosed properties decreased \$186 million for the three months ended March 31, 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 \$37 million for the three months ended March 31, 2012. Not included in foreclosed properties at March 31, 2012 was \$1.1 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 51.

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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 39.

Table 39

Nonperforming Consumer Loans and Foreclosed Properties Activity ⁽¹⁾

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Nonperforming loans, January 1	\$18,768	\$20,854
Additions to nonperforming loans:		
New nonperforming loans	3,308	4,127
Impact of regulatory interagency guidance ⁽²⁾	1,853	n/a
Reductions to nonperforming loans:		
Paydowns and payoffs	(1,153)	(779)
Returns to performing status ⁽³⁾	(913)	(1,340)
Charge-offs ⁽⁴⁾	(1,737)	(2,020)
Transfers to foreclosed properties	(402)	(386)
Total net additions (reductions) to nonperforming loans	956	(398)
Total nonperforming loans, March 31 ⁽⁵⁾	19,724	20,456
Foreclosed properties, January 1	1,991	1,249
Additions to foreclosed properties:		
New foreclosed properties	547	606
Reductions to foreclosed properties:		
Sales	(649)	(459)
Write-downs	(84)	(65)
Total net additions (reductions) to foreclosed properties	(186)	82
Total foreclosed properties, March 31	1,805	1,331
Nonperforming consumer loans and foreclosed properties, March 31	\$21,529	\$21,787
Nonperforming consumer loans as a percentage of outstanding consumer loans ⁽⁶⁾	3.36	% 3.22
Nonperforming consumer loans and foreclosed properties as a percentage of outstanding consumer loans and foreclosed properties ⁽⁶⁾	3.65	3.42

⁽¹⁾ Balances do not include nonperforming LHFS of \$645 million and \$941 million and nonaccruing TDRs removed from the PCI portfolio prior to January 1, 2010 of \$459 million and \$456 million at March 31, 2012 and 2011 as well as loans accruing past due 90 days or more as presented in Table 24 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 three months ended March 31, 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 March 31, 2012, 59 percent of nonperforming loans were 180 days or more past due and were written down through charge-offs to 63 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 in Table 39 are net of \$141 million and \$61 million of charge-offs for the three months ended March 31, 2012 and 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 39 as substantially all of these loans remain on accrual status until either charged off or paid in full. At March 31, 2012 and December 31, 2011, our renegotiated TDR portfolio was \$6.2 billion and \$7.1 billion, of which \$4.8 billion and \$5.5 billion was current or less than 30 days past due under the modified terms. The decline in the renegotiated TDR portfolio was primarily driven by attrition in the first 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 40 presents TDRs for the home loans portfolio. Performing TDR balances are excluded from nonperforming loans in Table 39.

Table 40

Home Loans Troubled Debt Restructurings

(Dollars in millions)	March 31, 2012			December 31, 2011		
	Total	Nonperforming	Performing	Total	Nonperforming	Performing
Residential mortgage ^(1, 2)	\$19,673	\$ 5,175	\$14,498	\$19,287	\$ 5,034	\$14,253
Home equity ⁽³⁾	1,728	667	1,061	1,776	543	1,233
Discontinued real estate ⁽⁴⁾	376	205	171	399	214	185
Total home loans troubled debt restructurings	\$21,777	\$ 6,047	\$15,730	\$21,462	\$ 5,791	\$15,671

Residential mortgage TDRs deemed collateral dependent totaled \$5.7 billion and \$5.3 billion, and included \$2.5 billion and \$2.2 billion of loans classified as nonperforming and \$3.2 billion and \$3.1 billion of loans classified as performing at March 31, 2012 and December 31, 2011.

⁽²⁾ Residential mortgage performing TDRs included \$7.3 billion and \$7.0 billion of loans that were fully-insured at March 31, 2012 and December 31, 2011.

Home equity TDRs deemed collateral dependent totaled \$811 million and \$824 million, and included \$321 million and \$282 million of loans classified as nonperforming and \$490 million and \$542 million of loans classified as performing at March 31, 2012 and December 31, 2011.

Discontinued real estate TDRs deemed collateral dependent totaled \$223 million and \$230 million, and included \$118 million and \$118 million of loans classified as nonperforming and \$105 million and \$112 million as performing at March 31, 2012 and December 31, 2011.

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 45, 50, 54 and 55 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

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Commercial Credit Portfolio

Table 41 presents our commercial loans and leases, and related credit quality information at March 31, 2012 and December 31, 2011.

Table 41
Commercial Loans and Leases

(Dollars in millions)	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011
U.S. commercial	\$180,728	\$ 179,948	\$2,048	\$ 2,174	\$59	\$ 75
Commercial real estate ⁽¹⁾	38,049	39,596	3,404	3,880	8	7
Commercial lease financing	21,556	21,989	38	26	28	14
Non-U.S. commercial	52,601	55,418	140	143	—	—
	292,934	296,951	5,630	6,223	95	96
U.S. small business commercial ⁽²⁾	12,956	13,251	121	114	190	216
Commercial loans excluding loans accounted for under the fair value option	305,890	310,202	5,751	6,337	285	312
Loans accounted for under the fair value option ⁽³⁾	6,988	6,614	80	73	—	—
Total commercial loans and leases	\$312,878	\$ 316,816	\$5,831	\$ 6,410	\$285	\$ 312

⁽¹⁾ Includes U.S. commercial real estate loans of \$36.3 billion and \$37.8 billion and non-U.S. commercial real estate loans of \$1.7 billion and \$1.8 billion at March 31, 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 \$2.2 billion at both March 31, 2012 and December 31, 2011 and non-U.S. commercial loans of \$4.8 billion and \$4.4 billion at March 31, 2012 and December 31, 2011. See Note 16 – Fair Value Option to the Consolidated Financial Statements for additional information on the fair value option.

Outstanding commercial loans and leases decreased \$3.9 billion (\$4.3 billion excluding loans accounted for under the fair value option) at March 31, 2012 compared to December 31, 2011. Non-U.S. commercial loans decreased from December 31, 2011 primarily due to a reduction in corporate loans, as well as trade finance exposures. Commercial real estate loans decreased as net paydowns outpaced new originations and renewals. U.S. commercial loans, excluding loans accounted for under the fair value option, increased due to higher utilization in Global Banking, partially offset by declines across most other businesses.

During the three months ended March 31, 2012, credit quality in the commercial loan portfolio showed improvement relative to prior quarters. Reservable criticized balances and nonperforming loans, leases and foreclosed property balances in the commercial credit portfolio declined during the three months ended March 31, 2012 compared to December 31, 2011. The reductions in reservable criticized and nonperforming loans, leases and foreclosed property were primarily in the commercial real estate and U.S. commercial portfolios. Commercial real estate continued to show improvement 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 1.86 percent and 2.02 percent (1.88 percent and 2.04 percent excluding loans accounted for under the fair value option) at

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March 31, 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 0.09 percent and 0.10 percent at March 31, 2012 and December 31, 2011.

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Table 42 presents net charge-offs and related ratios for our commercial loans and leases for the three months ended March 31, 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 months ended March 31, 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 months ended March 31, 2012 compared to the same period in 2011.

Table 42
Commercial Net Charge-offs and Related Ratios

	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios (1)	
(Dollars in millions)	2012	2011	2012	2011
U.S. commercial	\$66	\$(21)	0.15	% (0.05)%
Commercial real estate	132	288	1.36	2.42
Commercial lease financing	(9)	1	(0.16)	0.02
Non-U.S. commercial	(5)	103	(0.04)	1.22
	184	371	0.25	0.54
U.S. small business commercial	185	312	5.63	8.68
Total commercial	\$369	\$683	0.48	0.94

(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 43 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 \$19.8 billion at March 31, 2012 compared to December 31, 2011 driven primarily by decreases in derivative assets, loans and leases, SBLCs and debt securities.

Total commercial utilized credit exposure decreased \$22.3 billion at March 31, 2012 compared to December 31, 2011 driven primarily by decreases in derivatives, loans and leases, and debt securities. The decrease in derivatives relates primarily to a lower valuation of existing trades due to interest rate increases. The utilization rate for loans and leases, SBLCs and financial guarantees, and bankers' acceptances was 57 percent at both March 31, 2012 and December 31, 2011.

Table 43
Commercial Credit Exposure by Type

	Commercial Utilized (1)		Commercial Unfunded (2, 3)		Total Commercial Committed	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011
(Dollars in millions)						
Loans and leases	\$312,878	\$ 316,816	\$276,963	\$ 276,195	\$589,841	\$ 593,011
Derivative assets (4)	59,051	73,023	—	—	59,051	73,023
Standby letters of credit and financial guarantees	53,633	55,384	1,851	1,592	55,484	56,976
Debt securities and other investments	8,400	11,108	6,717	5,147	15,117	16,255
Loans held-for-sale	5,712	5,006	124	229	5,836	5,235

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Commercial letters of credit	2,449	2,411	787	832	3,236	3,243
Bankers' acceptances	281	797	34	28	315	825
Foreclosed properties and other ⁽⁵⁾	1,824	1,964	—	—	1,824	1,964
Total	\$444,228	\$ 466,509	\$286,476	\$ 284,023	\$730,704	\$ 750,532

Total commercial utilized exposure at March 31, 2012 and December 31, 2011 includes loans outstanding of \$7.0

- (1) billion and \$6.6 billion and letters of credit with a notional value of \$1.0 billion and \$1.3 billion accounted for under the fair value option.
- (2) Total commercial unfunded exposure at March 31, 2012 and December 31, 2011 includes loan commitments with a notional value of \$23.0 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 \$60.6 billion and \$58.9 billion at March 31, 2012 and December 31, 2011. Not reflected in utilized and committed exposure is additional derivative collateral held of \$16.7 billion and \$16.1 billion which consists primarily of other marketable securities.
- (5) Includes \$1.3 billion of net monoline exposure at both March 31, 2012 and December 31, 2011, as discussed in Monoline and Related Exposure on page 93.

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Table 44 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 \$2.8 billion, or 10 percent, compared to December 31, 2011, primarily in commercial real estate and U.S. commercial property types driven largely by continued paydowns and ratings upgrades outpacing downgrades. Despite the improvements, utilized reservable criticized levels remain elevated, particularly in the commercial real estate and U.S. small business commercial portfolios. At March 31, 2012, approximately 86 percent of commercial utilized reservable criticized exposure was secured compared to 85 percent at December 31, 2011.

Table 44
Commercial Utilized Reservable Criticized Exposure

(Dollars in millions)	March 31, 2012		December 31, 2011	
	Amount (1)	Percent (2)	Amount (1)	Percent (2)
U.S. commercial	\$10,851	4.78 %	\$11,731	5.16 %
Commercial real estate	9,656	23.67	11,525	27.13
Commercial lease financing	1,185	5.50	1,140	5.18
Non-U.S. commercial	1,580	2.68	1,524	2.44
	23,272	6.68	25,920	7.32
U.S. small business commercial	1,185	9.14	1,327	10.01
Total commercial utilized reservable criticized exposure	\$24,457	6.77	\$27,247	7.41

(1) Total commercial utilized reservable criticized exposure at March 31, 2012 and December 31, 2011 includes loans and leases of \$22.7 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 March 31, 2012, 71 percent of the U.S. commercial loan portfolio, excluding small business, was managed in Global Banking, 11 percent in CBB, 10 percent in GWIM (business-purpose loans for wealthy clients) and the remainder primarily in Global Markets. U.S. commercial loans, excluding loans accounted for under the fair value option, increased \$780 million due to higher utilization in Global Banking. Most other lines of business experienced declines due to paydowns outpacing new originations and renewals. Reservable criticized balances and nonperforming loans and leases declined \$880 million and \$126 million 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 \$87 million for the three months ended March 31, 2012 compared to the same period in 2011 due to lower recoveries.

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 \$1.5 billion at March 31, 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 March 31, 2012 and December 31, 2011. For more information on geographic and property concentrations, see Table 45.

Credit quality for commercial real estate continued to show signs of improvement; however, we expect that elevated unemployment and ongoing pressure on vacancy and rental rates will continue to affect primarily the non-residential portfolio. Nonperforming commercial real estate loans and foreclosed properties decreased 13 percent compared to December 31, 2011, primarily in the non-residential portfolio. Reservable criticized balances decreased \$1.9 billion primarily due to declines in the non-residential portfolio. For the three months ended March 31, 2012, net charge-offs decreased \$156 million compared to the same period in 2011 due to improvement in both the residential and non-residential portfolios.

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Table 45 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 45

Outstanding Commercial Real Estate Loans

(Dollars in millions)	March 31 2012	December 31 2011
By Geographic Region		
California	\$7,830	\$ 7,957
Northeast	6,510	6,554
Southwest	5,152	5,243
Southeast	4,560	4,844
Midwest	3,802	4,051
Florida	2,336	2,502
Midsouth	1,790	1,751
Illinois	1,690	1,871
Northwest	1,600	1,574
Non-U.S.	1,688	1,824
Other ⁽¹⁾	1,091	1,425
Total outstanding commercial real estate loans	\$38,049	\$ 39,596
By Property Type		
Non-residential		
Office	\$7,366	\$ 7,571
Multi-family rental	5,806	6,105
Shopping centers/retail	5,521	5,985
Industrial/warehouse	3,879	3,988
Multi-use	2,938	3,218
Hotels/motels	2,796	2,653
Land and land development	1,486	1,599
Other	6,048	6,050
Total non-residential	35,840	37,169
Residential	2,209	2,427
Total outstanding commercial real estate loans	\$38,049	\$ 39,596

⁽¹⁾ Other states primarily represents properties in Colorado, Utah, Hawaii, Wyoming and Montana.

For the three months ended March 31, 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 alternative resolution methods to achieve the best results for our customers and the Corporation.

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Tables 46 and 47 present commercial real estate credit quality data by non-residential and residential property types. The residential portfolio presented in Tables 45, 46 and 47 includes condominiums and other residential real estate. Other property types in Tables 45, 46 and 47 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 46
Commercial Real Estate Credit Quality Data

(Dollars in millions)	Nonperforming Loans and Foreclosed Properties ⁽¹⁾		Utilized Reservable Criticized Exposure ⁽²⁾	
	March 31	December 31	March 31	December 31
	2012	2011	2012	2011
Non-residential				
Office	\$642	\$ 807	\$2,048	\$ 2,375
Multi-family rental	286	339	1,233	1,604
Shopping centers/retail	518	561	1,234	1,378
Industrial/warehouse	446	521	1,074	1,317
Multi-use	322	345	871	971
Hotels/motels	159	173	561	716
Land and land development	471	530	629	749
Other	195	223	777	997
Total non-residential	3,039	3,499	8,427	10,107
Residential	875	993	1,229	1,418
Total commercial real estate	\$3,914	\$ 4,492	\$9,656	\$ 11,525

⁽¹⁾ Includes commercial foreclosed properties of \$510 million and \$612 million at March 31, 2012 and December 31, 2011.

⁽²⁾ Includes loans, SBLCs and bankers' acceptances and excludes loans accounted for under the fair value option.

Table 47
Commercial Real Estate Net Charge-offs and Related Ratios

(Dollars in millions)	Three Months Ended March 31			
	Net Charge-offs		Net Charge-off Ratios ⁽¹⁾	
	2012	2011	2012	2011
Non-residential				
Office	\$60	\$34	3.23	% 1.50
Multi-family rental	4	9	0.28	0.48
Shopping centers/retail	8	89	0.56	4.84
Industrial/warehouse	15	21	1.56	1.69
Multi-use	10	9	1.37	0.91
Hotels/motels	1	8	0.15	1.24
Land and land development	6	50	1.47	8.82
Other	8	—	0.48	—
Total non-residential	112	220	1.22	2.01
Residential	20	68	3.52	6.94
Total commercial real estate	\$132	\$288	1.36	2.42

⁽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 March 31, 2012, total committed non-residential exposure was \$52.9 billion compared to \$53.1 billion at December 31, 2011, of which \$35.9 billion and \$37.2 billion were funded secured loans. Non-residential nonperforming loans and foreclosed properties were \$3.0 billion and \$3.5 billion at March 31, 2012 and December 31, 2011, which represented 8.39 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, industrial/warehouse, and land and land development property types. Non-residential utilized reservable criticized exposure decreased to \$8.4 billion, or 21.93 percent of non-residential utilized reservable exposure, at March 31, 2012 compared to \$10.1 billion, or 25.34 percent, at December 31, 2011. The decrease in reservable criticized exposure was driven primarily by multi-family rental, office and industrial/warehouse property types. For the non-residential portfolio, net charge-offs

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decreased \$108 million for the three months ended March 31, 2012 compared to the same period in 2011, due primarily to improving appraisal values and improved borrower credit profiles.

At March 31, 2012, we had committed residential exposure of \$3.5 billion compared to \$3.9 billion at December 31, 2011, of which \$2.2 billion and \$2.4 billion were funded secured loans. The decline in residential committed exposure was due to repayments, net charge-offs, reductions in new home construction and continued risk mitigation initiatives with market conditions providing fewer origination opportunities to offset the reductions. At March 31, 2012, residential nonperforming loans and foreclosed properties decreased \$118 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 \$189 million to \$1.2 billion 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 37.33 percent and 52.06 percent at March 31, 2012 compared to 38.89 percent and 54.65 percent at December 31, 2011. Net charge-offs for the residential portfolio decreased \$48 million for the three months ended March 31, 2012 compared to the same period in 2011.

At March 31, 2012 and December 31, 2011, the commercial real estate loan portfolio included \$9.9 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 \$4.1 billion and \$4.9 billion, and nonperforming construction and land development loans and foreclosed properties totaled \$1.7 billion and \$2.1 billion at March 31, 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 they are refinanced. We do not recognize interest income on nonperforming loans regardless of the existence of an interest reserve.

Non-U.S. Commercial

The non-U.S. commercial loan portfolio is managed primarily in Global Banking. Outstanding loans, excluding loans accounted for under the fair value option, decreased \$2.8 billion from December 31, 2011 primarily due to a reduction in corporate loans, as well as trade finance exposures. Net charge-offs decreased \$108 million for the three months ended March 31, 2012 compared to 2011. For additional information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 96.

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 \$127 million for the three months ended March 31, 2012 compared to the same period 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, 66 percent were credit card-related products for the three months ended March 31, 2012 compared to 75 percent for the same period 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 \$374 million to an aggregate fair value of \$7.0 billion at March 31, 2012 compared to December 31, 2011 due primarily to increased corporate borrowings under bank credit facilities. We recorded net gains of \$128 million and \$95 million during the three months ended March 31, 2012 and 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.

In addition, unfunded lending commitments and letters of credit accounted for under the fair value option had an aggregate fair value of \$844 million and \$1.2 billion at March 31, 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 \$24.0 billion and \$25.7 billion at March 31, 2012 and December 31, 2011. During the three months ended March 31, 2012 and 2011, we recorded net gains of \$404 million and \$132 million 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.

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Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 48 presents the nonperforming commercial loans, leases and foreclosed properties activity during the three months ended March 31, 2012 and 2011. Nonperforming commercial loans and leases decreased \$586 million during the three months ended March 31, 2012 to \$5.8 billion compared to \$6.3 billion at December 31, 2011 driven by paydowns, charge-offs, returns to performing status and sales outpacing new nonperforming loans. Approximately 95 percent of commercial nonperforming loans, leases and foreclosed properties are secured and approximately 50 percent are contractually current. Commercial nonperforming loans are carried at approximately 67 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 48

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity ^(1, 2)

(Dollars in millions)	Three Months Ended		
	March 31		
	2012	2011	
Nonperforming loans and leases, January 1	\$6,337	\$9,836	
Additions to nonperforming loans and leases:			
New nonaccrual loans and leases	599	1,299	
Advances	24	67	
Reductions in nonperforming loans and leases:			
Paydowns and payoffs	(573)	(764)	
Sales	(137)	(247)	
Returns to performing status ⁽³⁾	(145)	(320)	
Charge-offs ⁽⁴⁾	(291)	(488)	
Transfers to foreclosed properties	(63)	(200)	
Transfers to loans held-for-sale	—	(52)	
Total net reductions to nonperforming loans and leases	(586)	(705)	
Total nonperforming loans and leases, March 31	5,751	9,131	
Foreclosed properties, January 1	612	725	
Additions to foreclosed properties:			
New foreclosed properties	44	131	
Reductions in foreclosed properties:			
Sales	(123)	(120)	
Write-downs	(23)	(11)	
Total net reductions to foreclosed properties	(102)	—	
Total foreclosed properties, March 31	510	725	
Nonperforming commercial loans, leases and foreclosed properties, March 31	\$6,261	\$9,856	
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases ⁽⁵⁾	1.88	% 3.11	%
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties ⁽⁵⁾	2.04	3.34	

(1) Balances do not include nonperforming LHFS of \$847 million and \$1.5 billion at March 31, 2012 and 2011.

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

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)

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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 49 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 49

Commercial Troubled Debt Restructurings

(Dollars in millions)	March 31, 2012			December 31, 2011		
	Total	Non-performing	Performing	Total	Non-performing	Performing
U.S. commercial	\$1,500	\$ 585	\$ 915	\$1,329	\$ 531	\$ 798
Commercial real estate	1,621	1,049	572	1,675	1,076	599
Non-U.S. commercial	51	35	16	54	38	16
U.S. small business commercial	336	—	336	389	—	389
Total commercial troubled debt restructurings	\$3,508	\$ 1,669	\$ 1,839	\$3,447	\$ 1,645	\$ 1,802

Industry Concentrations

Table 50 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 \$19.8 billion from December 31, 2011 to March 31, 2012 was concentrated in diversified financials and banks, partially offset by an increase in the capital goods industry category.

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 \$7.8 billion, or eight percent, primarily driven by decreases in derivative exposure throughout the quarter.

Real estate, our second largest industry concentration, experienced a decline in committed exposure of \$1.8 billion, or three percent, compared to December 31, 2011 primarily due to paydowns and sales outpacing new originations and renewals. Real estate construction and land development exposure represented 19 percent of the total real estate industry committed exposure at March 31, 2012, down from 20 percent at December 31, 2011. For more information on the commercial real estate and related portfolios, see Commercial Real Estate on page 87.

Committed exposure in the banking industry decreased \$4.3 billion, or 11 percent, compared to December 31, 2011 primarily due to decreases in trade finance and derivative exposure.

Committed exposure in government and public education decreased \$1.9 billion, or three percent, compared to December 31, 2011 primarily due to decreases in derivatives and loan exposure. Capital goods committed exposure increased \$1.7 billion, or four percent, compared to December 31, 2011 primarily due to a bridge loan to finance an acquisition.

Our committed state and municipal exposure of \$44.0 billion at March 31, 2012 consisted of \$33.2 billion of commercial utilized exposure (including \$17.8 billion of funded loans, \$11.3 billion of SBLCs and \$3.8 billion of derivative assets) and unfunded commercial exposure of \$10.8 billion (primarily unfunded loan commitments and

letters of credit) and is reported in the government and public education industry in Table 50. 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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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 44 and Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Monoline derivative credit exposure at March 31, 2012 had a notional value of \$14.7 billion compared to \$21.1 billion at December 31, 2011. Mark-to-market monoline derivative credit exposure was \$1.5 billion at March 31, 2012 compared to \$1.8 billion at December 31, 2011 with the decrease driven by terminated monoline contracts. The counterparty credit valuation adjustment related to monoline derivative exposure was \$248 million at March 31, 2012 compared to \$417 million at December 31, 2011. This adjustment reduced our net mark-to-market exposure to \$1.2 billion at March 31, 2012 compared to \$1.3 billion at December 31, 2011 and covered 17 percent of the mark-to-market exposure at March 31, 2012, down from 24 percent at December 31, 2011 primarily due to a significant tightening in credit spreads of our monoline counterparties during the quarter. Gains (losses) during the three months ended March 31, 2012 and 2011 were \$104 million and \$(407) million, resulting from changes in credit valuation adjustments and hedge results and the reclassification of certain net monoline exposure from derivative assets to other assets during 2011. We do not hold collateral against these derivative exposures.

We also have indirect exposure to monolines as we invest in securities where the issuers have purchased wraps. For example, municipalities and corporations purchase insurance in order to reduce their cost of borrowing. If the rating agencies downgrade the monolines, the credit rating of the bond may fall and may have an adverse impact on the market value of the security. In the case of default, we first look to the underlying securities and then to the purchased insurance for recovery. Investments in securities with purchased wraps issued by municipalities and corporations had a notional value of \$74 million at March 31, 2012 compared to \$150 million at December 31, 2011. The market value of the investment exposure was \$20 million at March 31, 2012 compared to \$89 million at December 31, 2011.

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Table 50

Commercial Credit Exposure by Industry ⁽¹⁾

(Dollars in millions)	Commercial Utilized		Total Commercial Committed	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011
Diversified financials	\$56,119	\$ 64,957	\$87,171	\$ 94,969
Real estate ⁽²⁾	45,779	48,138	60,770	62,566
Government and public education	41,981	43,090	55,126	57,021
Capital goods	23,127	24,025	49,730	48,013
Healthcare equipment and services	30,636	31,298	47,590	48,141
Retailing	25,663	25,478	45,088	46,290
Materials	19,875	19,384	37,863	38,070
Consumer services	24,111	24,445	37,799	38,498
Banks	30,562	35,231	34,433	38,735
Energy	15,569	15,151	32,476	32,074
Food, beverage and tobacco	14,817	15,904	29,296	30,501
Commercial services and supplies	18,431	20,089	29,290	30,831
Utilities	7,938	8,102	24,229	24,552
Media	11,037	11,447	21,091	21,158
Transportation	12,625	12,683	19,503	19,036
Individuals and trusts	14,483	14,993	18,239	19,001
Insurance, including monolines	8,998	10,090	15,344	16,157
Pharmaceuticals and biotechnology	4,463	4,141	11,678	11,328
Technology hardware and equipment	4,680	5,247	10,954	12,173
Religious and social organizations	7,989	8,536	10,868	11,160
Software and services	4,517	4,304	10,676	9,579
Telecommunication services	3,936	4,297	9,977	10,424
Consumer durables and apparel	4,370	4,505	8,726	8,965
Automobiles and components	2,951	2,813	7,363	7,178
Food and staples retailing	3,226	3,273	6,470	6,476
Other	6,345	4,888	8,954	7,636
Total commercial credit exposure by industry	\$444,228	\$ 466,509	\$730,704	\$ 750,532
Net credit default protection purchased on total commitments ⁽³⁾			\$(19,880)	\$(19,356)

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

Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table,

⁽²⁾ the real estate industry is defined based on the borrowers' or counterparties' primary business activity using operating cash flows and primary source of repayment as key factors.

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

Risk Mitigation

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

At March 31, 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 \$19.9 billion and \$19.4 billion. The mark-to-market effects resulted in net losses of \$493

million and \$197 million during the three months ended March 31, 2012 and 2011.

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The average Value-at-Risk (VaR) for these credit derivative hedges was \$67 million during the three months ended March 31, 2012 compared to \$57 million for the same period in 2011. The average VaR for the related credit exposure was \$92 million during the three months ended March 31, 2012 compared to \$52 million for the same period in 2011. There is a diversification effect between the net credit default protection hedging our credit exposure and the related credit exposure such that the combined average VaR was \$26 million for the three months ended March 31, 2012 compared to \$38 million for the same period in 2011. See Trading Risk Management on page 105 for a description of our VaR calculation for the market-based trading portfolio.

Tables 51 and 52 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at March 31, 2012 and December 31, 2011. The distribution of debt ratings for net notional credit default protection purchased is shown as a negative amount in Table 52 to reflect our decreased credit risk to these exposures.

Table 51

Net Credit Default Protection by Maturity Profile

	March 31 2012	December 31 2011		
Less than or equal to one year	16	16	%	%
Greater than one year and less than or equal to five years	78	77		
Greater than five years	6	7		
Total net credit default protection	100	100	%	%

Table 52

Net Credit Default Protection by Credit Exposure Debt Rating
(Dollars in millions)

Ratings ^(1, 2)	March 31, 2012		December 31, 2011		
	Net Notional	Percent of Total	Net Notional	Percent of Total	
AAA	\$(201)	1.0 %	\$(32)	0.2 %	
AA	(583)	2.9	(779)	4.0	
A	(8,667)	43.6	(7,184)	37.1	
BBB	(7,387)	37.2	(7,436)	38.4	
BB	(965)	4.9	(1,527)	7.9	
B	(1,386)	7.0	(1,534)	7.9	
CCC and below	(543)	2.7	(661)	3.4	
NR ⁽³⁾	(148)	0.7	(203)	1.1	
Total net credit default protection	\$(19,880)	100.0 %	\$(19,356)	100.0 %	

⁽¹⁾ Ratings are refreshed on a quarterly basis.

⁽²⁾ Ratings of BBB- or higher are considered to meet the definition of investment-grade.

In addition to names that have not been rated, "NR" includes \$9 million and \$(15) million in net credit default swap index positions at March 31, 2012 and December 31, 2011. 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 53 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 53 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 53
Credit Derivatives

(Dollars in millions)	March 31, 2012		December 31, 2011	
	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	\$1,747,653	\$10,946	\$1,944,764	\$14,163
Total return swaps/other	22,205	715	17,519	776
Total purchased credit derivatives	1,769,858	11,661	1,962,283	14,939
Written credit derivatives:				
Credit default swaps	1,685,373	n/a	1,885,944	n/a
Total return swaps/other	39,076	n/a	17,838	n/a
Total written credit derivatives	1,724,449	n/a	1,903,782	n/a
Total credit derivatives	\$3,494,307	\$11,661	\$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.

During the three months ended March 31, 2012, credit valuation gains (losses) of \$513 million (\$149 million, net of hedges) compared to \$148 million (\$466 million, net of hedges) for the same period in 2011 were recognized in trading account profits for counterparty credit risk related to derivative assets. For information on our monoline counterparty credit risk, see Monoline and Related Exposure on page 93.

Non-U.S. Portfolio

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

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 54, non-U.S. exposure to borrowers or counterparties in emerging markets decreased \$636 million to \$58.8 billion at March 31, 2012 compared to \$59.5 billion at December 31, 2011 primarily due to a decrease in Latin America, partially offset by an increase in Middle East and Africa, and Central and Eastern Europe. Non-U.S. exposure to borrowers or counterparties in emerging markets represented 32 percent and 31 percent of total non-U.S. exposure at March 31, 2012 and December 31, 2011.

Table 54
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 March 31, 2012	Increase (Decrease) from December 31, 2011
Region/Country								
Asia Pacific								
India	\$ 4,090	\$1,411	\$ 509	\$ 3,067	\$9,077	\$—	\$9,077	\$(1,405)
South Korea	1,633	1,181	399	2,504	5,717	2,118	7,835	512
China	3,583	276	763	2,332	6,954	217	7,171	17
Hong Kong	288	539	190	1,074	2,091	1,671	3,762	601
Singapore	510	134	446	1,779	2,869	—	2,869	(78)
Taiwan	564	39	147	711	1,461	892	2,353	(34)
Thailand	37	9	27	1,118	1,191	—	1,191	496
Other Asia Pacific ⁽⁷⁾	847	64	174	633	1,718	7	1,725	(72)
Total Asia Pacific	\$ 11,552	\$3,653	\$ 2,655	\$ 13,218	\$31,078	\$4,905	\$35,983	\$37
Latin America								
Brazil	\$ 1,881	\$176	\$ 297	\$ 1,969	\$4,323	\$2,955	\$7,278	\$(886)
Mexico	2,050	290	250	671	3,261	—	3,261	(729)
Chile	982	49	277	16	1,324	15	1,339	(268)
Other Latin America ⁽⁷⁾	488	410	34	440	1,372	154	1,526	22
Total Latin America	\$ 5,401	\$925	\$ 858	\$ 3,096	\$10,280	\$3,124	\$13,404	\$(1,861)
Middle East and Africa								
United Arab Emirates	\$ 1,722	\$76	\$ 137	\$ 17	\$1,952	\$—	\$1,952	\$245
Saudi Arabia	167	69	446	20	702	22	724	61
South Africa	501	47	61	26	635	—	635	(73)
Other Middle East and Africa ⁽⁷⁾	696	250	135	162	1,243	5	1,248	55
Total Middle East and Africa	\$ 3,086	\$442	\$ 779	\$ 225	\$4,532	\$27	\$4,559	\$288
Central and Eastern Europe								
Russian Federation	\$ 2,139	\$240	\$ 36	\$ 111	\$2,526	\$13	\$2,539	\$615
Turkey	1,004	166	13	429	1,612	54	1,666	497
Other Central and Eastern Europe ⁽⁷⁾	106	64	229	285	684	—	684	(212)

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Total Central and Eastern Europe	\$ 3,249	\$470	\$ 278	\$ 825	\$4,822	\$67	\$4,889	\$900
Total emerging market exposure	\$ 23,288	\$5,490	\$ 4,570	\$ 17,364	\$50,712	\$8,123	\$58,835	\$(636)

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

(1) Islands and Bermuda; all countries in Middle East and Africa; and all countries in Central and Eastern Europe. At March 31, 2012 and December 31, 2011, there was \$2.6 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.

Net counterparty exposure includes the fair value of derivatives and secured financing transactions. Derivatives

(3) have been reduced by \$2.0 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 \$3.1 billion at March 31, 2012.

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

Cross-border exposure includes amounts payable to the Corporation by borrowers or counterparties with a country

(5) 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.

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 \$16.8 billion and \$18.7 billion at March 31, 2012 and

(6) December 31, 2011. Local liabilities at March 31, 2012 in Asia Pacific, Latin America, and Middle East and Africa were \$15.7 billion, \$851 million and \$284 million, respectively, of which \$7.0 billion was in Singapore, \$2.1 billion in China, \$2.0 billion in both Hong Kong and India, \$747 million in Mexico, \$654 million in Korea, \$545 million in Thailand, \$525 million in Taiwan and \$501 million in Malaysia. There were no other countries with available local liabilities funding local country exposure greater than \$500 million.

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

At March 31, 2012 and December 31, 2011, 61 percent and 60 percent of the emerging markets exposure was in Asia Pacific. Emerging markets exposure in Asia Pacific increased by \$37 million with growth in South Korea, Hong Kong and Thailand partially offset by a decrease in loans and net counterparty exposure in India. Our investment in CCB was \$716 million at March 31, 2012. For more information on our investment in CCB, see Note 4 – Securities to the Consolidated Financial Statements.

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At March 31, 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 \$1.9 billion driven by a decrease in securities in Brazil and a decrease in loans in Mexico.

At March 31, 2012 and December 31, 2011, eight percent and seven percent of the emerging markets exposure was in the Middle East and Africa. At March 31, 2012 and December 31, 2011, eight 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 Europe could continue to disrupt the financial markets which could have a detrimental impact on global economic conditions and sovereign and non-sovereign debt in these countries. Market sentiment improved during the three months ended March 31, 2012 driven by a second long-term ECB financing program and the successful Greek debt restructuring and bailout package that reinforced confidence in the financial system and solvency of systemically important banks. However, the lack of a clear resolution to the crisis and fears of contagion continue to contribute to market volatility.

Table 55 shows our direct sovereign and non-sovereign exposures, excluding consumer credit card exposure, in these countries at March 31, 2012. Our total sovereign and non-sovereign exposure to these countries was \$15.1 billion at March 31, 2012 compared to \$15.2 billion at December 31, 2011. The total exposure to these countries, net of hedges, was \$9.8 billion at March 31, 2012 compared to \$10.3 billion at December 31, 2011, of which \$1.0 billion and \$362 million was total sovereign exposure. At March 31, 2012 and December 31, 2011, the fair value of unapplied hedges and net credit default protection purchased was \$5.3 billion and \$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.

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.

On March 9, 2012, the majority of private holders of Greek sovereign bonds agreed to the restructure of bonds issued under Greek law. The ISDA EMEA Credit Derivatives Determination Committee declared the restructure a credit event, which led to a CDS auction on March 19, 2012. A final price of 21.5 cents to the euro was established and CDS holders received 78.5 cents to the euro.

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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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 March 31, 2012	Hedges and Credit Default Protection (4)	Net Country Exposure at March 31, 2012 (5)	Increase(Decrease) from December 31, 2011
Greece								
Sovereign	\$—	\$ —	\$ —	\$—	\$—	\$(1)	\$(1)	\$ (30)
Financial Institutions	1	—	6	13	20	(5)	15	18
Corporates	334	107	31	1	473	(11)	462	28
Total Greece	\$335	\$ 107	\$ 37	\$ 14	\$493	\$(17)	\$476	\$ 16
Ireland								
Sovereign	\$ 18	\$ —	\$ 11	\$ 16	\$45	\$—	\$45	\$ (76)
Financial Institutions	126	20	250	471	867	(8)	859	61
Corporates	1,000	170	23	27	1,220	(31)	1,189	(306)
Total Ireland	\$ 1,144	\$ 190	\$ 284	\$ 514	\$2,132	\$(39)	\$2,093	\$ (321)
Italy								
Sovereign	\$—	\$ —	\$ 1,680	\$ 643	\$2,323	\$(1,208)	\$1,115	\$ 901
Financial Institutions	1,878	153	126	44	2,201	(803)	1,398	(333)
Corporates	1,818	1,881	229	230	4,158	(1,663)	2,495	(415)
Total Italy	\$3,696	\$ 2,034	\$ 2,035	\$ 917	\$8,682	\$(3,674)	\$5,008	\$ 153
Portugal								
Sovereign	\$—	\$ —	\$ 38	\$—	\$38	\$(40)	\$(2)	\$ 7
Financial Institutions	16	—	17	30	63	(106)	(43)	(47)
Corporates	175	75	14	11	275	(154)	121	60
Total Portugal	\$ 191	\$ 75	\$ 69	\$ 41	\$376	\$(300)	\$76	\$ 20
Spain								
Sovereign	\$38	\$ 6	\$ 61	\$ 5	\$ 110	\$(252)	\$(142)	\$ (149)
Financial Institutions	475	7	98	126	706	(107)	599	(63)
Corporates	1,459	880	121	92	2,552	(910)	1,642	(227)
Total Spain	\$ 1,972	\$ 893	\$ 280	\$ 223	\$3,368	\$(1,269)	\$2,099	\$ (439)
Total								
Sovereign	\$56	\$ 6	\$ 1,790	\$ 664	\$2,516	\$(1,501)	\$1,015	\$ 653
Financial Institutions	2,496	180	497	684	3,857	(1,029)	2,828	(364)
Corporates	4,786	3,113	418	361	8,678	(2,769)	5,909	(860)
Total Selected European exposure	\$7,338	\$ 3,299	\$ 2,705	\$ 1,709	\$ 15,051	\$(5,299)	\$9,752	\$ (571)

(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.

(2)

Net counterparty exposure includes the fair value of derivatives and secured financing transactions. Derivatives have been reduced by \$3.1 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 \$409 million at March 31, 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. Represents unapplied net credit default protection purchased, including \$(3.6) billion in net credit default
- (4) protection purchased to hedge loans and securities, \$(1.5) billion in additional credit default protection to hedge derivative assets and \$(168) 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 \$1.4 billion to \$2.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The provision for credit losses was \$1.6 billion lower than net charge-offs for the three months ended March 31, 2012 resulting in a reduction in the allowance for credit losses. For the three months ended March 31, 2012, the reduction in the allowance was primarily driven by improvement in delinquencies and bankruptcies across the U.S. credit card and unsecured consumer lending portfolios in CBB, reductions in the home equity portfolio and improvement in economic conditions impacting the core commercial portfolio, as evidenced by continued declines in reservable criticized and commercial nonperforming balances partially offset by additions to the consumer PCI loan portfolio reserves. This compared to a \$2.2 billion reduction in the allowance for credit losses for the three months ended March 31, 2011.

The provision for credit losses for the consumer portfolio decreased \$1.3 billion to \$2.6 billion for the three months ended March 31, 2012 compared to the same period in 2011 driven by lower reserve additions in our PCI portfolios, as well as improvement in delinquencies and bankruptcies in the non-U.S. consumer credit card portfolio. Also contributing to the decrease were lower credit costs in the non-PCI home equity loan portfolio due to improved portfolio trends. Provision related to the consumer PCI loan portfolios was \$487 million for the three months ended March 31, 2012 primarily due to our updated home price outlook. Provision related to the consumer PCI loan portfolios for the three months ended March 31, 2011 was \$1.6 billion.

The provision for credit losses for the commercial portfolio, including the provision for unfunded lending commitments, decreased \$113 million to a benefit of \$226 million for the three months ended March 31, 2012 compared to the same period in 2011 due to continued economic improvement reflected in lower reservable criticized balances within 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 March 31, 2012, the loss forecast process resulted in reductions in the allowance for most consumer portfolios, particularly the credit card, home equity and direct/indirect portfolios.

The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic and obligor concentrations within each portfolio and any other pertinent information. The statistical models for commercial loans are generally updated annually and utilize our historical database of actual defaults and other data. The loan risk ratings and composition of the commercial portfolios are updated at least quarterly to incorporate the most recent data reflecting the current economic environment. For risk-rated commercial loans, we estimate the

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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 March 31, 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 57 was \$28.6 billion at March 31, 2012, a decrease of \$1.0 billion from December 31, 2011. This decrease was primarily due to improving economic conditions and improvement in delinquencies, collections and bankruptcies in the U.S. credit card and unsecured consumer lending portfolios in CBB as well as reductions in the non-PCI home equity portfolio. With respect to the consumer PCI loan portfolios, updates to our projected cash flows resulted in an increase in reserves through provision of \$487 million in the three months ended March 31, 2012, within the discontinued real estate, residential mortgage and home equity portfolios, primarily due to our updated home price outlook. Reserve increases related to the consumer PCI loan portfolios in the three months ended March 31, 2011 were \$1.6 billion.

The allowance for loan and lease losses for the commercial portfolio was \$3.6 billion at March 31, 2012, a \$561 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 3.61 percent at March 31, 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 March 31, 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 2.70 percent at March 31, 2012 compared to 2.86 percent at December 31, 2011.

Absent unexpected deterioration in the economy, we expect reductions in the allowance for loan and lease losses to continue in future quarters. However, in both consumer and commercial portfolios, we expect these reductions to be less than those in 2011.

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Table 56 presents a rollforward of the allowance for credit losses for the three months ended March 31, 2012 and 2011.

Table 56

Allowance for Credit Losses

	Three Months Ended	
	March 31	
(Dollars in millions)	2012	2011
Allowance for loan and lease losses, January 1	\$33,783	\$41,885
Loans and leases charged off		
Residential mortgage	(957	) (982
Home equity	(1,031	) (1,282
Discontinued real estate	(19	) (25
U.S. credit card	(1,535	) (2,485
Non-U.S. credit card	(261	) (451
Direct/Indirect consumer	(378	) (740
Other consumer	(68	) (55
Total consumer charge-offs	(4,249	) (6,020
U.S. commercial ⁽¹⁾	(325	) (453
Commercial real estate	(204	) (342
Commercial lease financing	(1	) (11
Non-U.S. commercial	(1	) (100
Total commercial charge-offs	(531	) (906
Total loans and leases charged off	(4,780	) (6,926
Recoveries of loans and leases previously charged off		
Residential mortgage	59	77
Home equity	74	103
Discontinued real estate	3	5
U.S. credit card	204	211
Non-U.S. credit card	58	49
Direct/Indirect consumer	152	215
Other consumer	12	15
Total consumer recoveries	562	675
U.S. commercial ⁽²⁾	74	162
Commercial real estate	72	54
Commercial lease financing	10	10
Non-U.S. commercial	6	(3
Total commercial recoveries	162	223
Total recoveries of loans and leases previously charged off	724	898
Net charge-offs	(4,056	) (6,028
Provision for loan and lease losses	2,457	3,916
Other	27	70
Allowance for loan and lease losses, March 31	32,211	39,843
Reserve for unfunded lending commitments, January 1	714	1,188
Provision for unfunded lending commitments	(39	) (102
Other ⁽³⁾	(24	) (125
Reserve for unfunded lending commitments, March 31	651	961
Allowance for credit losses, March 31	\$32,862	\$40,804

(1)

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- Includes U.S. small business commercial charge-offs of \$208 million and \$336 million for the three months ended March 31, 2012 and 2011.
- (2) Includes U.S. small business commercial recoveries of \$23 million and \$24 million for the three months ended March 31, 2012 and 2011.
 - (3) Represents primarily accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions.

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Table 56

Allowance for Credit Losses (continued)

(Dollars in millions)	Three Months Ended	
	March 31	
	2012	2011
Loan and allowance ratios:		
Loans and leases outstanding at March 31 ⁽⁴⁾	\$893,102	\$928,738
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at March 31 ⁽⁴⁾	3.61	% 4.29 %
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at March 31 ⁽⁵⁾	4.88	5.26
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at March 31 ⁽⁶⁾	1.17	2.20
Average loans and leases outstanding ⁽⁴⁾	\$904,613	\$935,332
Annualized net charge-offs as a percentage of average loans and leases outstanding ⁽⁴⁾	1.80	% 2.61 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at March 31 ^(4,7)	126	135
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs	1.97	1.63
Amounts included in allowance for loan and lease losses that are excluded from nonperforming loans and leases at March 31 ⁽⁸⁾	\$17,006	\$22,110
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 March 31 ⁽⁸⁾	60	% 60 %
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 March 31 ⁽⁴⁾	2.70	% 3.58 %
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at March 31 ⁽⁵⁾	3.54	4.25
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at March 31 ⁽⁶⁾	1.17	2.20
Annualized net charge-offs as a percentage of average loans and leases outstanding ⁽⁴⁾	1.87	2.71
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at March 31 ^(4,7)	91	108
Ratio of the allowance for loan and lease losses at March 31 to annualized net charge-offs	1.43	1.31

Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option.

⁽⁴⁾ Loans accounted for under the fair value option were \$9.2 billion and \$3.7 billion at March 31, 2012 and 2011.

Average loans accounted for under the fair value option were \$9.1 billion and \$3.6 billion for the three months ended March 31, 2012 and 2011.

⁽⁵⁾ Excludes consumer loans accounted for under the fair value option of \$2.2 billion at March 31, 2012; none at March 31, 2011.

⁽⁶⁾ Excludes commercial loans accounted for under the fair value option of \$7.0 billion and \$3.7 billion at March 31, 2012 and 2011.

⁽⁷⁾ For more information on our definition of nonperforming loans, see pages 81 and 91.

⁽⁸⁾ 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 without restriction. Table 57 presents our allocation by product type.

Table 57

Allocation of the Allowance for Credit Losses by Product Type

(Dollars in millions)	March 31, 2012			December 31, 2011		
	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	\$6,141	19.06	% 2.39	% \$5,935	17.57	% 2.26
Home equity	12,701	39.43	10.48	13,094	38.76	10.50
Discontinued real estate	2,131	6.62	20.39	2,050	6.07	18.48
U.S. credit card	5,680	17.63	5.89	6,322	18.71	6.18
Non-U.S. credit card	828	2.57	5.95	946	2.80	6.56
Direct/Indirect consumer	1,001	3.11	1.16	1,153	3.41	1.29
Other consumer	155	0.48	5.96	148	0.44	5.50
Total consumer	28,637	88.90	4.88	29,648	87.76	4.88
U.S. commercial ⁽²⁾	2,098	6.51	1.08	2,441	7.23	1.26
Commercial real estate	1,166	3.62	3.06	1,349	3.99	3.41
Commercial lease financing	79	0.25	0.37	92	0.27	0.42
Non-U.S. commercial	231	0.72	0.44	253	0.75	0.46
Total commercial ⁽³⁾	3,574	11.10	1.17	4,135	12.24	1.33
Allowance for loan and lease losses	32,211	100.00	% 3.61	33,783	100.00	% 3.68
Reserve for unfunded lending commitments	651			714		
Allowance for credit losses ⁽⁴⁾	\$32,862			\$34,497		

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 \$881 million and \$906 million and discontinued real estate loans of \$1.3 billion and \$1.3 billion at March 31, 2012 and December 31, 2011. Commercial loans accounted for under the fair value option include U.S. commercial loans of \$2.2 billion and \$2.2 billion and non-U.S. commercial loans of \$4.8 billion and \$4.4 billion at March 31, 2012 and December 31, 2011.

⁽¹⁾ option include residential mortgage loans of \$881 million and \$906 million and discontinued real estate loans of \$1.3 billion and \$1.3 billion at March 31, 2012 and December 31, 2011. Commercial loans accounted for under the fair value option include U.S. commercial loans of \$2.2 billion and \$2.2 billion and non-U.S. commercial loans of \$4.8 billion and \$4.4 billion at March 31, 2012 and December 31, 2011.

⁽²⁾ Includes allowance for U.S. small business commercial loans of \$811 million and \$893 million at March 31, 2012 and December 31, 2011.

⁽³⁾ Includes allowance for loan and lease losses for impaired commercial loans of \$465 million and \$545 million at March 31, 2012 and December 31, 2011.

⁽⁴⁾ Includes \$8.9 billion and \$8.5 billion of valuation allowance presented with the allowance for credit losses related to PCI loans at March 31, 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 March 31, 2012 was \$651 million, \$63 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.

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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 112 through 119 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 market-based net interest income, which are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities and derivative positions are reported at fair value. For more information on fair value, see Note 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 March 31, 2012 compared to the three months ended December 31, 2011. During the three months ended March 31, 2012, 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. These results can be compared to the three months ended December 31, 2011, where positive trading-related revenue was recorded for 79 percent (48 days) of the trading days of which 41 percent (25 days) were daily trading gains of over \$25 million, seven percent (four days) of the trading days had losses greater than \$25 million and the largest loss was \$37 million.

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

A VaR model simulates the value of a portfolio under a range of hypothetical scenarios in order to generate a distribution of potential gains and losses. 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.

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

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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 March 31, 2012 or the twelve months ended March 31, 2011. The graph below shows daily trading-related revenue and VaR for the twelve months ended March 31, 2012. Table 58 presents average, high and low daily trading VaR for the three months ended March 31, 2012, December 31, 2011 and March 31, 2011.

Table 58
Trading Activities Market Risk VaR

(Dollars in millions)	Three Months Ended March 31, 2012			Three Months Ended December 31, 2011			Three Months Ended March 31, 2011		
	Average	High ⁽¹⁾	Low ₍₁₎	Average	High ⁽¹⁾	Low ₍₁₎	Average	High ⁽¹⁾	Low ⁽¹⁾
Foreign exchange	\$19.0	\$24.4	\$11.5	\$18.6	\$31.4	\$11.8	\$28.7	\$48.6	\$13.2
Interest rate	49.5	75.3	32.5	35.7	46.4	29.2	48.7	73.1	33.2
Credit	50.3	66.7	35.9	69.5	87.1	54.8	138.3	154.4	120.7
Real estate/mortgage	36.9	45.0	31.2	47.8	61.1	31.5	93.7	139.5	73.9
Equities	40.7	54.8	28.6	36.8	51.1	26.7	50.1	82.8	25.1
Commodities	13.1	16.6	8.4	12.1	16.1	8.4	23.9	29.5	17.9
Portfolio diversification	(125.4)	—	—	(132.1)	—	—	(199.5)	—	—
Total market-based trading portfolio	\$84.1	\$114.5	\$50.1	\$88.4	\$114.0	\$75.0	\$183.9	\$260.5	\$140.3

⁽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 \$4 million decrease in average VaR for the three months ended March 31, 2012 compared to December 31, 2011 was primarily due to continued reduction in risk during the period. This was driven primarily by decreases in credit and real estate where average VaR decreased \$19 million and \$11 million, partially offset by an increase in interest rate VaR of \$14 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 60.

Interest Rate Risk Management for Nontrading Activities

Interest rate risk represents the most significant market risk exposure to our nontrading balance sheet. Interest rate risk is measured as the potential volatility in our core net interest income caused by changes in market interest rates. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet.

We prepare forward-looking forecasts of core net interest income. The baseline forecast takes into consideration expected future business growth, ALM positioning and the direction of interest rate movements as implied by the market-based forward curve. We then measure and evaluate the impact that alternative interest rate scenarios have on the baseline forecast in order to assess interest rate sensitivity under varied conditions. The core net interest income forecast is frequently updated for changing assumptions and differing outlooks based on economic trends, market conditions and business strategies. Thus, we continually monitor our balance sheet position in 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 core net interest income and capital.

The spot and 12-month forward monthly rates used in our baseline forecasts at March 31, 2012 and December 31, 2011 are presented in Table 59.

Table 59
Forward Rates

	March 31, 2012			December 31, 2011		
	Federal Funds	Three-month LIBOR	10-Year Swap	Federal Funds	Three-month LIBOR	10-Year Swap
Spot rates	0.25	% 0.47	% 2.29	0.25	% 0.58	% 2.03
12-month forward rates	0.25	0.55	2.62	0.25	0.75	2.29

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Table 60 shows the pre-tax dollar impact to forecasted core net interest income over the next twelve months from March 31, 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 core net interest income, see page 21.

Table 60
Estimated Core Net Interest Income

(Dollars in millions) Curve Change	Short Rate (bps)	Long Rate (bps)	March 31 2012	December 31 2011
+100 bps instantaneous parallel shift	+100	+100	\$2,780	\$2,883
-50 bps instantaneous parallel shift	-50	-50	(1,486	) (1,795
Flatteners				
Short end instantaneous change	+100	—	1,216	979
Long end instantaneous change	—	-50	(1,216	) (1,319
Steepeners				
Short end instantaneous change	-50	—	(270	) (464
Long end instantaneous change	—	+100	1,580	1,935

The sensitivity analysis in Table 60 assumes that we take no action in response to these rate shocks. Our core net interest income was asset sensitive to a parallel move in interest rates at both March 31, 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. An increase in long end rates contributed to the decrease in asset sensitivity between March 31, 2012 and December 31, 2011.

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 March 31, 2012 and December 31, 2011, we held AFS debt securities of \$297.0 billion and \$276.2 billion. During the three months ended March 31, 2012 and 2011, we purchased AFS debt securities of \$66.9 billion and \$23.5 billion, sold \$25.8 billion and \$10.9 billion, and had maturities and received paydowns of \$15.8 billion and \$17.7 billion. We realized \$752 million and \$546 million in net gains on sales of debt securities during the three months ended March 31, 2012 and 2011. At March 31, 2012 and December 31, 2011, we held \$34.2 billion and \$35.3 billion of held-to-maturity securities. The decrease of \$1.1 billion in held-to-maturity securities was primarily due to paydowns.

Accumulated OCI primarily included after-tax net unrealized gains of \$2.2 billion on AFS debt securities at March 31, 2012 and \$7.5 billion on AFS marketable equity securities at March 31, 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 decreased by \$1.5 billion during the three months ended March 31, 2012 to \$3.5 billion primarily due to sales and increased interest rates. For additional information on our securities portfolio, see Note 4 – Securities to the Consolidated Financial Statements.

We recognized \$40 million of other-than-temporary impairment (OTTI) losses in earnings on AFS debt securities in the three months ended March 31, 2012 compared to \$88 million for the same period in the prior year. The recognition of OTTI losses on AFS debt and marketable equity securities is based on a variety of factors, including the

length of time and extent to which the market value has been less than amortized cost, the financial condition of the issuer of the security including credit ratings and any specific events affecting the operations of the issuer, underlying assets that collateralize the debt security, other industry and macroeconomic conditions, and our intent and ability to hold the security to recovery.

Residential Mortgage Portfolio

At March 31, 2012 and December 31, 2011, our residential mortgage portfolio was \$256.4 billion and \$262.3 billion which excludes \$881 million and \$906 million in residential mortgage loans accounted for under the fair value option. For more information on consumer fair value option loans, see Consumer Credit Risk – Consumer Loans Accounted for Under the Fair Value Option on page 81. Outstanding residential mortgage loans decreased \$5.9 billion at March 31, 2012 compared to December 31, 2011 as new origination volume was more than offset by paydowns, charge-offs and transfers to foreclosed properties.

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During the three months ended March 31, 2012 and 2011, we retained \$8.3 billion and \$10.8 billion in first-lien mortgages originated by CRES and GWIM. We received paydowns of \$12.5 billion and \$11.8 billion in the three months ended March 31, 2012 and 2011. There were no loans securitized during the three months ended March 31, 2012 and 2011 which we retained. There were no purchases of residential mortgages related to ALM activities during the three months ended March 31, 2012 compared to \$72 million for the same period in 2011. We sold \$19 million and \$23 million of residential mortgages during the three months ended March 31, 2012 and 2011, all of which consisted of originated residential mortgages. Net gains on these transactions were minimal.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to manage our interest rate and foreign exchange risk. We use derivatives to hedge the variability in cash flows or changes in fair value on our balance sheet due to interest rate and foreign exchange components. For additional information on our hedging activities, see Note 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 three months ended March 31, 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 61 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 March 31, 2012 and December 31, 2011. These amounts do not include derivative hedges on our MSRs.

Table 61

Asset and Liability Management Interest Rate and Foreign Exchange Contracts

(Dollars in millions, average estimated duration in years)	Fair Value	Total	March 31, 2012 Expected Maturity					Thereafter	Average Estimated Duration
			2012	2013	2014	2015	2016		
Receive-fixed interest rate swaps (1, 2)	\$12,535								5.75
Notional amount		\$109,451	\$21,722	\$8,144	\$7,604	\$10,719	\$11,465	\$49,797	
Weighted-average fixed-rate		4.00	% 2.55	% 3.70	% 3.79	% 3.98	% 3.96	% 4.73	%
Pay-fixed interest rate swaps (1, 2)	(9,515)								11.80
Notional amount		\$71,558	\$1,004	\$1,487	\$1,680	\$15,026	\$2,212	\$50,149	
Weighted-average fixed-rate		3.27	% 1.36	% 2.66	% 1.76	% 2.35	% 2.39	% 3.69	%
Same-currency basis swaps (3)	83								
Notional amount		\$238,986	\$37,030	\$52,150	\$51,468	\$28,519	\$18,568	\$51,251	
Foreign exchange basis swaps (2, 4, 5)	2,678								
Notional amount		203,799	36,133	32,433	43,900	21,766	15,571	53,996	
Option products (6)	(1,728)								
Notional amount (7)		9,054	250	2,950	600	300	400	4,554	
Foreign exchange contracts (2, 5, 8)	4,028								
Notional amount (7)		63,661	27,251	7,159	10,114	2,073	2,685	14,379	
Futures and forward rate contracts	28								
Notional amount (7)		10,788	10,788	—	—	—	—	—	
Net ALM contracts	\$8,109								
			December 31, 2011 Expected Maturity						
	Fair	Total	2012	2013	2014	2015	2016	Thereafter	Average

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(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 March 31, 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 March 31, 2012 and December 31, 2011 were \$8.5 billion 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 March 31, 2012 and December 31, 2011, the notional amount of same-currency basis swaps consisted of \$239.0 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 \$9.1 billion at March 31, 2012 were comprised of \$17 million in purchased caps/floors and \$9.0 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.

The notional amount of foreign exchange contracts of \$63.7 billion at March 31, 2012 was comprised of \$38.3 billion in foreign currency-denominated and cross-currency receive-fixed swaps, \$0 in foreign

(8) currency-denominated pay-fixed swaps, and \$25.4 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 \$3.4 billion and \$3.8 billion at March 31, 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 March 31, 2012, the pre-tax net losses are expected to be reclassified into earnings as follows: \$1.3 billion, or 25 percent, within the next year, 55 percent in years two through five, and 13 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 losses on derivatives and foreign currency-denominated debt in accumulated OCI associated with net investment hedges which were offset by gains on our net investments in consolidated non-U.S. entities at March 31, 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 MSR's 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 March 31, 2012 and December 31, 2011, the notional amount of derivatives economically hedging the IRLCs and residential first mortgage LHFS was \$32.3 billion and \$14.7 billion.

MSR's 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 MSR's. The notional amounts of the derivative contracts and other securities designated as economic hedges of MSR's were \$2.6 trillion and \$48.2 billion at March 31, 2012 and \$2.6 trillion and \$46.3 billion at December 31, 2011. For the three months ended March 31, 2012, we recorded losses in mortgage banking income of \$458 million related to the change in fair value of these economic hedges compared to losses of \$244 million for the same period in the prior year. For additional information on MSR's, see Note 18 – Mortgage Servicing Rights to the Consolidated Financial Statements and for more information on mortgage banking income, see CRES on page 30.

Compliance Risk Management

Compliance risk arises from the failure to adhere to laws, rules, regulations, and internal policies and procedures. Compliance risk can expose the Corporation to reputational risks as well as fines, civil money penalties or payment of

damages and can lead to diminished business opportunities and diminished ability to expand key operations. Compliance is at the core of the Corporation's culture and is a key component of risk management discipline.

The Global Compliance organization is responsible for driving a culture of compliance; establishing compliance program standards and policies; executing, monitoring and testing of business controls; performing risk assessments on the businesses' adherence to laws, rules and standards as well as effectiveness of business controls; delivering compliance risk reporting; and ensuring the identification, escalation and timely mitigation of emerging and existing compliance risks. Global Compliance is also responsible for facilitating processes to effectively manage and influence the dynamic regulatory environment and build constructive relationships with regulators.

The Board provides oversight of compliance risks through its Audit Committee.

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Operational Risk Management

The Corporation defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may occur anywhere in the Corporation, not solely in operations functions, and its effects may extend beyond financial losses. Operational risk includes legal risk. Successful operational risk management is particularly important to diversified financial services companies because of the nature, volume and complexity of the financial services business. Global banking guidelines and country-specific requirements for managing operational risk were established in Basel II which 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 line of 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 and approves 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 the business line, 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 119 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 three months ended March 31, 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 120 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

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 three months ended March 31, 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 \$850 million or decrease of approximately \$750 million in the representations and warranties liability as of March 31, 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 44, 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.

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Glossary

Alt-A Mortgage – A type of U.S. mortgage that, for various reasons, is considered riskier than A-paper, or “prime,” and less risky than “subprime,” the riskiest category. Alt-A interest rates, which are determined by credit risk, therefore tend to be between those of prime and subprime home loans. Typically, Alt-A mortgages are characterized by borrowers with less than full documentation, lower credit scores and higher LTVs.

Assets in Custody – Consist largely of custodial and non-discretionary trust assets excluding brokerage assets administered for clients. Trust assets encompass a broad range of asset types including real estate, private company ownership interest, personal property and investments.

Assets Under Management (AUM) – The total market value of assets under the investment advisory and discretion of GWIM which generate asset management fees based on a percentage of the assets’ market values. AUM reflects assets that are generally managed for institutional, high net-worth and retail clients, and are distributed through various investment products including mutual funds, other commingled vehicles and separate accounts.

Carrying Value (with respect to loans) – The amount at which a loan is recorded on the balance sheet. For loans recorded at amortized cost, carrying value is the unpaid principal balance net of unamortized deferred loan origination fees and costs, and unamortized purchase premium or discount. For loans that are or have been on nonaccrual status, the carrying value is also reduced by any net charge-offs that have been recorded and the amount of interest payments applied as a reduction of principal under the cost recovery method. For PCI loans, the carrying value equals fair value upon acquisition adjusted for subsequent cash collections and yield accreted to date. For credit card loans, the carrying value also includes interest that has been billed to the customer. For loans classified as held-for-sale, carrying value is the lower of carrying value as described in the sentences above, or fair value. For loans for which we have elected the fair value option, the carrying value is fair value.

Client Brokerage Assets – Include client assets which are held in brokerage accounts. This includes non-discretionary brokerage and fee-based assets which generate brokerage income and asset management fee revenue.

Committed Credit Exposure – Includes any funded portion of a facility plus the unfunded portion of a facility on which the lender is legally bound to advance funds during a specified period under prescribed conditions.

Core Net Interest Income – Net interest income on a FTE basis excluding the impact of market-based activities.

Credit 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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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 105 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 quarter ended March 31, 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 March 31		
(Dollars in millions, except per share information)	2012	2011	
Interest income			
Loans and leases	\$10,173	\$11,929	
Debt securities	2,725	2,882	
Federal funds sold and securities borrowed or purchased under agreements to resell	460	517	
Trading account assets	1,352	1,626	
Other interest income	751	968	
Total interest income	15,461	17,922	
Interest expense			
Deposits	549	839	
Short-term borrowings	881	1,184	
Trading account liabilities	477	627	
Long-term debt	2,708	3,093	
Total interest expense	4,615	5,743	
Net interest income	10,846	12,179	
Noninterest income			
Card income	1,457	1,828	
Service charges	1,912	2,032	
Investment and brokerage services	2,876	3,101	
Investment banking income	1,217	1,578	
Equity investment income	765	1,475	
Trading account profits	2,075	2,722	
Mortgage banking income	1,612	630	
Insurance income (loss)	(60	) 613
Gains on sales of debt securities	752	546	
Other income (loss)	(1,134	) 261
Other-than-temporary impairment losses on available-for-sale debt securities:			
Total other-than-temporary impairment losses	(51) (111)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	11	23	
Net impairment losses recognized in earnings on available-for-sale debt securities	(40) (88)
Total noninterest income	11,432	14,698	
Total revenue, net of interest expense	22,278	26,877	
Provision for credit losses	2,418	3,814	
Noninterest expense			
Personnel	10,188	10,168	
Occupancy	1,142	1,189	
Equipment	611	606	
Marketing	465	564	

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Professional fees	783	646
Amortization of intangibles	319	385
Data processing	856	695
Telecommunications	400	371
Other general operating	4,377	5,457
Merger and restructuring charges	—	202
Total noninterest expense	19,141	20,283
Income before income taxes	719	2,780
Income tax expense	66	731
Net income	\$653	\$2,049
Preferred stock dividends	325	310
Net income applicable to common shareholders	\$328	\$1,739
Per common share information		
Earnings	\$0.03	\$0.17
Diluted earnings	0.03	0.17
Dividends paid	0.01	0.01
Average common shares issued and outstanding (in thousands)	10,651,367	10,075,875
Average diluted common shares issued and outstanding (in thousands)	10,761,917	10,181,351
See accompanying Notes to Consolidated Financial Statements.		

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Table of ContentsBank of America Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income

	Three Months Ended	
	March 31	
(Dollars in millions)	2012	2011
Net income	\$653	\$2,049
Other comprehensive income, net-of-tax:		
Net change in available-for-sale debt and marketable equity securities	(924	) 161
Net change in derivatives	382	266
Employee benefit plan adjustments	952	75
Net change in foreign currency translation adjustments	31	27
Other comprehensive income	441	529
Comprehensive income	\$1,094	\$2,578
See accompanying Notes to Consolidated Financial Statements.		

Table of ContentsBank of America Corporation and Subsidiaries
Consolidated Balance Sheet

(Dollars in millions)	March 31 2012	December 31 2011
Assets		
Cash and cash equivalents	\$128,792	\$120,102
Time deposits placed and other short-term investments	20,479	26,004
Federal funds sold and securities borrowed or purchased under agreements to resell (includes \$95,003 and \$87,453 measured at fair value)	225,784	211,183
Trading account assets (includes \$100,543 and \$80,130 pledged as collateral)	209,775	169,319
Derivative assets	59,051	73,023
Debt securities:		
Available-for-sale (includes \$62,781 and \$69,021 pledged as collateral)	297,040	276,151
Held-to-maturity, at cost (fair value - \$34,440 and \$35,442; \$20,811 and \$24,009 pledged as collateral)	34,205	35,265
Total debt securities	331,245	311,416
Loans and leases (includes \$9,192 and \$8,804 measured at fair value and \$61,761 and \$73,463 pledged as collateral)	902,294	926,200
Allowance for loan and lease losses	(32,211)	(33,783)
Loans and leases, net of allowance	870,083	892,417
Premises and equipment, net	13,104	13,637
Mortgage servicing rights (includes \$7,589 and \$7,378 measured at fair value)	7,723	7,510
Goodwill	69,976	69,967
Intangible assets	7,696	8,021
Loans held-for-sale (includes \$7,558 and \$7,630 measured at fair value)	12,973	13,762
Customer and other receivables	74,358	66,999
Other assets (includes \$35,671 and \$37,084 measured at fair value)	150,410	145,686
Total assets	\$2,181,449	\$2,129,046
Assets of consolidated VIEs included in total assets above (substantially all pledged as collateral)		
Trading account assets	\$8,920	\$8,595
Derivative assets	1,109	1,634
Loans and leases	133,742	140,194
Allowance for loan and lease losses	(4,509)	(5,066)
Loans and leases, net of allowance	129,233	135,128
Loans held-for-sale	1,577	1,635
All other assets	3,118	4,769
Total assets of consolidated VIEs	\$143,957	\$151,761
See accompanying Notes to Consolidated Financial Statements.		

Table of ContentsBank of America Corporation and Subsidiaries
Consolidated Balance Sheet (continued)

(Dollars in millions)	March 31 2012	December 31 2011
Liabilities		
Deposits in U.S. offices:		
Noninterest-bearing	\$338,215	\$332,228
Interest-bearing (includes \$3,191 and \$3,297 measured at fair value)	630,822	624,814
Deposits in non-U.S. offices:		
Noninterest-bearing	7,240	6,839
Interest-bearing	65,034	69,160
Total deposits	1,041,311	1,033,041
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes \$54,434 and \$34,235 measured at fair value)	258,491	214,864
Trading account liabilities	70,414	60,508
Derivative liabilities	49,172	59,520
Commercial paper and other short-term borrowings (includes \$6,395 and \$6,558 measured at fair value)	39,254	35,698
Accrued expenses and other liabilities (includes \$18,459 and \$15,743 measured at fair value and \$651 and \$714 of reserve for unfunded lending commitments)	135,396	123,049
Long-term debt (includes \$51,037 and \$46,239 measured at fair value)	354,912	372,265
Total liabilities	1,948,950	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	18,788	18,397
Common stock and additional paid-in capital, \$0.01 par value; authorized — 12,800,000,000 shares; issued and outstanding — 10,775,604,276 and 10,535,937,957 shares	157,973	156,621
Retained earnings	60,734	60,520
Accumulated other comprehensive income (loss)	(4,996)	(5,437)
Total shareholders' equity	232,499	230,101
Total liabilities and shareholders' equity	\$2,181,449	\$2,129,046
Liabilities of consolidated VIEs included in total liabilities above		
Commercial paper and other short-term borrowings (includes \$725 and \$650 of non-recourse liabilities)	\$5,598	\$5,777
Long-term debt (includes \$39,990 and \$44,976 of non-recourse debt)	44,267	49,054
All other liabilities (includes \$104 and \$225 of non-recourse liabilities)	978	1,116
Total liabilities of consolidated VIEs	\$50,843	\$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		Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Total Shareholders' Equity
		Shares	Amount			Other	
Balance, December 31, 2010	\$16,562	10,085,155	\$150,905	\$60,849	\$(66)	\$(2)	\$228,248
Net income				2,049			2,049
Net change in available-for-sale debt and marketable equity securities					161		161
Net change in derivatives					266		266
Employee benefit plan adjustments					75		75
Net change in foreign currency translation adjustments					27		27
Dividends paid:							
Common				(105)			(105)
Preferred				(310)			(310)
Common stock issued under employee plans and related tax effects		46,648	474			(10)	464
Other						1	1
Balance, March 31, 2011	\$16,562	10,131,803	\$151,379	\$62,483	\$463	\$(11)	\$230,876
Balance, December 31, 2011	\$18,397	10,535,938	\$156,621	\$60,520	\$(5,437)	\$—	\$230,101
Net income				653			653
Net change in available-for-sale debt and marketable equity securities					(924)		(924)
Net change in derivatives					382		382
Employee benefit plan adjustments					952		952
Net change in foreign currency translation adjustments					31		31
Dividends paid:							
Common				(114)			(114)
Preferred				(369)			(369)
Issuance of preferred stock	687						687
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		189,799	940				940
Balance, March 31, 2012	\$18,788	10,775,604	\$157,973	\$60,734	\$(4,996)	\$—	\$232,499

See accompanying Notes to Consolidated Financial Statements.

Table of ContentsBank of America Corporation and Subsidiaries
Consolidated Statement of Cash Flows

(Dollars in millions)	Three Months Ended	
	March 31	
	2012	2011
Operating activities		
Net income	\$653	\$2,049
Reconciliation of net income to net cash used in operating activities:		
Provision for credit losses	2,418	3,814
Gains on sales of debt securities	(752)	(546)
Depreciation and premises improvements amortization	468	507
Amortization of intangibles	319	385
Deferred income taxes	(195)	292
Net (increase) decrease in trading and derivative instruments	(27,168)	7,750
Net increase in other assets	(11,181)	(5,099)
Net increase (decrease) in accrued expenses and other liabilities	12,150	(16,827)
Other operating activities, net	7,685	7,099
Net cash used in operating activities	(15,603)	(576)
Investing activities		
Net decrease in time deposits placed and other short-term investments	5,525	2,726
Net increase in federal funds sold and securities borrowed or purchased under agreements to resell	(14,601)	(24,440)
Proceeds from sales of available-for-sale debt securities	26,594	11,410
Proceeds from paydowns and maturities of available-for-sale debt securities	15,804	17,715
Purchases of available-for-sale debt securities	(66,902)	(23,479)
Proceeds from paydowns and maturities of held-to-maturity debt securities	972	—
Proceeds from sales of loans and leases	487	470
Other changes in loans and leases, net	20,038	1,326
Net sales (purchases) of premises and equipment	65	(352)
Proceeds from sales of foreclosed properties	772	579
Other investing activities, net	(160)	77
Net cash used in investing activities	(11,406)	(13,968)
Financing activities		
Net increase in deposits	8,270	9,745
Net increase in federal funds purchased and securities loaned or sold under agreements to repurchase	43,627	15,162
Net increase (decrease) in commercial paper and other short-term borrowings	3,506	(1,638)
Proceeds from issuance of long-term debt	10,275	8,621
Retirement of long-term debt	(30,770)	(27,957)
Proceeds from issuance of preferred stock	687	—
Cash dividends paid	(483)	(415)
Excess tax benefits on share-based payments	10	39
Other financing activities, net	17	—
Net cash provided by financing activities	35,139	3,557
Effect of exchange rate changes on cash and cash equivalents	560	102
Net increase (decrease) in cash and cash equivalents	8,690	(10,885)
Cash and cash equivalents at January 1	120,102	108,427
Cash and cash equivalents at March 31	\$128,792	\$97,542
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 requires management to make estimates and assumptions that affect reported amounts and disclosures. Realized results could differ from those estimates and assumptions.

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 new accounting guidance, on a prospective basis, that addresses effective control in repurchase agreements and eliminates the requirement for entities to consider whether the transferor/seller has the ability to repurchase the financial assets in a repurchase agreement. The adoption of this guidance did not have a material impact on the Corporation’s consolidated financial position or results of operations.

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).

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NOTE 2 – Trading Account Assets and Liabilities

The table below presents the components of trading account assets and liabilities at March 31, 2012 and December 31, 2011.

(Dollars in millions)	March 31 2012	December 31 2011
Trading account assets		
U.S. government and agency securities ⁽¹⁾	\$69,664	\$ 52,613
Corporate securities, trading loans and other	39,110	36,571
Equity securities	33,335	23,674
Non-U.S. sovereign debt	52,071	42,946
Mortgage trading loans and asset-backed securities	15,595	13,515
Total trading account assets	\$209,775	\$ 169,319
Trading account liabilities		
U.S. government and agency securities	\$20,550	\$ 20,710
Equity securities	21,651	14,594
Non-U.S. sovereign debt	19,046	17,440
Corporate securities and other	9,167	7,764
Total trading account liabilities	\$70,414	\$ 60,508

⁽¹⁾ Includes \$24.3 billion and \$27.3 billion of government-sponsored enterprise obligations at March 31, 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 March 31, 2012 and December 31, 2011. Balances are presented on a gross basis, prior to the application of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral applied.

(Dollars in billions)	March 31, 2012						
	Contract/ Notional ⁽¹⁾	Gross Derivative Assets		Total	Gross Derivative Liabilities		
		Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges		Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges	Total
Interest rate contracts							
Swaps	\$38,841.5	\$1,169.5	\$ 13.8	\$1,183.3	\$1,150.9	\$ 8.8	\$1,159.7
Futures and forwards	12,811.8	3.4	—	3.4	3.7	—	3.7
Written options	2,440.8	—	—	—	105.2	—	105.2
Purchased options	2,374.5	107.9	—	107.9	—	—	—
Foreign exchange contracts							
Swaps	2,441.3	46.5	2.2	48.7	54.1	1.7	55.8
Spot, futures and forwards	2,902.4	27.3	0.4	27.7	28.5	0.6	29.1
Written options	405.7	—	—	—	7.9	—	7.9
Purchased options	370.2	7.5	—	7.5	—	—	—
Equity contracts							
Swaps	103.7	2.0	—	2.0	1.8	—	1.8
Futures and forwards	58.0	1.5	—	1.5	1.5	—	1.5
Written options	297.5	—	—	—	20.3	—	20.3
Purchased options	295.3	21.1	—	21.1	—	—	—
Commodity contracts							
Swaps	78.1	4.8	0.1	4.9	5.6	—	5.6
Futures and forwards	614.7	5.7	—	5.7	3.4	—	3.4
Written options	163.2	—	—	—	10.9	—	10.9
Purchased options	161.7	10.8	—	10.8	—	—	—
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	1,747.7	56.8	—	56.8	19.4	—	19.4
Total return swaps/other	22.2	1.4	—	1.4	0.9	—	0.9
Written credit derivatives:							
Credit default swaps	1,685.4	19.6	—	19.6	52.8	—	52.8
Total return swaps/other	39.1	0.3	—	0.3	0.2	—	0.2
Gross derivative assets/liabilities		\$1,486.1	\$ 16.5	\$1,502.6	\$1,467.1	\$ 11.1	\$1,478.2
				(1,382.9)			(1,382.9)

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Less: Legally enforceable master netting agreements		
Less: Cash collateral applied	(60.6)	(46.1)
Total derivative assets/liabilities	\$59.1	\$49.2

⁽¹⁾ Represents the total contract/notional amount of derivative assets and liabilities outstanding.

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(Dollars in billions)	December 31, 2011						
	Contract/ Notional ⁽¹⁾	Gross Derivative Assets			Gross Derivative Liabilities		
		Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges	Total	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges ⁽²⁾	Total
Interest rate contracts							
Swaps	\$40,473.7	\$1,490.7	\$ 15.9	\$1,506.6	\$1,473.0	\$ 12.3	\$1,485.3
Futures and forwards	12,105.8	2.9	0.2	3.1	3.4	—	3.4
Written options	2,534.0	—	—	—	117.8	—	117.8
Purchased options	2,467.2	120.0	—	120.0	—	—	—
Foreign exchange contracts							
Swaps	2,381.6	48.3	2.6	50.9	58.9	2.2	61.1
Spot, futures and forwards	2,548.8	37.2	1.3	38.5	39.2	0.3	39.5
Written options	368.5	—	—	—	9.4	—	9.4
Purchased options	341.0	9.0	—	9.0	—	—	—
Equity contracts							
Swaps	75.5	1.5	—	1.5	1.7	—	1.7
Futures and forwards	52.1	1.8	—	1.8	1.5	—	1.5
Written options	367.1	—	—	—	17.7	—	17.7
Purchased options	360.2	19.6	—	19.6	—	—	—
Commodity contracts							
Swaps	73.8	4.9	0.1	5.0	5.9	—	5.9
Futures and forwards	470.5	5.3	—	5.3	3.2	—	3.2
Written options	142.3	—	—	—	9.5	—	9.5
Purchased options	141.3	9.5	—	9.5	—	—	—
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	1,944.8	95.8	—	95.8	13.8	—	13.8
Total return swaps/other	17.5	0.6	—	0.6	0.3	—	0.3
Written credit derivatives:							
Credit default swaps	1,885.9	14.1	—	14.1	90.5	—	90.5
Total return swaps/other	17.8	0.5	—	0.5	0.7	—	0.7
Gross derivative assets/liabilities		\$1,861.7	\$ 20.1	\$1,881.8	\$1,846.5	\$ 14.8	\$1,861.3
Less: Legally enforceable master netting agreements				(1,749.9)			(1,749.9)
Less: Cash collateral applied				(58.9)			(51.9)
Total derivative assets/liabilities				\$73.0			\$59.5

⁽¹⁾ Represents the total contract/notional amount of derivative assets and liabilities outstanding.

⁽²⁾ Excludes \$191 million of long-term debt designated as a hedge of foreign currency risk.

ALM and Risk Management Derivatives

The Corporation's asset and liability management (ALM) and risk management activities include the use of derivatives to mitigate risk to the Corporation including derivatives designated as qualifying accounting hedges and economic hedges. Interest rate, commodity, credit and foreign exchange contracts are utilized in the Corporation's ALM and risk management activities.

The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards, to minimize significant fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity and volatility so that movements in interest rates do not significantly adversely affect earnings or capital. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in fair value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation.

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Interest rate and market risk can be substantial in the mortgage business. Market risk is the risk that values of mortgage assets or revenues will be adversely affected by changes in market conditions such as interest rate movements. To hedge interest rate risk in mortgage banking production income, the Corporation utilizes forward loan sale commitments and other derivative instruments including purchased options and certain debt securities. The Corporation also utilizes derivatives such as interest rate options, interest rate swaps, forward settlement contracts and Eurodollar futures as economic hedges of the fair value of mortgage servicing rights (MSRs). For additional information on MSRs, see Note 18 – Mortgage Servicing Rights.

The Corporation uses foreign currency contracts to manage the foreign exchange risk associated with certain foreign currency-denominated assets and liabilities, as well as the Corporation's investments in non-U.S. subsidiaries. Foreign exchange contracts, which include spot and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

The Corporation enters into derivative commodity contracts such as futures, swaps, options and forwards as well as non-derivative commodity contracts to provide price risk management services to customers or to manage price risk associated with its physical and financial commodity positions. The non-derivative commodity contracts and physical inventories of commodities expose the Corporation to earnings volatility. Cash flow and fair value accounting hedges provide a method to mitigate a portion of this earnings volatility.

The Corporation purchases credit derivatives to manage credit risk related to certain funded and unfunded credit exposures. Credit derivatives include credit default swaps (CDS), total return swaps and swaptions. These derivatives are accounted for as economic hedges and changes in fair value are recorded in other income (loss).

Derivatives Designated as Accounting Hedges

The Corporation uses various types of interest rate, commodity and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates, exchange rates and commodity prices (fair value hedges). The Corporation also uses these types of contracts and equity derivatives to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). The Corporation hedges its net investment in consolidated non-U.S. operations determined to have functional currencies other than the U.S. dollar using forward exchange contracts, cross-currency basis swaps, and by issuing foreign currency-denominated debt (net investment hedges).

Fair Value Hedges

The table below summarizes certain information related to fair value hedges for the three months ended March 31, 2012 and 2011.

Derivatives Designated as Fair Value Hedges

(Dollars in millions)	Three Months Ended March 31		
	Derivative	Hedged Item	Hedge Ineffectiveness
Interest rate risk on long-term debt ⁽¹⁾	\$ (1,001)	\$ 764	\$ (237)
Interest rate and foreign currency risk on long-term debt ⁽¹⁾	155	(173)	(18)
Interest rate risk on AFS securities ⁽²⁾	2,948	(2,801)	147
Commodity price risk on commodity inventory ⁽³⁾	23	(23)	—

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Total	\$2,125	\$ (2,233) \$ (108)
	2011			
Interest rate risk on long-term debt ⁽¹⁾	\$(934) \$789	\$ (145)
Interest rate and foreign currency risk on long-term debt ⁽¹⁾	749	(806) (57)
Interest rate risk on AFS securities ⁽²⁾	1,152	(1,084	) 68	
Commodity price risk on commodity inventory ⁽³⁾	(4	) 4	—	
Total	\$963	\$ (1,097	) \$ (134)

⁽¹⁾ Amounts are recorded in interest expense on long-term debt and in other income.

⁽²⁾ Amounts are recorded in interest income on AFS securities.

⁽³⁾ Amounts relating to commodity inventory are recorded in trading account profits.

the RSUs affect earnings. The remaining derivatives are accounted for as economic hedges and changes in fair value are recorded in personnel expense. For more information on RSUs and related hedges, see Note 14 – Pension, Postretirement and Certain Compensation Plans.

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Derivatives Accounted for as Economic Hedges

Derivatives accounted for as economic hedges, because either they did not qualify for or were not designated as accounting hedges, are used by the Corporation to reduce certain risk exposures. The table below presents gains (losses) on these derivatives for the three months ended March 31, 2012 and 2011. These gains (losses) are largely offset by the income or expense that is recorded on the economically hedged item.

Derivatives Accounted for as Economic Hedges

(Dollars in millions)	Three Months Ended March 31	
	2012	2011
Price risk on mortgage banking production income ^(1, 2)	\$589	\$(55)
Interest rate risk on mortgage banking servicing income ⁽¹⁾	(203)	(145)
Credit risk on loans ⁽³⁾	(57)	(30)
Interest rate and foreign currency risk on long-term debt and other foreign exchange transactions ⁽⁴⁾	376	3,394
Price risk on restricted stock awards ⁽⁵⁾	473	(7)
Other	9	(3)
Total	\$1,187	\$3,154

⁽¹⁾ Net gains (losses) on these derivatives are recorded in mortgage banking income.

Includes net gains on interest rate lock commitments related to the origination of mortgage loans that are

⁽²⁾ held-for-sale, which are considered derivative instruments, of \$547 million and \$926 million for the three months ended March 31, 2012 and 2011.

⁽³⁾ Net losses on these derivatives are recorded in other income (loss).

⁽⁴⁾ The majority of the balance is related to the revaluation of economic hedges of foreign currency-denominated debt which is recorded in other income (loss).

⁽⁵⁾ Gains (losses) on these derivatives are recorded in personnel expense.

Sales and Trading Revenue

The Corporation enters into trading derivatives to facilitate client transactions, for principal trading purposes, and to manage risk exposures arising from trading account assets and liabilities. It is the Corporation's policy to include these derivative instruments in its trading activities which include derivatives and non-derivative cash instruments. The resulting risk from these derivatives is managed on a portfolio basis as part of the Corporation's Global Markets business segment. The related sales and trading revenue generated within Global Markets is recorded in various income statement line items including trading account profits and net interest income as well as other revenue categories. However, the majority of income related to derivative instruments is recorded in trading account profits.

Sales and trading revenue includes changes in the fair value and realized gains and losses on the sales of trading and other assets, net interest income, and fees primarily from commissions on equity securities. Revenue is generated by the difference in the client price for an instrument and the price at which the trading desk can execute the trade in the dealer market. For equity securities, commissions related to purchases and sales are recorded in other income (loss) in the Consolidated Statement of Income. Changes in the fair value of these securities are included in trading account profits. For debt securities, revenue, with the exception of interest associated with the debt securities, is typically included in trading account profits. Unlike commissions for equity securities, the initial revenue related to broker/dealer services for debt securities is typically included in the pricing of the instrument rather than being charged through separate fee arrangements. Therefore, this revenue is recorded in trading account profits as part of the initial mark to fair value. For derivatives, all revenue is included in trading account profits. In transactions where the Corporation acts as agent, which includes exchange-traded futures and options, fees are recorded in other income

(loss).

Gains (losses) on certain instruments, primarily loans, that the Global Markets business segment shares with Global Banking are not considered trading instruments and are excluded from sales and trading revenue in their entirety.

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Credit derivative instruments where the Corporation is the seller of credit protection and their expiration at March 31, 2012 and December 31, 2011 are summarized in the table below. These instruments are classified as investment and non-investment grade based on the credit quality of the underlying reference obligation. The Corporation considers ratings of BBB- or higher as investment grade. Non-investment grade includes non-rated credit derivative instruments.

Credit Derivative Instruments

(Dollars in millions)	March 31, 2012 Carrying Value				
	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade	\$ 191	\$ 1,707	\$ 7,681	\$ 4,091	\$ 13,670
Non-investment grade	2,211	6,574	11,102	19,290	39,177
Total	2,402	8,281	18,783	23,381	52,847
Total return swaps/other:					
Investment grade	34	—	—	1	35
Non-investment grade	27	20	3	91	141
Total	61	20	3	92	176
Total credit derivatives	\$ 2,463	\$ 8,301	\$ 18,786	\$ 23,473	\$ 53,023
Credit-related notes: ⁽¹⁾					
Investment grade	\$ 2	\$ 34	\$ 190	\$ 2,631	\$ 2,857
Non-investment grade	127	81	104	1,134	1,446
Total credit-related notes	\$ 129	\$ 115	\$ 294	\$ 3,765	\$ 4,303
					Maximum Payout/Notional
Credit default swaps:					
Investment grade	\$ 164,234	\$ 339,895	\$ 372,803	\$ 126,713	\$ 1,003,645
Non-investment grade	136,646	219,755	195,685	129,642	681,728
Total	300,880	559,650	568,488	256,355	1,685,373
Total return swaps/other:					
Investment grade	6,795	—	501	—	7,296
Non-investment grade	23,727	3,523	3,736	794	31,780
Total	30,522	3,523	4,237	794	39,076
Total credit derivatives	\$ 331,402	\$ 563,173	\$ 572,725	\$ 257,149	\$ 1,724,449
(Dollars in millions)					December 31, 2011
Credit default swaps:					
Investment grade	\$ 795	\$ 5,011	\$ 17,271	\$ 7,325	\$ 30,402
Non-investment grade	4,236	11,438	18,072	26,339	60,085
Total	5,031	16,449	35,343	33,664	90,487
Total return swaps/other:					
Investment grade	—	—	30	1	31
Non-investment grade	522	2	33	128	685
Total	522	2	63	129	716
Total credit derivatives	\$ 5,553	\$ 16,451	\$ 35,406	\$ 33,793	\$ 91,203
Credit-related notes: ⁽¹⁾					
Investment grade	\$ —	\$ 5	\$ 132	\$ 1,925	\$ 2,062
Non-investment grade	124	74	108	1,286	1,592
Total credit-related notes	\$ 124	\$ 79	\$ 240	\$ 3,211	\$ 3,654

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	Maximum Payout/Notional				
Credit default swaps:					
Investment grade	\$ 182,137	\$ 401,914	\$ 477,924	\$ 127,570	\$ 1,189,545
Non-investment grade	133,624	228,327	186,522	147,926	696,399
Total	315,761	630,241	664,446	275,496	1,885,944
Total return swaps/other:					
Investment grade	—	—	9,116	—	9,116
Non-investment grade	305	2,023	4,918	1,476	8,722
Total	305	2,023	14,034	1,476	17,838
Total credit derivatives	\$ 316,066	\$ 632,264	\$ 678,480	\$ 276,972	\$ 1,903,782

(1) For credit-related notes, maximum payout/notional is the same as carrying value.

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The notional amount represents the maximum amount payable by the Corporation for most credit derivatives. However, the Corporation does not monitor its exposure to credit derivatives based solely on the notional amount because this measure does not take into consideration the probability of occurrence. As such, the notional amount is not a reliable indicator of the Corporation's exposure to these contracts. Instead, a risk framework is used to define risk tolerances and establish limits to help ensure that certain credit risk-related losses occur within acceptable, predefined limits.

The Corporation economically hedges its market risk exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, the Corporation may purchase credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional amount of written credit derivatives for which the Corporation held purchased credit derivatives with identical underlying referenced names and terms at March 31, 2012 was \$31.3 billion and \$1.1 trillion compared to \$48.0 billion and \$1.0 trillion at December 31, 2011.

Credit-related notes in the table on page 134 include investments in securities issued by collateralized debt obligation (CDO), collateralized loan obligation (CLO) and credit-linked note vehicles. These instruments are primarily classified as trading securities. The carrying value of these instruments equals the Corporation's maximum exposure to loss. The Corporation is not obligated to make any payments to the entities under the terms of the securities owned. The Corporation discloses internal categorizations of investment grade and non-investment grade consistent with how risk is managed for these instruments.

Credit-related Contingent Features and Collateral

The Corporation executes the majority of its derivative contracts in the over-the-counter (OTC) market with large, international financial institutions, including broker/dealers and, to a lesser degree, with a variety of non-financial companies. Substantially all of the derivative transactions are executed on a daily margin basis. Therefore, events such as a credit rating downgrade (depending on the ultimate rating level) or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty, where applicable, and/or allow the Corporation to take additional protective measures such as early termination of all trades. Further, as previously discussed on page 128, the Corporation enters into legally enforceable master netting agreements which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events.

A majority of the Corporation's derivative contracts contain credit risk related contingent features, primarily in the form of International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements and credit support documentation that enhance the creditworthiness of these instruments compared to other obligations of the respective counterparty with whom the Corporation has transacted. These contingent features may be for the benefit of the Corporation as well as its counterparties with respect to changes in the Corporation's creditworthiness and the mark-to-market exposure under the derivative transactions. At March 31, 2012 and December 31, 2011, the Corporation held cash and securities collateral of \$87.1 billion and \$87.7 billion, and posted cash and securities collateral of \$74.5 billion and \$86.5 billion in the normal course of business under derivative agreements.

At March 31, 2012, the amount of collateral, calculated based on the terms of the contracts, that the Corporation and certain subsidiaries could be required to post to counterparties but had not yet posted to counterparties was approximately \$2.5 billion.

Some counterparties are currently able to unilaterally terminate certain contracts, or the Corporation or certain subsidiaries may be required to take other action such as find a suitable replacement or obtain a guarantee. At March 31, 2012, the current liability recorded for these derivative contracts was \$605 million, against which the Corporation and certain subsidiaries had posted \$437 million of collateral.

In connection with certain OTC derivative contracts and other trading agreements, the Corporation can be required to provide additional collateral or to terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of the Corporation or certain subsidiaries. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or the market value of the exposure.

In addition, under the terms of certain OTC derivative contracts and other trading agreements, in the event of a further downgrade of the Corporation's or certain subsidiaries' credit ratings, counterparties to those agreements may require the Corporation or certain subsidiaries to provide additional collateral, terminate these contracts or agreements, or provide other remedies. At March 31, 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 \$2.7 billion comprised of \$2.1 billion for BANA and \$539 million for Merrill Lynch & Co., Inc. (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 \$2.4 billion in additional collateral comprised of \$1.8 billion for BANA and \$646 million for Merrill Lynch and certain subsidiaries, would have been required.

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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 March 31, 2012 was \$3.3 billion, against which \$2.5 billion of collateral has been posted. If the rating agencies had downgraded their long-term senior debt ratings for the Corporation and certain subsidiaries by a second incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of March 31, 2012 was an incremental \$5.0 billion, against which \$4.7 billion of collateral has been posted.

Derivative Valuation Adjustments

The Corporation records counterparty credit risk valuation adjustments on derivative assets in order to properly reflect the credit quality of the counterparties. These adjustments are necessary as the valuation models for derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. The Corporation considers collateral and legally enforceable master netting agreements that mitigate its credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit valuation adjustments are subsequently adjusted due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparties. During the three months ended March 31, 2012 and 2011, credit valuation gains (losses) of \$513 million and \$148 million (\$149 million and \$(466) million, net of hedges) for counterparty credit risk related to derivative assets were recognized in trading account profits. At March 31, 2012 and December 31, 2011, the cumulative counterparty credit risk valuation adjustment reduced the derivative assets balance by \$2.5 billion and \$2.8 billion.

In addition, the fair value of the Corporation's or its subsidiaries' derivative liabilities is adjusted to reflect the impact of the Corporation's credit quality. During the three months ended March 31, 2012 and 2011, the Corporation recorded DVA losses of \$1.4 billion and \$308 million (\$1.5 billion and \$357 million, net of hedges) in trading account profits for changes in the Corporation's or its subsidiaries' credit risk. At March 31, 2012 and December 31, 2011, the Corporation's cumulative DVA reduced the derivative liabilities balance by \$1.3 billion and \$2.4 billion.

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NOTE 4 – Securities

The table below presents the amortized cost, gross unrealized gains and losses, and fair value of debt and marketable equity securities at March 31, 2012 and December 31, 2011.

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, March 31, 2012				
U.S. Treasury and agency securities	\$40,609	\$231	\$(874)	) \$39,966
Mortgage-backed securities:				
Agency	172,335	3,177	(421)	) 175,091
Agency collateralized mortgage obligations	41,698	802	(145)	) 42,355
Non-agency residential ⁽¹⁾	11,398	300	(228)	) 11,470
Non-agency commercial	4,333	567	(1)	) 4,899
Non-U.S. securities	6,530	56	(18)	) 6,568
Corporate bonds	2,364	85	(28)	) 2,421
Other taxable securities, substantially all asset-backed securities	10,595	74	(52)	) 10,617
Total taxable securities	289,862	5,292	(1,767)	) 293,387
Tax-exempt securities	3,694	16	(57)	) 3,653
Total available-for-sale debt securities	\$293,556	\$5,308	\$(1,824)	) \$297,040
Held-to-maturity debt securities ⁽²⁾	34,205	246	(11)	) 34,440
Total debt securities	\$327,761	\$5,554	\$(1,835)	) \$331,480
Available-for-sale marketable equity securities, March 31, 2012 ⁽³⁾	\$64	\$28	\$(5)	) \$87
Available-for-sale debt securities, December 31, 2011				
U.S. Treasury and agency securities	\$43,433	\$242	\$(811)	) \$42,864
Mortgage-backed securities:				
Agency	138,073	4,511	(21)	) 142,563
Agency collateralized mortgage obligations	44,392	774	(167)	) 44,999
Non-agency residential ⁽¹⁾	14,948	301	(482)	) 14,767
Non-agency commercial	4,894	629	(1)	) 5,522
Non-U.S. securities	4,872	62	(14)	) 4,920
Corporate bonds	2,993	79	(37)	) 3,035
Other taxable securities, substantially all asset-backed securities	12,889	49	(60)	) 12,878
Total taxable securities	266,494	6,647	(1,593)	) 271,548
Tax-exempt securities	4,678	15	(90)	) 4,603
Total available-for-sale debt securities	\$271,172	\$6,662	\$(1,683)	) \$276,151
Held-to-maturity debt securities ⁽²⁾	35,265	181	(4)	) 35,442
Total debt securities	\$306,437	\$6,843	\$(1,687)	) \$311,593
Available-for-sale marketable equity securities, December 31, 2011 ⁽³⁾	\$65	\$10	\$(7)	) \$68

At March 31, 2012, includes approximately 92 percent prime bonds, six percent Alt-A bonds and two percent

⁽¹⁾ subprime bonds. At December 31, 2011, includes approximately 89 percent prime bonds, nine percent Alt-A bonds and two percent subprime bonds.

⁽²⁾ Substantially all U.S. agency mortgage-backed securities.

⁽³⁾ Classified in other assets on the Corporation's Consolidated Balance Sheet.

At March 31, 2012, the accumulated net unrealized gains on available-for-sale (AFS) debt securities included in accumulated OCI were \$2.2 billion, net of the related income tax expense of \$1.3 billion. At March 31, 2012 and December 31, 2011, the Corporation had nonperforming AFS debt securities of \$110 million and \$140 million.

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The Corporation recorded other-than-temporary impairment (OTTI) losses on AFS debt securities for the three months ended March 31, 2012 and 2011 as presented in the table below. A debt security is impaired when its fair value is less than its amortized cost. If the Corporation intends or will more-likely-than-not be required to sell the debt securities prior to recovery, the entire impairment is recorded in the Consolidated Statement of Income. For debt securities the Corporation does not intend or will not more-likely-than-not be required to sell, an analysis is performed to determine if any of the impairment is due to credit or whether it is due to other factors (e.g., interest rate). Credit losses are considered unrecoverable and are recorded in the Consolidated Statement of Income with the remaining unrealized losses recorded in accumulated OCI. In certain instances, the credit loss on a debt security may exceed the total impairment, in which case, the portion of the credit loss that exceeds the total impairment is recorded as an unrealized gain in accumulated OCI. Balances in the table below exclude \$3 million and \$10 million of unrealized gains recorded in accumulated OCI related to these securities for the three months ended March 31, 2012 and 2011.

Net Impairment Losses Recognized in Earnings

(Dollars in millions)	Three Months Ended March 31, 2012			
	Non-agency Residential MBS	Non-agency Commercial MBS	Other Taxable Securities	Total
Total OTTI losses (unrealized and realized)	\$(49)	\$ (2)	\$—	\$(51)
Unrealized OTTI losses recognized in accumulated OCI	11	—	—	11
Net impairment losses recognized in earnings	\$(38)	\$ (2)	\$—	\$(40)
	Three Months Ended March 31, 2011			
Total OTTI losses (unrealized and realized)	\$(110)	\$ —	\$(1)	\$(111)
Unrealized OTTI losses recognized in accumulated OCI	23	—	—	23
Net impairment losses recognized in earnings	\$(87)	\$ —	\$(1)	\$(88)

The Corporation's net impairment losses recognized in earnings consist of write-downs to fair value on AFS securities the Corporation has the intent to sell or will more-likely-than-not be required to sell and credit losses recognized on AFS securities the Corporation does not have the intent to sell or will not more-likely-than-not be required to sell. The table below presents a rollforward of the credit losses recognized in earnings on AFS debt securities for the three months ended March 31, 2012 and 2011 on securities that the Corporation does not have the intent to sell or will not more-likely-than-not be required to sell.

Rollforward of Credit Losses Recognized

(Dollars in millions)	Three Months Ended March 31	
	2012	2011
Balance, beginning of period	\$310	\$2,135
Additions for credit losses recognized on debt securities that had no previous impairment losses	2	33
Additions for credit losses recognized on debt securities that had previously incurred impairment losses	38	55
Reductions for debt securities sold or intended to be sold	(84)	(1,339)
Balance, March 31	\$266	\$884

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The Corporation estimates the portion of a security's loss attributable to credit using a discounted cash flow model and estimates the expected cash flows of the underlying collateral using internal credit, interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Assumptions used for the underlying loans that support the mortgage-backed securities (MBS) can vary widely from loan to loan and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. Based on these assumptions, the Corporation then determines how the underlying collateral cash flows will be distributed to each MBS issued from the applicable special purpose entity. Expected principal and interest cash flows on an impaired AFS debt security are discounted using the effective yield of each individual impaired AFS debt security.

Significant assumptions used in estimating the expected cash flows for measuring credit losses on non-agency residential mortgage-backed securities (RMBS) were as follows at March 31, 2012.

Significant Assumptions

	Weighted-average	Range ⁽¹⁾	
		10th Percentile ₍₂₎	90th Percentile ₍₂₎
Annual prepayment speed	9.0%	3.0%	20.0%
Loss severity	51.0	18.0	64.0
Life default rate	54.0	2.0	99.0

⁽¹⁾ Represents the range of inputs/assumptions based upon the underlying collateral.

⁽²⁾ The value of a variable below which the indicated percentile of observations will fall.

Annual constant prepayment speed and loss severity rates are projected considering collateral characteristics such as loan-to-value (LTV), creditworthiness of borrowers as measured using FICO scores and geographic concentrations. The weighted-average severity by collateral type was 46 percent for prime bonds, 51 percent for Alt-A bonds and 62 percent for subprime bonds at March 31, 2012. Additionally, default rates are projected by considering collateral characteristics including, but not limited to LTV, FICO and geographic concentration. Weighted-average life default rates by collateral type were 40 percent for prime bonds, 64 percent for Alt-A bonds and 71 percent for subprime bonds at March 31, 2012.

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The table below presents the fair value and the associated gross unrealized losses on AFS securities with gross unrealized losses at March 31, 2012 and December 31, 2011, and whether these securities have had gross unrealized losses for less than twelve months or for twelve months or longer.

Temporarily Impaired and Other-than-temporarily Impaired Securities

(Dollars in millions)	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Temporarily impaired available-for-sale debt securities at March 31, 2012						
U.S. Treasury and agency securities	\$847	\$(4)	\$35,464	\$(870)	\$36,311	\$(874)
Mortgage-backed securities:						
Agency	52,479	(411)	426	(10)	52,905	(421)
Agency collateralized mortgage obligations	10,223	(121)	933	(24)	11,156	(145)
Non-agency residential	1,520	(33)	2,469	(167)	3,989	(200)
Non-agency commercial	39	(1)	—	—	39	(1)
Non-U.S. securities	1,110	(16)	159	(2)	1,269	(18)
Corporate bonds	247	(19)	90	(9)	337	(28)
Other taxable securities	6,048	(23)	1,299	(29)	7,347	(52)
Total taxable securities	72,513	(628)	40,840	(1,111)	113,353	(1,739)
Tax-exempt securities	709	(9)	1,916	(48)	2,625	(57)
Total temporarily impaired available-for-sale debt securities	73,222	(637)	42,756	(1,159)	115,978	(1,796)
Temporarily impaired available-for-sale marketable equity securities	—	—	7	(5)	7	(5)
Total temporarily impaired available-for-sale securities	73,222	(637)	42,763	(1,164)	115,985	(1,801)
Other-than-temporarily impaired available-for-sale debt securities ⁽¹⁾						
Non-agency residential mortgage-backed securities	60	(14)	306	(14)	366	(28)
Total temporarily impaired and other-than-temporarily impaired available-for-sale securities ⁽²⁾	\$73,282	\$(651)	\$43,069	\$(1,178)	\$116,351	\$(1,829)
Temporarily impaired available-for-sale debt securities at December 31, 2011						
U.S. Treasury and agency securities	\$—	\$—	\$38,269	\$(811)	\$38,269	\$(811)
Mortgage-backed securities:						
Agency	4,679	(13)	474	(8)	5,153	(21)
Agency collateralized mortgage obligations	11,448	(134)	976	(33)	12,424	(167)
Non-agency residential	2,112	(59)	3,950	(350)	6,062	(409)
Non-agency commercial	55	(1)	—	—	55	(1)
Non-U.S. securities	1,008	(13)	165	(1)	1,173	(14)
Corporate bonds	415	(29)	111	(8)	526	(37)
Other taxable securities	4,210	(41)	1,361	(19)	5,571	(60)
Total taxable securities	23,927	(290)	45,306	(1,230)	69,233	(1,520)

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Tax-exempt securities	1,117	(25)	2,754	(65)	3,871	(90)
Total temporarily impaired available-for-sale debt securities	25,044	(315)	48,060	(1,295)	73,104	(1,610)
Temporarily impaired available-for-sale marketable equity securities	31	(1	)	6	(6	)	37	(7)
Total temporarily impaired available-for-sale securities	25,075	(316	)	48,066	(1,301	)	73,141	(1,617)
Other-than-temporarily impaired available-for-sale debt securities ⁽¹⁾									
Non-agency residential mortgage-backed securities	158	(28	)	489	(45	)	647	(73)
Total temporarily impaired and other-than-temporarily impaired available-for-sale securities ⁽²⁾	\$25,233	\$(344	)	\$48,555	\$(1,346	)	\$73,788	\$(1,690)

⁽¹⁾ Includes other-than-temporarily impaired AFS debt securities on which OTTI loss remains in OCI.

At March 31, 2012, the amortized cost of approximately 4,200 AFS securities exceeded their fair value by \$1.8

⁽²⁾ billion. At December 31, 2011, the amortized cost of approximately 3,800 AFS securities exceeded their fair value by \$1.7 billion.

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The amortized cost and fair value of the Corporation's investment in AFS and HTM debt securities from Fannie Mae (FNMA), the Government National Mortgage Association (GNMA), Freddie Mac (FHLMC) and U.S. Treasury securities where the investment exceeded 10 percent of consolidated shareholders' equity at March 31, 2012 and December 31, 2011 are presented in the table below.

Selected Securities Exceeding 10 Percent of Shareholders' Equity

(Dollars in millions)	March 31, 2012		December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Fannie Mae	\$111,297	\$111,915	\$87,898	\$89,243
Government National Mortgage Association	110,034	112,506	102,960	106,200
Freddie Mac	26,656	26,979	26,617	27,129
U.S Treasury Securities	40,202	39,558	39,946	39,164

The expected maturity distribution of the Corporation's MBS and the contractual maturity distribution of the Corporation's other AFS debt securities, and the yields on the Corporation's AFS debt securities portfolio at March 31, 2012 are summarized in the table below. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

Debt Securities Maturities

(Dollars in millions)	March 31, 2012									
	Due in One Year or Less		Due after One Year through Five Years		Due after Five Years through Ten Years		Due after Ten Years		Total	
	Amount	Yield ⁽¹⁾	Amount	Yield ⁽¹⁾	Amount	Yield ⁽¹⁾	Amount	Yield ⁽¹⁾	Amount	Yield ⁽¹⁾
Amortized cost of AFS debt securities										
U.S. Treasury and agency securities	\$505	0.10 %	\$796	0.90 %	\$2,382	5.30 %	\$36,926	3.10 %	\$40,609	3.20 %
Mortgage-backed securities:										
Agency	31	4.60	56,137	3.40	67,526	3.50	48,641	3.20	172,335	3.40
Agency-collateralized mortgage obligations	54	0.70	20,917	1.90	20,708	4.20	19	1.00	41,698	3.00
Non-agency residential	1,164	4.90	6,531	4.60	3,266	4.30	437	3.30	11,398	4.50
Non-agency commercial	156	5.10	4,061	6.70	60	6.80	56	4.80	4,333	6.60
Non-U.S. securities	3,945	0.90	2,364	4.90	220	2.70	1	6.90	6,530	4.70
Corporate bonds	583	1.80	1,245	1.90	397	4.70	139	1.00	2,364	1.90
Other taxable securities	1,191	1.30	5,900	1.50	2,130	2.00	1,374	1.00	10,595	1.50
Total taxable securities	7,629	1.69	97,951	3.18	96,689	3.69	87,593	3.12	289,862	3.35
Tax-exempt securities	42	2.20	917	1.80	831	2.50	1,904	0.30	3,694	1.19
Total amortized cost of AFS debt securities	\$7,671	1.69	\$98,868	3.17	\$97,520	3.68	\$89,497	3.06	\$293,556	3.33
Total amortized cost of held-to-maturity debt securities ⁽²⁾	\$57	1.80 %	\$3,871	3.00 %	\$7,603	3.00 %	\$22,674	3.10 %	\$34,205	3.10 %

Fair value of AFS debt securities					
U.S. Treasury and agency securities	\$506	\$820	\$2,573	\$36,067	\$39,966
Mortgage-backed securities:					
Agency	32	57,128	68,940	48,991	175,091
Agency-collateralized mortgage obligations	54	20,931	21,351	19	42,355
Non-agency residential	1,157	6,645	3,243	425	11,470
Non-agency commercial	158	4,615	69	57	4,899
Non-U.S. securities	3,795	2,545	227	1	6,568
Corporate bonds	588	1,268	433	132	2,421
Other taxable securities	1,192	5,945	2,118	1,362	10,617
Total taxable securities	7,482	99,897	98,954	87,054	293,387
Tax-exempt securities	43	918	831	1,861	3,653
Total fair value of AFS debt securities	\$7,525	\$100,815	\$99,785	\$88,915	\$297,040
Total fair value of held-to-maturity debt securities ⁽²⁾	\$57	\$3,876	\$7,634	\$22,873	\$34,440

Average yield is computed using the effective yield of each security at the end of the period, weighted based on the (1) amortized cost of each security. The effective yield considers the contractual coupon, amortization of premiums and accretion of discounts and excludes the effect of related hedging derivatives.

(2) Substantially all U.S. agency mortgage-backed securities.

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The gross realized gains and losses on sales of debt securities for the three months ended March 31, 2012 and 2011 are presented in the table below.

Gains and Losses on Sales of AFS Debt Securities

(Dollars in millions)	Three Months Ended	
	March 31	
	2012	2011
Gross gains	\$1,173	\$554
Gross losses	(421	) (8
Net gains on sales of debt securities	\$752	\$546
Income tax expense attributable to realized net gains on sales of debt securities	\$278	\$202

Certain Corporate and Strategic Investments

At March 31, 2012 and December 31, 2011, the Corporation owned 2.0 billion shares representing approximately one percent of China Construction Bank (CCB). Sales restrictions on these shares continue until August 2013 and accordingly, these shares are carried at cost. The carrying value and cost basis of the investment at both March 31, 2012 and December 31, 2011 was \$716 million and the fair value was \$1.5 billion and \$1.4 billion. This investment is recorded in other assets. The strategic assistance agreement between the Corporation and CCB, which includes cooperation in specific business areas, remains in place.

The Corporation's 49 percent investment in a merchant services joint venture had a carrying value of \$3.3 billion and \$3.4 billion at March 31, 2012 and December 31, 2011.

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NOTE 5 – Outstanding Loans and Leases

The following tables present total outstanding loans and leases and an aging analysis at March 31, 2012 and December 31, 2011.

(Dollars in millions)	March 31, 2012						Loans Accounted for Under the (4)Fair Value Option	Total Outstandings
	30-59 Days Past Due (1)	60-89 Days Past Due (1)	90 Days or More Past Due (2)	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due (3)	Purchased Credit - impaired		
Home loans								
Core portfolio								
Residential mortgage (5)	\$1,894	\$646	\$3,162	\$5,702	\$169,620			\$ 175,322
Home equity	267	144	470	881	64,380			65,261
Legacy Assets & Servicing portfolio								
Residential mortgage	2,779	1,678	30,708	35,165	36,196	\$9,748		81,109
Home equity	778	473	1,728	2,979	41,188	11,818		55,985
Discontinued real estate (6)	50	18	320	388	784	9,281		10,453
Credit card and other consumer								
U.S. credit card	848	670	1,866	3,384	93,049			96,433
Non-U.S. credit card	138	105	294	537	13,377			13,914
Direct/Indirect consumer (7)	595	266	730	1,591	84,537			86,128
Other consumer (8)	45	16	7	68	2,539			2,607
Total consumer loans	7,394	4,016	39,285	50,695	505,670	30,847		587,212
Consumer loans accounted for under the fair value option (9)							\$2,204	2,204
Total consumer	7,394	4,016	39,285	50,695	505,670	30,847	2,204	589,416
Commercial								
U.S. commercial	327	40	2,106	2,473	178,255			180,728
Commercial real estate (10)	104	31	3,412	3,547	34,502			38,049
Commercial lease financing	100	6	66	172	21,384			21,556
Non-U.S. commercial	—	—	140	140	52,461			52,601
U.S. small business commercial	151	103	312	566	12,390			12,956
Total commercial loans	682	180	6,036	6,898	298,992			305,890
Commercial loans accounted for under							6,988	6,988

the fair value option ⁽⁹⁾

Total commercial	682	180	6,036	6,898	298,992		6,988	312,878
Total loans and leases	\$8,076	\$4,196	\$45,321	\$57,593	\$804,662	\$30,847	\$9,192	\$902,294
Percentage of outstandings	0.90	%0.46	%5.02	%6.38	%89.18	%3.42	%1.02	%

(1) Home loans includes \$2.9 billion of fully-insured loans and \$1.1 billion of nonperforming loans.

(2) Home loans includes \$21.2 billion of fully-insured loans.

(3) Home loans includes \$3.7 billion of nonperforming loans as all principal and interest are not current or the loans are TDRs that have not demonstrated sustained repayment performance.

(4) PCI loan amounts are shown gross of the valuation allowance.

(5) Total outstandings includes non-U.S. residential mortgages of \$87 million.

(6) Total outstandings includes \$9.3 billion of pay option loans and \$1.1 billion of subprime loans. The Corporation no longer originates these products.

Total outstandings includes dealer financial services loans of \$40.2 billion, consumer lending loans of \$7.1 billion,

(7) U.S. securities-based lending margin loans of \$24.0 billion, student loans of \$5.7 billion, non-U.S. consumer loans of \$7.6 billion and other consumer loans of \$1.5 billion.

(8) Total outstandings includes consumer finance loans of \$1.6 billion, other non-U.S. consumer loans of \$951 million and consumer overdrafts of \$58 million.

Consumer loans accounted for under the fair value option were residential mortgage loans of \$881 million and

(9) discontinued real estate loans of \$1.3 billion. Commercial loans accounted for under the fair value option were U.S. commercial loans of \$2.2 billion and non-U.S. commercial loans of \$4.8 billion. See Note 15 – Fair Value Measurements and Note 16 – Fair Value Option for additional information.

(10) Total outstandings includes U.S. commercial real estate loans of \$36.3 billion and non-U.S. commercial real estate loans of \$1.7 billion.

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December 31, 2011								
(Dollars in millions)	30-59 Days Past Due (1)	60-89 Days Past Due (1)	90 Days or More Past Due (2)	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due (3)	Purchased Credit - impaired (4)	Loans Accounted for Under the Fair Value Option	Total Outstandings
Home loans								
Core portfolio								
Residential mortgage (5)	\$2,151	\$751	\$3,017	\$5,919	\$172,418			\$ 178,337
Home equity	260	155	429	844	66,211			67,055
Legacy Assets & Servicing portfolio								
Residential mortgage	3,195	2,174	32,167	37,536	36,451	\$9,966		83,953
Home equity	845	508	1,735	3,088	42,578	11,978		57,644
Discontinued real estate (6)	65	24	351	440	798	9,857		11,095
Credit card and other consumer								
U.S. credit card	981	772	2,070	3,823	98,468			102,291
Non-U.S. credit card	148	120	342	610	13,808			14,418
Direct/Indirect consumer (7)	805	338	779	1,922	87,791			89,713
Other consumer (8)	55	21	17	93	2,595			2,688
Total consumer loans	8,505	4,863	40,907	54,275	521,118	31,801		607,194
Consumer loans accounted for under the fair value option (9)							\$2,190	2,190
Total consumer	8,505	4,863	40,907	54,275	521,118	31,801	2,190	609,384
Commercial								
U.S. commercial	272	83	2,249	2,604	177,344			179,948
Commercial real estate (10)	133	44	3,887	4,064	35,532			39,596
Commercial lease financing	78	13	40	131	21,858			21,989
Non-U.S. commercial	24	—	143	167	55,251			55,418
U.S. small business commercial	142	100	331	573	12,678			13,251
Total commercial loans	649	240	6,650	7,539	302,663			310,202
Commercial loans accounted for under the fair value option (9)							6,614	6,614
Total commercial	649	240	6,650	7,539	302,663		6,614	316,816
Total loans and leases	\$9,154	\$5,103	\$47,557	\$61,814	\$823,781	\$31,801	\$8,804	\$ 926,200
Percentage of outstandings	0.99	%0.55	%5.13	%6.67	%88.95	%3.43	%0.95	%

- (1) Home loans includes \$3.6 billion of fully-insured loans and \$770 million of nonperforming loans.
- (2) Home loans includes \$21.2 billion of fully-insured loans.
- (3) Home loans includes \$1.8 billion of nonperforming loans as all principal and interest are not current or the loans are TDRs that have not demonstrated sustained repayment performance.
- (4) PCI loan amounts are shown gross of the valuation allowance.
- (5) Total outstandings includes non-U.S. residential mortgages of \$85 million.
- (6) Total outstandings includes \$9.9 billion of pay option loans and \$1.2 billion of subprime loans. The Corporation no longer originates these products.
Total outstandings includes dealer financial services loans of \$43.0 billion, consumer lending loans of \$8.0 billion,
- (7) U.S. securities-based lending margin loans of \$23.6 billion, student loans of \$6.0 billion, non-U.S. consumer loans of \$7.6 billion and other consumer loans of \$1.5 billion.
- (8) Total outstandings includes consumer finance loans of \$1.7 billion, other non-U.S. consumer loans of \$929 million and consumer overdrafts of \$103 million.
Consumer loans accounted for under the fair value option were residential mortgage loans of \$906 million and discontinued real estate loans of \$1.3 billion. Commercial loans accounted for under the fair value option were
- (9) U.S. commercial loans of \$2.2 billion and non-U.S. commercial loans of \$4.4 billion. See Note 15 – Fair Value Measurements and Note 16 – Fair Value Option for additional information.
- (10) Total outstandings includes U.S. commercial real estate loans of \$37.8 billion and non-U.S. commercial real estate loans of \$1.8 billion.

The Corporation mitigates a portion of its credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles. These vehicles issue long-term notes to investors, the proceeds of which are held as cash collateral. The Corporation pays a premium to the vehicles to purchase mezzanine loss protection on a portfolio of residential mortgages owned by the Corporation. Cash held in the vehicles is used to reimburse the Corporation in the event that losses on the mortgage portfolio exceed 10 basis points (bps) of the original pool balance, up to the remaining amount of purchased loss protection of \$697 million and \$783 million at March 31, 2012 and December 31, 2011. The vehicles from which the Corporation purchases credit protection are VIEs. The Corporation does not have a variable interest in these vehicles, and accordingly, these vehicles are not consolidated by the Corporation. Amounts due from the vehicles are recorded in other income (loss) when the Corporation recognizes a reimbursable loss, as described above. Amounts are collected when reimbursable losses are realized through the sale of the underlying collateral. At March 31, 2012 and December 31, 2011, the Corporation had a receivable of \$368 million and \$359 million from these vehicles for reimbursement of losses, and principal of \$22.3 billion and \$23.9 billion of residential mortgage loans was referenced under these agreements. The Corporation records an allowance for credit losses on these loans without regard to the existence of the purchased loss protection as the protection does not represent a guarantee of individual loans.

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In addition, the Corporation has entered into long-term credit protection agreements with FNMA and FHLMC on loans totaling \$26.0 billion and \$24.4 billion at March 31, 2012 and December 31, 2011, providing full protection on residential mortgage loans that become severely delinquent. All of these loans are individually insured and therefore the Corporation does not record an allowance for credit losses related to these loans. For additional information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees.

Nonperforming Loans and Leases

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, the Corporation classifies 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, the Corporation reclassified \$1.9 billion of performing home equity loans to nonperforming. The regulatory interagency guidance had no impact on the Corporation's allowance for loan and lease losses or provision expense as the delinquency status of the underlying first-lien was already considered in the Corporation's reserving process.

The table below presents the Corporation's nonperforming loans and leases including nonperforming troubled debt restructurings (TDRs) and loans accruing past due 90 days or more at March 31, 2012 and December 31, 2011. Nonperforming loans held-for-sale (LHFS) are excluded from nonperforming loans and leases as they are recorded at either fair value or the lower of cost or fair value. See Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K for further information on the criteria for classification as nonperforming.

Credit Quality

(Dollars in millions)	Nonperforming Loans and Leases ⁽¹⁾		Accruing Past Due 90 Days or More	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011
Home loans				
Core portfolio				
Residential mortgage ⁽²⁾	\$2,433	\$2,414	\$1,113	\$883
Home equity	1,042	439	—	—
Legacy Assets & Servicing portfolio				
Residential mortgage ⁽²⁾	12,616	13,556	20,063	20,281
Home equity	3,318	2,014	—	—
Discontinued real estate	269	290	—	—
Credit card and other consumer				
U.S. credit card	n/a	n/a	1,866	2,070
Non-U.S. credit card	n/a	n/a	294	342
Direct/Indirect consumer	41	40	697	746
Other consumer	5	15	2	2
Total consumer	19,724	18,768	24,035	24,324
Commercial				
U.S. commercial	2,048	2,174	59	75
Commercial real estate	3,404	3,880	8	7
Commercial lease financing	38	26	28	14
Non-U.S. commercial	140	143	—	—
U.S. small business commercial	121	114	190	216
Total commercial	5,751	6,337	285	312

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Total consumer and commercial	\$25,475	\$25,105	\$24,320	\$24,636
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(1) Nonperforming loan balances do not include nonaccruing TDRs removed from the PCI portfolio prior to January 1, 2010 of \$459 million and \$477 million as of March 31, 2012 and December 31, 2011.

(2) Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At both March 31, 2012 and December 31, 2011, residential mortgage includes \$17.0 billion of loans on which interest has been curtailed by the Federal Housing Administration, and therefore are no longer accruing interest, although principal is still insured, and \$4.2 billion of loans on which interest is still accruing.

n/a = not applicable

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Credit Quality Indicators

The Corporation monitors credit quality within its Home Loans, Credit Card and Other Consumer, and Commercial portfolio segments based on primary credit quality indicators. For more information on the portfolio segments, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. Within the home loans portfolio segment, the primary credit quality indicators are refreshed LTV and refreshed FICO score. Refreshed LTV measures the carrying value of the loan as a percentage of the value of property securing the loan, refreshed quarterly. Home equity loans are evaluated using combined loan-to-value (CLTV) which measures the carrying value of the combined loans that have liens against the property and the available line of credit as a percentage of the appraised value of the property securing the loan, refreshed quarterly. FICO scores measure the creditworthiness of the borrower based on the financial obligations of the borrower and the borrower's credit history. At a minimum, FICO scores are refreshed quarterly, and in many cases, more frequently. FICO scores are also a primary credit quality indicator for the Credit Card and Other Consumer portfolio segment and the business card portfolio within U.S. small business commercial. The Corporation's commercial loans are evaluated using the internal classifications of pass rated or reservable criticized as the primary credit quality indicators. The term reservable criticized refers to those commercial loans that are internally classified or listed by the Corporation as Special Mention, Substandard or Doubtful, which are asset categories defined by regulatory authorities. These assets have an elevated level of risk and may have a high probability of default or total loss. Pass rated refers to all loans not considered reservable criticized. In addition to these primary credit quality indicators, the Corporation uses other credit quality indicators for certain types of loans.

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The following tables present certain credit quality indicators for the Corporation's Home Loans, Credit Card and Other Consumer, and Commercial portfolio segments, by class of financing receivables, at March 31, 2012 and December 31, 2011.

Home Loans - Credit Quality Indicators ⁽¹⁾

(Dollars in millions)	March 31, 2012							
	Core Portfolio Residential Mortgage ⁽²⁾	Legacy Assets & Servicing Residential Mortgage ⁽²⁾	Countrywide Residential Mortgage PCI	Core Portfolio Home Equity ⁽²⁾	Legacy Assets & Servicing Home Equity ⁽²⁾	Countrywide Home Equity PCI	Legacy Assets & Servicing Discontinued Real Estate ⁽²⁾	Countrywide Discontinued Real Estate PCI
Refreshed LTV ⁽³⁾								
Less than 90 percent	\$78,614	\$ 19,638	\$ 3,768	\$44,861	\$ 16,508	\$ 2,509	\$ 836	\$ 5,609
Greater than 90 percent but less than 100 percent	10,882	5,500	1,407	6,826	4,725	1,111	122	992
Greater than 100 percent	16,120	21,891	4,573	13,574	22,934	8,198	214	2,680
Fully-insured loans ⁽⁴⁾	69,706	24,332	—	—	—	—	—	—
Total home loans	\$ 175,322	\$ 71,361	\$ 9,748	\$65,261	\$44,167	\$ 11,818	\$ 1,172	\$ 9,281

Refreshed FICO score ⁽⁵⁾

Less than 620	\$6,566	\$ 16,086	\$ 3,481	\$2,831	\$6,995	\$ 1,715	\$ 510	\$ 5,449
Greater than or equal to 620	99,050	30,943	6,267	62,430	37,172	10,103	662	3,832
Fully-insured loans ⁽⁴⁾	69,706	24,332	—	—	—	—	—	—
Total home loans	\$ 175,322	\$ 71,361	\$ 9,748	\$65,261	\$44,167	\$ 11,818	\$ 1,172	\$ 9,281

⁽¹⁾ Excludes \$2.2 billion of loans accounted for under the fair value option.

⁽²⁾ Excludes Countrywide PCI loans.

⁽³⁾ Refreshed LTV percentages for PCI loans are calculated using the carrying value net of the related valuation allowance.

⁽⁴⁾ Credit quality indicators are not reported for fully-insured loans as principal repayment is insured.

⁽⁵⁾ As of March 31, 2012, refreshed home equity FICO metrics reflect an updated scoring model. Prior periods were adjusted to reflect these updates.

Credit Card and Other Consumer - Credit Quality Indicators

(Dollars in millions)	March 31, 2012			
	U.S. Credit Card	Non-U.S. Credit Card	Direct/Indirect Consumer	Other Consumer ⁽¹⁾
Refreshed FICO score				
Less than 620	\$7,399	\$—	\$ 2,910	\$768
Greater than or equal to 620	89,034	—	43,758	829
Other internal credit metrics ^(2, 3, 4)	—	13,914	39,460	1,010
Total credit card and other consumer	\$96,433	\$13,914	\$ 86,128	\$2,607

⁽¹⁾ 98 percent of the other consumer portfolio was associated with portfolios from certain consumer finance businesses that the Corporation previously exited.

⁽²⁾ Other internal credit metrics include delinquency status, geography or other factors.

⁽³⁾ Direct/indirect consumer includes \$31.6 billion of securities-based lending which is overcollateralized and therefore has minimal credit risk and \$5.7 billion of loans the Corporation no longer originates.

⁽⁴⁾ Non-U.S. credit card represents the U.K. credit card portfolio which is evaluated using internal credit metrics, including delinquency status. At March 31, 2012, 96 percent of this portfolio was current or less than 30 days past

due, two percent was 30-89 days past due and two percent was 90 days past due or more.

Commercial - Credit Quality Indicators ⁽¹⁾

(Dollars in millions)	March 31, 2012				
	U.S. Commercial	Commercial Real Estate	Commercial Lease Financing	Non-U.S. Commercial	U.S. Small Business Commercial ⁽²⁾
Risk ratings					
Pass rated	\$171,179	\$28,752	\$20,371	\$51,080	\$2,266
Reservable criticized	9,549	9,297	1,185	1,521	723
Refreshed FICO score ⁽³⁾					
Less than 620					515
Greater than or equal to 620					4,662
Other internal credit metrics ^(3, 4)					4,790
Total commercial credit	\$180,728	\$38,049	\$21,556	\$52,601	\$12,956

⁽¹⁾ Excludes \$7.0 billion of loans accounted for under the fair value option.

⁽²⁾ U.S. small business commercial includes \$463 million of criticized business card and small business loans which are evaluated using refreshed FICO scores or internal credit metrics, including delinquency status, rather than risk ratings. At March 31, 2012, 98 percent of the balances where internal credit metrics are used were current or less than 30 days past due.

⁽³⁾ Refreshed FICO score and other internal credit metrics are applicable only to the U.S. small business commercial portfolio.

⁽⁴⁾ Other internal credit metrics include delinquency status, application scores, geography or other factors.

Table of ContentsHome Loans - Credit Quality Indicators ⁽¹⁾

(Dollars in millions)	December 31, 2011							
	Core Portfolio Residential Mortgage ⁽²⁾	Legacy Assets & Servicing Residential Mortgage ⁽²⁾	Countrywide Residential Mortgage PCI	Core Portfolio Home Equity ⁽²⁾	Legacy Assets & Servicing Home Equity ⁽²⁾	Countrywide Home Equity PCI	Legacy Assets & Servicing Discontinued Real Estate ⁽²⁾	Countrywide Discontinued Real Estate PCI
Refreshed LTV ⁽³⁾								
Less than 90 percent	\$80,032	\$20,450	\$3,821	\$46,646	\$17,354	\$2,253	\$895	\$5,953
Greater than 90 percent but less than 100 percent	11,838	5,847	1,468	6,988	4,995	1,077	122	1,191
Greater than 100 percent	17,673	22,630	4,677	13,421	23,317	8,648	221	2,713
Fully-insured loans ⁽⁴⁾	68,794	25,060	—	—	—	—	—	—
Total home loans	\$178,337	\$73,987	\$9,966	\$67,055	\$45,666	\$11,978	\$1,238	\$9,857

Refreshed FICO score ⁽⁵⁾

Less than 620	\$7,020	\$17,337	\$3,749	\$2,843	\$7,293	\$2,547	\$548	\$5,968
Greater than or equal to 620	102,523	31,590	6,217	64,212	38,373	9,431	690	3,889
Fully-insured loans ⁽⁴⁾	68,794	25,060	—	—	—	—	—	—
Total home loans	\$178,337	\$73,987	\$9,966	\$67,055	\$45,666	\$11,978	\$1,238	\$9,857

⁽¹⁾ Excludes \$2.2 billion of loans accounted for under the fair value option.

⁽²⁾ Excludes Countrywide PCI loans.

⁽³⁾ Refreshed LTV percentages for PCI loans are calculated using the carrying value gross of the related valuation allowance.

⁽⁴⁾ Credit quality indicators are not reported for fully-insured loans as principal repayment is insured.

⁽⁵⁾ As of March 31, 2012, refreshed home equity FICO metrics reflect an updated scoring model. Prior periods were adjusted to reflect these updates.

Credit Card and Other Consumer - Credit Quality Indicators

(Dollars in millions)	December 31, 2011			
	U.S. Credit Card	Non-U.S. Credit Card	Direct/Indirect Consumer	Other Consumer ⁽¹⁾
Refreshed FICO score				
Less than 620	\$8,172	\$—	\$3,325	\$802
Greater than or equal to 620	94,119	—	46,981	854
Other internal credit metrics ^(2, 3, 4)	—	14,418	39,407	1,032
Total credit card and other consumer	\$102,291	\$14,418	\$89,713	\$2,688

⁽¹⁾ 96 percent of the other consumer portfolio was associated with portfolios from certain consumer finance businesses that the Corporation previously exited.

⁽²⁾ Other internal credit metrics include delinquency status, geography or other factors.

⁽³⁾ Direct/indirect consumer includes \$31.1 billion of securities-based lending which is overcollateralized and therefore has minimal credit risk and \$6.0 billion of loans the Corporation no longer originates.

⁽⁴⁾ Non-U.S. credit card represents the U.K. credit card portfolio which is evaluated using internal credit metrics, including delinquency status. At December 31, 2011, 96 percent of this portfolio was current or less than 30 days past due, two percent was 30-89 days past due and two percent was 90 days or more past due.

Commercial - Credit Quality Indicators ⁽¹⁾

December 31, 2011

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(Dollars in millions)	U.S. Commercial	Commercial Real Estate	Commercial Lease Financing	Non-U.S. Commercial	U.S. Small Business Commercial (2)
Risk ratings					
Pass rated	\$ 169,599	\$ 28,602	\$ 20,850	\$ 53,945	\$ 2,392
Reservable criticized	10,349	10,994	1,139	1,473	836
Refreshed FICO score (3)					
Less than 620					562
Greater than or equal to 620					4,674
Other internal credit metrics (3, 4)					4,787
Total commercial credit	\$ 179,948	\$ 39,596	\$ 21,989	\$ 55,418	\$ 13,251

(1) Excludes \$6.6 billion of loans accounted for under the fair value option.

U.S. small business commercial includes \$491 million of criticized business card and small business loans which
(2) are evaluated using refreshed FICO scores or internal credit metrics, including delinquency status, rather than risk ratings. At December 31, 2011, 97 percent of the balances where internal credit metrics are used were current or less than 30 days past due.

(3) Refreshed FICO score and other internal credit metrics are applicable only to the U.S. small business commercial portfolio.

(4) Other internal credit metrics include delinquency status, application scores, geography or other factors.

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Impaired Loans and Troubled Debt Restructurings

A loan is considered impaired when, based on current information, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans, all TDRs, and the renegotiated credit card and other consumer TDR portfolio (the renegotiated credit card and other consumer TDR portfolio, collectively referred to as the renegotiated TDR portfolio). Generally, loans that are designated as TDRs may be returned to accrual status after they have performed for an adequate period of time, typically six months. Loans that have been returned to accrual status may be removed from TDR status if they bore a market rate of interest at the time of modification. Impaired loans exclude nonperforming consumer loans and nonperforming commercial leases unless they are classified as TDRs. Loans accounted for under the fair value option are also excluded. Purchased credit-impaired (PCI) loans are excluded and reported separately on page 158.

Home Loans

Impaired home loans within the Home Loans portfolio segment consist entirely of TDRs. Excluding PCI loans, substantially all modifications of home loans meet the definition of TDRs when a binding offer is extended to a borrower. Modifications of home loans are done in accordance with the government's Making Home Affordable Program (modifications under government programs) or the Corporation's proprietary programs (modifications under proprietary programs). These modifications are considered to be TDRs if concessions have been granted to borrowers experiencing financial difficulties. Concessions may include reductions in interest rates, capitalization of past due amounts, principal and/or interest forbearance, payment extensions, principal and/or interest forgiveness, or combinations thereof.

Prior to permanently modifying a loan, the Corporation may enter into trial modifications with certain borrowers under both government and proprietary programs. Trial modifications generally represent a three- to four-month period during which the borrower makes monthly payments under the anticipated modified payment terms. Upon successful completion of the trial period, the Corporation and the borrower enter into a permanent modification. Binding trial modifications are classified as TDRs when the trial offer is made and continue to be classified as TDRs regardless of whether the borrower enters into a permanent modification.

In accordance with applicable accounting guidance, excluding PCI loans which are reported separately, home loans are not classified as impaired unless they have been designated as a TDR. Once such a loan has been designated as a TDR it is then individually assessed for impairment. Home loan TDRs are measured primarily based on the net present value of the estimated cash flows discounted at the loan's original effective interest rate. If the carrying value of a TDR exceeds this amount, a specific allowance is recorded as a component of the allowance for loan and lease losses. Alternatively, home loan TDRs that are considered to be dependent solely on the collateral for repayment (e.g., due to the lack of income verification) are measured based on the estimated fair value of the collateral and a charge-off is recorded if the carrying value exceeds the fair value of the collateral. Home loans that reached 180 days past due prior to modification would have been charged off to their net realizable value before they were modified as TDRs in accordance with established policy. Therefore, the modification of home loans that are 180 or more days past due as TDRs does not have an impact on the allowance for credit losses nor are additional charge-offs required at the time of modification. Subsequent declines in the fair value of the collateral after a loan has reached 180 days past due are recorded as charge-offs. Fully-insured loans are protected against principal loss, and therefore, the Corporation does not record an allowance for credit losses on the outstanding principal balance, even after they have been modified in a TDR.

The net present value of the estimated cash flows is based on model-driven estimates of projected payments, prepayments, defaults and loss-given-default (LGD). Using statistical modeling methodologies, the Corporation

estimates the probability that a loan will default prior to maturity based on the attributes of each loan. The factors that are most relevant to the probability of default are the refreshed LTV or in the case of a subordinated lien, refreshed CLTV, borrower credit score, months since origination (i.e., vintage) and geography. Each of these factors is further broken down by present collection status (whether the loan is current, delinquent, in default or in bankruptcy). Severity (or LGD) is estimated based on the refreshed LTV for the first mortgages or CLTV for subordinated liens. The estimates are based on the Corporation's historical experience, but are adjusted to reflect an assessment of environmental factors that may not be reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment. The probability of default models also incorporate recent experience with modification programs, a loan's default history prior to modification and the change in borrower payments post-modification.

At March 31, 2012 and December 31, 2011, remaining commitments to lend additional funds to debtors whose terms have been modified in a home loan TDR were immaterial. Home loan foreclosed properties totaled \$1.8 billion and \$2.0 billion at March 31, 2012 and December 31, 2011.

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The table below presents impaired loans in the Corporation's Home Loans portfolio segment at March 31, 2012 and December 31, 2011, and for the three months ended March 31, 2012 and 2011 and includes primarily loans managed by Legacy Assets & Servicing within Consumer Real Estate Services (CRES). Certain impaired home loans do not have a related allowance as the current valuation of these impaired loans exceeded the carrying value.

Impaired Loans - Home Loans

(Dollars in millions)	March 31, 2012			Three Months Ended March 31			
	Unpaid Principal Balance	Carrying Value	Related Allowance	2012	Interest Income Recognized ⁽¹⁾	2011	Interest Income Recognized ⁽¹⁾
With no recorded allowance							
Residential mortgage	\$11,313	\$8,473	n/a	\$8,472	\$73	\$5,628	\$54
Home equity	1,801	485	n/a	506	9	484	5
Discontinued real estate	401	224	n/a	232	2	227	2
With an allowance recorded							
Residential mortgage	\$12,436	\$11,200	\$1,279	\$11,021	\$98	\$7,751	\$71
Home equity	1,512	1,243	590	1,255	9	1,302	7
Discontinued real estate	207	152	29	153	2	170	2
Total							
Residential mortgage	\$23,749	\$19,673	\$1,279	\$19,493	\$171	\$13,379	\$125
Home equity	3,313	1,728	590	1,761	18	1,786	12
Discontinued real estate	608	376	29	385	4	397	4
December 31, 2011							
With no recorded allowance							
Residential mortgage	\$10,907	\$8,168	n/a				
Home equity	1,747	479	n/a				
Discontinued real estate	421	240	n/a				
With an allowance recorded							
Residential mortgage	\$12,296	\$11,119	\$1,295				
Home equity	1,551	1,297	622				
Discontinued real estate	213	159	29				
Total							
Residential mortgage	\$23,203	\$19,287	\$1,295				
Home equity	3,298	1,776	622				
Discontinued real estate	634	399	29				

Interest income recognized includes interest accrued and collected on the outstanding balances of accruing (1) impaired loans as well as interest cash collections on nonaccruing impaired loans for which the ultimate collectability of principal is not uncertain.

n/a = not applicable

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The table below presents the March 31, 2012 and 2011 unpaid principal balance, carrying value, and average pre- and post-modification interest rates of home loans that were modified in TDRs during the three months ended March 31, 2012 and 2011, along with net charge-offs that were recorded during the period in which the modification occurred. These TDRs are managed by Legacy Assets & Servicing within CRES.

Home Loans - TDRs Entered into During the Three Months Ended March 31, 2012

(Dollars in millions)	March 31, 2012				Three Months Ended March 31, 2012
	Unpaid Principal Balance	Carrying Value	Pre-Modification Interest Rate	Post-Modification Interest Rate	Net Charge-offs
Residential mortgage	\$1,310	\$1,163	5.73	% 4.80	% \$48
Home equity	162	97	5.10	3.80	39
Discontinued real estate	9	6	7.06	6.84	1
Total	\$1,481	\$1,266	5.67	4.70	\$88

Home Loans - TDRs Entered into During the Three Months Ended March 31, 2011

	March 31, 2011				Three Months Ended March 31, 2011
	Unpaid Principal Balance	Carrying Value	Pre-Modification Interest Rate	Post-Modification Interest Rate	Net Charge-offs
Residential mortgage	\$3,403	\$3,022	6.05	% 4.93	% \$39
Home equity	297	229	7.43	5.54	63
Discontinued real estate	21	14	7.78	5.46	2
Total	\$3,721	\$3,265	6.17	4.98	\$104

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The table below presents the March 31, 2012 and 2011 carrying value for home loans which were modified in a TDR during the three months ended March 31, 2012 and 2011 by type of modification.

Home Loans - Modification Programs

(Dollars in millions)	TDRs Entered into During the Three Months Ended March 31, 2012			
	Residential Mortgage	Home Equity	Discontinued Real Estate	Total Carrying Value
Modifications under government programs				
Contractual interest rate reduction	\$37	\$29	\$—	\$66
Principal and/or interest forbearance	1	9	—	10
Other modifications ⁽¹⁾	15	—	—	15
Total modifications under government programs	53	38	—	91
Modifications under proprietary programs				
Contractual interest rate reduction	366	14	—	380
Capitalization of past due amounts	10	—	—	10
Principal and/or interest forbearance	90	7	—	97
Other modifications ⁽¹⁾	52	2	1	55
Total modifications under proprietary programs	518	23	1	542
Trial modifications	592	36	5	633
Total modifications	\$1,163	\$97	\$6	\$1,266
TDRs Entered into During the Three Months Ended March 31, 2011				
Modifications under government programs				
Contractual interest rate reduction	\$219	\$135	\$1	\$355
Principal and/or interest forbearance	33	15	1	49
Other modifications ⁽¹⁾	1	1	—	2
Total modifications under government programs	253	151	2	406
Modifications under proprietary programs				
Contractual interest rate reduction	1,562	23	6	1,591
Capitalization of past due amounts	136	—	—	136
Principal and/or interest forbearance	206	17	1	224
Other modifications ⁽¹⁾	117	16	—	133
Total modifications under proprietary programs	2,021	56	7	2,084
Trial modifications	748	22	5	775
Total modifications	\$3,022	\$229	\$14	\$3,265

⁽¹⁾ Includes other modifications such as term or payment extensions and repayment plans.

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The table below presents the carrying value of loans that entered into payment default during the three months ended March 31, 2012 and 2011 and that were modified in a TDR during the 12 months preceding payment default. A payment default for home loan TDRs is recognized when a borrower has missed three monthly payments (not necessarily consecutively) since modification. Payment default on trial modifications where the borrower has not yet met the terms of the agreement are included in the table below if the borrower is 90 days or more past due three months after the offer to modify is made.

Home Loans - TDRs Entering Payment Default That Were Modified During the Preceding Twelve Months
Three Months Ended March 31, 2012

(Dollars in millions)	Residential Mortgage	Home Equity	Discontinued Real Estate	Total Carrying Value
Modifications under government programs	\$73	\$2	\$1	\$76
Modifications under proprietary programs	373	4	3	380
Trial modifications	113	4	1	118
Total modifications	\$559	\$10	\$5	\$574

	Three Months Ended March 31, 2011			
Modifications under government programs	\$54	\$—	\$1	\$55
Modifications under proprietary programs	458	20	4	482
Trial modifications	3	—	—	3
Total modifications	\$515	\$20	\$5	\$540

Credit Card and Other Consumer

The Credit Card and Other Consumer portfolio segment includes impaired loans that have been modified as TDRs. The Corporation seeks to assist customers that are experiencing financial difficulty by modifying loans while ensuring compliance with federal laws and guidelines. Substantially all of the Corporation's credit card and other consumer loan modifications involve reducing the interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs. In all cases, the customer's available line of credit is canceled. The Corporation makes loan modifications directly with borrowers for debt held only by the Corporation (internal programs). Additionally, the Corporation makes loan modifications for borrowers working with third-party renegotiation agencies that provide solutions to customers' entire unsecured debt structures (external programs).

All credit card and other consumer loans not secured by real estate, including modified loans, remain on accrual status until the loan is either charged off or paid in full. The allowance for impaired credit card loans is based on the present value of projected cash flows discounted using the portfolio's average contractual interest rate, excluding promotionally priced loans, in effect prior to restructuring. Prior to modification, credit card and other consumer loans are included in homogeneous pools which are collectively evaluated for impairment. For these portfolios, loss forecast models are utilized that consider a variety of factors including but not limited to historical loss experience, delinquencies, economic trends and credit scores.

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The table below provides information on the Corporation's renegotiated TDR portfolio at March 31, 2012 and December 31, 2011, and for the three months ended March 31, 2012 and 2011. The renegotiated TDR portfolio is considered impaired and had a related allowance as shown below.

Impaired Loans - Credit Card and Other Consumer - Renegotiated TDRs

(Dollars in millions)	March 31, 2012			Three Months Ended March 31				
	Unpaid Principal Balance	Carrying Value ⁽¹⁾	Related Allowance	2012	Interest Income Recognized ⁽²⁾	2011	Average Carrying Value	Interest Income Recognized ⁽²⁾
With an allowance recorded								
U.S. credit card	\$4,548	\$4,576	\$1,396	\$5,019	\$77	\$8,569	\$127	
Non-U.S. credit card	546	553	345	572	2	795	2	
Direct/Indirect consumer	1,044	1,049	372	1,146	16	1,839	24	
	December 31, 2011							
With an allowance recorded								
U.S. credit card	\$5,272	\$5,305	\$1,570					
Non-U.S. credit card	588	597	435					
Direct/Indirect consumer	1,193	1,198	405					

⁽¹⁾ Includes accrued interest and fees.

Interest income recognized includes interest accrued and collected on the outstanding balances of accruing

⁽²⁾ impaired loans as well as interest cash collections on nonaccruing impaired loans for which the ultimate collectability of principal is not uncertain.

The table below provides information on the Corporation's primary modification programs for the renegotiated TDR portfolio at March 31, 2012 and December 31, 2011.

Credit Card and Other Consumer - Renegotiated TDRs by Program Type

(Dollars in millions)	Internal Programs		External Programs		Other		Total		Percent of Balances Current or Less Than 30 Days Past Due	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011
U.S. credit card	\$3,211	\$ 3,788	\$1,300	\$ 1,436	\$65	\$ 81	\$4,576	\$ 5,305	79.71 %	78.97 %
Non-U.S. credit card	211	218	103	113	239	266	553	597	56.15	54.02
Direct/Indirect consumer	681	784	351	392	17	22	1,049	1,198	81.00	80.01
Total renegotiated TDR loans	\$4,103	\$ 4,790	\$1,754	\$ 1,941	\$321	\$ 369	\$6,178	\$ 7,100	77.82	77.05

At March 31, 2012 and December 31, 2011, the Corporation had a renegotiated TDR portfolio of \$6.2 billion and \$7.1 billion of which \$4.8 billion was current or less than 30 days past due under the modified terms at March 31, 2012.

The renegotiated TDR portfolio is excluded from nonperforming loans as the Corporation generally does not classify consumer loans not secured by real estate as nonperforming. Instead, these loans are charged off no later than the end of the month in which the loan becomes 180 days past due.

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The table below provides information on the Corporation's renegotiated TDR portfolio including the unpaid principal balance and carrying value of loans that were modified in TDRs during the three months ended March 31, 2012 and 2011, along with charge-offs that were recorded during the calendar quarter in which the modification occurred. The table also presents the average pre- and post-modification interest rate.

Credit Card and Other Consumer - Renegotiated TDRs Entered into During the Three Months Ended March 31, 2012

(Dollars in millions)	March 31, 2012				Three Months Ended March 31, 2012
	Unpaid Principal Balance	Carrying Value ⁽¹⁾	Pre-Modification Interest Rate	Post-Modification Interest Rate	Net Charge-offs
U.S. credit card	\$152	\$156	18.29	% 6.35	% \$2
Non-U.S. credit card	114	120	26.19	0.81	5
Direct/Indirect consumer	25	26	15.50	4.31	—
Total	\$291	\$302	21.19	3.97	\$7

Credit Card and Other Consumer - Renegotiated TDRs Entered into During the Three Months Ended March 31, 2011

(Dollars in millions)	March 31, 2011				Three Months Ended March 31, 2011
	Unpaid Principal Balance	Carrying Value ⁽¹⁾	Pre-Modification Interest Rate	Post-Modification Interest Rate	Net Charge-offs
U.S. credit card	\$386	\$400	19.33	% 6.15	% \$4
Non-U.S. credit card	159	166	27.21	0.55	13
Direct/Indirect consumer	99	101	15.68	5.57	1
Total	\$644	\$667	20.73	4.67	\$18

⁽¹⁾ Includes accrued interest and fees.

The table below provides information on the Corporation's primary modification programs for the renegotiated TDR portfolio for loans that were modified in TDRs during the three months ended March 31, 2012 and 2011.

Credit Card and Other Consumer - Renegotiated TDRs by Program Type

(Dollars in millions)	Renegotiated TDRs Entered into During the Three Months Ended March 31, 2012			
	Internal Programs	External Programs	Other	Total
U.S. credit card	\$79	\$77	\$—	\$156
Non-U.S. credit card	63	57	—	120
Direct/Indirect consumer	14	12	—	26
Total renegotiated TDR loans	\$156	\$146	\$—	\$302

(Dollars in millions)	Renegotiated TDRs Entered into During the Three Months Ended March 31, 2011			
	Internal Programs	External Programs	Other	Total
U.S. credit card	\$234	\$165	\$1	\$400
Non-U.S. credit card	75	90	1	166
Direct/Indirect consumer	60	41	—	101
Total renegotiated TDR loans	\$369	\$296	\$2	\$667

Credit card and other consumer loans are deemed to be in payment default during the quarter in which a borrower misses the second of two consecutive payments. Payment defaults are one of the factors considered when projecting

future cash flows in the calculation of the allowance for loan losses for impaired credit card and other consumer loans. Loans that entered into payment default during the three months ended March 31, 2012 and 2011 and that had been modified in a TDR during the 12 months preceding payment default were \$82 million and \$383 million for U.S. credit card, \$82 million and \$101 million for non-U.S. credit card and \$16 million and \$77 million for direct/indirect consumer.

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Commercial Loans

Impaired commercial loans, which include nonperforming loans and TDRs (both performing and nonperforming) are primarily measured based on the present value of payments expected to be received, discounted at the loan's original effective interest rate. Commercial impaired loans may also be measured based on observable market prices or, for loans that are solely dependent on the collateral for repayment, the estimated fair value of collateral less estimated costs to sell. If the carrying value of a loan exceeds this amount, a specific allowance is recorded as a component of the allowance for loan and lease losses.

Modifications of loans to commercial borrowers that are experiencing financial difficulty are designed to reduce the Corporation's loss exposure while providing the borrower with an opportunity to work through financial difficulties, often to avoid foreclosure or bankruptcy. Each modification is unique and reflects the individual circumstances of the borrower. Modifications that result in a TDR may include extensions of maturity at a concessionary (below market) rate of interest, payment forbearances or other actions designed to benefit the customer while mitigating the Corporation's risk exposure. Reductions in interest rates are rare. Instead, the interest rates are typically increased, although the increased rate may not represent a market rate of interest. Infrequently, concessions may also include principal forgiveness in connection with foreclosure, short sale or other settlement agreements leading to termination or sale of the loan.

At the time of restructuring, the loans are remeasured to reflect the impact, if any, on projected cash flows resulting from the modified terms. If there was no forgiveness of principal and the interest rate was not decreased, the modification may have little or no impact on the allowance established for the loan. If a portion of the loan is deemed to be uncollectible, a charge-off may be recorded at the time of restructuring. Alternatively, a charge-off may have already been recorded in a previous period such that no charge-off is required at the time of modification. For information concerning modifications for the U.S. small business commercial portfolio, see Credit Card and Other Consumer in this Note.

At March 31, 2012 and December 31, 2011, remaining commitments to lend additional funds to debtors whose terms have been modified in a commercial loan TDR were immaterial. Commercial foreclosed properties totaled \$510 million and \$612 million at March 31, 2012 and December 31, 2011.

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The table below presents impaired loans in the Corporation's Commercial loan portfolio segment at March 31, 2012 and December 31, 2011, and for the three months ended March 31, 2012 and 2011. Certain impaired commercial loans do not have a related allowance as the valuation of these impaired loans exceeded the carrying value, which is net of previously recorded charge-offs.

Impaired Loans - Commercial

(Dollars in millions)	March 31, 2012			Three Months Ended March 31		Average Carrying Value	Interest Income Recognized ⁽¹⁾	Average Carrying Value	Interest Income Recognized ⁽¹⁾
	Unpaid Principal Balance	Carrying Value	Related Allowance	2012	2011				
With no recorded allowance									
U.S. commercial	\$1,363	\$1,085	n/a	\$1,035	\$ 8	\$406	\$—		
Commercial real estate	2,097	1,851	n/a	1,973	4	1,785	1		
Non-U.S. commercial	237	127	n/a	114	—	70	—		
U.S. small business commercial ⁽²⁾	—	—	n/a	—	—	—	—		
With an allowance recorded									
U.S. commercial	\$2,616	\$1,878	\$205	\$1,920	\$ 11	\$2,953	\$1		
Commercial real estate	3,207	2,125	118	2,256	6	3,940	2		
Non-U.S. commercial	272	29	8	45	—	153	—		
U.S. small business commercial ⁽²⁾	480	457	134	472	4	817	7		
Total									
U.S. commercial	\$3,979	\$2,963	\$205	\$2,955	\$ 19	\$3,359	\$1		
Commercial real estate	5,304	3,976	118	4,229	10	5,725	3		
Non-U.S. commercial	509	156	8	159	—	223	—		
U.S. small business commercial ⁽²⁾	480	457	134	472	4	817	7		
December 31, 2011									
With no recorded allowance									
U.S. commercial	\$1,482	\$985	n/a						
Commercial real estate	2,587	2,095	n/a						
Non-U.S. commercial	216	101	n/a						
U.S. small business commercial ⁽²⁾	—	—	n/a						
With an allowance recorded									
U.S. commercial	\$2,654	\$1,987	\$232						
Commercial real estate	3,329	2,384	135						
Non-U.S. commercial	308	58	6						
U.S. small business commercial ⁽²⁾	531	503	172						
Total									
U.S. commercial	\$4,136	\$2,972	\$232						
Commercial real estate	5,916	4,479	135						
Non-U.S. commercial	524	159	6						
	531	503	172						

U.S. small business
commercial ⁽²⁾

Interest income recognized includes interest accrued and collected on the outstanding balances of accruing

(1) impaired loans as well as interest cash collections on nonaccruing impaired loans for which the ultimate collectability of principal is not uncertain.

(2) Includes U.S. small business commercial renegotiated TDR loans and related allowance.

n/a = not applicable

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The table below presents the March 31, 2012 and 2011 unpaid principal balance and carrying value of commercial loans that were modified as TDRs during the three months ended March 31, 2012 and 2011, along with charge-offs that were recorded during the calendar quarter in which the modification occurred.

Commercial - TDRs Entered into During the Three Months Ended March 31, 2012

(Dollars in millions)	March 31, 2012		Three Months Ended March 31, 2012
	Unpaid Principal Balance	Carrying Value	Net Charge-offs
U.S commercial	\$356	\$344	\$—
Commercial real estate	339	252	4
Non-U.S. commercial	—	—	—
U.S. small business commercial ⁽¹⁾	10	10	—
Total	\$705	\$606	\$4

Commercial - TDRs Entered into During the Three Months Ended March 31, 2011

	March 31, 2011		Three Months Ended March 31, 2011
U.S commercial	\$461	\$425	\$10
Commercial real estate	597	512	34
Non-U.S. commercial	11	11	—
U.S. small business commercial ⁽¹⁾	22	28	—
Total	\$1,091	\$976	\$44

⁽¹⁾ U.S. small business commercial TDRs are comprised of renegotiated small business card loans.

A commercial TDR is generally deemed to be in payment default when the loan is 90 days or more past due, including delinquencies that were not resolved as part of the modification. U.S. small business commercial TDRs are deemed to be in payment default during the quarter in which a borrower misses the second of two consecutive payments.

Payment defaults are one of the factors considered when projecting future cash flows, along with observable market prices or fair value of collateral, when measuring the allowance for loan losses. TDRs that were in payment default at March 31, 2012 and 2011 had a carrying value of \$173 million and \$51 million for U.S. commercial, \$457 million and \$286 million for commercial real estate and \$8 million and \$22 million for U.S. small business commercial.

Purchased Credit-impaired Loans

The table below shows activity for the accretable yield on Countrywide Financial Corporation (Countrywide) consumer PCI loans. The \$182 million reclassification from nonaccretable difference for the three months ended March 31, 2012 is primarily due to an increase in the expected life of the PCI loans. The reclassification did not increase the annual yield but, as a result of estimated slower prepayment speeds, added additional interest periods to the expected cash flows.

Rollforward of Accretable Yield

(Dollars in millions)		
Accretable yield, January 1, 2011		\$5,481
Accretion		(1,285)
Disposals/transfers		(118)

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Reclassifications from nonaccretable difference	912	
Accretable yield, December 31, 2011	4,990	
Accretion	(276)
Disposals/transfers	(24)
Reclassifications from nonaccretable difference	182	
Accretable yield, March 31, 2012	\$4,872	

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See Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K for further information on PCI loans and Note 6 – Allowance for Credit Losses for the carrying value and valuation allowance for Countrywide PCI loans.

Loans Held-for-sale

The Corporation had LHFS of \$13.0 billion and \$13.8 billion at March 31, 2012 and December 31, 2011. Proceeds from sales, securitizations and paydowns of LHFS were \$10.0 billion and \$59.7 billion for the three months ended March 31, 2012 and 2011. Amounts used for originations and purchases of LHFS were \$10.5 billion and \$48.5 billion for the three months ended March 31, 2012 and 2011.

NOTE 6 – Allowance for Credit Losses

The table below summarizes the changes in the allowance for credit losses by portfolio segment for the three months ended March 31, 2012 and 2011.

(Dollars in millions)	Three Months Ended March 31, 2012			
	Home Loans	Credit Card and Other Consumer	Commercial	Total
Allowance for loan and lease losses, January 1	\$21,079	\$8,569	\$4,135	\$33,783
Loans and leases charged off	(2,007)	(2,242)	(531)	(4,780)
Recoveries of loans and leases previously charged off	136	426	162	724
Net charge-offs	(1,871)	(1,816)	(369)	(4,056)
Provision for loan and lease losses	1,765	879	(187)	2,457
Other	—	32	(5)	27
Allowance for loan and lease losses, March 31	20,973	7,664	3,574	32,211
Reserve for unfunded lending commitments, January 1	—	—	714	714
Provision for unfunded lending commitments	—	—	(39)	(39)
Other ⁽¹⁾	—	—	(24)	(24)
Reserve for unfunded lending commitments, March 31	—	—	651	651
Allowance for credit losses, March 31	\$20,973	\$7,664	\$4,225	\$32,862
	Three Months Ended March 31, 2011			
Allowance for loan and lease losses, January 1	\$19,252	\$15,463	\$7,170	\$41,885
Loans and leases charged off	(2,289)	(3,731)	(906)	(6,926)
Recoveries of loans and leases previously charged off	185	490	223	898
Net charge-offs	(2,104)	(3,241)	(683)	(6,028)
Provision for loan and lease losses	2,948	979	(11)	3,916
Other	1	70	(1)	70
Allowance for loan and lease losses, March 31	20,097	13,271	6,475	39,843
Reserve for unfunded lending commitments, January 1	—	—	1,188	1,188
Provision for unfunded lending commitments	—	—	(102)	(102)
Other ⁽¹⁾	—	—	(125)	(125)
Reserve for unfunded lending commitments, March 31	—	—	961	961
Allowance for credit losses, March 31	\$20,097	\$13,271	\$7,436	\$40,804

⁽¹⁾ Represents primarily accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions.

During the three months ended March 31, 2012 and 2011, for the PCI loan portfolio, the Corporation recorded \$487 million and \$1.6 billion in provision for credit losses with a corresponding increase in the valuation allowance included as part of the allowance for loan and lease losses. The valuation allowance associated with the PCI loan portfolio was \$8.9 billion and \$8.5 billion at March 31, 2012 and December 31, 2011.

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The table below presents the allowance and the carrying value of outstanding loans and leases by portfolio segment at March 31, 2012 and December 31, 2011.

Allowance and Carrying Value by Portfolio Segment

(Dollars in millions)	March 31, 2012			
	Home Loans	Credit Card and Other Consumer	Commercial	Total
Impaired loans and troubled debt restructurings ⁽¹⁾				
Allowance for loan and lease losses ⁽²⁾	\$1,898	\$2,113	\$465	\$4,476
Carrying value ⁽³⁾	21,777	6,178	7,552	35,507
Allowance as a percentage of carrying value Collectively evaluated for impairment	8.72	% 34.20	% 6.16	% 12.61
Allowance for loan and lease losses	\$10,129	\$5,551	\$3,109	\$18,789
Carrying value ^(3, 4)	335,506	192,904	298,338	826,748
Allowance as a percentage of carrying value ⁽⁴⁾	3.02	% 2.88	% 1.04	% 2.27
Purchased credit-impaired loans				
Valuation allowance	\$8,946	n/a	n/a	\$8,946
Carrying value gross of valuation allowance	30,847	n/a	n/a	30,847
Valuation allowance as a percentage of carrying value	29.00	% n/a	n/a	29.00
Total				
Allowance for loan and lease losses	\$20,973	\$7,664	\$3,574	\$32,211
Carrying value ^(3, 4)	388,130	199,082	305,890	893,102
Allowance as a percentage of carrying value ⁽⁴⁾	5.40	% 3.85	% 1.17	% 3.61
	December 31, 2011			
Impaired loans and troubled debt restructurings ⁽¹⁾				
Allowance for loan and lease losses ⁽²⁾	\$1,946	\$2,410	\$545	\$4,901
Carrying value ⁽³⁾	21,462	7,100	8,113	36,675
Allowance as a percentage of carrying value Collectively evaluated for impairment	9.07	% 33.94	% 6.71	% 13.36
Allowance for loan and lease losses	\$10,674	\$6,159	\$3,590	\$20,423
Carrying value ^(3, 4)	344,821	202,010	302,089	848,920
Allowance as a percentage of carrying value ⁽⁴⁾	3.10	% 3.05	% 1.19	% 2.41
Purchased credit-impaired loans				
Valuation allowance	\$8,459	n/a	n/a	\$8,459
Carrying value gross of valuation allowance	31,801	n/a	n/a	31,801
Valuation allowance as a percentage of carrying value	26.60	% n/a	n/a	26.60
Total				
Allowance for loan and lease losses	\$21,079	\$8,569	\$4,135	\$33,783
Carrying value ^(3, 4)	398,084	209,110	310,202	917,396
Allowance as a percentage of carrying value ⁽⁴⁾	5.30	% 4.10	% 1.33	% 3.68

Impaired loans include nonperforming commercial loans and all TDRs, including both commercial and consumer

⁽¹⁾ TDRs. Impaired loans exclude nonperforming consumer loans unless they are TDRs, and all consumer and commercial loans accounted for under the fair value option.

⁽²⁾ Commercial impaired allowance for loan and lease losses includes \$134 million and \$172 million at March 31, 2012 and December 31, 2011 related to U.S. small business commercial renegotiated TDR loans.

⁽³⁾ Amounts are presented gross of the allowance for loan and lease losses.

⁽⁴⁾

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Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option of \$9.2 billion and \$8.8 billion at March 31, 2012 and December 31, 2011.
n/a = not applicable

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NOTE 7 – Securitizations and Other Variable Interest Entities

The Corporation utilizes VIEs in the ordinary course of business to support its own and its customers' financing and investing needs. The Corporation routinely securitizes loans and debt securities using VIEs as a source of funding for the Corporation and as a means of transferring the economic risk of the loans or debt securities to third parties. The assets are transferred into a trust or other securitization vehicle such that the assets are legally isolated from the creditors of the Corporation and are not available to satisfy its obligations. These assets can only be used to settle obligations of the trust or other securitization vehicle. The Corporation also administers, structures or invests in other VIEs including CDOs, investment vehicles and other entities. For additional information on the Corporation's utilization of VIEs, 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 tables within this Note present the assets and liabilities of consolidated and unconsolidated VIEs at March 31, 2012 and December 31, 2011, in situations where the Corporation has continuing involvement with transferred assets or if the Corporation otherwise has a variable interest in the VIE. The tables also present the Corporation's maximum loss exposure at March 31, 2012 and December 31, 2011 resulting from its involvement with consolidated VIEs and unconsolidated VIEs in which the Corporation holds a variable interest. The Corporation's maximum loss exposure is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation's Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. The Corporation's maximum loss exposure does not include losses previously recognized through write-downs of assets.

The Corporation invests in asset-backed securities (ABS) issued by third-party VIEs with which it has no other form of involvement. These securities are included in Note 2 – Trading Account Assets and Liabilities and Note 4 – Securities. In addition, the Corporation uses VIEs such as trust preferred securities trusts in connection with its funding activities. For additional information, see Note 13 – Long-term Debt to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. The Corporation also uses VIEs in the form of synthetic securitization vehicles to mitigate a portion of the credit risk on its residential mortgage loan portfolio, as described in Note 5 – Outstanding Loans and Leases. The Corporation uses VIEs, such as cash funds managed within Global Wealth & Investment Management, to provide investment opportunities for clients. These VIEs, which are not consolidated by the Corporation, are not included in the tables within this Note.

Except as described below and in Note 8 – Securitizations and Other Variable Interest Entities to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K, the Corporation did not provide financial support to consolidated or unconsolidated VIEs during the three months ended March 31, 2012 or the year ended December 31, 2011 that it was not previously contractually required to provide, nor does it intend to do so.

Mortgage-related Securitizations

First-lien Mortgages

As part of its mortgage banking activities, the Corporation securitizes a portion of the first-lien residential mortgage loans it originates or purchases from third parties, generally in the form of MBS guaranteed by government-sponsored enterprises, FNMA and FHLMC (collectively the GSEs), or GNMA in the case of Federal Housing Administration (FHA)-insured and U.S. Department of Veterans Affairs (VA)-guaranteed mortgage loans. Securitization usually occurs in conjunction with or shortly after loan closing or purchase. In addition, the Corporation may, from time to time, securitize commercial mortgages it originates or purchases from other entities. The Corporation typically services the loans it securitizes. Further, the Corporation may retain beneficial interests in the securitization trusts

including senior and subordinate securities and equity tranches issued by the trusts. Except as described below and in Note 8 – Representations and Warranties Obligations and Corporate Guarantees, the Corporation does not provide guarantees or recourse to the securitization trusts other than standard representations and warranties.

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The table below summarizes select information related to first-lien mortgage securitizations for the three months ended March 31, 2012 and 2011.

First-lien Mortgage Securitizations

(Dollars in millions)	Residential Mortgage - Agency		Commercial Mortgage	
	Three Months Ended March 31			
	2012	2011	2012	2011
Cash proceeds from new securitizations ⁽¹⁾	\$6,338	\$53,081	\$325	\$—
Gain (loss) on securitizations, net of hedges ⁽²⁾	(17	) 172	—	—

- (1) The Corporation sells residential mortgage loans to GSEs in the normal course of business and receives MBS in exchange which may then be sold into the market to third-party investors for cash proceeds. Substantially all of the first-lien residential mortgage loans securitized are initially classified as LHFS and accounted for under the fair value option. As such, gains are recognized on these LHFS prior to securitization.
- (2) During the three months ended March 31, 2012 and 2011, the Corporation recognized \$319 million and \$1.1 billion of gains on these LHFS, net of hedges.

The Corporation recognizes consumer MSR from the sale or securitization of first-lien mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were \$1.3 billion and \$1.6 billion during the three months ended March 31, 2012 and 2011. Servicing advances on consumer mortgage loans, including securitizations where the Corporation has continuing involvement, were \$25.5 billion and \$26.0 billion at March 31, 2012 and December 31, 2011. The Corporation may have the option to repurchase delinquent loans out of securitization trusts, which reduces the amount of servicing advances it is required to make. During the three months ended March 31, 2012 and 2011, \$195 million and \$5.8 billion of loans were repurchased from first-lien securitization trusts as a result of loan delinquencies or in order to perform modifications. The majority of these loans repurchased were FHA-insured mortgages collateralizing GNMA securities. In addition, the Corporation has retained commercial MSR from the sale or securitization of commercial mortgage loans. Servicing fee and ancillary fee income on commercial mortgage loans serviced, including securitizations where the Corporation has continuing involvement, was \$1 million and \$3 million during the three months ended March 31, 2012 and 2011. Servicing advances on commercial mortgage loans, including securitizations where the Corporation has continuing involvement, were \$167 million and \$152 million at March 31, 2012 and December 31, 2011. For additional information on MSR, see Note 18 – Mortgage Servicing Rights.

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The table below summarizes select information related to first-lien mortgage securitization trusts in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

First-lien VIEs

	Residential Mortgage				Non-Agency				Commercial Mortgage	
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
(Dollars in millions)	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011
Unconsolidated VIEs										
Maximum loss exposure ⁽¹⁾	\$35,849	\$37,519	\$2,005	\$2,375	\$276	\$289	\$471	\$506	\$751	\$981
On-balance sheet assets										
Senior securities held ⁽²⁾ :										
Trading account assets	\$8,828	\$8,744	\$88	\$94	\$13	\$3	\$327	\$343	\$10	\$21
AFS debt securities	27,021	28,775	1,648	2,001	177	174	144	163	649	846
Subordinate securities held ⁽²⁾ :										
Trading account assets	—	—	—	—	64	30	—	—	2	3
AFS debt securities	—	—	25	26	12	30	—	—	—	—
Residual interests held	—	—	11	8	—	9	—	—	26	43
Total retained positions	\$35,849	\$37,519	\$1,772	\$2,129	\$266	\$246	\$471	\$506	\$687	\$913
Principal balance outstanding ⁽³⁾	\$1,092,283	\$1,198,766	\$58,205	\$61,207	\$71,581	\$73,949	\$97,814	\$101,622	\$70,151	\$76,645
Consolidated VIEs										
Maximum loss exposure ⁽¹⁾	\$50,033	\$50,648	\$421	\$450	\$422	\$419	\$—	\$—	\$—	\$—
On-balance sheet assets										
Loans and leases	\$49,331	\$50,159	\$1,258	\$1,298	\$946	\$892	\$—	\$—	\$—	\$—
Allowance for loan and lease losses	(6)	(6)	—	—	—	—	—	—	—	—

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Loans held-for-sale	—	—	—	—	632	622	—	—	—	—
All other assets	708	495	90	63	63	59	—	—	—	—
Total assets	\$50,033	\$50,648	\$1,348	\$1,361	\$1,641	\$1,573	\$—	\$—	\$—	\$—
On-balance sheet liabilities										
Commercial paper and other short-term borrowings	\$—	\$—	\$—	\$—	\$663	\$650	\$—	\$—	\$—	\$—
Long-term debt	—	—	1,347	1,360	961	911	—	—	—	—
All other liabilities	—	—	—	—	—	57	—	—	—	—
Total liabilities	\$—	\$—	\$1,347	\$1,360	\$1,624	\$1,618	\$—	\$—	\$—	\$—

Maximum loss exposure excludes the liability for representations and warranties obligations and corporate

(1) guarantees and also excludes servicing advances and MSR's. For more information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees and Note 18 – Mortgage Servicing Rights.

As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the

(2) three months ended March 31, 2012 and 2011, there were no OTTI losses recorded on those securities classified as AFS debt securities.

(3) Principal balance outstanding includes loans the Corporation transferred with which the Corporation has continuing involvement, which may include servicing the loans.

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Home Equity Loans

The Corporation retains interests in home equity securitization trusts to which it transferred home equity loans. These retained interests include senior and subordinate securities and residual interests. In addition, the Corporation may be obligated to provide subordinate funding to the trusts during a rapid amortization event. The Corporation also services the loans in the trusts. Except as described below and in Note 8 – Representations and Warranties Obligations and Corporate Guarantees, the Corporation does not provide guarantees or recourse to the securitization trusts other than standard representations and warranties. There were no securitizations of home equity loans during the three months ended March 31, 2012 and 2011. All of the home equity trusts have entered the amortization phase, and accordingly, there were no collections reinvested in revolving period securitizations for the three months ended March 31, 2012 and 2011.

The table below summarizes select information related to home equity loan securitization trusts in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

Home Equity Loan VIEs

(Dollars in millions)	March 31, 2012			December 31, 2011		
	Consolidated VIEs	Unconsolidated VIEs	Total	Consolidated VIEs	Unconsolidated VIEs	Total
Maximum loss exposure ⁽¹⁾	\$2,592	\$ 7,236	\$9,828	\$2,672	\$ 7,563	\$10,235
On-balance sheet assets						
Trading account assets	\$—	\$ 5	\$5	\$—	\$ 5	\$5
AFS debt securities	—	14	14	—	13	13
Loans and leases	2,859	—	2,859	2,975	—	2,975
Allowance for loan and lease losses	(267)	—	(267)	(303)	—	(303)
Total	\$2,592	\$ 19	\$2,611	\$2,672	\$ 18	\$2,690
On-balance sheet liabilities						
Long-term debt	\$2,966	\$ —	\$2,966	\$3,081	\$ —	\$3,081
All other liabilities	76	—	76	66	—	66
Total	\$3,042	\$ —	\$3,042	\$3,147	\$ —	\$3,147
Principal balance outstanding	\$2,859	\$ 13,871	\$16,730	\$2,975	\$ 14,422	\$17,397

For unconsolidated VIEs, the maximum loss exposure includes outstanding trust certificates issued by trusts in ⁽¹⁾ rapid amortization, net of recorded reserves, and excludes the liability for representations and warranties obligations and corporate guarantees.

Included in the table above are consolidated and unconsolidated home equity loan securitizations that have entered a rapid amortization period and for which the Corporation is obligated to provide subordinated funding. During this period, cash payments from borrowers are accumulated to repay outstanding debt securities and the Corporation continues to make advances to borrowers when they draw on their lines of credit. For additional information, see Note 8 – Securitizations and Other Variable Interest Entities to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. At March 31, 2012 and December 31, 2011, home equity loan securitization transactions in rapid amortization for which the Corporation has a subordinated funding obligation, including both consolidated and unconsolidated trusts, had \$10.2 billion and \$10.7 billion of trust certificates outstanding. This amount is significantly greater than the amount the Corporation expects to fund. The charges that will ultimately be recorded as a result of the rapid amortization events depend on the undrawn available credit on the home equity lines, which totaled \$417 million and \$460 million at March 31, 2012 and December 31, 2011, as well as performance of the loans, the amount of subsequent draws and the timing of related cash flows. At March 31, 2012 and December 31, 2011, the reserve for losses on expected future draw obligations on the home equity loan securitizations in rapid

amortization for which the Corporation has a subordinated funding obligation was \$63 million and \$69 million.

The Corporation has consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded \$17 million of servicing fee income related to home equity loan securitizations during both the three months ended March 31, 2012 and 2011.

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Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation's continuing involvement with the securitization trusts includes servicing the receivables, retaining an undivided interest (seller's interest) in the receivables, and holding certain retained interests including senior and subordinate securities, discount receivables, subordinate interests in accrued interest and fees on the securitized receivables, and cash reserve accounts. The seller's interest in the trusts, which is pari passu to the investors' interest, and the discount receivables are classified in loans and leases.

The table below summarizes select information related to credit card securitization trusts in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

Credit Card VIEs

(Dollars in millions)	March 31 2012	December 31 2011
Consolidated VIEs		
Maximum loss exposure	\$38,076	\$ 38,282
On-balance sheet assets		
Derivative assets	\$400	\$ 788
Loans and leases ⁽¹⁾	70,019	74,793
Allowance for loan and lease losses	(4,226)	(4,742)
All other assets ⁽²⁾	580	723
Total	\$66,773	\$ 71,562
On-balance sheet liabilities		
Long-term debt	\$28,612	\$ 33,076
All other liabilities	85	204
Total	\$28,697	\$ 33,280
Trust loans	\$70,019	\$ 74,793

(1) At March 31, 2012 and December 31, 2011, loans and leases included \$29.3 billion and \$28.7 billion of seller's interest and \$618 million and \$1.0 billion of discount receivables.

(2) At March 31, 2012 and December 31, 2011, all other assets included restricted cash accounts and unbilled accrued interest and fees.

The Corporation holds subordinate securities with a notional principal amount of \$11.1 billion and a stated interest rate of zero percent issued by certain credit card securitization trusts. In addition, during 2010 and 2009 the Corporation elected to designate a specified percentage of new receivables transferred to the trusts as "discount receivables" such that principal collections thereon are added to finance charges which increases the yield in the trust. Through the designation of newly transferred receivables as discount receivables, the Corporation subordinated a portion of its seller's interest to the investors' interest. These actions were taken to address the decline in the excess spread of the U.S. and U.K. credit card securitization trusts.

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Other Asset-backed Securitizations

Other asset-backed securitizations include resecuritization trusts, municipal bond trusts, and automobile and other securitization trusts. The table below summarizes select information related to other asset-backed securitizations in which the Corporation held a variable interest at March 31, 2012 and December 31, 2011.

Other Asset-backed VIEs

(Dollars in millions)	Resecuritization Trusts		Municipal Bond Trusts		Automobile and Other Securitization Trusts	
	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011
Unconsolidated VIEs						
Maximum loss exposure	\$26,110	\$ 31,140	\$3,611	\$ 3,752	\$91	\$ 93
On-balance sheet assets						
Senior securities held ^(1, 2) :						
Trading account assets	\$1,661	\$ 2,595	\$208	\$ 228	\$—	\$ —
AFS debt securities	24,301	27,616	—	—	79	81
Subordinate securities held ^(1, 2) :						
Trading account assets	1	—	—	—	—	—
AFS debt securities	70	544	—	—	—	—
Residual interests held ⁽³⁾	77	385	—	—	—	—
All other assets	—	—	—	—	12	12
Total retained positions	\$26,110	\$ 31,140	\$208	\$ 228	\$91	\$ 93
Total assets of VIEs	\$52,010	\$ 60,459	\$5,911	\$ 5,964	\$640	\$ 668
Consolidated VIEs						
Maximum loss exposure	\$—	\$ —	\$3,310	\$ 3,901	\$1,075	\$ 1,087
On-balance sheet assets						
Trading account assets	\$—	\$ —	\$3,310	\$ 3,901	\$—	\$ —
Loans and leases	—	—	—	—	4,218	4,923
Allowance for loan and lease losses	—	—	—	—	(5	) (7
All other assets	—	—	—	—	175	168
Total assets	\$—	\$ —	\$3,310	\$ 3,901	\$4,388	\$ 5,084
On-balance sheet liabilities						
Commercial paper and other short-term borrowings	\$—	\$ —	\$4,873	\$ 5,127	\$—	\$ —
Long-term debt	—	—	—	—	3,308	3,992
All other liabilities	—	—	—	—	95	90
Total liabilities	\$—	\$ —	\$4,873	\$ 5,127	\$3,403	\$ 4,082

As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the ⁽¹⁾ three months ended March 31, 2012 and 2011, there were no OTTI losses recorded on those securities classified as AFS debt securities.

⁽²⁾ The retained senior and subordinate securities were valued using quoted market prices or observable market inputs (Level 2 of the fair value hierarchy).

⁽³⁾ The retained residual interests are carried at fair value which was derived using model valuations (Level 2 of the fair value hierarchy).

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Resecuritization Trusts

The Corporation transfers existing securities, typically MBS, into resecuritization vehicles at the request of customers seeking securities with specific characteristics. The Corporation may also resecuritize securities within its investment portfolio for purposes of improving liquidity and capital, and managing credit or interest rate risk. Generally, there are no significant ongoing activities performed in a resecuritization trust and no single investor has the unilateral ability to liquidate the trust.

The Corporation resecuritized \$9.9 billion and \$2.5 billion of securities during the three months ended March 31, 2012 and 2011 and net gains on sales totaled zero and \$3 million. The Corporation consolidates a resecuritization trust if it has sole discretion over the design of the trust, including the identification of securities to be transferred in and the structure of securities to be issued, and also retains a variable interest that could potentially be significant to the trust. If one or a limited number of third-party investors share responsibility for the design of the trust and purchase a significant portion of securities, including subordinate securities issued by non-agency trusts, the Corporation does not consolidate the trust. There were no consolidated resecuritization trusts at March 31, 2012 and December 31, 2011.

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds. A majority of the bonds are rated AAA or AA and some benefit from insurance provided by third parties. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third-party investors. The Corporation may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days' notice. Should the Corporation be unable to remarket the tendered certificates, it is generally obligated to purchase them at par under standby liquidity facilities unless the bond's credit rating has declined below investment-grade or there has been an event of default or bankruptcy of the issuer and insurer.

The Corporation also provides credit enhancement to investors in certain municipal bond trusts whereby the Corporation guarantees the payment of interest and principal on floating-rate certificates issued by these trusts in the event of default by the issuer of the underlying municipal bond. If a customer holds the residual interest in a trust, that customer typically has the unilateral ability to liquidate the trust at any time, while the Corporation typically has the ability to trigger the liquidation of that trust if the market value of the bonds held in the trust declines below a specified threshold. This arrangement is designed to limit market losses to an amount that is less than the customer's residual interest, effectively preventing the Corporation from absorbing losses incurred on assets held within that trust.

During the three months ended March 31, 2012 and 2011, the Corporation was the transferor of assets into unconsolidated municipal bond trusts and received cash proceeds from new securitizations of \$75 million and \$67 million. At both March 31, 2012 and December 31, 2011, the principal balance outstanding for unconsolidated municipal bond securitization trusts for which the Corporation was transferor was \$2.5 billion.

The Corporation's liquidity commitments to unconsolidated municipal bond trusts, including those for which the Corporation was transferor, totaled \$3.4 billion and \$3.5 billion at March 31, 2012 and December 31, 2011. The weighted-average remaining life of bonds held in the trusts at March 31, 2012 was 8.9 years. There were no material write-downs or downgrades of assets or issuers during the three months ended March 31, 2012 and 2011.

Automobile and Other Securitization Trusts

The Corporation transfers automobile and other loans into securitization trusts, typically to improve liquidity or manage credit risk. At March 31, 2012, the Corporation serviced assets or otherwise had continuing involvement with

automobile and other securitization trusts with outstanding balances of \$5.0 billion, including trusts collateralized by automobile loans of \$3.3 billion, student loans of \$1.1 billion, and other loans and receivables of \$640 million. At December 31, 2011, the Corporation serviced assets or otherwise had continuing involvement with automobile and other securitization trusts with outstanding balances of \$5.8 billion, including trusts collateralized by automobile loans of \$3.9 billion, student loans of \$1.2 billion, and other loans and receivables of \$668 million.

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Collateralized Debt Obligation Vehicles

CDO vehicles hold diversified pools of fixed-income securities, typically corporate debt or ABS, which they fund by issuing multiple tranches of debt and equity securities. Synthetic CDOs enter into a portfolio of CDS to synthetically create exposure to fixed-income securities. CLOs, which are a subset of CDOs, hold pools of loans, typically corporate loans or commercial mortgages. CDOs are typically managed by third-party portfolio managers. The Corporation transfers assets to these CDOs, holds securities issued by the CDOs and may be a derivative counterparty to the CDOs, including a credit default swap counterparty for synthetic CDOs. The Corporation has also entered into total return swaps with certain CDOs whereby the Corporation absorbs the economic returns generated by specified assets held by the CDO. The Corporation receives fees for structuring CDOs and providing liquidity support for super senior tranches of securities issued by certain CDOs. No third parties provide a significant amount of similar commitments to these CDOs.