BANK OF AMERICA CORP /DE/
Form 10-Q
May 03, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2012
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact Name of Registrant as Specified in its Charter:
Bank of America Corporation
State or Other Jurisdiction of Incorporation or Organization:
Delaware
IRS Employer Identification Number:
56-0906609
Address of Principal Executive Offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant’s telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (check one).

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

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

On April 30, 2012, there were 10,776,690,824 shares of Bank of America Corporation Common Stock outstanding.

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

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressi future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements ma represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: the potential impacts of the European Union sovereign debt crisis; completion of tender offers for the repurchase of certain of our outstanding subordinated debt and trust preferred securities; the charge to income for each one percent reduction in the U.K. corporate income tax rate; the programs expected to be developed pursuant to the settlement agreements with the state attorneys general and U.S. Department of Justice; that the financial impact of the settlements is not expected to cause any additional provision or reserves as of March 31, 2012 based on the expected impact of the borrower assistance program and operating costs; that certain amounts may be reduced by credits earned for principal reductions; that our payment obligations under the settlement agreements with the Board of Governors of the Federal Reserve System (Federal Reserve) and the Office of the Comptroller of the Currency would be deemed satisfied by payments and provisions of relief under the settlement agreements; the planned schedule and details for implementation and completion of, and the expected impact from, Phase 1 and Phase 2 of Project New BAC, including estimated cost savings, including declines in certain noninterest expense categories; the impact of and costs associated with each of the agreements with the Bank of New York Mellon (as trustee for certain legacy Countrywide Financial Corporation (Countrywide) private-label securitization trusts), and each of the government-sponsored enterprises, Fannie Mae (FNMA) and Freddie Mac (collectively, the GSEs), to resolve bulk representations and warranties claims; our expectation that the $1.7 billion in claims from private-label securitization investors in the covered trusts under the private-label securitization settlement with the Bank of New York Mellon (the BNY Mellon Settlement) would be extinguished upon final court approval of the BNY Mellon Settlement; the belief that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in 2011 have provided for a substantial portion of the Corporation's non-GSE repurchase claims; the estimated range of possible loss for non-GSE representations and warranties exposure as of March 31, 2012 of up to $5 billion over existing accruals and the effect of adverse developments with respect to one or more of the assumptions underlying the liability for non-GSE representations and warranties and the corresponding estimated range of possible loss; the continually evolving behavior of the GSEs, and the Corporation's intention to monitor and repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs and update its processes related to these changing GSE behaviors; our expressed intention not to pay compensatory fees under the new GSE servicing guides; the adequacy of the liability for the remaining representations and warranties exposure to the GSEs and the future impact to earnings, including the impact on such estimated liability arising from the announcement by FNMA regarding mortgage rescissions, cancellations and claim denials; our beliefs regarding our ability to resolve rescissions before the expiration of the appeal period allowed by FNMA; our expectation that mortgage-related assessments, waivers and similar costs will remain elevated as additional loans are delayed in the foreclosure process; our expectation that higher costs related to resources necessary to implement new servicing standards mandated for the industry and to implement other operational changes, will continue; the expected repurchase claims on the 2004-2008 loan vintages, including the belief regarding reduced exposure related to loans originated after 2008; the Corporation's intention to vigorously contest any requests for repurchase for which it concludes that a valid basis does not exist; future impact of complying with the terms of the consent orders with federal bank regulators regarding the foreclosure process; the impact of delays in foreclosure sales in connection with the Corporation's continued process enhancements and any issues that may arise out of alleged irregularities in the

Corporation's foreclosure process; continued cooperation with investigations; the potential materiality of liability with respect to potential servicing-related claims; net interest income continuing to be muted in 2012; our estimates regarding the percentages of loans expected to prepay, default or reset in 2012 and thereafter; the net recovery projections for credit default swaps with monoline financial guarantors; the impact on economic conditions and on the Corporation arising from any further changes to the credit rating or perceived creditworthiness of instruments issued, insured or guaranteed by the U.S. government, or of institutions, agencies or instrumentalities directly linked to the U.S. government; the realizability of deferred tax assets prior to expiration of any carryforward periods; credit trends and conditions, including credit losses, credit reserves, the allowance for credit losses, the allowance for loan and lease losses, charge-offs, delinquency, collection and bankruptcy trends, and nonperforming asset levels, including continued expected reductions in the allowance for loan and lease losses in 2012; the role of non-core asset sales in our capital strategy; investment banking fees; consumer and commercial service charges, including the impact of changes in the Corporation’s overdraft policy and the Corporation’s ability to mitigate a decline in revenues; the effects of new accounting pronouncements; capital levels determined by or established in accordance with accounting principles generally accepted in the United States of America and with the requirements of various regulatory agencies, including our estimates of and ability to comply with any Basel capital and liquidity requirements endorsed by U.S. regulators within any applicable regulatory timelines; the revenue impact and the impact on the value of our assets and liabilities resulting from, and any mitigation actions taken in response to, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act), including, but not limited to, the Durbin Amendment; our expectations regarding the December 2011 amendment to the notice of proposed rulemaking on the Risk-based Capital Guidelines for Market Risk initially issued in December 2010; CRES’s ceasing to deliver purchase money first mortgage products into FNMA mortgage-backed securities pools and our expectation that this cessation will not have a material impact on CRES’s business; our expectations regarding losses in the event of legitimate mortgage insurance rescissions related to loans held for investment; our expressed intended actions in the response to repurchase requests with which we do not agree; the continued reduction of our long-term debt as appropriate through 2013; our expressed intention to consider additional repurchases and exchanges of our debt depending on prevailing market conditions, liquidity and other factors; the estimated range of possible loss from and the impact of various legal proceedings discussed in “Litigation and Regulatory Matters” in Note 10 – Commitments and Contingencies to the Consolidated Financial Statements; our management processes; credit protection maintained and the effects of certain events on those positions; our estimates of contributions to be made to pension plans; our expectations regarding probable losses related to unfunded lending commitments; our funding strategies including contingency plans; our trading risk management processes; our interest rate and mortgage banking risk management strategies and models; our expressed intention to build capital through retaining earnings, actively reducing legacy asset portfolios and implementing other capital-related initiatives, including focusing on reducing both higher risk-weighted assets and assets currently deducted or expected to be deducted under Basel III, from capital; and other matters relating to the Corporation and the securities that it may offer from time to time. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond Bank of America’s control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K, and in any of the Corporation’s subsequent Securities and Exchange Commission filings: the accuracy and variability of estimates and assumptions in determining the expected value of the loss-sharing reinsurance arrangement relating to the agreement with Assured Guaranty and the total cost of the agreement to the Corporation; the Corporation’s resolution of certain representations and warranties obligations with the GSEs and our ability to resolve the GSEs’ remaining claims; the Corporation’s ability to resolve its representations and warranties obligations, and any related servicing, securities, fraud, indemnity or other claims with monolines, and private-label investors and other investors, including those monolines and investors from whom the Corporation has not yet received claims or with whom it has not yet reached any resolutions; the Corporation’s mortgage modification policies and related results; the timing and amount of any potential dividend increase, including any necessary approvals; adverse changes to the Corporation's credit ratings from the three major credit rating agencies; estimates of the fair value of certain of the Corporation’s assets and liabilities; the identification and effectiveness of any initiatives to mitigate the negative impact of the Financial Reform Act; the Corporation’s ability to limit liabilities acquired as a result of the Merrill Lynch & Co., Inc. and Countrywide acquisitions; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, “the Corporation” may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation’s subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Banking, Global Markets and Global Wealth & Investment Management (GWIM), with the remaining operations recorded in All Other. Effective January 1, 2012, the Corporation changed its basis of presentation from six to the above five segments. For more information on this realignment, see Business Segment Operations on page 26. At March 31, 2012, the Corporation had $2.2 trillion in assets and approximately 279,000 full-time equivalent employees.

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As of March 31, 2012, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S., we serve 57 million consumer and small business relationships with approximately 5,700 banking centers, 17,250 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to approximately four million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

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

Table 1
Selected Financial Data

	Three Months Ended March 31			
(Dollars in millions, except per share information)	2012		2011	
Income statement				
Revenue, net of interest expense (FTE basis) (1)	$22,485		$27,095	
Net income	653		2,049	
Diluted earnings per common share	0.03		0.17	
Dividends paid per common share	0.01		0.01	
Performance ratios				
Return on average assets	0.12	%	0.36	%
Return on average tangible shareholders' equity (1)	1.67		5.54	
Efficiency ratio (FTE basis) (1)	85.13		74.86	
Asset quality				
Allowance for loan and lease losses at period end	$32,211		$39,843	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end (2)	3.61	%	4.29	%
Nonperforming loans, leases and foreclosed properties at period end (2)	$27,790		$31,643	
Net charge-offs	4,056		6,028	
Annualized net charge-offs as a percentage of average loans and leases outstanding (2)	1.80	%	2.61	%
Annualized net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired loans (2)	1.87		2.71	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.97		1.63	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs excluding purchased credit-impaired loans	1.43		1.31	

	March 31 2012		December 31 2011	
Balance sheet				
Total loans and leases	$902,294		$926,200	
Total assets	2,181,449		2,129,046	
Total deposits	1,041,311		1,033,041	
Total common shareholders' equity	213,711		211,704	
Total shareholders' equity	232,499		230,101	
Capital ratios				
Tier 1 common capital	10.78	%	9.86	%
Tier 1 capital	13.37		12.40	

Total capital	17.49	16.75
Tier 1 leverage	7.79	7.53

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these measures and ratios, and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 16.

(2) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 81 and corresponding Table 39, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 91 and corresponding Table 48.

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First Quarter 2012 Economic and Business Environment

The economic and financial environment for banking showed signs of improvement in the first quarter, as labor market recovery and rising equity values combined to raise consumer and business confidence. However, many key indicators of sustainable economic growth remain under pressure. While still elevated, the unemployment rate continued its recent decline ending the quarter at 8.2 percent compared to 8.5 percent at December 31, 2011. The solid equity market performance, supported by less volatile European financial conditions, provided a boost to consumer confidence. Consumer spending categories rose modestly. Retail spending was soft at the beginning of the year but gathered momentum as the quarter progressed. Despite the improvements, economic growth remained moderate as households continued to reduce debt and spend cautiously, businesses held cash and state and local government purchases continued to decline. Export activity was solid. Real estate activity showed some encouraging signs of stability although home prices continued to decline in many parts of the U.S. during the quarter. Business spending gains were moderate, largely related to the expiration of tax incentives for equipment and software purchases at the end of 2011. Rising gasoline prices were a concern during the quarter but oil price gains remained relatively stable. Despite the overall improvements in U.S. economic performance in the past two quarters, anxiety that the economy will lose momentum near mid-year persists.

During the quarter, the Board of Governors of the Federal Reserve System (Federal Reserve) extended its guidance for the exceptionally low level of the federal funds rate at least through late 2014. It also continued its program of extending the maturity of its portfolio by buying longer term Treasury securities and selling short-term holdings, which is scheduled to be complete by mid-year. Market speculation about extending the maturity extension program or initiating further outright security purchases after the completion of the current program increased during the quarter, as the Federal Reserve acknowledged economic and labor market improvement while stressing that conditions have not normalized.

An agreement on a Greek debt restructuring and a large European Central Bank program establishing long-term lending to European banks helped stabilize European sovereign debt markets and improve worldwide financial conditions during the quarter. Nevertheless, a mild, but uneven economic recession continued in most European Union nations especially nations undertaking substantial fiscal and market reforms. Late in the first quarter, concern about Spain's contracting economy and large budget deficit, and renewed anxiety over Italy's economic reforms pushed European sovereign yields higher, offsetting a portion of earlier yield declines. This trend continued early in the second quarter, as concern about Europe continued, stemming from the negative impacts of the economic recession, resistance to implementing economic reforms and fiscal measures, as well as rising government debt-to-gross domestic product ratios. In response to rising bond yields, an enhanced financial support package was established by the International Monetary Fund in March 2012 to slow further deterioration in Europe.

Japan continued to recover moderately from the earthquake in early 2011. China's economic growth slowed during the quarter. Other Asian nations continued to expand during the quarter. For more information on our exposure in Europe, Asia, Latin America and Japan, see Non-U.S. Portfolio on page 96.

Recent Events

U.S. Department of Justice / Attorney General Matters

On March 12, 2012, the Corporation and certain of its affiliates and subsidiaries, together with the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD) and other federal agencies (together, the Federal Agencies) and 49 state attorneys general (the State AGs), caused a consent judgment (the Consent Judgment) concerning the terms of a global settlement resolving investigations into certain origination, servicing and foreclosure practices (the Global Settlement Agreement) to be filed in the U.S. District Court for the District of Columbia. The

Global Settlement Agreement embodies the agreements related to the previously announced agreements in principle reached on February 9, 2012 with (1) the Federal Agencies and State AGs to resolve federal and state investigations into certain origination, servicing and foreclosure practices, and (2) the Federal Housing Administration (FHA) to resolve certain claims relating to the origination of FHA-insured mortgage loans, primarily by legacy Countrywide prior to and for a period following the Corporation's acquisition of that company. The Consent Judgment was entered by the court on April 5, 2012, and separate settlement agreements with the Federal Reserve and the Office of the Comptroller of the Currency (OCC) relating to servicing and foreclosure practices also became effective. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51 and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Stress Test Results

On March 13, 2012, the Federal Reserve announced the results of its 2012 Comprehensive Capital Analysis and Review project (CCAR). The Federal Reserve's stress scenario projections for the Corporation estimated a minimum Tier 1 common capital ratio of 5.9 percent under severe adverse economic conditions with all proposed capital actions through the end of 2013, exceeding the 5 percent reference rate for all institutions involved in the CCAR. The capital plan submitted by the Corporation to the Federal Reserve did not include a request to return capital to stockholders for 2012 above the current dividend rate. The Federal Reserve did not object to our planned capital actions. For additional information, see Capital Management – Regulatory Capital Changes on page 55.

Capital and Liquidity Related Matters

During the three months ended March 31, 2012, we entered into a series of transactions involving repurchases of our subordinated debt, and exchanges of preferred stock and trust preferred securities. In a tender offer and certain open market transactions, we repurchased subordinated debt with a carrying value of $4.8 billion for $3.8 billion in cash, and recorded gains of $1.0 billion. Also, we exchanged various series of our outstanding non-convertible perpetual preferred stock with a carrying value of $296 million and trust preferred securities issued by various unconsolidated trusts for approximately 50 million shares of the Corporation's common stock, with a fair value of $412 million, and $398 million in cash. The trust preferred securities were then exchanged with the unconsolidated trusts for an equal principal amount of junior subordinated debt that had a carrying value of $760 million, effectively retiring the debt. In connection with these exchanges, we recorded gains of $202 million and a $44 million reduction to preferred stock dividends. These transactions in the aggregate increased Tier 1 common capital by $1.7 billion or 13 basis points (bps) under Basel I.

As credit spreads for many financial institutions, including the Corporation, remain at wide levels, the market value of debt previously issued by financial institutions has decreased making it economically advantageous to repurchase and retire certain of our outstanding debt. On April 25, 2012, we commenced tender offers for the repurchase of certain of our outstanding subordinated debt and trust preferred securities for aggregate consideration payable in these transactions of up to $1.75 billion in cash (such aggregate consideration is subject to increase). The Federal Reserve Bank of Richmond, in consultation with the Board of Governors of the Federal Reserve System, has informed us that it has approved this capital action. We will consider additional repurchases and exchanges in the future depending on prevailing market conditions, liquidity and other factors. If the purchase of any debt instruments is at an amount less than the carrying value, such purchases would be accretive to earnings and capital.

Credit Ratings

On February 15, 2012, Moody's Investors Service, Inc. (Moody's) placed the Corporation's long-term debt rating and Bank of America, N.A.'s (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, the agency offered guidance that downgrades to our ratings, if any, would likely be limited to one notch.

The major rating agencies (Moody's, Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch)) have each indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments. For information regarding the risks associated with adverse changes in our credit ratings, see Liquidity Risk – Credit Ratings on page 65, Note 3 – Derivatives to the Consolidated Financial Statements and Item 1A. Risk Factors of the

Corporation's 2011 Annual Report on Form 10-K.

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Performance Overview

Net income was $653 million for the three months ended March 31, 2012 compared to $2.0 billion for the same period in 2011. After preferred stock dividends of $325 million and $310 million for the three months ended March 31, 2012 and 2011, net income applicable to common shareholders was $328 million, or $0.03 per diluted common share, compared to $1.7 billion, or $0.17 per diluted common share. Certain items that affected pre-tax income for the three months ended March 31, 2012 were the following: provision for credit losses of $2.4 billion which included a reserve reduction of $1.6 billion, gains of $1.2 billion on debt repurchases and exchanges of trust preferred securities, equity investment income of $765 million and $752 million of gains on sales of debt securities. These items were more than offset by negative fair value adjustments of $3.3 billion on structured liabilities related to tightening of our own credit spreads, DVA losses on derivatives of $1.5 billion, net of hedges, annual retirement-eligible incentive compensation costs of $892 million and litigation expense of $793 million.

Table 2
Summary Income Statement

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Net interest income (FTE basis) [(1)]	$11,053	$12,397
Noninterest income	11,432	14,698
Total revenue, net of interest expense (FTE basis) [(1)]	22,485	27,095
Provision for credit losses	2,418	3,814
All other noninterest expense	19,141	20,283
Income before income taxes	926	2,998
Income tax expense (FTE basis) [(1)]	273	949
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

(1) FTE basis is a non-GAAP financial measure. For additional information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 16.

Net interest income on a fully taxable-equivalent (FTE) basis decreased $1.3 billion to $11.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decrease was primarily driven by lower consumer loan balances and yields. Lower trading-related net interest income also negatively impacted the results. These decreases were partially offset by ongoing reductions in long-term debt balances. The net interest yield on a FTE basis was 2.51 percent and 2.67 percent for the three months ended March 31, 2012 and 2011.

Noninterest income decreased $3.3 billion to $11.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The most significant contributors to the decline were the negative fair value adjustments on structured liabilities, net DVA losses and a $710 million decrease in equity investment income. These declines were partially offset by gains on debt repurchases and exchanges of trust preferred securities and a $731 million decrease in representations and warranties provision. For additional information on the repurchases and exchanges, see Liquidity Risk on page 60.

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 primarily driven by improvement in bankruptcies and delinquencies across the U.S. credit card and unsecured consumer lending portfolios, reductions in the home equity portfolio and improvement in economic conditions impacting the core commercial portfolio partially offset by additions to the consumer purchased credit-impaired (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.

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Noninterest expense decreased $1.1 billion to $19.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decline was driven by a decrease of $1.1 billion in other general operating expense which included declines of $464 million in mortgage-related assessments, waivers and similar costs related to delayed foreclosures, and $147 million in litigation expense. The decline in litigation expense was primarily due to lower mortgage-related litigation expense.

Income tax expense on a FTE basis was $273 million on pre-tax income of $926 million for three months ended March 31, 2012 compared to $949 million on pre-tax income of $3.0 billion for same period in 2011. For more information, see Financial Highlights – Income Tax Expense on page 12.

Segment Results

Table 3
Business Segment Results

	Three Months Ended March 31			
	Total Revenue [1]		Net Income (Loss)	
(Dollars in millions)	2012	2011	2012	2011
Consumer & Business Banking (CBB)	$7,420	$8,464	$1,454	$2,041
Consumer Real Estate Services (CRES)	2,674	2,063	(1,145)	(2,400)
Global Banking	4,451	4,702	1,590	1,584
Global Markets	4,193	5,272	798	1,394
Global Wealth & Investment Management (GWIM)	4,360	4,496	547	542
All Other	(613)	2,098	(2,591)	(1,112)
Total FTE basis	22,485	27,095	653	2,049
FTE adjustment	(207)	(218)	—	—
Total Consolidated	$22,278	$26,877	$653	$2,049

(1) Total revenue is net of interest expense and is on a FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 16.

The following discussion provides an overview of the results of our business segments and All Other for the three months ended March 31, 2012 compared to the same period in 2011. For additional information on these results, see Business Segment Operations on page 26.

CBB net income decreased due to a decline in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Revenue decreased driven by a decline in net interest income from lower average loans and yields and lower noninterest income from the impact of the Durbin Amendment. The provision for credit losses increased, primarily within the Card Services business, which included lower reserve reductions during the three months ended March 31, 2012. Noninterest expense declined due to lower Federal Deposit Insurance Corporation (FDIC), marketing and operating expenses.

CRES net loss, which was primarily driven by continued high costs of managing delinquent and defaulted loans in the servicing portfolio, decreased due to an increase in revenue and decreases in noninterest expense and provision for credit losses. Revenue rose due to increased mortgage banking income driven by a decrease in representations and warranties provision and higher core production income, partially offset by lower insurance income. Noninterest expense decreased due to a decline in litigation expense, lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures, lower production and insurance expenses. The decrease in insurance income and expense was driven by the sale of Balboa Insurance Company's lender-placed insurance business (Balboa) in June

2011.

Global Banking net income remained relatively unchanged as lower noninterest expense and provision for credit losses offset a decline in revenue. Revenue decreased driven by lower investment banking fees mainly from a decline in advisory and equity underwriting fees and lower accretion on acquired portfolios. Provision for credit losses improved due to improving asset quality in the commercial real estate portfolio. Noninterest expense decreased primarily due to lower personnel expenses.

Global Markets net income decreased driven by net DVA losses partially offset by an improved market environment. Net DVA losses increased due to significant tightening of our credit spreads. Sales and trading revenue, excluding net DVA losses, increased resulting from higher fixed income, currencies and commodities (FICC) sales and trading revenue partially offset by a decrease in equity sales and trading revenue.

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GWIM net income remained relatively unchanged as lower noninterest expense was offset by lower revenue. Revenue decreased primarily driven by lower transactional activity. Noninterest expense decreased driven by lower FDIC expense and volume-driven expenses, lower litigation expense and other reductions related to expense discipline, partially offset by expenses related to the continued investment in the business.

All Other net loss increased primarily due to an increase in negative fair value adjustments on structured liabilities and lower equity investment income, partially offset by gains on subordinated debt repurchases and exchanges of trust preferred securities. Equity investment income decreased as the year-ago quarter included a gain on an equity investment in connection with an initial public offering (IPO). Provision for credit losses decreased primarily driven by lower reserve additions to the PCI discontinued real estate and residential mortgage portfolios, as well as improvement in delinquencies and bankruptcies in the non-U.S. credit card portfolio. Noninterest expense increased due to higher litigation expense.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased $1.3 billion to $11.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decrease was primarily driven by lower consumer loan balances and yields. Lower trading-related net interest income also negatively impacted the results. These decreases were partially offset by ongoing reductions in long-term debt balances. The net interest yield on a FTE basis decreased 16 bps to 2.51 percent for the three months ended March 31, 2012 compared to the same period in 2011 as the yield continues to be under pressure due to the aforementioned items and the low rate environment. We expect net interest income to continue to be muted in 2012 based on the current forward yield curve.

Noninterest Income

Table 4
Noninterest Income

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
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
Net impairment losses recognized in earnings on AFS debt securities	(40)	(88)
Total noninterest income	$11,432	$14,698

Noninterest income decreased $3.3 billion to $11.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The following highlights the significant changes.

- Card income decreased $371 million primarily driven by the implementation of interchange fee rules under the Durbin Amendment, which became effective on October 1, 2011.

- Equity investment income decreased $710 million as the year-ago quarter included a $1.1 billion gain related to an IPO of an equity investment.

- Trading account profits decreased $647 million primarily driven by net DVA losses on derivatives of $1.5 billion compared to net DVA losses of $357 million for the same period in 2011 as a result of significant tightening of our credit spreads. The impact of the net DVA losses was partially offset by increased sales and trading results, particularly within our FICC businesses reflecting some stabilization of the European debt crisis and improved market sentiment during the quarter.

- Mortgage banking income increased $982 million primarily driven by a $731 million decrease in the representations and warranties provision and higher margins on production volume.

- Insurance income decreased $673 million primarily driven by the sale of Balboa in June 2011 and a $200 million provision related to payment protection insurance (PPI) claims in the U.K.

- Other income decreased $1.4 billion primarily driven by negative fair value adjustments on our structured liabilities of $3.3 billion compared to $586 million for the same period in 2011, partially offset by $1.2 billion of gains related to subordinated debt repurchases and exchanges of trust preferred securities during this quarter.

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 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 for credit losses was primarily driven by improvement in delinquencies and bankruptcies across the U.S. credit card and unsecured consumer lending portfolios, 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. The reduction in the allowance for credit losses was 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 related to our 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. The provision for credit losses related to our commercial portfolio including the provision for unfunded lending commitments decreased $113 million to a benefit of $226 million.

Net charge-offs totaled $4.1 billion, or 1.80 percent of average loans and leases for the three months ended March 31, 2012 compared to $6.0 billion, or 2.61 percent for the same period in 2011. The decrease in net charge-offs was primarily driven by fewer delinquent loans, improved collection rates and lower bankruptcy filings across the U.S. credit card and unsecured consumer lending portfolios, as well as lower net charge-offs in the home equity and core commercial portfolios. For more information on the provision for credit losses, see Provision for Credit Losses on page 100.

Noninterest Expense

Table 5
Noninterest Expense

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Personnel	$10,188	$10,168
Occupancy	1,142	1,189
Equipment	611	606
Marketing	465	564
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

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Noninterest expense decreased $1.1 billion to $19.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decrease was driven by a $1.1 billion decrease in other general operating expenses primarily as a result of a $464 million decrease in mortgage-related assessments, waivers and similar costs related to delayed foreclosures, and a decrease of $147 million in litigation expense. The decline in litigation expense was primarily due to lower mortgage-related litigation expense. Professional fees and data processing expenses both increased due to the build-out and continuing default management activities in Legacy Assets & Servicing within CRES.

We expect to achieve cost savings in certain noninterest expense categories as we continue to streamline workflows, simplify processes and align expenses with our overall strategic plan and operating principles as part of Project New BAC. Phase 1 implementation continued during the three months ended March 31, 2012 and we are nearing completion of Phase 2 evaluations. We anticipate that more than 20 percent of the $5 billion per year in Phase 1 cost savings could be achieved by the end of 2012 and that all aspects of Project New BAC will be fully implemented by the end of 2014. For additional information, see Recent Events – Project New BAC on page 30 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Income Tax Expense

Income tax expense was $66 million for the three months ended March 31, 2012 compared to $731 million for the same period in 2011 and resulted in an effective tax rate of 9.2 percent compared to 26.3 percent in the prior year.

The effective tax rate for the three months ended March 31, 2012 was primarily driven by $128 million of discrete tax benefits and by our recurring tax preference items. The percentage impact of the discrete benefits and tax preference items on the effective tax rate was due to the low level of pre-tax earnings. The effective tax rate for the three months ended March 31, 2011 was primarily driven by the impact of our recurring tax preference items.

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

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Balance Sheet Overview

Table 6
Selected Balance Sheet Data

(Dollars in millions)	March 31 2012	December 31 2011	Average Balance Three Months Ended March 31 2012	2011
Assets				
Federal funds sold and securities borrowed or purchased under agreements to resell	$225,784	$211,183	$233,061	$227,379
Trading account assets	209,775	169,319	175,778	221,041
Debt securities	331,245	311,416	327,758	335,847
Loans and leases	902,294	926,200	913,722	938,966
Allowance for loan and lease losses	(32,211)	(33,783)	(33,210)	(40,760)
All other assets	544,562	544,711	570,065	656,065
Total assets	$2,181,449	$2,129,046	$2,187,174	$2,338,538
Liabilities				
Deposits	$1,041,311	$1,033,041	$1,030,112	$1,023,140
Federal funds purchased and securities loaned or sold under agreements to repurchase	258,491	214,864	256,405	306,415
Trading account liabilities	70,414	60,508	71,872	83,914
Commercial paper and other short-term borrowings	39,254	35,698	36,651	65,158
Long-term debt	354,912	372,265	363,518	440,511
All other liabilities	184,568	182,569	196,050	188,631
Total liabilities	1,948,950	1,898,945	1,954,608	2,107,769
Shareholders' equity	232,499	230,101	232,566	230,769
Total liabilities and shareholders' equity	$2,181,449	$2,129,046	$2,187,174	$2,338,538

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

Assets

At March 31, 2012, total assets were $2.2 trillion, an increase of $52.4 billion, or two percent, from December 31, 2011. This increase was driven by trading account assets due to increases in U.S. Treasuries and EMEA sovereign debt and hedges in leveraged credit trading; debt securities primarily driven by net purchases of agency mortgage-backed securities (MBS); federal funds sold and securities borrowed or purchased under agreements to resell to cover increases in client short positions; and customer financing activity through the match book and collateral requirements. These increases were partially offset by lower consumer loan balances primarily due to paydowns and charge-offs outpacing new originations.

Average total assets decreased $151.4 billion for the three months ended March 31, 2012 compared to the same period in 2011 driven by lower consumer loan balances primarily due to a reduction in the home equity portfolio, run-off of non-core portfolios and divestitures; sales of strategic investments; lower cash balances held at the Federal Reserve and a decrease in our mortgage servicing rights (MSR) asset.

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Liabilities and Shareholders’ Equity

At March 31, 2012, total liabilities were $1.9 trillion, an increase of $50.0 billion, or three percent, from December 31, 2011 primarily driven by securities sold under agreement to repurchase due to funding trading inventory resulting from customer demand. Partially offsetting this increase were reductions in long-term debt primarily driven by maturities and buybacks outpacing issuances as part of the Corporation's strategy to reduce our long-term debt levels.

Average total liabilities decreased $153.2 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decreases were primarily driven by planned reductions in long-term debt due to the Corporation's strategy to reduce our long-term debt levels, reductions in our use of federal funds purchased and securities loaned or sold under agreements to repurchase, and a decrease in short-term borrowings due to the Corporation's reduced use of commercial paper and master notes.

At March 31, 2012, shareholders’ equity was $232.5 billion, an increase of $2.4 billion, or one percent, from December 31, 2011 due to positive earnings, common stock issued under employee plans and in connection with exchanges of preferred and trust preferred securities, and adjustments to employee benefit plans driven by a curtailment of the Corporation's Qualified Pension Plans, offset by a decrease in unrealized gains on available-for-sale (AFS) debt securities in other comprehensive income (OCI).

Average shareholders' equity increased $1.8 billion for the three months ended March 31, 2012 compared to the same period in 2011 primarily driven by the same factors as noted above, offset by a decrease in unrealized gains on AFS marketable equity securities in OCI.

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Table 7
Selected Quarterly Financial Data

(In millions, except per share information)	2012 Quarter First	2011 Quarters Fourth	Third	Second	First
Income statement					
Net interest income	$10,846	$10,701	$10,490	$11,246	$12,179
Noninterest income	11,432	14,187	17,963	1,990	14,698
Total revenue, net of interest expense	22,278	24,888	28,453	13,236	26,877
Provision for credit losses	2,418	2,934	3,407	3,255	3,814
Goodwill impairment	—	581	—	2,603	—
Merger and restructuring charges	—	101	176	159	202
All other noninterest expense (1)	19,141	18,840	17,437	20,094	20,081
Income (loss) before income taxes	719	2,432	7,433	(12,875)	2,780
Income tax expense (benefit)	66	441	1,201	(4,049)	731
Net income (loss)	653	1,991	6,232	(8,826)	2,049
Net income (loss) applicable to common shareholders	328	1,584	5,889	(9,127)	1,739
Average common shares issued and outstanding	10,651	10,281	10,116	10,095	10,076
Average diluted common shares issued and outstanding (2)	10,762	11,125	10,464	10,095	10,181
Performance ratios					
Return on average assets	0.12 %	0.36 %	1.07 %	n/m	0.36 %
Four quarter trailing return on average assets (3)	n/m	0.06	n/m	n/m	n/m
Return on average common shareholders' equity	0.62	3.00	11.40	n/m	3.29
Return on average tangible common shareholders' equity (4)	0.95	4.72	18.30	n/m	5.28
Return on average tangible shareholders' equity (4)	1.67	5.20	17.03	n/m	5.54
Total ending equity to total ending assets	10.66	10.81	10.37	9.83 %	10.15
Total average equity to total average assets	10.63	10.34	9.66	10.05	9.87
Dividend payout	34.97	6.60	1.73	n/m	6.06
Per common share data					
Earnings (loss)	$0.03	$0.15	$0.58	$(0.90)	$0.17
Diluted earnings (loss) (2)	0.03	0.15	0.56	(0.90)	0.17
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	19.83	20.09	20.80	20.29	21.15
Tangible book value (4)	12.87	12.95	13.22	12.65	13.21
Market price per share of common stock					
Closing	$9.57	$5.56	$6.12	$10.96	$13.33
High closing	9.93	7.35	11.09	13.72	15.25
Low closing	5.80	4.99	6.06	10.50	13.33
Market capitalization	$103,123	$58,580	$62,023	$111,060	$135,057
Average balance sheet					
Total loans and leases	$913,722	$932,898	$942,032	$938,513	$938,966
Total assets	2,187,174	2,207,567	2,301,454	2,339,110	2,338,538
Total deposits	1,030,112	1,032,531	1,051,320	1,035,944	1,023,140
Long-term debt	363,518	389,557	420,273	435,144	440,511
Common shareholders' equity	214,150	209,324	204,928	218,505	214,206
Total shareholders' equity	232,566	228,235	222,410	235,067	230,769

Asset quality[5]										
Allowance for credit losses [6]	$32,862		$34,497		$35,872		$38,209		$40,804	
Nonperforming loans, leases and foreclosed properties [7]	27,790		27,708		29,059		30,058		31,643	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [7]	3.61	%	3.68	%	3.81	%	4.00	%	4.29	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [7]	126		135		133		135		135	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio [6]	91		101		101		105		108	
Amounts included in allowance that are excluded from nonperforming loans [8]	$17,006		$17,490		$18,317		$19,935		$22,110	
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans [8]	60	%	65	%	63	%	63	%	60	%
Net charge-offs	$4,056		$4,054		$5,086		$5,665		$6,028	
Annualized net charge-offs as a percentage of average loans and leases outstanding [7]	1.80	%	1.74	%	2.17	%	2.44	%	2.61	%
Nonperforming loans and leases as a percentage of total loans and leases outstanding [7]	2.85		2.74		2.87		2.96		3.19	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [7]	3.10		3.01		3.15		3.22		3.40	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.97		2.10		1.74		1.64		1.63	
Capital ratios (period end)										
Risk-based capital:										
Tier 1 common	10.78	%	9.86	%	8.65	%	8.23	%	8.64	%
Tier 1	13.37		12.40		11.48		11.00		11.32	
Total	17.49		16.75		15.86		15.65		15.98	
Tier 1 leverage	7.79		7.53		7.11		6.86		7.25	
Tangible equity [4]	7.48		7.54		7.16		6.63		6.85	
Tangible common equity [4]	6.58		6.64		6.25		5.87		6.10	

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

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

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

(4) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these ratios and corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 16 and Table 8 on pages 17 through 20.

(5) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 67.

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

(7) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 81 and corresponding Table 39, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 91 and corresponding Table 48.

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

n/m = not meaningful

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Supplemental Financial Data

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

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

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

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

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

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

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

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

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

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The aforementioned supplemental data and performance measures are presented in Tables 7 and 8. In addition, in Table 8 we have excluded the impact of goodwill impairment charges of $581 million and $2.6 billion recorded in the fourth and second quarters of 2011 when presenting certain of these metrics. Accordingly, these are non-GAAP financial measures. Table 8 provides reconciliations of these non-GAAP financial measures with financial measures defined by GAAP. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 8
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	2012 Quarter	2011 Quarters			
(Dollars in millions, except per share information)	First	Fourth	Third	Second	First
Fully taxable-equivalent basis data					
Net interest income	$11,053	$10,959	$10,739	$11,493	$12,397
Total revenue, net of interest expense	22,485	25,146	28,702	13,483	27,095
Net interest yield	2.51 %	2.45 %	2.32 %	2.50 %	2.67 %
Efficiency ratio	85.13	77.64	61.37	n/m	74.86
Performance ratios, excluding goodwill impairment charges [1]					
Per common share information					
Earnings (loss)		$0.21		$(0.65)	
Diluted earnings (loss)		0.20		(0.65)	
Efficiency ratio (FTE basis)		75.33 %		n/m	
Return on average assets		0.46		n/m	
Four quarter trailing return on average assets [2]		0.20		n/m	
Return on average common shareholders' equity		4.10		n/m	
Return on average tangible common shareholders' equity		6.46		n/m	
Return on average tangible shareholders' equity		6.72		n/m	

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

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

n/m = not meaningful

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Table 8
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

(Dollars in millions)	2012 Quarter First	2011 Quarters Fourth	Third	Second	First
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$10,846	$10,701	$10,490	$11,246	$12,179
Fully taxable-equivalent adjustment	207	258	249	247	218
Net interest income on a fully taxable-equivalent basis	$11,053	$10,959	$10,739	$11,493	$12,397
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$22,278	$24,888	$28,453	$13,236	$26,877
Fully taxable-equivalent adjustment	207	258	249	247	218
Total revenue, net of interest expense on a fully taxable-equivalent basis	$22,485	$25,146	$28,702	$13,483	$27,095
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges					
Total noninterest expense	$19,141	$19,522	$17,613	$22,856	$20,283
Goodwill impairment charges	—	(581)	—	(2,603)	—
Total noninterest expense, excluding goodwill impairment charges	$19,141	$18,941	$17,613	$20,253	$20,283
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$66	$441	$1,201	$(4,049)	$731
Fully taxable-equivalent adjustment	207	258	249	247	218
Income tax expense (benefit) on a fully taxable-equivalent basis	$273	$699	$1,450	$(3,802)	$949
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges					
Net income (loss)	$653	$1,991	$6,232	$(8,826)	$2,049
Goodwill impairment charges	—	581	—	2,603	—
Net income (loss), excluding goodwill impairment charges	$653	$2,572	$6,232	$(6,223)	$2,049
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges					
Net income (loss) applicable to common shareholders	$328	$1,584	$5,889	$(9,127)	$1,739
Goodwill impairment charges	—	581	—	2,603	—
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$328	$2,165	$5,889	$(6,524)	$1,739

Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$214,150	$209,324	$204,928	$218,505	$214,206
Goodwill	(69,967)	(70,647)	(71,070)	(73,748)	(73,922)
Intangible assets (excluding MSRs)	(7,869)	(8,566)	(9,005)	(9,394)	(9,769)
Related deferred tax liabilities	2,700	2,775	2,852	2,932	3,035
Tangible common shareholders' equity	$139,014	$132,886	$127,705	$138,295	$133,550
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$232,566	$228,235	$222,410	$235,067	$230,769
Goodwill	(69,967)	(70,647)	(71,070)	(73,748)	(73,922)
Intangible assets (excluding MSRs)	(7,869)	(8,566)	(9,005)	(9,394)	(9,769)
Related deferred tax liabilities	2,700	2,775	2,852	2,932	3,035
Tangible shareholders' equity	$157,430	$151,797	$145,187	$154,857	$150,113
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity					
Common shareholders' equity	$213,711	$211,704	$210,772	$205,614	$214,314
Goodwill	(69,976)	(69,967)	(70,832)	(71,074)	(73,869)
Intangible assets (excluding MSRs)	(7,696)	(8,021)	(8,764)	(9,176)	(9,560)
Related deferred tax liabilities	2,628	2,702	2,777	2,853	2,933
Tangible common shareholders' equity	$138,667	$136,418	$133,953	$128,217	$133,818
Reconciliation of period-end shareholders' equity to period-end tangible shareholders' equity					
Shareholders' equity	$232,499	$230,101	$230,252	$222,176	$230,876
Goodwill	(69,976)	(69,967)	(70,832)	(71,074)	(73,869)
Intangible assets (excluding MSRs)	(7,696)	(8,021)	(8,764)	(9,176)	(9,560)
Related deferred tax liabilities	2,628	2,702	2,777	2,853	2,933
Tangible shareholders' equity	$157,455	$154,815	$153,433	$144,779	$150,380
Reconciliation of period-end assets to period-end tangible assets					
Assets	$2,181,449	$2,129,046	$2,219,628	$2,261,319	$2,274,532
Goodwill	(69,976)	(69,967)	(70,832)	(71,074)	(73,869)
Intangible assets (excluding MSRs)	(7,696)	(8,021)	(8,764)	(9,176)	(9,560)
Related deferred tax liabilities	2,628	2,702	2,777	2,853	2,933
Tangible assets	$2,106,405	$2,053,760	$2,142,809	$2,183,922	$2,194,036

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Table 8
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2012 Quarter	2011 Quarters			
(Dollars in millions)	First	Fourth	Third	Second	First
Consumer & Business Banking					
Reported net income	$1,454	$1,243	$1,666	$2,502	$2,041
Adjustment related to intangibles [(1)]	3	5	6	2	7
Adjusted net income	$1,457	$1,248	$1,672	$2,504	$2,048
Average allocated equity	$52,947	$53,005	$52,382	$52,559	$53,700
Adjustment related to goodwill and a percentage of intangibles	(30,523)	(30,587)	(30,601)	(30,655)	(30,698)
Average economic capital	$22,424	$22,418	$21,781	$21,904	$23,002
Consumer Real Estate Services					
Reported net loss	$(1,145)	$(1,444)	$(1,123)	$(14,506)	$(2,400)
Adjustment related to intangibles [(1)]	—	—	—	—	—
Goodwill impairment charge	—	—	—	2,603	—
Adjusted net loss	$(1,145)	$(1,444)	$(1,123)	$(11,903)	$(2,400)
Average allocated equity	$14,791	$14,757	$14,240	$17,139	$18,736
Adjustment related to goodwill and a percentage of intangibles (excluding MSRs)	—	—	—	(2,702)	(2,742)
Average economic capital	$14,791	$14,757	$14,240	$14,437	$15,994
Global Banking					
Reported net income	$1,590	$1,337	$1,205	$1,921	$1,584
Adjustment related to intangibles [(1)]	1	1	2	1	2
Adjusted net income	$1,591	$1,338	$1,207	$1,922	$1,586
Average allocated equity	$46,393	$46,087	$47,681	$47,060	$48,732
Adjustment related to goodwill and a percentage of intangibles	(25,536)	(24,900)	(24,724)	(24,429)	(24,433)
Average economic capital	$20,857	$21,187	$22,957	$22,631	$24,299
Global Markets					
Reported net income (loss)	$798	$(768)	$(552)	$911	$1,394
Adjustment related to intangibles [(1)]	2	3	3	3	3
Adjusted net income (loss)	$800	$(765)	$(549)	$914	$1,397
Average allocated equity	$17,642	$19,805	$21,609	$22,990	$26,362
Adjustment related to goodwill and a percentage of intangibles	(3,973)	(4,651)	(4,655)	(4,645)	(4,548)
Average economic capital	$13,669	$15,154	$16,954	$18,345	$21,814
Global Wealth & Investment Management					
Reported net income	$547	$259	$358	$513	$542

Adjustment related to intangibles [1]	6	7	7	7	9
Adjusted net income	$553	$266	$365	$520	$551
Average allocated equity	$17,228	$17,845	$17,826	$17,560	$17,932
Adjustment related to goodwill and a percentage of intangibles	(10,641)	(10,663)	(10,691)	(10,706)	(10,728)
Average economic capital	$6,587	$7,182	$7,135	$6,854	$7,204

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

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Table 8
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2012 Quarter	2011 Quarters			
(Dollars in millions)	First	Fourth	Third	Second	First
Consumer & Business Banking					
Deposits					
Reported net income	$310	$149	$285	$432	$361
Adjustment related to intangibles [1]	—	1	1	—	1
Adjusted net income	$310	$150	$286	$432	$362
Average allocated equity	$23,194	$23,862	$23,820	$23,612	$23,641
Adjustment related to goodwill and a percentage of intangibles	(17,932)	(17,939)	(17,947)	(17,950)	(17,958)
Average economic capital	$5,262	$5,923	$5,873	$5,662	$5,683
Card Services					
Reported net income	$1,038	$1,029	$1,267	$1,944	$1,571
Adjustment related to intangibles [1]	3	4	5	2	6
Adjusted net income	$1,041	$1,033	$1,272	$1,946	$1,577
Average allocated equity	$20,671	$20,610	$20,755	$21,016	$22,149
Adjustment related to goodwill and a percentage of intangibles	(10,492)	(10,549)	(10,561)	(10,607)	(10,640)
Average economic capital	$10,179	$10,061	$10,194	$10,409	$11,509
Business Banking					
Reported net income	$106	$65	$114	$126	$109
Adjustment related to intangibles [1]	—	—	—	—	—
Adjusted net income	$106	$65	$114	$126	$109
Average allocated equity	$9,082	$8,533	$7,807	$7,931	$7,910
Adjustment related to goodwill and a percentage of intangibles	(2,099)	(2,099)	(2,093)	(2,098)	(2,100)
Average economic capital	$6,983	$6,434	$5,714	$5,833	$5,810

[1] Represents cost of funds, earnings credit and certain expenses related to intangibles.

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Core Net Interest Income

We manage core net interest income which is reported net interest income on a FTE basis adjusted for the impact of market-based activities. As discussed in the Global Markets business segment section on page 38, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of core net interest income, core average earning assets and core net interest yield on earning assets, all of which adjust for the impact of market-based activities from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 9 provides additional clarity in assessing our results.

Table 9
Core Net Interest Income

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Net interest income (FTE basis)		
As reported [1]	$11,053	$12,397
Impact of market-based net interest income [2]	(796)	(1,020)
Core net interest income	$10,257	$11,377
Average earning assets		
As reported	$1,768,105	$1,869,863
Impact of market-based earning assets [2]	(424,336)	(465,255)
Core average earning assets	$1,343,769	$1,404,608
Net interest yield contribution (FTE basis) [3]		
As reported [1]	2.51 %	2.67 %
Impact of market-based activities [2]	0.55	0.59
Core net interest yield on earning assets	3.06 %	3.26 %

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve of $47 million and $63 million for the three months ended March 31, 2012 and 2011.

(2) Represents the impact of market-based amounts included in Global Markets.

(3) Calculated on an annualized basis.

For the three months ended March 31, 2012, core net interest income decreased $1.1 billion to $10.3 billion compared to the same period in the prior year. The decline was primarily driven by lower consumer loan balances and yields, lower yields on commercial loans and a decrease in loans held-for-sale (LHFS). These decreases were partially offset by reductions in long-term debt balances.

Core average earning assets for the three months ended March 31, 2012 decreased $60.8 billion to $1,343.8 billion compared to the same period in the prior year. The decrease was due to declines in consumer loans and LHFS, partially offset by increases in commercial loans.

For the three months ended March 31, 2012, core net interest yield decreased 20 bps to 3.06 percent compared to the same period in the prior year primarily due to the factors noted above. These impacts include a significant flattening of the yield curve driven by lower long-term rates throughout the quarter compared to the same period in the prior year.

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Table 10
Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	First Quarter 2012 Average Balance	First Quarter 2012 Interest Income/ Expense	First Quarter 2012 Yield/ Rate	Fourth Quarter 2011 Average Balance	Fourth Quarter 2011 Interest Income/ Expense	Fourth Quarter 2011 Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments (1)	$31,404	$65	0.83 %	$27,688	$85	1.19 %
Federal funds sold and securities borrowed or purchased under agreements to resell	233,061	460	0.79	237,453	449	0.75
Trading account assets	175,778	1,399	3.19	161,848	1,354	3.33
Debt securities (2)	327,758	2,732	3.33	332,990	2,245	2.69
Loans and leases (3):						
Residential mortgage (4)	260,573	2,489	3.82	266,144	2,596	3.90
Home equity	122,933	1,164	3.80	126,251	1,207	3.80
Discontinued real estate	12,082	103	3.42	14,073	128	3.65
U.S. credit card	98,334	2,459	10.06	102,241	2,603	10.10
Non-U.S. credit card	14,151	408	11.60	15,981	420	10.41
Direct/Indirect consumer (5)	88,321	801	3.65	90,861	863	3.77
Other consumer (6)	2,617	40	6.24	2,751	41	6.14
Total consumer	599,011	7,464	5.00	618,302	7,858	5.06
U.S. commercial	195,111	1,756	3.62	196,778	1,798	3.63
Commercial real estate (7)	39,190	339	3.48	40,673	343	3.34
Commercial lease financing	21,679	272	5.01	21,278	204	3.84
Non-U.S. commercial	58,731	391	2.68	55,867	395	2.80
Total commercial	314,711	2,758	3.52	314,596	2,740	3.46
Total loans and leases	913,722	10,222	4.49	932,898	10,598	4.52
Other earning assets	86,382	743	3.46	91,109	904	3.95
Total earning assets (8)	1,768,105	15,621	3.55	1,783,986	15,635	3.49
Cash and cash equivalents (1)	112,512	47		94,287	36	
Other assets, less allowance for loan and lease losses	306,557			329,294		
Total assets	$2,187,174			$2,207,567		

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

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

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

(4) Includes non-U.S. residential mortgage loans of $86 million in the first quarter of 2012, and $88 million, $91 million, $94 million and $92 million in the fourth, third, second and first quarters of 2011, respectively.

(5) Includes non-U.S. consumer loans of $7.5 billion in the first quarter of 2012, and $8.4 billion, $8.6 billion, $8.7 billion and $8.2 billion in the fourth, third, second and first quarters of 2011, respectively.

(6) Includes consumer finance loans of $1.6 billion in the first quarter of 2012, and $1.7 billion, $1.8 billion, $1.8 billion and $1.9 billion in the fourth, third, second and first quarters of 2011, respectively; other non-U.S. consumer loans of $903 million in the first quarter of 2012, and $959 million, $932 million, $840 million and $777 million in the fourth, third, second and first quarters of 2011, respectively; and consumer overdrafts of $90 million in the first quarter of 2012, and $107 million, $107 million, $79 million and $76 million in the fourth, third, second and first quarters of 2011, respectively.

(7) Includes U.S. commercial real estate loans of $37.4 billion in the first quarter of 2012, and $38.7 billion, $40.7 billion, $43.4 billion and $45.7 billion in the fourth, third, second and first quarters of 2011, respectively; and non-U.S. commercial real estate loans of $1.8 billion in the first quarter of 2012, and $1.9 billion, $2.2 billion, $2.3 billion and $2.7 billion in the fourth, third, second and first quarters of 2011, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $106 million in the first quarter of 2012, and $427 million, $1.0 billion, $739 million and $388 million in the fourth, third, second and first quarters of 2011, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $658 million in the first quarter of 2012, and $763 million, $631 million, $625 million and $621 million in the fourth, third, second and first quarters of 2011, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 108.

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Table 10
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Third Quarter 2011			Second Quarter 2011			First Quarter 2011		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments [1]	$26,743	$87	1.31 %	$27,298	$106	1.56 %	$31,294	$88	1.14 %
Federal funds sold and securities borrowed or purchased under agreements to resell	256,143	584	0.90	259,069	597	0.92	227,379	517	0.92
Trading account assets	180,438	1,543	3.40	186,760	1,576	3.38	221,041	1,669	3.05
Debt securities [2]	344,327	1,744	2.02	335,269	2,696	3.22	335,847	2,917	3.49
Loans and leases [3]:									
Residential mortgage [4]	268,494	2,856	4.25	265,420	2,763	4.16	262,049	2,881	4.40
Home equity	129,125	1,238	3.81	131,786	1,261	3.83	136,089	1,335	3.96
Discontinued real estate	15,923	134	3.36	15,997	129	3.22	12,899	110	3.42
U.S. credit card	103,671	2,650	10.14	106,164	2,718	10.27	109,941	2,837	10.47
Non-U.S. credit card	25,434	697	10.88	27,259	760	11.18	27,633	779	11.43
Direct/Indirect consumer [5]	90,280	915	4.02	89,403	945	4.24	90,097	993	4.47
Other consumer [6]	2,795	43	6.07	2,745	47	6.76	2,753	45	6.58
Total consumer	635,722	8,533	5.34	638,774	8,623	5.41	641,461	8,980	5.65
U.S. commercial	191,439	1,809	3.75	190,479	1,827	3.85	191,353	1,926	4.08
Commercial real estate [7]	42,931	360	3.33	45,762	382	3.35	48,359	437	3.66
Commercial lease financing	21,342	240	4.51	21,284	235	4.41	21,634	322	5.95
Non-U.S. commercial	50,598	349	2.73	42,214	339	3.22	36,159	299	3.35
Total commercial	306,310	2,758	3.58	299,739	2,783	3.72	297,505	2,984	4.06
Total loans and leases	942,032	11,291	4.77	938,513	11,406	4.87	938,966	11,964	5.14
Other earning assets	91,452	814	3.54	97,616	866	3.56	115,336	922	3.24
Total earning assets [8]	1,841,135	16,063	3.47	1,844,525	17,247	3.75	1,869,863	18,077	3.92
Cash and cash equivalents [1]	102,573	38		115,956	49		138,241	63	
Other assets, less allowance for loan and lease losses	357,746			378,629			330,434		
Total assets	$2,301,454			$2,339,110			$2,338,538		

For footnotes see page 22.

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Table 10
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	First Quarter 2012			Fourth Quarter 2011		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$40,543	$14	0.14 %	$39,609	$16	0.16 %
NOW and money market deposit accounts	458,649	186	0.16	454,249	192	0.17
Consumer CDs and IRAs	100,044	194	0.78	103,488	220	0.84
Negotiable CDs, public funds and other time deposits	22,586	36	0.64	22,413	34	0.60
Total U.S. interest-bearing deposits	621,822	430	0.28	619,759	462	0.30
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	18,170	28	0.62	20,454	29	0.55
Governments and official institutions	1,286	1	0.41	1,466	1	0.36
Time, savings and other	55,241	90	0.66	57,814	124	0.85
Total non-U.S. interest-bearing deposits	74,697	119	0.64	79,734	154	0.77
Total interest-bearing deposits	696,519	549	0.32	699,493	616	0.35
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	293,056	881	1.21	284,766	921	1.28
Trading account liabilities	71,872	477	2.67	70,999	411	2.29
Long-term debt	363,518	2,708	2.99	389,557	2,764	2.80
Total interest-bearing liabilities (8)	1,424,965	4,615	1.30	1,444,815	4,712	1.29
Noninterest-bearing sources:						
Noninterest-bearing deposits	333,593			333,038		
Other liabilities	196,050			201,479		
Shareholders’ equity	232,566			228,235		
Total liabilities and shareholders’ equity	$2,187,174			$2,207,567		
Net interest spread			2.25 %			2.20 %
Impact of noninterest-bearing sources			0.25			0.24
Net interest income/yield on earning assets (1)		$11,006	2.50 %		$10,923	2.44 %

For footnotes see page 22.

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Table 10
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

	Third Quarter 2011			Second Quarter 2011			First Quarter 2011		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$41,256	$21	0.19 %	$41,668	$31	0.30 %	$38,905	$32	0.34 %
NOW and money market deposit accounts	473,391	248	0.21	478,690	304	0.25	475,954	316	0.27
Consumer CDs and IRAs	108,359	244	0.89	113,728	281	0.99	118,306	300	1.03
Negotiable CDs, public funds and other time deposits	18,547	5	0.12	13,842	42	1.22	13,995	39	1.11
Total U.S. interest-bearing deposits	641,553	518	0.32	647,928	658	0.41	647,160	687	0.43
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	21,037	34	0.65	19,234	37	0.77	21,534	38	0.72
Governments and official institutions	2,043	2	0.32	2,131	2	0.38	2,307	2	0.35
Time, savings and other	64,271	150	0.93	64,889	146	0.90	60,432	112	0.76
Total non-U.S. interest-bearing deposits	87,351	186	0.85	86,254	185	0.86	84,273	152	0.73
Total interest-bearing deposits	728,904	704	0.38	734,182	843	0.46	731,433	839	0.46
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	303,234	1,152	1.51	338,692	1,342	1.59	371,573	1,184	1.29
Trading account liabilities	87,841	547	2.47	96,108	627	2.62	83,914	627	3.03
Long-term debt	420,273	2,959	2.82	435,144	2,991	2.75	440,511	3,093	2.84
Total interest-bearing liabilities (8)	1,540,252	5,362	1.39	1,604,126	5,803	1.45	1,627,431	5,743	1.43
Noninterest-bearing sources:									
Noninterest-bearing deposits	322,416			301,762			291,707		
Other liabilities	216,376			198,155			188,631		
Shareholders’ equity	222,410			235,067			230,769		

Total liabilities and shareholders' equity	$2,301,454			$2,339,110			$2,338,538		
Net interest spread			2.08 %			2.30 %			2.49 %
Impact of noninterest-bearing sources			0.23			0.19			0.17
Net interest income/yield on earning assets [(1)]		$10,701	2.31 %		$11,444	2.49 %		$12,334	2.66 %

For footnotes see page 22.

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Business Segment Operations

Segment Description and Basis of Presentation

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

We prepare and evaluate segment results using certain non-GAAP financial measures. For additional information, see Supplemental Financial Data on page 16.

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

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

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

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

The Corporation allocates economic capital to the business segments and related businesses using a risk-adjusted methodology incorporating each segment’s credit, market, interest rate, strategic and operational risk components. The nature of these risks is discussed further on page 53. A business segment's allocated equity includes this economic capital allocation and also includes the portion of goodwill and intangibles specifically assigned to the business segment. We benefit from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. The risk-adjusted methodology is periodically refined as such refinements are reflected as changes to allocated equity in each segment.

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

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Consumer & Business Banking

	Three Months Ended March 31								
	Deposits		Card Services		Business Banking		Total Consumer & Business Banking		
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011	% Change
Net interest income (FTE basis)	$2,119	$2,205	$2,616	$3,013	$344	$382	$5,079	$5,600	(9)%
Noninterest income:									
Card income	—	—	1,278	1,577	—	—	1,278	1,577	(19)
Service charges	968	923	—	—	95	155	1,063	1,078	(1)
All other income (loss)	60	61	(85)	125	25	23	—	209	n/m
Total noninterest income	1,028	984	1,193	1,702	120	178	2,341	2,864	(18)
Total revenue, net of interest expense (FTE basis)	3,147	3,189	3,809	4,715	464	560	7,420	8,464	(12)
Provision for credit losses	51	33	790	595	36	33	877	661	33
Noninterest expense	2,606	2,583	1,380	1,624	260	354	4,246	4,561	(7)
Income before income taxes	490	573	1,639	2,496	168	173	2,297	3,242	(29)
Income tax expense (FTE basis)	180	212	601	925	62	64	843	1,201	(30)
Net income	$310	$361	$1,038	$1,571	$106	$109	$1,454	$2,041	(29)

Net interest yield (FTE basis)	2.02 %	2.14 %	8.95 %	9.15 %	2.93 %	3.81 %	4.22 %	4.75 %	
Return on average allocated equity	5.37	6.19	20.19	28.77	4.73	5.58	11.05	15.41	
Return on average economic capital	23.71	25.87	41.14	55.54	6.14	7.60	26.15	36.10	
Efficiency ratio (FTE basis)	82.83	80.98	36.22	34.44	56.04	63.34	57.23	53.89	
Balance Sheet									
Average									
Total loans and leases	n/m	n/m	$116,267	$132,472	$24,603	$27,864	$141,578	$160,976	(12)
Total earning assets (1)	$421,551	$417,218	117,580	133,538	47,145	40,690	483,983	478,468	1
Total assets (1)	447,917	443,461	123,179	134,043	54,272	49,103	523,074	513,629	2
Total deposits	424,023	418,298	n/m	n/m	41,908	38,462	466,239	457,037	2
Allocated equity	23,194	23,641	20,671	22,149	9,082	7,910	52,947	53,700	(1)
Economic capital	5,262	5,683	10,179	11,509	6,983	5,810	22,424	23,002	(3)
Period end	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	
Total loans and leases	n/m	n/m	$113,861	$120,668	$24,376	$25,006	$138,909	$146,378	(5)
Total earning assets (1)	$440,491	$418,622	115,177	121,991	47,325	46,515	502,124	480,378	5
Total assets (1)	467,058	445,680	121,425	127,623	55,575	53,949	543,189	520,503	4
Total deposits	443,129	421,871	n/m	n/m	42,221	41,518	486,160	464,263	5

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

CBB, which is comprised of our Deposits, Card Services and Business Banking businesses, offers a diversified range of credit, banking and investment products and services to consumers and businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 32 states and the District of Columbia. The franchise network includes approximately 5,700 banking centers, 17,250 ATMs, nationwide call centers, and online and mobile platforms.

CBB recorded net income of $1.5 billion during the three months ended March 31, 2012 compared to $2.0 billion for the same period in 2011. The decrease was due to a decline in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Net interest income decreased $521 million to $5.1 billion with the decline primarily in Card Services driven by lower average loan balances and yields. Noninterest income decreased $523 million to $2.3 billion primarily due to a decline of $509 million in Card Services. The provision for credit losses increased $216 million to $877 million reflecting a reduced pace of improvements in delinquencies, collections and bankruptcies as evidenced by lower reserve reductions in the first quarter of 2012. Noninterest expense declined $315 million to $4.2 billion primarily due to lower FDIC, marketing and operating expenses.

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The return on average economic capital decreased due to lower net income, partially offset by a decrease in average economic capital primarily within Card Services. The decline in average economic capital was largely due to lower levels of credit risk from a decline in loan balances as well as an improvement in credit quality. For more information regarding economic capital, see Supplemental Financial Data on page 16.

Deposits

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

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

Net income for Deposits decreased $51 million, or 14 percent, to $310 million primarily driven by lower net interest income, partially offset by higher noninterest income. Net interest income declined $86 million driven by compressed deposits spreads due to the lower rate environment, partially offset by a customer shift to higher-yielding liquid products, continued pricing discipline and ALM activities. Noninterest income increased $44 million, or four percent, to $1.0 billion primarily due to an increase in service charges. Noninterest expense of $2.6 billion remained relatively unchanged as lower FDIC expense was offset by higher operating expense.

Average deposits increased $5.7 billion driven by a customer shift to more liquid products in a low interest rate environment as checking, traditional savings and money market savings grew $18.4 billion. Growth in liquid products was partially offset by a decline in average time deposits of $12.7 billion. As a result of the shift in the mix of deposits and our continued pricing discipline, rates paid on average deposits declined by 11 bps to 21 bps.

Key Statistics

	Three Months Ended March 31	
	2012	2011
Total deposit spreads (excludes noninterest costs)	1.96 %	2.20 %
Client brokerage assets (in millions)	$73,422	$66,703
At period end		
Online banking active accounts (units in thousands)	30,439	30,065
Mobile banking active accounts (units in thousands)	9,702	6,970
Banking centers	5,651	5,805
ATMs	17,255	17,886

Our online banking customers increased 374,000 and mobile banking customers increased 2.7 million compared to the same period in 2011 reflecting our customers' change in their banking preference. The number of banking centers declined 154 and ATMs declined 631 as we continue to improve our cost-to-serve and optimize our consumer banking network.

Card Services

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

Effective October 1, 2011, the Federal Reserve adopted a final rule with respect to the Durbin Amendment that established the maximum allowable interchange fees a bank can receive for a debit card transaction. For more information on the final interchange rules, see Regulatory Matters on page 66 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K. In addition, the Federal Reserve approved rules governing routing and exclusivity, requiring issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product, which became effective on April 1, 2012. The interchange fee rules are expected to result in a reduction of debit card revenue by approximately $400 million to $450 million for each of the quarters in 2012, or a full-year impact of approximately $1.8 billion.

Net income for Card Services decreased $533 million, or 34 percent, to $1.0 billion primarily due to a decrease in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense.

Net interest income decreased $397 million, or 13 percent, to $2.6 billion driven by lower average loan balances and yields. The net interest yield decreased 20 bps to 8.95 percent due to charge-offs and paydowns of higher interest rate products. Noninterest income decreased $509 million, or 30 percent, to $1.2 billion primarily due to lower interchange fees as a result of the Durbin Amendment, coupled with lower revenue from our customer protection products.

The provision for credit losses increased $195 million, or 33 percent, to $790 million reflecting a reduced pace of improvements in delinquencies, collections and bankruptcies as evidenced by lower reserve reductions in the first quarter of 2012. For more information on the provision for credit losses, see Provision for Credit Losses on page 100.

Average loans decreased $16.2 billion, or 12 percent, driven by higher payments, charge-offs, continued run-off of non-core portfolios and the impact of portfolio divestitures during 2011.

Key Statistics

	Three Months Ended March 31			
(Dollars in millions)	2012		2011	
U.S. credit card				
Gross interest yield	10.06	%	10.47	%
Risk-adjusted margin	6.55		4.25	
New accounts (in thousands)	782		657	
Purchase volumes	$44,797		$43,936	
Debit card purchase volumes	$62,941		$59,996	

The U.S. credit card risk-adjusted margin increased 230 bps compared to the same period in 2011, reflecting improvement in credit quality in the portfolio. U.S. credit card new accounts grew by 125,000 accounts, or 19 percent, to 782,000 and purchase volumes increased $861 million, or two percent, to $44.8 billion. Debit card purchase volume increased $2.9 billion, or five percent, to $62.9 billion reflecting higher consumer spending.

Business Banking

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

Net income for Business Banking of $106 million was relatively unchanged. Revenue decreased $96 million, or 17 percent, to $464 million offset by a decrease in noninterest expense. Net interest income decreased $38 million, or 10 percent, to $344 million driven by lower average loan balances. Noninterest income decreased $58 million, or 33 percent, to $120 million primarily due to the transfer of certain processing activities to our merchant services joint venture. Noninterest expense decreased $94 million, or 27 percent, to $260 million driven by lower merchant processing expenses and a reduction in operating expenses.

Average loans decreased $3.3 billion, or 12 percent, primarily driven by higher prepayments and portfolio run-off. Average deposits increased $3.4 billion, or nine percent, due to the net transfer of certain deposits from other businesses and the current client preference for liquidity.

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Consumer Real Estate Services

	Three Months Ended March 31						
	Home Loans		Legacy Assets & Servicing		Total Consumer Real Estate Services		
(Dollars in millions)	2012	2011	2012	2011	2012	2011	% Change
Net interest income (FTE basis)	$347	$ 548	$428	$ 348	$775	$ 896	(14)%
Noninterest income:							
Mortgage banking income	736	567	1,095	128	1,831	695	163
Insurance income	6	431	—	—	6	431	(99)
All other income	22	31	40	10	62	41	51
Total noninterest income	764	1,029	1,135	138	1,899	1,167	63
Total revenue, net of interest expense (FTE basis)	1,111	1,577	1,563	486	2,674	2,063	30
Provision for credit losses	53	—	454	1,098	507	1,098	(54)
Noninterest expense	877	1,479	3,028	3,298	3,905	4,777	(18)
Income (loss) before income taxes	181	98	(1,919)	(3,910)	(1,738)	(3,812)	(54)
Income tax expense (benefit) (FTE basis)	66	36	(659)	(1,448)	(593)	(1,412)	(58)
Net income (loss)	$115	$ 62	$(1,260)	$ (2,462)	$(1,145)	$ (2,400)	(52)
Net interest yield (FTE basis)	2.43 %	2.84 %	2.37 %	1.50 %	2.39 %	2.11 %	
Efficiency ratio (FTE basis)	78.94	93.79	n/m	n/m	n/m	n/m	
Balance Sheet							
Average							
Total loans and leases	$51,663	$ 54,763	$59,092	$ 65,797	$110,755	$ 120,560	(8)
Total earning assets	57,479	78,250	72,722	94,089	130,201	172,339	(24)
Total assets	58,362	78,256	100,743	131,072	159,105	209,328	(24)
Allocated equity	n/a	n/a	n/a	n/a	14,791	18,736	(21)
Economic capital	n/a	n/a	n/a	n/a	14,791	15,994	(8)
Period end	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	
Total loans and leases	$51,002	$ 52,371	$58,262	$ 59,988	$109,264	$ 112,359	(3)
Total earning assets	57,728	58,823	72,692	73,558	130,420	132,381	(1)
Total assets	58,694	59,660	99,513	104,052	158,207	163,712	(3)

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

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

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

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

CRES includes the impact of transferring customers and their related loan balances between GWIM and CRES based on client segmentation thresholds. For more information on the migration of customer balances, see GWIM on page 40.

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Home Loans

Home Loans products are available to our customers through our retail network of approximately 5,700 banking centers, mortgage loan officers in 444 locations and a sales force offering our customers direct telephone and online access to our products. These products were also offered through our correspondent lending channel; however, we exited this channel and the reverse mortgage origination business in 2011. These strategic changes were made to allow greater focus on our direct-to-consumer channels, deepen relationships with existing customers and use mortgage products to acquire new relationships.

Home Loans includes ongoing loan production activities and the CRES home equity portfolio not originally selected for inclusion in the Legacy Assets & Servicing portfolio. Home Loans also included insurance operations through June 30, 2011, when the ongoing insurance business was transferred to CBB following the sale of Balboa.

The composition of the Home Loans loan portfolio, which excludes the Legacy Assets & Servicing portfolio established as of January 1, 2011, does not currently reflect a normalized level of credit losses which we expect will develop over time.

Home Loans net income increased $53 million for the three months ended March 31, 2012 compared to the same period in the prior year. Net interest income decreased $201 million primarily driven by lower warehouse loan volumes. Noninterest income decreased $265 million primarily due to a decrease in insurance income as a result of the sale of Balboa in June 2011, partially offset by an increase in mortgage banking income. Noninterest expense decreased $602 million primarily due to lower production expense driven by lower retail production and our exit from the correspondent channel in 2011, and decreased insurance expenses.

Legacy Assets & Servicing

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

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

Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, and disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties along with responding to customer inquiries. Our home retention efforts, including single point of contact resources, are also part of our servicing activities, along with supervising foreclosures and property dispositions. In an effort to help our customers avoid foreclosure, Legacy Assets & Servicing evaluates various workout options prior to foreclosure sales which, combined with our temporary halt of foreclosures announced in October 2010, has resulted in elongated default timelines. Although we have resumed foreclosure proceedings in nearly all states, there continues to be a backlog of foreclosure inventory. For additional information on our servicing activities, including the impact of foreclosure delays, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51 and Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 63 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Goodwill that was assigned to CRES totaling $2.6 billion was included in Legacy Assets & Servicing and was written off in its entirety in 2011.

Legacy Assets & Servicing net loss decreased $1.2 billion for the three months ended March 31, 2012 compared to the same period in the prior year due to a decrease of $731 million in representations and warranties provision, a $496 million decline in litigation expense and $464 million lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures.

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Legacy Assets & Servicing Portfolio

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

The total owned loans in the Legacy Assets & Servicing portfolio decreased $5.1 billion from paydowns and charge-offs to $149.8 billion at March 31, 2012 compared to December 31, 2011, of which $58.3 billion are reflected on the balance sheet of Legacy Assets & Servicing within CRES and the remainder are held on the balance sheet of All Other.

CRES Results

The CRES net loss decreased $1.3 billion to $1.1 billion for the three months ended March 31, 2012 compared to the same period in the prior year primarily due to higher mortgage banking income, lower provision for credit losses and a decline in expenses, partially offset by lower insurance revenue due to the sale of Balboa. The net loss is driven by the continued high costs of managing delinquent and defaulted loans in the Legacy Assets & Servicing portfolio combined with litigation expense and provision for representations and warranties.

Net interest income declined $121 million, or 14 percent, primarily due to a decrease in LHFS reflecting lower production volumes.

Noninterest income increased $732 million to $1.9 billion primarily due to an increase of $1.1 billion in mortgage banking income driven by a decrease of $731 million in representations and warranties provision, a $261 million increase in core production revenue and a $144 million increase in net servicing income. These improvements were partially offset by a decrease of $425 million in insurance income due to the sale of Balboa.

Provision for credit losses decreased $591 million to $507 million for the three months ended March 31, 2012 compared to the same period in the prior year driven by lower reserve additions related to the Countrywide PCI home equity portfolio and improved portfolio trends.

Noninterest expense decreased $872 million to $3.9 billion for the three months ended March 31, 2012 primarily due to a $472 million decline in litigation expense, $464 million lower mortgage-related assessments and waivers costs, lower direct production expense due to lower retail production and our exit from correspondent lending, and lower insurance expense, partially offset by higher default-related servicing expenses. We recorded $410 million of mortgage-related assessments, waivers and similar costs related to delayed foreclosures for the three months ended March 31, 2012. We expect higher costs will continue related to resources necessary to implement new servicing standards mandated for the industry, to implement other operational changes and delayed foreclosures.

Average total earning assets for the three months ended March 31, 2012 declined $42.1 billion compared to the same period in the prior year primarily due to a decrease in LHFS reflecting lower production volumes, as well as a decline in MSR hedge portfolio assets due to hedge positions.

Average economic capital decreased eight percent for the three months ended March 31, 2012 compared to the same period in the prior year due to a reduction in credit risk driven by lower loan balances. For more information regarding economic capital, see Supplemental Financial Data on page 16.

Mortgage Banking Income

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

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

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The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	Three Months Ended March 31 2012	2011
Production income (loss):		
Core production revenue	$929	$668
Representations and warranties provision	(282)	(1,013)
Total production income (loss)	647	(345)
Servicing income:		
Servicing fees	1,332	1,606
Impact of customer payments (1)	(521)	(706)
Fair value changes of MSRs, net of economic hedge results (2)	194	3
Other servicing-related revenue	179	137
Total net servicing income	1,184	1,040
Total CRES mortgage banking income	1,831	695
Eliminations (3)	(219)	(65)
Total consolidated mortgage banking income	$1,612	$630

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

Core production revenue of $929 million for the three months ended March 31, 2012 increased $261 million compared to the same period in the prior year primarily due to higher margins on direct originations. New first mortgage loan originations declined $41.5 billion, or 73 percent, primarily due to our exit from the correspondent channel and from a loss in retail market share. The decrease in retail market share and higher margins reflect decisions to price loan products in order to manage demand. In addition, our exit from the low margin correspondent channel contributed to higher margins.

The representations and warranties provision decreased $731 million to $282 million primarily due to a higher provision in the prior-year period attributable to the government-sponsored enterprises (GSEs) and a monoline.

Net servicing income increased $144 million primarily due to improved MSR results, net of hedges, partially offset by the impact of lower servicing revenues driven primarily by a decline in the servicing portfolio.

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Key Statistics

	Three Months Ended March 31	
(Dollars in millions, except as noted)	2012	2011
Loan production		
CRES:		
First mortgage	$12,185	$52,519
Home equity	597	1,575
Total Corporation [1]:		
First mortgage	$15,238	$56,734
Home equity	760	1,728

Period end	March 31 2012	December 31 2011
Mortgage servicing portfolio (in billions) [2]	$1,687	$1,763
Mortgage loans serviced for investors (in billions)	1,313	1,379
Mortgage servicing rights:		
Balance	7,589	7,378
Capitalized mortgage servicing rights (% of loans serviced for investors)	58 bps	54 bps

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

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

First mortgage production was $15.2 billion for the three months ended March 31, 2012 compared to $56.7 billion for the same period in the prior year. The decrease of $41.5 billion was primarily due to a $27.1 billion decline caused by our exit from the correspondent channel in 2011 and a $14.4 billion reduction in retail originations as discussed on page 33.

Home equity production was $760 million for the three months ended March 31, 2012 compared to $1.7 billion for the same period in the prior year primarily due to our decision to exit the reverse mortgage originations business in February 2011.

At March 31, 2012, the consumer MSR balance was $7.6 billion, which represented 58 bps of the related unpaid principal balance compared to $7.4 billion, or 54 bps, of the related unpaid principal balance at December 31, 2011. The increase in the consumer MSR balance was primarily driven by higher forecasted mortgage rates, which resulted in lower forecasted prepayment speeds. The increase was also due to the addition of new MSRs recorded in connection with sales of loans partially offset by the change in the market value of the MSR asset due to the impact of customer payments received during the period combined with the impact of elevated expected costs to service delinquent loans. For additional information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51.

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Global Banking

(Dollars in millions)	Three Months Ended March 31 2012	2011	% Change
Net interest income (FTE basis)	$2,399	$2,482	(3)%
Noninterest income:			
Service charges	809	915	(12)
Investment banking fees	652	868	(25)
All other income	591	437	35
Total noninterest income	2,052	2,220	(8)
Total revenue, net of interest expense (FTE basis)	4,451	4,702	(5)
Provision for credit losses	(238)	(123)	93
Noninterest expense	2,178	2,309	(6)
Income before income taxes	2,511	2,516	—
Income tax expense (FTE basis)	921	932	(1)
Net income	$1,590	$1,584	—
Net interest yield (FTE basis)	3.17 %	3.66 %	
Return on average allocated equity	13.79	13.18	
Return on average economic capital	30.68	26.46	
Efficiency ratio (FTE basis)	48.93	49.11	
Balance Sheet			
Average			
Total loans and leases	$277,096	$256,846	8
Total earning assets	304,522	275,424	11
Total assets	350,526	322,682	9
Total deposits	237,532	225,785	5
Allocated equity	46,393	48,732	(5)
Economic capital	20,857	24,299	(14)
Period end	March 31 2012	December 31 2011	
Total loans and leases	$272,224	$278,177	(2)
Total earning assets	294,752	302,353	(3)
Total assets	341,984	349,473	(2)
Total deposits	237,608	246,466	(4)

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

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Global Banking net income of $1.6 billion for the three months ended March 31, 2012 was relatively unchanged compared to the same period in 2011. Revenue decreased $251 million, or five percent, primarily driven by lower investment banking fees, lower accretion on acquired portfolios due to the impact of prepayments in prior periods and a decline in net interest income related to ALM activities partially offset by the impact of higher average loan and deposit balances.

The provision for credit losses was a benefit of $238 million compared to a benefit of $123 million in the same period in 2011 with the increased benefit primarily due to continued improvement in asset quality in the commercial real estate portfolio.

Noninterest expense decreased $131 million to $2.2 billion primarily due to lower personnel expenses.

The return on average economic capital increased due to a 14 percent decrease in average economic capital from reductions in credit risk. For more information regarding economic capital, see Supplemental Financial Data on page 16.

Global Corporate and Commercial Banking

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

Global Corporate and Commercial Banking

	Three Months Ended March 31					
	Global Corporate Banking		Global Commercial Banking		Total	
(Dollars in millions)	2012	2011	2012	2011	2012	2011
Global Treasury Services	$645	$621	$943	$855	$1,588	$1,476
Business Lending	881	987	1,148	1,238	2,029	2,225
Total revenue, net of interest expense	$1,526	$1,608	$2,091	$2,093	$3,617	$3,701
Average						
Total loans and leases	$112,931	$90,972	$163,245	$164,573	$276,176	$255,545
Total deposits	105,693	103,983	131,809	121,756	237,502	225,739
Period end						
Total loans and leases	$109,261	$93,112	$162,059	$163,258	$271,320	$256,370
Total deposits	108,118	107,258	129,458	121,891	237,576	229,149

Global Corporate and Commercial Banking revenue decreased $84 million to $3.6 billion for the three months ended March 31, 2012 compared to the same period in 2011. Global Treasury Services revenue increased $24 million in Global Corporate Banking and $88 million in Global Commercial Banking as growth in U.S. and non-U.S. deposit volumes was partially offset by a challenging interest rate environment. Business Lending revenue in Global Corporate Banking declined $106 million as growth in loans was offset by a low interest rate environment and lower accretion on acquired portfolios due to the impact of prepayments in prior periods. Business Lending revenue declined $90 million in Global Commercial Banking primarily from a reduction in the size of the commercial real estate portfolio and lower accretion on acquired portfolios.

Average loans and leases in Global Corporate and Commercial Banking increased eight percent for the three months ended March 31, 2012 compared to the same period in 2011 as growth in Global Corporate Banking balances from increases in commercial and non-U.S. trade finance portfolios driven by continued international demand and improved domestic momentum was partially offset by declines in Global Commercial Banking primarily due to a decrease in the commercial real estate portfolio due to pay downs which outpaced new originations and renewals. Average deposits in Global Corporate and Commercial Banking increased five percent as balances continued to grow due to excess market liquidity and limited alternative investment options.

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Investment Banking

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

Investment Banking Fees

	Three Months Ended March 31			
	Global Banking		Total Corporation	
(Dollars in millions)	2012	2011	2012	2011
Products				
Advisory [1]	$190	$301	$204	$320
Debt issuance	347	389	777	845
Equity issuance	115	178	305	448
Gross investment banking fees	652	868	1,286	1,613
Self-led	(23)	(6)	(69)	(35)
Total investment banking fees	$629	$862	$1,217	$1,578

[1] Advisory includes fees on debt and equity advisory services and mergers and acquisitions.

Total Corporation investment banking fees, excluding self-led deals, decreased $361 million, or 23 percent, in the three months ended March 31, 2012 compared to the same period in 2011 primarily driven by lower advisory and equity underwriting fees due to a decrease in our market share and an overall decline in equity capital markets and merger and acquisition fee pools. Investment banking fees may be adversely affected in 2012 by lower client activity and challenging market conditions as a result of, among other things, the European sovereign debt crisis and continued market volatility.

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Global Markets

	Three Months Ended March 31		
(Dollars in millions)	2012	2011	% Change
Net interest income (FTE basis)	$798	$1,020	(22)%
Noninterest income:			
Investment and brokerage services	510	647	(21)
Investment banking fees	556	651	(15)
Trading account profits	2,038	2,616	(22)
All other income	291	338	(14)
Total noninterest income	3,395	4,252	(20)
Total revenue, net of interest expense (FTE basis)	4,193	5,272	(20)
Provision for credit losses	(20)	(33)	(39)
Noninterest expense	3,076	3,114	(1)
Income before income taxes	1,137	2,191	(48)
Income tax expense (FTE basis)	339	797	(57)
Net income	$798	$1,394	(43)
Return on average allocated equity	18.19 %	21.45 %	
Return on average economic capital	23.54	25.99	
Efficiency ratio (FTE basis)	73.36	59.06	
Balance Sheet			
Average			
Total trading-related assets [(1)]	$448,731	$456,966	(2)
Total earning assets [(1)]	424,336	465,255	(9)
Total assets	557,911	581,749	(4)
Allocated equity	17,642	26,362	(33)
Economic capital	13,669	21,814	(37)
Period end	March 31 2012	December 31 2011	
Total trading-related assets [(1)]	$440,091	$397,876	11
Total earning assets [(1)]	417,634	372,852	12
Total assets	548,612	501,825	9

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

Global Markets offers sales and trading services, including research, to institutional clients across fixed-income, credit, currency, commodity and equity businesses. Global Markets product coverage includes securities and derivative products in both the primary and secondary markets. Global Markets provides market-making, financing, securities clearing, settlement and custody services globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate clients to provide risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of our market-making activities in these products, we may be required to manage risk in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, MBS, commodities and asset-backed securities (ABS). In addition, the economics of certain investment banking and underwriting activities are shared primarily between Global Markets and Global Banking based on the activities performed by each segment. Global Banking originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by Global Markets. For additional information on investment banking fees on a consolidated basis, see page 37.

Net income decreased $596 million to $798 million for the three months ended March 31, 2012 compared to the same period in 2011 primarily driven by net DVA losses, partially offset by an improved market environment. Net DVA losses were $1.4 billion compared to $357 million due to significant tightening of our credit spreads. Investment banking fees decreased $95 million primarily driven by lower equity underwriting fees and an overall decline in the available pool of equity capital markets fees.

The return on average economic capital decreased due to lower net income partially offset by a 37 percent decrease in average economic capital due to lower counterparty credit risk and a decline in market risk-related trading exposures. For more information regarding economic capital, see Supplemental Financial Data on page 16.

Average earning assets decreased $40.9 billion to $424.3 billion for the three months ended March 31, 2012 compared to the same period in 2011 primarily driven by balance sheet management activities and the movement of certain equity securities to non-earning trading-related assets. At March 31, 2012, period-end earning assets were $417.6 billion, an increase of $44.8 billion from December 31, 2011 primarily due to client activity resulting in increases in trading-related assets and securities borrowed transactions.

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

Sales and Trading Revenue (1, 2)

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Sales and trading revenue		
Fixed income, currencies and commodities	$2,844	$3,390
Equity income	907	1,239
Total sales and trading revenue	$3,751	$4,629
Sales and trading revenue, excluding DVA		
Fixed income, currencies and commodities	$4,131	$3,699
Equity income	1,054	1,287
Total sales and trading revenue, excluding DVA	$5,185	$4,986

(1) Includes a FTE adjustment of $49 million and $55 million for the three months ended March 31, 2012 and 2011. For additional information on sales and trading revenue, see Note 3 – Derivatives to the Consolidated Financial Statements.

(2) Includes Global Banking sales and trading revenue of $205 million and $104 million for the three months ended March 31, 2012 and 2011.

FICC revenue decreased $546 million, or 16 percent, to $2.8 billion for the three months ended March 31, 2012 compared to the same period in 2011 primarily due to net DVA losses. Excluding net DVA losses, FICC revenue increased $432 million, or 12 percent, to $4.1 billion, primarily driven by our rates and currencies, and commodities businesses as a result of increased new deal activity and stronger client flows which reflect the improved market sentiment in the current quarter. A second long-term ECB financing program and the Greek debt restructuring and bailout package eased concerns over the health of 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. Equity income decreased $332 million, or 27 percent, to $907 million primarily due to lower market volumes and commissions. Sales and trading revenue included total commissions and brokerage fee revenue of $510 million ($496 million from equities and $14 million from FICC) for the three months ended March 31, 2012 compared to

$647 million ($618 million from equities and $29 million from FICC) for the same period in 2011. The $137 million decrease in commissions and brokerage fee revenue was primarily due to lower market volumes.

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

In conjunction with regulatory reform measures and our initiative to optimize our balance sheet, we exited our stand-alone proprietary trading business as of June 30, 2011, which involved trading activities in a variety of products, including stocks, bonds, currencies and commodities. There was no proprietary trading revenue for the three months ended March 31, 2012 compared to $203 million for the same period in 2011. For additional information on restrictions on proprietary trading, see Regulatory Matters – Limitations on Proprietary Trading on page 66 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

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Global Wealth & Investment Management

	Three Months Ended March 31		
(Dollars in millions)	2012	2011	% Change
Net interest income (FTE basis)	$1,578	$1,571	— %
Noninterest income:			
Investment and brokerage services	2,296	2,378	(3)
All other income	486	547	(11)
Total noninterest income	2,782	2,925	(5)
Total revenue, net of interest expense (FTE basis)	4,360	4,496	(3)
Provision for credit losses	46	46	—
Noninterest expense	3,450	3,589	(4)
Income before income taxes	864	861	—
Income tax expense (FTE basis)	317	319	(1)
Net income	$547	$542	1
Net interest yield (FTE basis)	2.39 %	2.30 %	
Return on average allocated equity	12.78	12.26	
Return on average economic capital	33.81	30.98	
Efficiency ratio (FTE basis)	79.11	79.83	
Balance Sheet			
Average			
Total loans and leases	$103,036	$100,852	2
Total earning assets	265,362	277,222	(4)
Total assets	284,926	297,531	(4)
Total deposits	252,705	258,719	(2)
Allocated equity	17,228	17,932	(4)
Economic capital	6,587	7,204	(9)
Period end	March 31 2012	December 31 2011	
Total loans and leases	$102,903	$103,460	(1)
Total earning assets	258,733	263,586	(2)
Total assets	278,185	284,062	(2)
Total deposits	252,755	253,264	—

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

MLGWM's advisory business provides a high-touch client experience through a network of financial advisors focused on clients with over $250,000 in total investable assets. MLGWM provides tailored solutions to meet our clients' needs through a full set of brokerage, banking and retirement products in both domestic and international locations. MLGWM also includes our Retirement Services business, which previously had been classified as a separate business within GWIM.

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

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GWIM net income increased $5 million, or one percent, to $547 million for the three months ended March 31, 2012 compared to the same period in 2011 driven by lower noninterest expense, partially offset by lower revenue. Revenue decreased $136 million, or three percent, to $4.4 billion primarily due to lower transactional activity. Noninterest expense decreased $139 million, or four percent, to $3.5 billion driven by lower FDIC expense and volume-driven expenses, lower litigation expense and other reductions related to expense discipline, partially offset by expenses related to the continued investment in the business.

The return on average economic capital increased due to the nine percent decrease in average economic capital and higher net income. Average economic capital decreased due to reductions in operational and certain other risk-related model parameters, while credit risk remained relatively unchanged. For more information regarding economic capital, see Supplemental Financial Data on page 16.

For the three months ended March 31, 2012, revenue from MLGWM was $3.7 billion, down three percent compared to the same period in 2011 driven by lower transactional activity. Revenue from U.S. Trust was $653 million, down four percent, primarily driven by lower net interest income.

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

Migration Summary

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Average		
Total deposits — GWIM from / (to) CBB	$(89)	$(1,317)
Total loans — GWIM to CRES and the ALM portfolio	(95)	—
Period end		
Total deposits — GWIM from / (to) CBB	$(87)	$(3,887)
Total loans — GWIM to CRES and the ALM portfolio	(144)	—

Client Balances

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

Client Balances by Type

(Dollars in millions)	March 31 2012	December 31 2011
Assets under management	$692,959	$647,126
Brokerage assets	1,074,454	1,024,193
Assets in custody	114,938	107,989
Deposits	252,755	253,264
Loans and leases [(1)]	106,185	106,672
Total client balances	$2,241,291	$2,139,244

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

The increase in client balances of $102.0 billion, or five percent, was largely in AUM and brokerage assets. These increases were driven by higher broad-based market levels and inflows into long-term AUM.

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All Other

(Dollars in millions)	Three Months Ended March 31 2012	2011	% Change
Net interest income (FTE basis)	$424	$828	(49)%
Noninterest income:			
Card income	87	154	(44)
Equity investment income	417	1,415	(71)
Gains on sales of debt securities	712	468	52
All other loss	(2,253)	(767)	n/m
Total noninterest income	(1,037)	1,270	n/m
Total revenue, net of interest expense (FTE basis)	(613)	2,098	n/m
Provision for credit losses	1,246	2,165	(42)
Merger and restructuring charges	—	202	n/m
All other noninterest expense	2,286	1,731	32
Loss before income taxes	(4,145)	(2,000)	n/m
Income tax benefit (FTE basis)	(1,554)	(888)	75
Net loss	$(2,591)	$(1,112)	n/m
Balance Sheet			
Average			
Loans and leases:			
Residential Mortgage	$222,027	$225,746	(2)
Non-U.S. credit card	14,151	27,633	(49)
Discontinued real estate	10,778	12,899	(16)
Other	17,157	22,023	(22)
Total loans and leases	264,113	288,301	(8)
Total assets [(1)]	311,632	413,619	(25)
Total deposits	39,774	50,107	(21)
Allocated equity [(2)]	83,565	65,307	28
Period end	March 31 2012	December 31 2011	
Loans and leases:			
Residential Mortgage	$218,589	$224,654	(3)
Non-U.S. credit card	13,914	14,418	(3)
Discontinued real estate	10,453	11,095	(6)
Other	17,050	17,454	(2)
Total loans and leases	260,006	267,621	(3)
Total assets [(1)]	311,272	309,471	1
Total deposits	30,146	32,729	(8)

(1) For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets to those segments to match liabilities (i.e., deposits) and allocated equity. Such allocated assets were $512.6 billion and $486.0 billion for the three months ended March 31, 2012 and 2011, and $519.9 billion and $495.4 billion at March 31, 2012 and December 31, 2011.

(2)

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

n/m = not meaningful

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

All Other reported a loss of $2.6 billion for the three months ended March 31, 2012 compared to a loss of $1.1 billion for the same period in 2011 primarily due to negative fair value adjustments related to tightening of our credit spreads of $3.3 billion on structured liabilities compared to $586 million of negative fair value adjustments for the same period in 2011, partially offset by $1.2 billion of gains resulting from subordinated debt repurchases and exchanges of trust preferred securities. Equity investment income decreased $998 million primarily due to a $1.1 billion gain related to an IPO of an equity investment in the prior year period. All other income (loss) for the current quarter included a $200 million provision related to PPI claims in the U.K.

Noninterest expense increased $555 million due to higher litigation expense. There were no merger and restructuring expenses for the three months ended March 31, 2012 compared to $202 million for the same period in 2011.

Provision for credit losses decreased $919 million to $1.2 billion primarily driven by lower reserve additions to the Countrywide PCI discontinued real estate and residential mortgage portfolios, as well as improvement in delinquencies and bankruptcies in the non-U.S. credit card portfolio.

The income tax benefit was $1.6 billion for the three months ended March 31, 2012 compared to a benefit of $888 million for the same period in 2011. The increase was primarily attributable to the larger pre-tax loss in All Other.

Equity Investment Activity

The tables below present the components of equity investments in All Other at March 31, 2012 and December 31, 2011, and also a reconciliation to the total consolidated equity investment income for the three months ended March 31, 2012 and 2011.

Equity Investments

(Dollars in millions)	March 31 2012	December 31 2011
Global Principal Investments	$4,723	$5,659
Strategic and other investments	1,357	1,343
Total equity investments included in All Other	$6,080	$7,002

Equity Investment Income

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Global Principal Investments	$403	$1,367
Strategic and other investments	14	48

Total equity investment income included in All Other	417	1,415
Total equity investment income included in the business segments [1]	348	60
Total consolidated equity investment income	$765	$1,475

[1] In the three months ended March 31, 2012, primarily includes $264 million of gains in Global Markets.

Equity investments included in All Other decreased $922 million at March 31, 2012 compared to December 31, 2011, with substantially all of the decrease due to sales in the GPI portfolio. GPI had unfunded equity commitments of $431 million and $710 million at March 31, 2012 and December 31, 2011 related to certain investments. In connection with the Corporation's strategy to reduce risk-weighted assets, we sold certain investments, including related commitments.

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Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. For additional information on our obligations and commitments, see Note 10 – Commitments and Contingencies to the Consolidated Financial Statements, Off-Balance Sheet Arrangements and Contractual Obligations on page 56 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K, as well as Note 13 – Long-term Debt and Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K.

Representations and Warranties

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

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

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

Representations and Warranties Bulk Settlement Actions

We have settled, or entered into agreements to settle, certain bulk representations and warranties claims with a trustee (the Trustee) for certain legacy Countrywide private-label securitization trusts (the BNY Mellon Settlement), a monoline insurer (the Assured Guaranty Settlement) and with each of the GSEs (the GSE Agreements). We have vigorously contested any request for repurchase when we conclude that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, we have reached bulk settlements, or agreements for bulk settlements, including settlement amounts which are material, with the above-referenced counterparties in lieu of a loan-by-loan review process. We may reach other settlements in the future if opportunities arise on terms we believe to be advantageous. For a summary of the larger bulk settlement actions we have taken in 2010 and 2011 and the related impact on the representations and warranties provision and liability, see Note 9 – Representations and Warranties Obligations and Corporate Guarantees and Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2011 Annual Report on Form 10-K. These bulk settlements generally did not cover all transactions with the relevant counterparties or all potential claims that may arise, including in some instances securities law, fraud and servicing claims, and our liability in connection with the transactions and claims not covered by these settlements could be material.

Recent Developments Related to the BNY Mellon Settlement

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

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

An investor opposed to the settlement removed the proceeding to federal district court, and the federal district court denied the Trustee's motion to remand the proceeding to state court. On February 27, 2012, the U.S. Court of Appeals issued an opinion reversing the district court denial of the Trustee's motion to remand the proceeding to state court and ordering that the proceeding be remanded to state court. On April 24, 2012, a hearing was held on threshold issues, at which the court denied the objectors' motion to convert the proceeding to a plenary proceeding. A hearing on discovery matters was set for May 8, 2012. We are not a party to the proceeding.

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

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

There can be no assurance that final court approval of the BNY Mellon Settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and legacy Countrywide will not determine to withdraw from the settlement. If final court approval is not obtained or if we and legacy Countrywide determine to withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different than existing accruals and the estimated range of possible loss over existing accruals described under Off-Balance Sheet Arrangements and Contractual Obligations – Experience with Investors Other than Government-sponsored Enterprises on page 49. For more information about the risks associated with the BNY Mellon Settlement, see Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Unresolved Claims Status

Unresolved Repurchase Claims

At March 31, 2012, our total unresolved repurchase claims were approximately $16.1 billion compared to $12.6 billion at December 31, 2011. These repurchase claims do not include any repurchase claims related to the Covered Trusts. During the three months ended March 31, 2012, we received $4.7 billion in new repurchase claims, including

$3.0 billion in new repurchase claims submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations, and $1.7 billion in repurchase claims related to non-GSE transactions. During the three months ended March 31, 2012, $1.3 billion in claims were resolved primarily with the GSEs. Of the claims resolved, $773 million were resolved through rescissions and $480 million were resolved through mortgage repurchase and make-whole payments. Generally the volume of unresolved repurchase claims from the FHA and VA for loans in GNMA-guaranteed securities is not significant because the requests are limited in number and are typically resolved quickly. For additional information concerning FHA-insured loans, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51. For information regarding GSEs' repurchase requests and outstanding claims, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

In addition and not included in total unresolved repurchase claims in the paragraph above, we have received repurchase demands from private-label securitization investors and a master servicer where we believe the claimant has not satisfied the contractual thresholds to direct the securitization trustee to take action and/or that these demands are otherwise procedurally or substantively invalid. The total amounts outstanding of such demands were $3.1 billion and $1.7 billion as of March 31, 2012 and December 31, 2011. During the three months ended March 31, 2012 we received an additional $1.4 billion in such demands. We do not believe that the $1.4 billion in additional demands received are valid claims, and therefore it is not possible to predict the resolution with respect to such demands. Of the demands outstanding at March 31, 2012 and December 31, 2011, $1.7 billion relate to loans underlying securitizations included in the BNY Mellon Settlement and a claimant has filed litigation against us relating to $1.4 billion of these demands. If the BNY Mellon Settlement is approved by the court, demands related to loans underlying securitizations included in the BNY Mellon Settlement will be resolved by the settlement.

Open Mortgage Insurance Rescission Notices

In addition to repurchase claims, we receive notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices) and the amount of such notices have remained elevated. At March 31, 2012, we had approximately 99,000 open MI rescission notices compared to 90,000 at December 31, 2011. Through March 31, 2012, 27 percent of the MI rescission notices received have been resolved. Of those resolved, 22 percent were resolved through our acceptance of the MI rescission, 46 percent were resolved through reinstatement of coverage or payment of the claim by the mortgage insurance company, and 32 percent were resolved on an aggregate basis through settlement, policy commutation or similar arrangement. As of March 31, 2012, 73 percent of the MI rescission notices we have received have not yet been resolved. Of those not yet resolved, 45 percent are implicated by ongoing litigation where no loan-level review is currently contemplated (nor required to preserve our legal rights). In this litigation, the litigating mortgage insurance companies are also seeking bulk rescission of certain policies, separate and apart from loan-by-loan denials or rescissions. We are in the process of reviewing 34 percent of the remaining open MI rescission notices, and we have reviewed and are contesting the MI rescission with respect to 66 percent of these MI rescission notices. Of the remaining open MI rescission notices, 25 percent are also the subject of ongoing litigation; although, at present, these MI rescissions are being processed in a manner generally consistent with those not affected by litigation. For additional information, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Representations and Warranties Liability

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

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

At March 31, 2012 and December 31, 2011, the liability was $15.7 billion and $15.9 billion. For the three months ended March 31, 2012 and 2011, the provision for representations and warranties and corporate guarantees was $282 million and $1.0 billion. The representations and warranties provision of $282 million related primarily to the GSEs. The decrease in the provision from the prior-year period was primarily due to a higher provision in the prior-year period attributable to the GSEs and a monoline. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties Liability on page 58 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Estimated Range of Possible Loss

Government-sponsored Enterprises

Our estimated liability as of March 31, 2012 for obligations under representations and warranties with respect to GSE exposures is necessarily dependent on, and limited by, our historical claims experience with the GSEs. It includes our understanding of our agreements with the GSEs and projections of future defaults as well as certain other assumptions, and judgmental factors. Accordingly, future provisions associated with obligations under representations and warranties made to the GSEs may be materially impacted if actual experiences are different from historical experience or our understandings, interpretations or assumptions. The GSEs' repurchase requests, standards for rescission of repurchase requests and resolution processes have become inconsistent with the GSEs' own past conduct and the Corporation's interpretation of its contractual obligations. While we are seeking to resolve our differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, whether we will be able to achieve a resolution of these differences on acceptable terms, and the timing and cost thereof, is subject to significant uncertainty.

It is reasonably possible that future representations and warranties losses with respect to GSE exposures may occur in excess of the amounts recorded for the GSE exposures, and the amount of any such additional liability could be material. Due to the significant uncertainty related to our continued differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, it is not possible to reasonably estimate what the outcome or range of such additional possible loss may be. See Complex Accounting Estimates – Representations and Warranties on page 115 for information related to the sensitivity of the assumptions used to estimate our liability for obligations under representations and warranties.

Non-Government-sponsored Enterprises

The population of private-label securitizations included in the BNY Mellon Settlement encompasses almost all legacy Countrywide first-lien private-label securitizations including loans originated between 2004 and 2008. For the remainder of the population of private-label securitizations, we believe it is probable that other claimants in certain types of securitizations may come forward with claims that meet the requirements of the terms of the securitizations. We have also seen and continue to see an increased trend for both requests for loan files and repurchase claims from private-label securitization trustees. We believe that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in 2011 have provided for a substantial portion of our non-GSE representations and warranties exposure. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. In addition, we have not recorded any representations and warranties liability for certain potential monoline exposures and certain potential whole loan and other private-label securitization exposures. We currently estimate that the range of possible loss related to non-GSE representations and warranties exposure as of March 31, 2012 could be up to $5 billion over existing accruals. The estimated range of possible loss for non-GSE representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change. For additional information about the methodology used to estimate the non-GSE representations and warranties liability and the corresponding range of possible loss, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

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

Government-sponsored Enterprises Experience

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

Bank of America and legacy Countrywide sold approximately $1.1 trillion of loans originated from 2004 through 2008 to the GSEs. As of March 31, 2012, 12 percent of the loans in these vintages have defaulted or are 180 days or more past due (severely delinquent). At least 25 payments have been made on approximately 65 percent of severely delinquent or defaulted loans. Through March 31, 2012, we have received $35.6 billion in repurchase claims associated with these vintages, representing approximately three percent of the loans sold to the GSEs in these vintages. We have resolved $27.1 billion of these claims with a net loss experience of approximately 31 percent, after considering the effect of collateral. Our collateral loss severity rate on approved repurchases has averaged approximately 45 to 55 percent.

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Table 11 highlights our experience with the GSEs related to loans originated from 2004 through 2008.

Table 11
Overview of GSE Balances - 2004-2008 Originations

	Legacy Originator			
(Dollars in billions)	Countrywide	Other	Total	Percent of Total
Original funded balance	$846	$272	$1,118	
Principal payments	(463)	(158)	(621)	
Defaults	(61)	(10)	(71)	
Total outstanding balance at March 31, 2012	$322	$104	$426	
Outstanding principal balance 180 days or more past due (severely delinquent)	$47	$11	$58	
Defaults plus severely delinquent	108	21	129	
Payments made by borrower:				
Less than 13			$15	12 %
13-24			30	23
25-36			33	26
More than 36			51	39
Total payments made by borrower			$129	100 %
Outstanding GSE representations and warranties claims (all vintages)				
As of December 31, 2011			$6.3	
As of March 31, 2012			8.1	
Cumulative GSE representations and warranties losses (2004-2008 vintages)			$9.5	

We continue to experience elevated levels of new claims from the GSEs, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) or on loans which had defaulted more than 18 months prior to the repurchase request, in each case, in numbers that were not expected based on past practices. Also, the criteria and the processes by which the GSEs are ultimately willing to resolve claims have changed in ways that are unfavorable to us. These developments have resulted in an increase in claims outstanding from the GSEs to $8.1 billion at March 31, 2012. We intend to repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs. While we are seeking to resolve our differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, whether we will be able to achieve a resolution of these differences on acceptable terms, and the timing and cost thereof, is subject to significant uncertainty.

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

MHA refinancing products into FNMA MBS pools and continue to engage in dialogue to attempt to address our ongoing differences with FNMA.

In 2011, FNMA issued an announcement requiring servicers to report all MI rescission notices with respect to loans sold to FNMA and confirmed FNMA's view of its position that a mortgage insurance company's issuance of a MI rescission notice constitutes a breach of the lender's representations and warranties and permits FNMA to require the lender to repurchase the mortgage loan or promptly remit a make-whole payment covering FNMA's loss even if the lender is contesting the MI rescission notice. According to FNMA's announcement, through June 30, 2012, lenders have 90 days to appeal FNMA's repurchase request and 30 days (or such other time frame specified by FNMA) to appeal after that date. This announcement could result in more repurchase requests from FNMA than the assumptions in our estimated liability contemplate. We also expect that in many cases, particularly in the context of individual or bulk rescissions being contested through litigation, we will not be able to resolve MI rescission notices with the mortgage insurance companies before the expiration of the appeal period prescribed by the FNMA announcement. We have informed FNMA that we do not believe that the new policy is valid under our contracts with FNMA, and that we do not intend to repurchase loans under the terms set forth in the

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new policy. Our pipeline of outstanding repurchase claims from the GSEs resulting solely on MI rescission notices has increased to $1.4 billion at March 31, 2012 from $1.2 billion at December 31, 2011. If we are required to abide by the terms of the new FNMA policy, our representations and warranties liability will likely increase. For additional information on the FNMA announcement, see Note 8 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements and Off-Balance Sheet Arrangements and Contractual Obligations – Government-sponsored Enterprises Experience on page 60 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Experience with Investors Other than Government-sponsored Enterprises

As detailed in Table 12, legacy companies and certain subsidiaries sold pools of first-lien mortgage loans and home equity loans as private-label securitizations or in the form of whole loans originated from 2004 through 2008 with an original principal balance of $963 billion to investors other than GSEs (although the GSEs are investors in certain private-label securitizations), of which approximately $512 billion in principal has been paid and $241 billion has defaulted or are severely delinquent at March 31, 2012. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Experience with Investors Other than Government-sponsored Enterprises on page 61 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Table 12 details the population of loans originated between 2004 and 2008 and the population of loans sold as whole loans or in non-agency securitizations by entity and product together with the defaulted and severely delinquent loans stratified by the number of payments the borrower made prior to default or becoming severely delinquent as of March 31, 2012. As shown in Table 12, at least 25 payments have been made on approximately 63 percent of the defaulted and severely delinquent loans. We believe many of the defaults observed in these securitizations have been, and continue to be, driven by external factors like the substantial depreciation in home prices, persistently high unemployment and other negative economic trends, diminishing the likelihood that any loan defect (assuming one exists at all) was the cause of a loan’s default. As of March 31, 2012, approximately 25 percent of the loans sold to non-GSEs that were originated between 2004 and 2008 have defaulted or are severely delinquent. Of the original principal balance for Countrywide, $409 billion is included in the BNY Mellon Settlement and $111 billion is defaulted or severely delinquent at March 31, 2012.

Table 12
Overview of Non-Agency Securitization and Whole Loan Balances

(Dollars in billions)	Principal Balance		Defaulted or Severely Delinquent						
By Entity	Original Principal Balance	Outstanding Principal Balance March 31, 2012	Outstanding Principal Balance 180 Days or More Past Due	Defaulted Principal Balance	Defaulted or Severely Delinquent	Borrower Made Less than 13 Payments	Borrower Made 13 to 24 Payments	Borrower Made 25 to 36 Payments	Borrower Made More than 36 Payments
Bank of America	$100	$ 27	$4	$5	$9	$1	$2	$2	$4
Countrywide	716	238	77	110	187	24	44	46	73
Merrill Lynch	65	18	5	12	17	3	4	3	7
First Franklin	82	20	7	21	28	5	6	5	12
Total (1, 2)	$963	$ 303	$93	$148	$241	$33	$56	$56	$96

By Product				
Prime	$302	$ 97	$16	$17