City of Sacramento
City Council

915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: **6/21/2011** **Report Type:** Consent

Title: Administrative Matter: Five-Year Agreement for Banking Services

Report ID: 2011-00492

Location: Citywide

Recommendation: Adopt a Resolution repealing, in part, Resolution No. 2011-245 and replace the repealed provisions to include corrected exhibits.

Contact: Lydia Abreu, Investment and Opertaions Manager, (916) 808-7746, Office of the City Treasurer,

Presenter: None

Department: City Treasurer
Division: City Treasurer
Dept ID: 05001011

Attachments:

Eileen Teichert, City Attorney Shirley Concolino, City Clerk Russell Fehr, City Treasurer
William H. Edgar, Interim City Manager

1-Description/Analysis
02-Background
03-Resolution
04-Exhibit 1, Umbrella Agreement
05-Exhibit A - 2003 Banking Services RFP
06-Exhibit B - 2003 Bid Response
07-Exhibit C - Bank's Terms and Conditions (2010)
08-Exhibit D - 2011 Addendum to Bank's 2003 Bid Response
09-Exhibit D-1 - Tab B, pp. 2-3 - new Transmittal Letter
10-Exhibit D-2 - Tab C, pp. 4-5 - new Financial Inst. Profile
11-Exhibit D-3 - Tab J, pp. 20 - new ACH credit card processing
12-Exhibit D-4 - Tab P, pp. 27 - new Pricing Schedules
13-Exhibit D-5a- Tab P.1, new Credit Card Processing Fees Schedule
14-Exhibit D-5b- Tab P.1 new Mastercard Rates
15-Exhibit D-5c- Tab P.1, new Visa Rates
16-Exhibit D-6a- Tab T, new BAC Solutions -employee benefits
17-Exhibit D-6b- Tab T, new BAW50 - employee benefits
18-Exhibit D-7- Tab U, Bank's Community Reinvestment Act Report
19-Exhibit D-8 - Tab Exhibit 1, Bof A Corp. N.A. Certificate
20-Exhibit D-9a - Tab Exhibit 2, new sample Umbrella Agreement form
21-Exhibit D-9b - Tab Exhibit 2, new sample Contract for Deposit of Moneys form
22-Exhibit D-9c Tab Exhibit 2, new sample Merchant Agreement
23-Exhibit D-9d - Tab Exhibit 2, Commercial Card Services Amendment to Bank's Terms & Conditions
24-Exhibit D-10a - Tab Exhibit 3, new Financial Statement and Ratings
25-Exhibit D-10b - Tab Exhibit 3, 2009 BofA Annual Report
26-Exhibit D-11 - Tab Exhibit 4, 2010 Account Analysis Statement Guide

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City Attorney Review

Approved as to Form
Larry Duran
6/3/2011 11:13:16 AM

City Treasurer Review

Prior Council Financial Policy Approval or Outside City Treasurer Scope
Russell Fehr
5/27/2011 12:28:23 PM

Approvals/Acknowledgements

Department Director or Designee: Russell Fehr - 6/2/2011 11:49:00 AM

Assistant City Manager: Patti Bisharat - 6/2/2011 3:26:45 PM

Back to Table of Contents

Description/Analysis

Issue: On April 21, 2011, the City Council adopted Resolution No. 2011-245 suspending competitive bidding and approving the proposed five-year agreement with Bank of America. Although the text of the resolution was correct, two of the attached exhibits were incorrect.

Policy Considerations: It is the best interest of the City to preserve and insure a clear and concise legislative history.

Environmental Considerations: None

Sustainability: None

Commission/Committee Action: None

Rationale for Recommendation: The text of Resolution No. 2011-245 was correct as approved, but two of the attached exhibits were incorrect because the exhibit containing the signed agreement was in the wrong place and was incomplete.

Financial Considerations: None

Emerging Small Business Development (ESBD): None

Back to Table of Contents

Background:

The City must have a business relationship with a bank in order to operate. The bank serves as the place of deposit of revenues and the institution from which expenditures are made. The City also obtains other services from the operating bank such as a line of credit for debt financing for equipment and other capital expenditures where a traditional bond financing is not appropriate, the use of credit cards by the City and those doing business with the City, making electronic transfer of funds, and lockbox services for utility billings. Historically, the City has solicited for banking services periodically to ensure the City receives the best all around service at a competitive price. Bank of America is currently providing banking services to the City, as part of their 2003 Request for Proposal (RFP) submittal. Banking services have been provided by them since 1991.

The City Treasurer and Finance Director are recommending that a new sole source five-year agreement be awarded to Bank of America as being in the best interests of the city. As a result of the current reduction in resources available, the disruption of vital ongoing city services must be avoided. The City Treasurer anticipates that the City will be better prepared to issue an RFP for banking services after the expiration of this proposed five-year agreement 2011-0XXX. In the meantime, it would be in the best interest of the City to execute the contract for a new five-year period.

Staff is recommending that City Council approve the actions necessary to execute the banking services contract for a five-year period. The current economic environment has impacted the city, the region and the financial industry to a level not experienced since the Great Depression. As we move forward, it is our expectation that the city will establish financial equilibrium and we will be able to issue the RFP from a select group of banks that have survived and are operating in a better economy supported by stimulus and assistance packages. Moreover, we can then better evaluate, from an implementation and conversion perspective, the options to determine the best timing for issuing an RFP. We expect the renewed five-year delay will provide us an opportunity to evaluate a proposal on a more stable and confident basis.

As part of the five-year agreement, Bank of America introduced a system for rebates to the city in the amount of $650,000.00 to $900,000.00 annually. An ePayables service allows clients to convert paper-based vendor payments (i.e., checks) to electronic form, routed through the credit-card payments network and thereby earning a cash rebate on the total dollar throughput. Based on an analysis of our vendor payments file, we estimate the annual dollar rebate would make the City banking services self-sustaining.

Back to Table of Contents

RESOLUTION NO. 2011____

Adopted by the Sacramento City Council

REPEALING RESOLUTION NO. 2011-245, IN PART, AND ADOPTING IN PLACE THEREOF A NEW RESOLUTION APPROVING THE PROPOSED FIVE-YEAR AGREEMENT WITH BANK OF AMERICA TO PROVIDE BANKING SERVICES

BACKGROUND:

A. On January 8, 2004, the City Treasurer informed the City Council that the City had issued an RFP for financial banking services and had selected Bank of America/ Bank of New York Mellon to provide those services. The contract was for five years with the option of two one-year extensions.

B. On May 12, 2009, the City Treasurer requested authorization from City Council to extend the banking agreement with Bank of America for up to 18 months rather than issue a new RFP while the banking industry was in economic turmoil. Now, in the City's current economic climate, it is not in the best interest of the City to issue a new RFP. Accordingly, it was determined that since Bank of America currently provides city banking services, by executing a new contract with Bank of America the city will avoid extremely high conversion costs comprised of labor hours, supplies and costs to sub-systems.

C. The Office of the City Treasurer is requesting authorization to enter into a five-year agreement with Bank of America with new fee schedules and to execute any related applicable agreements the Treasurer deems appropriate.

D. On April 21, 2011, the City Council adopted Resolution No. 2011-245 (1) approving the agreement for banking services with Bank of America for a five-year period, (2) suspending competitive bidding and authorizing the City Treasurer or his designee to execute the Banking Services Agreement and all related agreements that the Treasurer deems appropriate, and (3) ratifying the expenditure of $750,000 paid to Bank of America for past banking services it provided. The text of Resolution No. 2011-245 was correct, but it included two erroneous exhibits. Therefore the erroneous provisions of Resolution 2011-245 need to be repealed and replaced with corrected exhibits.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. Sections 1 and 4, and Exhibit 1 and all exhibits attached thereto, of Resolution No. 2011-245 are hereby repealed and are replaced and superseded by this resolution.

Section 2. The City Council hereby approves the agreement for banking services with Bank of America for a five-year period ("the Banking Services Agreement"), effective as of April 21, 2011, attached hereto as Exhibit 1.

Section 3. The City Council hereby authorizes the City Treasurer or his designee to execute the Banking Services Agreement and all related agreements that the Treasurer deems appropriate.

Section 4. Exhibit 1 and all exhibits attached thereto are part of this resolution.

Back to Table of Contents

EXHIBIT 1

Umbrella Agreement for Government Banking Services

Between

Bank of America, N.A.

And

City of Sacramento

This Agreement for Government Banking Services (the "Agreement") is made as of this 21 day of April, 2011, between the City of Sacramento, a municipal corporation ("Client"), and Bank of America, N.A., a national banking association ("Bank").

WHEREAS, Client issued a Request for Proposal ("RFP") for providing banking services identified in the RFP (the "Banking Services"), more fully identified as follows: Proposal Specifications For Financial Services, August 2003 (the "2003 RFP"), attached hereto as Exhibit A; and

WHEREAS, the Bank was the successful bidder under the 2003 RFP, having submitted to Client its bid response dated August 29, 2003 (the "2003 Bid Response"), attached hereto as Exhibit B; and

WHEREAS, pursuant to the 2003 RFP and 2003 Bid Response, the parties entered into that certain agreement dated as of September 23, 2004 which included Bank's Treasury Services Terms and Conditions Booklet as a part thereof (the "2004 Agreement"), for the purpose of commencing the Banking Services and specifying the term and constituent documents of the 2004 Agreement between Client and Bank regarding the Banking Services; and

WHEREAS, the 2004 Agreement between Client and Bank has since heretofore expired and for economic reasons Client does not desire to issue a new RFP for the Banking Services at this time, and Bank submitted to Client a subsequent addendum dated as of February 25, 2011 to the 2003 Bid Response (the "2011 Bid Response Addendum"), attached hereto as Exhibit D, including exhibits D-1 through D-11attached thereto; and

WHEREAS, the parties now wish to enter into this Agreement for the purpose of continuing the Banking Services and specifying the term and constituent documents of this Agreement between Client and Bank regarding continuing the Banking Services;

NOW, THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the parties hereby agree as follows:

1. Integrated Agreement.

   a. The entire and integrated agreement between Client and Bank related to the Banking Services shall consist of: this Agreement; Bank's Treasury Services Terms and Conditions Booklet (2010) (including user documentation and set-up forms), attached

hereto as Exhibit C; Bank's 2003 Bid Response as modified by Bank's 2011 Bid Response Addendum; and Client's 2003 RFP.

b. In the event of conflict among any of the preceding constituent documents described in subparagraph 1(a) above, and notwithstanding anything to the contrary therein, such documents shall govern in the following order of precedence: (1) this Agreement; (2) Bank's Treasury Services Terms and Conditions Booklet (2010) (including user documentation and set-up forms); (3) Bank's 2003 Bid Response as modified by Bank's 2011 Bid Response Addendum; and (4) the 2003 RFP. This integrated agreement supersedes all prior negotiations, representations, statements and agreements, whether written or oral, regarding the Banking Services.

2. Commencement of Performance. Except as otherwise agreed by the parties, Bank shall continue performing the Banking Services upon execution and delivery of this Agreement and the set-up forms contained in Bank's Treasury Services Terms and Conditions Booklet. Bank shall continue to perform such Services during the term of this Agreement.

3. Term. This Agreement is for a term of five (5) years.

4. Notices. Except as may otherwise be specified in the Bank's Treasury Services Terms and Conditions Booklet and set-up forms, notices to Client and Bank shall be sent to the addresses set forth below:

Client: City of Sacramento
915 "I" Street, HCH 3rd Floor
Sacramento, CA 95814

Bank: Bank of America, N.A.
Documentation Management (CA4.706-04-07)
P.O. Box 27128
Concord, CA 94527-9904

Changes in the respective address set forth above may be made from time to time by any party upon written notice to the other party.

In Witness whereof, the parties have executed this Agreement as of the date first written above.

THE REMAINDER OF THIS PAGE INTENTIALLY LEFT BLANK

THE SIGNATURE PAGE FOLLOWS

CITY OF SACRAMENTO

By: _____
Name: RUSSELL FEHR
Title: City Treasurer

Approved as to form by:

By: Lawrence J Duran
Name:
Title: Senior Deputy City Attorney

Attest: _____
Name:
Title: City Clerk

BANK OF AMERICA, N.A.

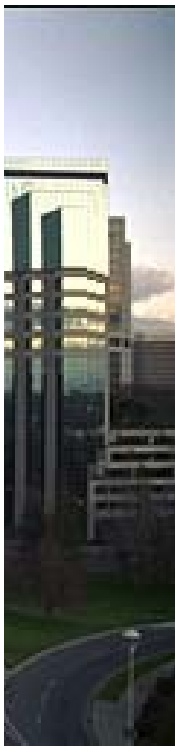
By: James D. Hackett
Name: James D. Hackett
Title: Senior Vice President

Back to Table of Contents

CITY OF SACRAMENTO

Office of the City Treasurer

CALIFORNIA



PROPOSAL SPECIFICATIONS
For
FINANCIAL SERVICES
(i.e. Banking and Safekeeping)

August 2003

PROPOSAL SPECIFICATIONS
FOR
BANKING AND SAFEKEEPING

I. GENERAL INFORMATION

A. The City of Sacramento

The City of Sacramento (City) is a municipal corporation and full service Charter City providing services to a community of almost 406,000 people. The City was founded in 1849 and operates under a charter adopted in 1921. This charter currently provides for a nine-member elected City Council, including an elected Mayor. There are no other elected officials. The Council appoints the City Attorney, City Clerk, City Manager and City Treasurer to carry out its adopted policies. The major municipal services provided by the City include administration, police, fire, library, recreation, parking and public works such as water production; refuse collection, storm drainage and maintenance. The City has approximately 5,000 permanent employees.

B. Nature of Services Required

The Treasurer of the City of Sacramento seeks proposals from Financial Institutions interested in providing Banking and Safekeeping services for the City. The City is looking for a full service Financial Institution. However, the City Treasurer reserves the right to accept or reject any service or group(s) of services contained in a proposal, including sub-contractors. This request for proposals is intended for the City to determine the Financial Institution that can offer the highest quality of service at the most reasonable cost. Services are currently being provided by Bank of America and Bank of New York. A competitive request for proposal process will be an opportunity for the City to evaluate various technological advances and procedural enhancements that could improve its efficiencies in banking and cash management.

The City pays for banking services on a direct cost basis. The services required to accommodate the City's needs are extensive. The major service categories are the following:

1. **Lockbox Services.** The Financial Institution must provide commercial lock box services with a lockbox address in Sacramento. The institution will have to provide Sacramento pickup and report delivery services. The City also utilizes a Direct Debit payment option for its customers. The financial institution will need to provide this service.

2. **Checking Account Reconcilement** that includes positive pay/reverse positive pay electronic data transmissions.

3. **Electronic Reporting/File Transmission.** The Financial Institution must have an electronic communication/file transmission system to allow the City to receive, by 6 a.m. Pacific Standard Time, previous day balance and transaction information for each account. The City currently uses a personal computer and the Internet to obtain a balance report each morning for use in connection with its cash management functions.

4. **Cash Vault Services.** The Financial Institution should have a centralized cash vault operation that can accommodate the security, deposit volume and change order demands associated with accounts as large as the City's. The City has its own contract for armored transport services.

5. **Electronic Payment/Deposit Services.** The Financial Institution must have the capability to accommodate a range of electronic payment and deposit services currently used by the City in connection with investment transactions and Federal and State transfers of funds to the City.

5a. **Electronic Consumer Payments.** The City accepts electronic payments for the utility billings and for miscellaneous invoice payments. The City currently receives payments from home banking service providers. The City is looking to the bank to consolidate these payments and deposit them directly to the City's account.

6. **Money Transfer Services.** The Financial Institution must have the capability to accommodate incoming and outgoing electronic money transfers. The Financial Institution should also provide the City with a money transfer type service that allows the City to initiate wire transfers with the use of a personal computer and the Internet.

7. **Reporting Services.** The Financial Institution must provide monthly account reconcilement reports, bank statements, account analysis statements, confirmation tickets and other report related features normally associated with large corporate accounts. The Financial Institution must also be willing to customize such reports where feasible to accommodate the City's preferences.

8. **Flash Fund.** The Financial Institution must provide, on a confidential basis, $100,000 in currency of $20.00, $50.00 and $100.00 denominations from at least one branch to be used by the Police Department in connection with its law enforcement activities. Such deposits and withdrawals should be exempt from federal cash deposit reporting. In most cases, withdrawals range from $10,000 to $25,000 approximately two times a month. The Funds are usually returned (deposited) within a day or two of the withdrawal.

9. **ACH/Credit Card Services.** The Financial Institution must provide an electronic system that will accommodate debit/credit card authorizations and then automatically deposit funds into the City's Account.

10. **Overnight Sweep Account Facility.** The Financial Institution must provide overnight investment options in order to maximize our earnings.

11. **E Commerce.** Currently, the City is in the process of developing e Commerce payment options. This is a service that will be required of the financial institution in the near future.

12. **Training Services.** The Financial Institution must provide on-site training to City personnel for the operation and use of the Financial Institution's services and automated systems for all areas of service. The training must be sufficient to ensure that City personnel are proficient with all systems and procedures. Training, operating manuals, and on-going support are to be supplied by the Financial Institution for all services provided.

13. **Messenger Services.** The Financial Institution must provide a messenger between the City and the Financial Institution to deliver large checks for same day deposit, magnetic tapes, canceled checks, confirmation tickets, and various reports.

14. **Line of Credit.** The Financial Institution must provide a minimum $10,000,000 Line of Credit to be used for any authorized City purpose.

15. **Custody Service.** The Financial Institution must provide custody and safekeeping services for the $1.2 billion investment portfolio consisting of equities and various fixed investments.

16. **Securities Lending.** The Financial Institution must provide security-lending services for the City's $1.2 billion investment portfolio consisting of equities and various fixed investments.

17. **Other Services.** There are many other services too detailed to mention (i.e. debit card purchasing services) that are customarily provided to corporations and governmental entities. The City in reviewing the information provided in the proposal will also generally assess these services.

Proposing Financial Institutions should have prior experience in providing these services for large corporate organizations and preferably for other governmental entities. More importantly, Financial Institutions should have the capitalization necessary to accommodate the City's depository and cash flow needs.

The City intends to establish a five-year contract. The conditions of a proposal must remain valid for a minimum contract term of five years. The City will also be willing to recommend the Treasurer approval for extending the contract for one or two additional years if performance has been satisfactory and pricing terms are reasonable.

C. Emerging and Small Business Development Program

On February 9, 1999, the Sacramento City Council adopted an Emerging and Small Business Development program to provide enhanced opportunities for the participation of small business enterprises (SBEs) and emerging business enterprises (EBEs) in the City's contracting and procurement activities. Any proposal submitted by a firm that is certified as a SBE by either the State of California or the City of Sacramento, or that is certified as an EBE by the City of Sacramento, will receive a five percent (5%) proposal evaluation preference for the purpose of determining the highest-ranking proposal. To receive this proposal evaluation preference, a firm must be certified as a SBE or EBE at the time of proposal opening. Questions regarding eligibility for SBE/EBE certification should be addressed to the City of Sacramento Office of Small Business Development at (916) 264-6747. It is expected that certifications from the City of Sacramento can be obtained within 10 days in most cases.

All proposers must complete ATTACHMENT 1 of this RFP which requires proposer's response on Emerging and Small Business Enterprise Development (ESBD) program certification.

II. ACCOUNT DESCRIPTION

A. Overview

The City of Sacramento processes in excess of $19.8 billion annually through its financial accounts. Of this amount, $1.5 billion represents normal City business and $18.3 billion represents investment transactions. The City issues payroll in excess of $260 million and accounts payable checks of $400 million.

The City's general business requires twelve (12) demand accounts of which two (2) perform as subsidiary zero-balance accounts:

- Investment Account
- Overnight Sweep Investment Account
- General Account
- City Payroll Account
- Pension Payroll Account
- Accounts Payable Account
- ACH/Wire Account
- Parking Adjustments Account
- Imprest Revolving Account
- Police Revolving Account
- Sacramento Convention and Visitors Bureau Account
- Workman's Compensation Account

The Investment Account is the analysis account or main account. The General Account is for all cashiering and money transfers for the City's operating concerns. This account zero-

balances into the Investment Account. The City Payroll, Pension Payroll, Accounts Payable, Imprest, Police, ACH/Wire and Parking Adjustments accounts all zero-balance ("ZBA") to either the Investment Account or the General Account.

Investment Account activity averages $70 million daily. The annual investment activity volume of about 4,336 transactions approximates $18.3 billion annually. The City requires safekeeping services with the ability to settle transactions in New York, Chicago, San Francisco, Los Angeles, the Federal Reserve System for book entry transactions and DTCC when such settlement is appropriate.

B. Description of Services Required

1. Demand Account Services

a. The Financial Institution must have an operations center or a correspondent Financial Institution in the City of Sacramento with an operations center in the State of California, be a member of the Federal Reserve System, and meet all California government codes pertaining to depository requirements.

b. The City will compensate the Financial Institution for all charges on a direct fee basis. ATTACHMENT 2 lists the estimated monthly activity for this account.

c. The City requires a cash management system to have a main Investment Account and revolving/clearing accounts. The bank account descriptions are:

1) Investment Account Monthly statements and automated account detail describing debits and credits with the zero-balance accounts transfers to this account daily.

2) Overnight Sweep Investment Account Monthly statements and daily confirmation of transfers to and from the investment account.

3) General Account - ZBA to Investment Account Monthly statements and daily automated account detail describing all debits and credits. Imprest and Police Accounts ZBA to the General Account.

4) City Payroll Account – ZBA to Investment Account Monthly statements and a daily data transmission of paid checks as well as automated account detail on a daily basis.

5) Pension Payroll Account – ZBA to Investment Account Monthly statements and a daily data transmission of paid checks as well as automated account detail on a daily basis.

6) Accounts Payable Account - ZBA to Investment Account Monthly statements and a daily data transmission of paid checks as well as automated account detail on a daily basis.

7) Police Revolving Account - ZBA to General Account Monthly Statements and automated account detail on a daily basis.

8) ACH/Wire Account – ZBA to Investment Account Monthly statements and daily data transmission with extended ACH and Wire description reporting as well as automated account detail on a daily basis.

9) Imprest Revolving Account - ZBA to General Account Monthly Statements.

10) Parking Adjustments - ZBA to Investment Account Monthly statements and a daily data transmissions accessible by interested third party as well as automated account detail on a daily basis.

11) Sacramento Convention and Visitors Bureau – Benefit Account Monthly statements.

12) Workman's Compensation Account Monthly statements.

Additionally, the City requires:

d. A $10,000,000 line of credit.

e. A computerized cash balance and reporting system with wire transfer capability. The system must have account balance reports which identify the ledger and collected balance of the City's accounts; a summary report of debits and credits for all accounts; and a detailed listing of debits and credits for both the General Account and Investment Account.

f. A toll-free telephone line to the servicing Financial Institution's operations, investment, and custody clearance department.

g. Evidence of insurance and bonding to protect City assets held in safekeeping.

h. Processing of returned checks a second time if item is initially dishonored due to "non sufficient funds" or "refer to maker". The City receives approximately 224 returned checks a month.

i. Depositing of bulk coin involved with the parking meter program. The annual revenues collected approximate $3.3 million and weigh approximately 97 tons. There are eight to ten bags of counted and rolled coins (quarters only) delivered daily throughout the day for counting and deposit. The City has counted the coin for bank's verification.

j. Lock box services for the receipt of utility billings. The annual number of utility billings is approximately 1,250,000 with an annual dollar total over $123 million. Utility billing is done daily with the accounts distributed in 20 billing cycles. The Financial Institution shall provide data transmission of the activity processed with same day credit. Other information to be provided to the City is the matching amounts paid. A Sacramento, California address must be used for the lock box. Any payment exceptions should be forwarded daily by the Financial Institution to the City for processing. All payments must be processed, transmitted and deposited within 24 hours of receipt.

k. The City uses an external vendor to service the City's parking tickets, which are deposited into the General Account. Proposal should include this service as a City option. Parking ticket payment processing requires three (3) separate lock box addresses, daily data transmission for six (6) separate databases for payment update, and all payment exceptions forwarded daily to the City for processing. All payments must be processed and transmitted within 24 hours of delivery to lockbox. Payment activity for all lock boxes averages approximately 700 payments daily. Average payment is $29 per citation. Annual dollar total is estimated to be over $3.9 million. Deposit same day credit. Pricing information in Attachment 2 does not include parking ticket payment processing. A separate pricing schedule should be included for this City option.

l. Verification of individual sealed-envelope amounts and cash sheet (up to twelve) to a total deposit. Enclose examples of documentation for deposits with errors to be returned to the City.

m. A daily messenger service by 10:00 a.m. to pick up deposits (no cash) and to transport debit/credit confirmations to the Revenue Division, along with delivery of returned items and verified deposit slips.

n. Financial Institution is required to provide for large cash withdrawals in excess of $100 thousand from the Sacramento Convention and Visitors Bureau Account (demand account) when requested. Such cash withdrawals are required when promoters request payment in cash rather than by check at the conclusion of a performance. This account has recently maintained an average month end balance of approximately $700 thousand. The Convention Center box office generates an average of over $300 thousand in ticket sales each month on purchases made by credit cards.

o. Issuance of Series E Savings Bonds for City employees. Approximately 1,000 bonds per year are issued totaling $40,000. Bonds are issued every two weeks. Financial Institution shall accept and process magnetic tape for one (1) City file for savings bond deduction processing and issuance.

p. Data Processing Requirements - Automated cash accountability and account(s) reconciliation. Refer to ATTACHMENT 3 for protocol.

1) Financial Institution shall identify Financial Institution's data processing liaison personnel, and Financial Institution shall provide data processing support during conversion and implementation of data processing banking service requirements.

2) Financial Institution shall detail the costs for installing and training personnel in the use of optional hardware/software required by Financial Institution to fulfill the requirements of this proposal.

3) The Financial Institution shall detail the costs for guaranteed same-day data processing support.

q. Financial Institution shall have the ability to micro-encode the City's deposit slips into at least five-digit alpha or numeric character in order to identify the revenue source(s) flowing through the general account, and present information sorted by these characters through a telecommunications device, creating a data file. The City retains 2 copies of the deposit slip. (There are approximately 50 different sources).

r. City employee payroll checks and accounts payable checks issued by the City require daily data transmission of paid checks, by account, to the City. This is to include the electronic transmission of check number, amount paid, date cleared and account charged.

s. Financial Institution shall provide one large safety deposit box for City use.

t. Financial Institution shall cash payroll checks for part-time employees without established bank accounts.

2. Safekeeping & Clearing Function

Safekeeping services are required for the City investment funds which average approximately $70 million per day (16 safekeeping accounts). Federal Fund wires will be involved with these transactions. The City requires the Financial Institution to accept delivery of securities in New York, Chicago, San Francisco, Los Angeles, and Federal Reserve System for book entry transactions and/or DTCC when such settlement is appropriate. Approximately 75% of these transactions are Federal Reserve System or New York. The remaining 25% are San Francisco, Chicago, Los Angeles or DTCC.

Approximately 4,336 transactions represent an annual volume of $18.3 billion within the Investment Account. Each of the sixteen (16) accounts requires a money market account. ATTACHMENT 4 lists the estimated monthly volume of transactions. Monthly reports must include a summary of investment activity, interest income received, and a current summary of assets held at cost, market and par value. A current portfolio is provided.

a. Master Custodial Agreement. The City also requires one Non-Managed Institutional Master Custody Agreements for outside Managers for some of the funds of the Sacramento City Employees' Retirement System (SCERs) and the City of Sacramento. Custodian will hold various types of securities including stocks, options, corporate and bonds, government bonds, mortgage-backed securities and other government securities. Total value of these securities is approximately $1.2 billion. The investment activity volume of about 4,336 transactions approximates $18.3 billion annually. These services will be paid for on a fee basis quarterly by SCERS and monthly by City governmental/trust accounts. The City currently utilizes an investment accounting system called Axys by Advent. The requirements for this service are described below.

1) The Financial Institution must provide the City with six (6) SCERs accounts consisting of the following:

a.) Fixed Income Assets Account includes: corporate bonds, foreign bonds, and U.S. government securities and mortgage-backed securities which include GNMA and Bank of America. All of the fixed income assets are managed in-house.

b) Four (4) Core Equity Accounts managed by:

In-house -Large Capital/Growth
In-house-Alternative Equity Fund
In-house-Bio Tech-Technology Fund
Axe-Houghton

c) Real Estate Mortgage Account

2) The Financial Institution must provide the City ten (10) governmental/trust accounts consisting of the following:

a) Sacramento City Investment Pool A

b) SHRA Pool D

c) SHRA Pool J

d) SHRA Pool K

e) SHRA Pool L

f) Public Trust Mutual Fund

g) Ethel Hart Trust Fund

h) George H. Clark Memorial Fund

i) City of Sacramento Water Construction Bond

j) United Way

b. The Financial Institution must be able to provide monthly reports stating assets at par, cost, market, and include estimated income. A monthly activity statement is required which lists the purchases and sales of securities, the gain on sale, and all interest or dividends received. In addition, the Financial Institution should also provide a detailed listing and a summary of activity by broker on a daily basis.

c. The Financial Institution is required to process and account for mortgage-backed securities or other investments which have monthly principal and interest payments. In addition, the Financial Institution must promptly notify the City of any calls, tender offers, or rate changes in any securities.

d. The Financial Institution is required to process and account for any capital changes (i.e. stock dividends, splits, spin-offs, etc).

e. The Financial Institution is required to provide a money market account in each of the accounts for all un-invested cash (daily sweep).

f. The Financial Institution is required to provide securities lending service for the City's Pool A & D and the SCERS accounts. ATTACHMENTS 5 & 6, respectively, indicate securities held by these accounts as of June 30, 2003. The Financial Institution must provide a description of the securities lending service including all requirements and restrictions such as the notice required to withdraw one or more securities from the lending program, and the permitted investments of the program. The Financial Institution is to indicate the distribution of proceeds minus direct expenses between the Financial Institution and the City, and to provide the estimated monthly income the City should expect to receive based on the June 30, 2003 portfolio. The City prefers a guaranteed monthly income plus a shared distribution of net proceeds to the guaranteed monthly income base. The Financial Institution may propose alternative services or methods of payment to the City to accomplish a securities lending program.

III. MINIMUM QUALIFICATIONS

To be considered for selection, proposing Financial Institutions must have at least the following qualifications:

A. Be capable of providing the services sought by the City.

B. Have established and maintained offices within the City of Sacramento.

C. Have experience in providing said services for other large organizations, preferably municipalities.

D. Be a federally or California State Chartered Financial Institution.

E. Be a qualified State of California depository for public funds.

E. Be in compliance and good standing with the Community Reinvestment Act.

F. Be sufficiently capitalized to accommodate the City's cash management needs.

G. Agree to assign personnel who are committed and capable of serving the City.

IV. FORMAT AND CONTENT OF PROPOSAL

In order for City staff to adequately compare proposals and evaluate them uniformly and objectively, all proposals must be submitted in accordance with this format. The proposal should be prepared simply and economically, providing straightforward and concise information as requested. Each proposal should be in a three ring binder and separated by section and tabbed in conjunction with the proposal specifications, i.e., "Tab A. Table of Contents", "Tab B - Transmittal Letter", etc. Begin each section with the appropriate heading. The proposal sections and format must be as follows:

Title Page/Cover. One page maximum. Show the name of the proposing Financial Institution, its principal business address and the address that would serve the City, the name of the proposal ("Proposal for Banking Services"), and the date that the proposal was submitted.

Tab A. **Table of Contents**. One page maximum.

Tab B. **Transmittal Letter**. Three pages maximum. The letter should briefly address the Financial Institution's willingness and commitment to provide the services if selected, why the firm believes it should be selected, and the individual(s) to be assigned. Included in this letter should be the Service Categories in the enclosed proposal.

Tab C. **Financial Institution Profile**. Seven pages maximum. Head each response by restating the underlined text. Respond to the following:

1. Describe the Financial Institution. Briefly describe the historical evolvement of the Financial Institution from its inception to its existing presence in Sacramento including the current number and addresses of Sacramento branches, offices, number of employees and market share. Identify the branch or correspondent Financial Institution branch in Sacramento that would accept deposits for the City from the State of California.

2. Describe the Financial Institution's experience in providing similar services. Summarize the services provided for no more than three of the Financial Institution's most comparable corporate or municipal clients. Include a brief description of the services provided, how long such services have been provided, and a contact person for each client described. Also include any prior experience with the City.

3. Identify the personnel to be assigned. Describe the role and responsibility of each person. Use a resume format that includes credentials and experience related to banking services.

4. Exceptions. List any services required by the City, which are not included in the Financial Institution's proposal.

Tab D. **Deposit Processing**. Three page maximum. Describe how the Financial Institution would accommodate the volume associated with an account as large and complex as the City. For instance, indicate if the Financial Institution intends to process deposits through a retail branch or a cash vault center. Discuss in what fashion the Financial Institution would handle rolled coin deposits.

Tab E. **Account Reconcilement**. Three pages maximum. Describe the account reconcilement services offered by the Financial Institution. Describe the magnetic tape specifications for the Financial Institution. Include a description of any electronic or software features available that could be used by the City to interface with the Financial Institution to determine a daily or weekly check outstanding balance. Also describe your check truncation services that would be available and its merits.

Tab F**. Electronic Money Transfers**. One page maximum. Describe the electronic money transfer services offered by the Financial Institution.

Tab G. **Change Order Services.** One page maximum. Describe the Financial Institution's procedures for requesting change orders.

Tab H. **Balance Report**. One page maximum. Describe the balance report services offered by the Financial Institution.

Tab I. **Payroll Tax Processing**. One page maximum. Describe the services available from the Financial Institution to accommodate the City's payment and reporting of payroll taxes.

Tab J. **ACH/Credit Card Processing**. One page maximum. Describe the electronic system that would be available to the City for processing debit/credit card transactions.

Tab K. **Controlled Disbursement.** One page maximum. Describe the controlled disbursement program offered by the Financial Institution. Include the time of day that current day check payment information would be available.

Tab L. **Sweep Account Facility**. One page maximum. The City may require the Financial Institution to provide a sweep feature to the concentration account to be used at the option of the City in order to permit excess collected balances remaining in the account to be automatically invested in a money market or government fund on an overnight basis. Describe the sweep account option offered by the Financial Institution.

Tab M. **Interest Allowance/Earnings**. One page maximum. Describe the methodology that would be used to give credit to the City for bank balances.

Tab N. **Collected Balances**. Two page maximum. Specify the Financial Institution's procedures for the calculation of collected balances, calculation of charges for funds advanced, and an explanation of how deposit float will be calculated.

Tab 0. **Daylight Overdraft Protection**. One page maximum. Describe any issues, concerns or charges associated with the use of a daylight overdraft facility in an amount previously described.

Tab P. **Pricing.** Two page maximum. Describe the pricing for services and supplies that the Financial Institution proposes, in summary. Include a pro forma detailed monthly and quarterly billing as Exhibit 8. Indicate if the Financial Institution will cap the monthly service cost, based on data estimated by the City in Attachment 2 and Attachment 4.

Tab Q. **Pricing Adjustments**. One page maximum. Prices are to remain firm for the first two years of the contract. For subsequent years, indicate what the Financial Institution proposes for price increases, if any. Financial Institutions may propose an annual adjustment to prices either on a fixed percentage basis or on a variable percentage based on the increase in a nationally recognized index. If the latter, indicate the not to exceed annual increase percentage.

Tab R. **Securities Lending**. One page maximum. Indicate the estimated monthly income, a brief description of the Financial Institution's experience, and a summary of the securities lending program.

Tab S. **Conversion Plan.** Two pages maximum. Describe the overall plan your Financial Institution would coordinate to ensure a smooth transition from the current provider. Indicate what direct costs the City would be responsible for in connection with a conversion. For instance, indicate if the Financial Institution intends to charge the City for supplies, such as deposit bags, endorsement stamps, deposit tickets, etc. The current provider should discuss any issues that may be different from the existing services. Also discuss the training program for City staff that the Financial Institution would implement.

Tab T. **Service Enhancements**. Three pages maximum. Based upon information about the City's banking needs and goals learned during the course of this proposal process, describe any enhancements, technological or otherwise, not previously mentioned that the City should consider to improve operational or cash management efficiencies.

Tab U. **Community Reinvestment Act**. Three page maximum. Describe the Financial Institution's Community Reinvestment Act program established for the Sacramento area. Summarize the disclosure data for the last five years for the City of Sacramento by zip code. Provide detailed information for the last five years as Exhibit 9.

Tab V. **Community Involvement.** Two page maximum. Describe the Financial Institution's involvement during the last five years with charitable/not-for-profit institutions within the City.

Tab W. **Branches Closed**. Two page maximum. List the Financial Institution's branches and/or offices closed within the City of Sacramento within the last five years. Briefly describe the reason(s) for the branch/office closing(s).

Tab X. **Affirmative Action Program**. Two page maximum. Describe the Financial Institution's affirmative action program including the demographics of the Sacramento branches by branch identified under Tab C, #1.

Tab Y. **Community Services**. Optional; two pages maximum. Some services which are not required by the City but are provided by the current Financial Institution as an accommodation to the City as community services. Describe any other services that the Financial Institution could provide as a service to the community. Include whether the Financial Institution would assign a Financial Institution liaison to assist the City in developing neighborhood- or community-based low-income housing or business loans.

Tab Z. **Other Information**. Two pages maximum. Describe debit card purchasing services and any other information not previously mentioned that the Financial Institution believes should be given consideration by the City. For example, address any concerns or issues that the City should be aware of in connection with the possibility of extending the contract term from five years to six or seven years.

Exhibit 1. Provide a Corporate Resolution, Certificate of Secretary, or correspondence from the Chief Executive Officer or Chairperson attesting that the individual who signed and submitted the proposal has the authority to make binding representations on behalf of the Financial Institution.

Exhibit 2. Provide a draft contract or agreement for Services that is specific to the services, term, and conditions represented in the proposal.

Exhibit 3. Provide the most recent audited financial statements of the Financial Institution.

Exhibit 4. Provide a sample account analysis and the users guide to the account analysis statement.

Exhibit 5. Provide the Financial Institution's most recent standard literature on its activities associated with the Community Reinvestment Act. Also include the Financial Institution's most recent disclosure data for the Sacramento area.

Exhibit 6. Provide a completed Minority/Women Business Enterprise (M/WBE) Certification and a copy of the Financial Institution's Emerging Business Enterprise (EBE) program document.

Exhibit 7. Provide a draft securities lending agreement that should include all terms, conditions and restrictions of the agreement.

Exhibit 8. Provide a pro forma detailed monthly and quarterly billing for City demand and custody services (see Tab P. Pricing.).

Exhibit 9. Provide detailed information of Community Reinvestment Act activity within the City of Sacramento for the last five years by zip code.

V. EVALUATION OF PROPOSALS

A committee comprised of City staffs that are directly and indirectly responsible for administering the City's banking activities will evaluate the proposals. The evaluation criteria will be the following:

A. Ability. The City determination of the Financial Institution's ability to provide the requested services.

B. Related Experience. The Financial Institution's related experience in providing services to governmental organizations/municipalities.

C. Firm Stability. The Financial Institution's financial standing among its peers and credit quality ratings.

D. Assigned Individuals. The credentials and experience of the persons(s) who would be assigned.

E. Information Systems. The systems available to enable the City to electronically interface with the Financial Institution by utilizing a personal computer and an internet connection to obtain balance report information, conduct wire transfer transactions, place/cancel stop payment requests, deposit and lock box information and other electronic features.

F. Account Analysis. The quality of the Financial Institution's standard account analysis statement.

G. Conversion Plan. The thoroughness of the conversion plan to ensure a smooth transition.

H. Charges for Services. The amount of the standard charges and the concession pricing structure being proposed.

I. Service Enhancements. The Financial Institution's effort to understand the City's banking needs and goals with the objective of introducing new technologies and efficiencies to the City that may improve its banking and cash management efficiency.

J. Community Reinvestment Act. The City's perception of Financial Institution's compliance and commitment to the Community Reinvestment Act, especially within the City of Sacramento.

K. Location. Where account will be serviced.

L. Other Factors. Any other factors that the City believes would be in the best interest of the City to consider which was not previously described.

VI. PROPOSAL PROCESS

The City has made every effort to include enough information within this proposal specification for a Financial Institution to prepare a responsive proposal. The City encourages Financial Institutions to submit the most competitive proposal possible. If additional information would be of benefit in this regard, the City will be willing to respond to questions from Financial Institution representatives. However, the City believes that it would be most equitable for all participating Financial Institutions to receive the benefit of additional information. Therefore, the City will hold a Pre-proposal Conference to allow all Financial Institution representatives to ask questions of City staff. The steps and activities in the proposal process will include the following:

A. **Distribution of Proposals.** Proposals are mailed on August 4, 2003.

B. **Pre-proposal Conference.** City staff will meet collectively with Financial Institution representatives seeking additional information about the proposal process and City banking needs. The conference is scheduled for August 15, 2003 beginning at 10 a.m. in the City Council Chambers, First Floor, 730 I Street, Sacramento, California. Unless absolutely necessary, do not bring more than two representatives. The City requests that the Financial Institution advise the City of the Financial Institution's attendees by contacting Carol Jones at (916) 264-5168 by August 11, 2003.

C. **Proposal Submission.** Proposals must be received by 5:00 p.m. on September 2, 2003. FAX transmitted proposals will not be accepted. A total of six identical copies must be submitted to the following:

Office of the City Treasurer
Attn: Kimberlee Alling
926 J Street, Suite 300
Sacramento, CA 95814

D. **Proposal Review.** The review committee will review and evaluate each proposal submitted. It is anticipated that September 16, 2003 will complete the proposal review process.

E. **Notification.** The City anticipates sending written notification on September 17, 2003 to those Financial Institutions selected for an interview. Financial Institutions not selected for an interview will also be notified that their proposal will no longer be considered unless the Committee finds that after the completion of the interviews additional Financial Institutions should be interviewed.

F. **Interviews.** The City will schedule interviews with the finalists on September 24, 2003 between 9 a.m. and 5 p.m. Financial Institutions selected for interview are requested to prepare a short presentation by the Financial Institution representatives described in Tab C, Financial Institution Profile, #3.

G. **Final Selection Notification.** The City anticipates sending written notification on September 26, 2003, to the finalists of their status.

H. **Conversion Activities.** The approved firm will be required to coordinate with City staff all the activities necessary to ensure a smooth transition. Conversion activities will begin upon notification and are projected to be completed by March 1, 2004.

I. **Contract Effectiveness.** The Financial Institutions Services contracts will become effective on the conversion date for a minimum of five years.

The Treasurer will make every effort possible to administer the proposal process in accordance with the terms and dates discussed in this section. However, the Treasurer reserves the right to modify the proposal process and dates, as he deems necessary.

VII. FINAL COMMENTS

The City Treasurer reserves the right to reject any and all proposals and to request additional information from the proposing Financial Institutions. By requesting proposals, the City Treasurer is in no way obligated to award a contract or to pay expenses of the proposing Financial Institutions in connection with the preparation or submission of a proposal.

The City Treasurer's decision to award a contract will be based on a multitude of factors including but not limited to service, cost and community involvement. **No single factor such as cost will determine the final decision to award.**

The Financial Institution will be required to defend, indemnify and hold harmless the City against the negligent acts or omissions of the Financial Institution in discharging its duties and obligations under any agreement for services. The Financial Institution shall also be liable for any losses to the City due to unauthorized wire transfers initiated or controlled by the Financial

Institution so long as the City has not authorized the transfer, or was not negligent in ordering or causing any wire transfer to occur and the Financial Institution had acted directly in response to such order.

Proposals may be automatically disqualified if they are received after the deadline, if they are incomplete, or if they are found to contain false or misleading information.

ATTACHMENT 1

NOTE: Proposers must provide responses to the following items. Failure to provide a response to each of the items in this section may be grounds for rejection of proposal.

1. SMALL BUSINESS ENTERPRISE (SBE) CERTIFICATION

Is the firm submitting the proposal certified by the State of California or the City of Sacramento as a small business enterprise? Check the appropriate block below:

- ❑ **YES** – the firm submitting the proposal is certified by the State of California or the City of Sacramento as a small business enterprise.
- ❑ **NO** – the firm submitting the proposal is not certified by the State of California or the City of Sacramento as a small business enterprise.

If the response to the above is YES, provide the State of California and/or City of Sacramento Certification Number: _____

2. EMERGING BUSINESS ENTERPRISE (EBE) CERTIFICATION

Is the firm submitting the proposal certified by the City of Sacramento as an emerging business enterprise? Check the appropriate block below:

- ❑ **YES** – the firm submitting the proposal is certified by the City of Sacramento as an emerging business enterprise.
- ❑ **NO** – the firm submitting the proposal is not certified by the City of Sacramento as an emerging business enterprise.

If the response to the above is YES, provide the City of Sacramento Certification Number:

_____

NOTE: SBE/EBE FIVE PERCENT (5%) PROPOSAL EVALUATION PREFERENCE

On February 9, 1999, the Sacramento City Council adopted an Emerging and Small Business Development program to provide enhanced opportunities for the participation of small business enterprises (SBEs) and emerging business enterprises (EBEs) in the City's contracting and procurement activities. Any proposal submitted by a firm that is certified as a SBE by either the State of California or the City of Sacramento, or that is certified as an EBE by the City of Sacramento, will receive a five percent (5%) proposal evaluation preference for the purpose of determining the highest ranking proposal. To receive this proposal evaluation preference, a firm must be certified as a SBE or EBE at the time of proposal opening. Questions regarding eligibility for SBE/EBE certification should be addressed to the City of Sacramento Office of Small Business Development at (916) 264-6747.

CITY OF SACRAMENTO
BANK REQUEST FOR PROPOSAL
PRICING MATRIX

DEMAND ACCOUNT SERVICES	AVERAGE MONTHLY VOLUME	UNIT COST	MONTHLY COST
BALANCE & COMPENSATION INFORMATION			
FDIC ASSESSMENT	769	0.04	28.80
GENERAL ACCOUNT SERVICES			
ACCOUNT MAINTENANCE	15	15.00	225.00
PARTIAL MONTH	12	9.19	110.28
ZBA MAINTENANCE	9	20.00	180.00
LOCK BOX SERVICES			
WHOLESALE MAINTENANCE	1	150.00	150.00
SCANNABLE-WHOLESALE-SORT ONE	74,026	0.18	13,250.65
CASH-GIFT CERT-FOREIGN ITEM	2	1.50	3.00
PACKAGE PREPARATION	1	25.00	25.00
AUTO PH CALL-1ST BX	1	85.00	85.00
PC TRANSMISSION-PRIMARY BOX	1	160.00	160.00
DEPOSITORY SERVICES			
BANKING CENTER DEPOSIT-CA	6	1.40	8.40
ENVELOPE DEPOSIT-DETAIL-CA	496	1.25	620.00
CURR-COIN DEP-PER $100-BC-CA	13,070	0.09	1,176.30
COIN SUPPLIED-PER ROLL-BC-CA	367	0.10	36.70
COIN SUPP ROLL STD BOX BC-CA	242	0.07	15.73
CURR SUPP-PER$100-VAULT-CA	217	0.12	26.04
QBD-NIGHT DROP DEPOSIT-CA	3	1.10	3.30
VAULT DEPOSIT-REGULAR HR-CA	1,880	0.90	1,692.00

CITY OF SACRAMENTO

BANK REQUEST FOR PROPOSAL

PRICING MATRIX

DEMAND ACCOUNT SERVICES	AVERAGE MONTHLY VOLUME	UNIT COST	MONTHLY COST
DEPOSIT CONDITIONING SURCHG-CA	1	3.00	3.00
COIN DEP-STANDARD BAG-VAULT-CA	466	1.25	582.50
CHANGE ORDER-VAULT-CA	6	3.00	18.00
SUBSTITUTE DUP DEP SLIPS-CA	0	2.00	0.00
ARMORED CAR SERVICE-CA			
CHECKS DEPOSITED ON US-CA	14,426	0.03	432.78
CHECKS DEP LOCAL CLEARINGS-CA	2,383	0.03	81.02
CHECKS DEP OTHER IN-DIST-CA	47,042	0.04	2,069.85
CHECKS DEP ALL OTHR-CA	3,967	0.07	274.09
CHECKS DEP ALL ITEMS-CA	15,866	0.08	1,320.04
RETURN ITEM CHARGEBACK	224	2.50	560.00
CKS DEP-FULLY ENCODED	5,637	0.03	169.11
VAULT DEPOSIT-EXTENDED HR-CA	0	3.00	0.00
CKS DEP-FULLY ENC OTHER CALIF	15,326	0.04	674.34
CKS DEP-FULLY ENC ALL OTHER	1,793	0.07	125.51
CHECKS DEPOSITED-INSTITUTION ITEMS	909	0.08	68.18
CHECKS DEPOSITED NON-INSTITUTION ITEMS	4,333	0.09	368.31
CHARGE FOR REJECTS ENCODED	9	0.30	2.70
DEPOSITED ITEM RECLEARED	353	0.75	264.75
DEPOSIT CORRECTION-CASH-CA	13	3.00	39.00
DEPOSIT SUPPLIES-CA	17	8.47	143.94
COURIER/MESSENGER SERVICE			

CITY OF SACRAMENTO
BANK REQUEST FOR PROPOSAL
PRICING MATRIX

DEMAND ACCOUNT SERVICES	AVERAGE MONTHLY VOLUME	UNIT COST	MONTHLY COST
PAPER DISBURSEMENT SERVICES			
CHECKS-DEBITS PD-REGULAR	30	0.10	3.00
GENERAL CKS PAID	77	0.10	7.70
GENERAL CKS PAID-TRUNCATED	8,425	0.07	589.75
PAID ITEM INQUIRY	0	1.00	0.00
PAID CHKS-CANCELLED NOT RETURNED	2,745	0.07	192.15
CHECKS PAID/REJECTED FOR NSF	0	15.00	0.00
STOP PAYMENT-12 MONTH	22	8.00	176.00
STOP PAY-CON RPT ITEMS	33	0.10	3.30
12 MONTH - RANGE STOP PAYMENT	0	14.00	0.00
6 MONTH - SINGLE STOP PAYMENT	3	10.00	30.00
PRINT CHG CK/DEP			
CHECK SEQUENCING-STATEMENT CYCLE	104	0.04	3.74
IMAGE ONSITE MONTHLY MAINTENANCE	3	15.27	45.82
PER IMAGE CAPTURED	10,998	0.06	659.88
IMAGE ONSITE PER ITEM			
PAPER DISBURSEMENT RECONCILIATION SERVICES			
PARTIAL MAINTENANCE	3	55.00	165.00
PARTIAL ITEM	6,987	0.06	419.19
PARTIAL RECONCILIATION MAINTENANCE			
PARTIAL RECON-PER ITEM			
PARTIAL AR PER ITEM RE-REPORTED			
PARTIAL AR-CREDIT PER ITEM	1	0.12	0.12

CITY OF SACRAMENTO
BANK REQUEST FOR PROPOSAL
PRICING MATRIX

DEMAND ACCOUNT SERVICES	AVERAGE MONTHLY VOLUME	UNIT COST	MONTHLY COST
PARTIAL AR-TRANSM OUT-1ST ACCT	63	35.00	2,205.00
PARTIAL AR-CTAPE OUT-1ST ACCT			
ELECTRONIC RECONCILEMENT			
PARTIAL AR ADDTL REPORTS			
GENERAL ACH SERVICES			
DIRECT DEPOSIT-MO. MAINTENANCE	2	125.00	250.00
CONSUMER DEBITS-MO. MAINTENANCE	1	200.00	200.00
EXPRESS TAX-MAN ASSIS PC PMT			
EXPRESS TAX-EMER MANUAL FEDWIRE			
STATE TAX BY PHONE	7	1.50	10.50
DIRECT DEPOSIT-ON-US ITEMS	1,371	0.05	68.55
DIRECT DEPOSIT-OFF-US ITEMS	7,779	0.09	665.70
CONSUMER DEBITS-ON-US ITEMS	1,506	0.05	75.30
CONSUMER DEBITS-OFF-US ITEMS	6,006	0.09	540.54
EPS DEBITS RECEIVED ON-US	46	0.09	3.95
EPS DEBITS RECEIVED FROM ACH	12	0.10	1.20
EPS CREDITS RECIVED ON-US	73	0.08	5.84
EPS CREDITS RECEIVED FROM ACH	8	0.08	0.64
DIRECT DEPOSIT-RETURNS	9	4.00	36.00
CONSUMER DEBITS-ACH RETURNS	21	2.25	47.25
DIRECT DEPOSIT-INPUT	4	25.00	100.00
DIRECT DEP-TRANSMIT (1-9 FILES)			
CONSUMER DEBITS-INPUT	1	25.00	25.00

CITY OF SACRAMENTO
BANK REQUEST FOR PROPOSAL
PRICING MATRIX

DEMAND ACCOUNT SERVICES	AVERAGE MONTHLY VOLUME	UNIT COST	MONTHLY COST
MANUAL ASSISTED PC TAX DEPOSIT	0	50.00	0.00
DIRECT DEPOSIT-DELETES-REVERSALS	10	17.62	176.20
DIRECT DEPOSIT-FAX REPORTING	1	50.00	50.00
EXPRESS TAX RECEIPT	2	1.00	2.00
EXPRESS TAX MAIL RECEIPT			
EXPRESS TAX FAX RECEIPT	4	1.00	4.00
DIRECT DEPOSIT-NOTIF. OF CHANGE	8	1.25	10.00
CONSUMER DRS-NOTIF. OF CHANGE	7	1.25	8.75
EDI SERVICES			
ELECTRONIC REMITTANCE SERVICE			
RAPID PAY MONTHLY MAINTENANCE			
WIRE & OTHER FUNDS TRANSFER SERVICES			
ELECTRONIC WIRE OUT-DOMESTIC	24	7.50	180.00
ELECTRONIC WIRE OUT-BOOK DEBITS	9	5.50	49.50
MANUAL ASSISTED FEDWIRE-EFTPS	0	75.00	0.00
BANK ASSISTED DOMESTIC WIRE	1	30.00	30.00
MANUAL TRANSFER	0	7.00	0.00
INCOMING DOMESTIC WIRE	17	7.50	127.50
INTRACOMPANY BOOK CREDIT	4	8.50	34.00
WIRE ADVICE MAIL	2	2.00	4.00
LINE CODE STORAGE	31	1.50	46.50
TEMPLATE STORAGE	3	0.50	1.50
OUTGOING FEDWIRE-AUTOMATED			

CITY OF SACRAMENTO
BANK REQUEST FOR PROPOSAL
PRICING MATRIX

DEMAND ACCOUNT SERVICES	AVERAGE MONTHLY VOLUME	UNIT COST	MONTHLY COST
OUTGOING WIRE-AUTOMATED			
OUTGOING BOOK TRANSFER-AUTOMATED			
OUTGOING FEDWIRE-BRANCH			
TELEPHONE TRANSFERS			
OUTGOING WIRE BRANCH			
INCOMING WIRE TRANSFER			
INCOMING BOOK TRANSFER			
REPETITIVE STORAGE			
SYSTEM MAINTENANCE	1	50.00	50.00
INFORMATION SERVICES			
DIRECT PDR MAINT PER MONTH	0	100.00	0.00
DIRECT PDR DETAIL STD. PER ITEM	6,075	0.17	1,032.75
DIRECT CDR MAINT PER MONTH	0	100.00	0.00
DIRECT CDR DETAIL STD. PER ITEM	2,833	0.60	1,699.80
DIRECT PER ACCT MAINT PER MONTH	3	65.00	195.00
INVESTMENT/CUSTODY SERVICES			
REPO-EURO INVESTMENT	0	100.00	0.00
AUTO REPO INVESTMENT	1	100.00	100.00
TOTAL			**35,325.94**

ATTACHMENT 3

DATA TRANSMISSION SPECIFICATIONS

Following are the City of Sacramento requirements to transmit the data as required in the Proposal.

All input and output must be provided in the following formats. Electronic file transfers is the preferred method, with cartridge being a back-up process:

PREFERRED: Data Transmission Specifications:

Asynchronous
14.4 kbps Modem speed
X-Modem or Z-Modem Protocol preferred

BACK-UP PROCESS: Magnetic Tape Specifications:

18-track cartridge
38,000 bits per inch
EBCDIC character set
Standard OS tape labels
Must not use the Improved Record Capability (IRC)

CITY OF SACRAMENTO
BANK REQUEST FOR PROPOSAL
PRICING MATRIX

CUSTODY SERVICES	AVERAGE MONTHLY VOLUME	UNIT COST	MONTHLY COST
CITY POOLED ACCOUNTS:			
ACTIVITY FEES			
DTC SELL	11	15.00	165.00
DTC REDEMPTION	57	15.00	855.00
DTC BUY	73	15.00	1,095.00
DTC DELIVER	1	15.00	15.00
DTC RECEIVED	1	15.00	15.00
DTC PRIV PLACE SELL		75.00	0.00
FBE REDEMPTION	7	10.00	70.00
FBE REPURCHASE A BUY	1	30.00	30.00
FBE REPURCHASE A SELL	1	30.00	30.00
FBE BUY	12	10.00	120.00
FBE SELL	4	10.00	40.00
FBE RECEIVE		10.00	0.00
FBE DELIVER		10.00	0.00
GMA PAYDOWN	2	15.00	30.00
PHY REDEMPTION		25.00	0.00
PHY BUY	1	25.00	25.00
PHY DELIVER		25.00	0.00
SPECIAL PRODUCTS & SERVICES FEES			
ADMINISTRATIVE	8	41.67	333.36
EFT IN/OUT	35	10.00	350.00
NON-US SAFEKEEPING			
OVERDRAFTS			
SYSTEM ACCESS			87.50
SUB-TOTAL CITY POOLED ACCOUNTS			**3,260.86**

CITY OF SACRAMENTO
BANK REQUEST FOR PROPOSAL
PRICING MATRIX

CUSTODY SERVICES	AVERAGE MONTHLY VOLUME	UNIT COST	MONTHLY COST
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM (SCERS):			
SAFEKEEPING FEE			1,085.07
ACTIVITY FEES			
DTC BUY	102	15.00	1,530.00
DTC SELL	76	15.00	1,140.00
DTC RECEIVED	3	15.00	45.00
DTC DELIVER	2	15.00	30.00
DTC REDEMPTION	1	15.00	15.00
FBE PAYDOWN	2	10.00	20.00
FBE SELL	1	10.00	10.00
FBE BUY		10.00	0.00
FBE REDEMPTION		10.00	0.00
GMA PAYDOWN	15	10.00	150.00
GMA REDEMPTION		15.00	0.00
GMA SELL		15.00	0.00
PHY DELIVER		35.00	0.00
SPECIAL PRODUCTS & SERVICES FEES			
ADMINISTRATIVE	7	41.67	291.69
BANK FAX	3	1.00	3.00
COURIER CHARGES	59	1.00	59.00
EFT IN/OUT		10.00	0.00
SYSTEM ACCESS			87.50
SUB-TOTAL SCERS ACCOUNTS			**4,466.26**
GRAND TOTAL			**7,727.12**

ATTACHMENT 5

City of Sacramento
Pools A & D Combined
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
BANKERS ACCEPTANCE						
06422TU27	06422tu27	Bank of America	07/02/03	2,300,000	2,299,671	2,300,000
06422TU76	06422tu76	Bank of America	07/07/03	22,081,219	22,074,963	22,081,219
				24,381,219	24,374,634	24,381,219
CORPORATE BONDS						
617446AQ2	617446aq2	Morgan Stanley Group	10/01/03	4,000,000	4,031,880	4,047,732
47804A9E8	47804a9e8	John Hancock Cap Corp - MTN	10/14/03	5,000,000	5,000,000	5,047,000
786514BD0	786514bd0	Safeway Inc	11/05/03	10,000,000	9,999,000	10,034,940
06606NAH7	06606nah7	Bank of America - NC	03/01/04	3,000,000	2,904,090	3,090,342
59018SF41	59018sf41	Merrill Lynch & Co Inc	04/20/04	4,000,000	4,014,720	4,155,627
05916LAK1	05916lak1	Baltimore Gas & Electric - NC	11/15/04	5,000,000	4,933,700	5,308,165
EC5023964	ec5023964	General Electric Capital Corp	01/28/05	5,000,000	4,988,550	5,223,350
45974VYT9	45974vyt9	American International Group	03/21/05	5,000,000	5,000,000	5,253,494
36962GZM9	36962gzm9	General Electric Cap Corp	10/03/05	25,000,000	24,853,000	25,655,575
665772BK4	665772bk4	No. States Power - NC	12/01/05	5,000,000	4,817,533	5,459,229
U00916AA1	u00916aa1	AIG Sunamerica Glob	02/01/06	5,000,000	4,997,350	5,452,500
EC3414967	ec3414967	Ford Motor Credit Co	02/01/06	2,000,000	1,996,500	2,121,200
24422ENL9	24422enl9	John Deere Capital Corp	07/17/06	3,000,000	2,992,320	3,309,309
				81,000,000	80,528,643	84,158,463
CERTIFICATES OF DEPOSIT						
06050E5T8	06050e5t8	BofA Negotiable CD	07/28/03	40,000,000	40,000,000	40,000,000
25152W2K7	25152w2k7	Deutsche Bank	05/28/04	5,000,000	5,000,000	5,000,000
25152W2J0	25152w2j0	Deutsche Bank NY - CD	06/28/04	10,000,000	10,000,000	10,000,000
25152W2H4	25152w2h4	Deutsche Bank NY CD	06/28/04	10,000,000	10,000,000	10,000,000
				65,000,000	65,000,000	65,000,000
COMMERCIAL PAPER						
02635SU13	02635su13	American General Finance Corp	07/01/03	10,000,000	9,998,833	10,000,000
90262DU11	90262du11	UBS AG	07/01/03	4,000,000	3,999,854	4,000,000
9026X1U13	9026x1u13	UBS AG	07/01/03	7,000,000	6,999,745	7,000,000
02635SU21	02635su21	American General Finance Corp	07/02/03	5,000,000	4,999,271	5,000,000
90262DU37	90262du37	UBS AG	07/03/03	23,000,000	22,995,279	23,000,000
36959JU92	36959ju92	General Electric	07/09/03	5,600,000	5,588,903	5,600,000
00137FUB6	00137fub6	AIG Funding Inc	07/11/03	22,000,000	21,990,650	22,000,000
36959JW25	36959jw25	GE Capital	09/02/03	4,400,000	4,372,194	4,400,000
36959JWG4	36959jwg4	GE Capital	09/16/03	9,000,000	8,940,037	9,000,000
				90,000,000	89,884,767	90,000,000
GOVT AGENCY DISCOUNT PAPER						
313588HW8	313588hw8	Fannie Mae	07/08/03	15,200,000	15,127,335	15,196,959
313588JD8	313588jd8	Fannie Mae	07/15/03	8,000,000	7,962,858	7,996,801
313384JG5	313384jg5	Federal Home Loan Bank	07/18/03	10,000,000	9,983,425	9,996,001
313384JL4	313384jl4	Federal Home Loan Bank	07/22/03	5,000,000	4,972,399	4,997,000
313588JM8	313588jm8	Fannie Mae	07/23/03	2,000,000	1,988,613	1,998,800
313384KA6	313384ka6	Federal Home Loan Bank	08/05/03	5,000,000	4,978,828	4,995,500
313396KD4	313396kd4	Freddie Mac	08/08/03	10,000,000	9,968,967	9,989,999
313588KQ7	313588kq7	Fannie Mae	08/19/03	6,900,000	6,875,309	6,891,030

City of Sacramento
Pools A & D Combined
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
313384MJ5	313384mj5	FHDN Discount	09/30/03	15,900,000	15,795,442	15,861,839
313588MK8	313588mk8	FNMA Discount	10/01/03	3,000,000	2,985,721	2,992,500
76116EBD1	76116ebd1	Refco Strip	10/15/03	23,000	18,125	22,922
313588NG6	313588ng6	Fannie Mae	10/22/03	3,500,000	3,480,993	3,489,500
313588NN1	313588nn1	Federal National Mortgage Assn	10/28/03	15,000,000	14,940,500	14,951,999
313396NX7	313396nx7	Freddie Mac	11/06/03	3,000,000	2,982,920	2,989,800
313384PD5	313384pd5	Federal Home Loan Bank	11/12/03	5,000,000	4,970,862	4,982,000
313588PF6	313588pf6	Federal National Mortgage Assn	11/14/03	35,000,000	34,845,835	34,874,000
313384PF0	313384pf0	Federal Home Loan Bank	11/14/03	5,000,000	4,970,554	4,982,000
313396PM9	313396pm9	Freddie Mac	11/20/03	3,000,000	2,981,613	2,988,600
313396QF3	313396qf3	Freddie Mac	12/08/03	7,800,000	7,749,224	7,766,461
76116EBF6	76116ebf6	Refco Strip	10/15/04	87,000	64,214	85,613
76116EBH2	76116ebh2	Refco Strip	10/15/05	87,000	60,050	84,060
76116EBK5	76116ebk5	Refco Strip	10/15/06	90,000	58,253	84,420
				158,587,000	157,762,040	158,217,803
FEDERAL HOME LOAN MORTGAGE COMPANY - FHLMC						
3133M55A4	3133m55a4	Federal Home Loan Bank	08/13/03	5,000,000	4,929,950	5,028,125
3134A4LX0	3134a4lx0	Freddie Mac	11/15/04	45,000,000	46,315,950	46,237,500
312925S35	312925s35	Freddie Mac MTN	02/28/06	10,000,000	9,975,000	10,037,849
3133MVHK2	3133mvhk2	Federal Home Loan Bank	03/15/06	8,800,000	8,867,320	8,978,750
3128X0CB3	3128x0cb3	Freddie Mac MTN	04/21/06	15,000,000	14,880,469	15,093,929
3129255T3	3129255t3	Federal Home Ln Mtg Corp Mtn	10/03/07	31,995,000	32,079,987	32,192,889
				115,795,000	117,048,675	117,569,042
FEDERAL HOME LOAN BANK - FHLB						
3133M53C2	3133m53c2	Federal Home Loan Bank	08/06/03	2,235,000	2,234,039	2,246,175
3133M5FW5	3133m5fw5	Federal Home Loan Bank - NC	08/25/03	3,000,000	2,949,570	3,021,562
3133M5JW1	3133m5jw1	Federal Home Loan Bank - NC	09/02/03	5,000,000	4,821,850	5,039,062
3133M6X45	3133m6x45	Federal Home Loan Bank - 1XC	12/22/03	2,500,000	2,492,325	2,551,562
31339XE42	31339xe42	Federal Home Loan Bank	12/16/04	38,955,000	38,955,000	38,967,173
31339XH64	31339xh64	Federal Home Loan Bank	12/17/04	20,000,000	20,000,000	20,006,250
3133MVE90	3133mve90	Federal Home Loan Bank	07/29/05	10,000,000	10,028,125	10,012,500
3133MY3B1	3133my3b1	Federal Home Loan Bank	04/23/08	5,000,000	5,000,000	5,092,187
				86,690,000	86,480,909	86,936,473
FEDERAL NATIONAL MORTGAGE ASC. - FNMA						
31359MEM1	31359mem1	Fannie Mae	02/13/04	5,000,000	5,205,469	5,125,000
31359MNG4	31359mng4	Fannie Mae	06/15/04	5,000,000	5,096,875	5,085,937
3136F2Y28	3136f2y28	Fannie Mae	02/13/06	50,000,000	49,937,500	50,484,375
				60,000,000	60,239,844	60,695,312
U.S. GOVERNMENT BONDS						
9128274U3	9128274u3	U.S. Treasury Note	11/15/03	2,000,000	1,976,875	2,024,375
9128277H9	9128277h9	U.S. Treasury Bond	12/31/03	15,000,000	15,014,400	15,168,750
912828AV2	912828av2	U S Treasury Note	02/28/05	15,000,000	14,975,391	15,070,312
9128277F3	9128277f3	U. S. Treasury Note Bond	11/15/06	45,000,000	46,747,266	47,432,812

ATTACHMENT 5

City of Sacramento
Pools A & D Combined
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
912828AZ3	912828az3	U. S. Treasury Note	05/15/08	20,000,000	20,334,375	20,181,250
				97,000,000	99,048,306	99,877,500
MUTUAL FUNDS						
320228109	ff	Franklin Fund		40,000	40,000	40,000
MONEY MARKET FUND						
ML3352522	ML-Rfix	M Lynch City of Sac Pool A		82,329	82,329	82,329
MORTGAGE BACKED SECURITIES						
36220GQP0	36220gqp0	GNMA POOL #277762	10/15/19	41,275	40,888	45,251
OTHER ASSETS (INCOME)						
S86292540	s86292540	SBA Ln Group #2616883002 BIR	02/15/07	45,856	45,856	45,856
TOTAL				**778,662,679**	**780,576,892**	**787,049,250**

ATTACHMENT 6

Sacramento City Employees' Retirement System (SCERS)
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
CORPORATE BONDS						
58017DEM8	58017dem8	McDonnell Douglas FIN BA	10/01/03	2,000,000	2,090,860	2,028,636
06606NAH7	06606nah7	Bank of America - NC	03/01/04	2,000,000	1,936,060	2,060,228
49306BHY2	49306bhy2	Keybank	04/01/04	4,000,000	3,871,640	4,131,552
066050CW3	066050cw3	Bank of America - NC	06/15/04	5,000,000	4,941,300	5,258,324
63618EAX9	63618eax9	National Fuel & Gas	08/01/04	4,000,000	4,000,000	4,213,260
233835AD9	233835ad9	Daimler Chrysler North Amer HL	01/20/05	2,000,000	2,196,600	2,144,396
624284AH8	624284ah8	Mountain Sts Tel & Teleg Co	06/01/05	100,000	100,804	99,000
09700WBQ5	09700wbq5	Boeing Capital Corp MTN	07/15/05	4,900,000	4,900,000	5,187,831
71713UAG7	71713uag7	Pharmacia Corp	12/01/05	5,000,000	5,000,000	5,467,985
078149DL2	078149dl2	Bell Tel Co Cda-Bell Cda	04/01/06	2,500,000	2,507,900	2,826,677
001957AP4	001957ap4	AT&T Corp	06/01/06	2,000,000	1,990,600	2,215,408
302570AK2	302570ak2	FPL Group Capital Inc	09/15/06	3,000,000	2,995,890	3,466,041
845437AR3	845437ar3	Southwestern Electric Power Co	09/01/07	1,500,000	1,486,230	1,701,154
2254C1AA3	2254c1aa3	Credit Suis Fir Bos - NC	05/01/08	3,600,000	3,266,424	4,101,786
441812FF6	441812ff6	Household Finance Corp	02/01/09	5,000,000	4,969,100	5,611,095
742718BM0	742718bm0	Proctor and Gamble - NC	09/15/09	3,000,000	2,930,160	3,638,097
285659AE8	285659ae8	Electronic Data Systems - MH	10/15/09	3,000,000	2,912,610	3,225,000
38141GAL8	38141gal8	Goldman Sachs - NC	01/28/10	3,000,000	2,989,380	3,703,989
345397TS2	345397ts2	Ford Motor Credit Co	02/01/11	2,000,000	2,017,840	2,067,744
345402L41	345402l41	Ford Motor Credit - MTN	04/25/11	3,000,000	3,000,000	3,097,014
345402U33	345402u33	Ford Motor Credit - MTN	01/23/12	465,000	465,000	476,992
345402WJ6	345402wj6	Ford Motor Credit - MTN	09/15/15	5,000,000	4,979,950	5,063,485
126117AE0	126117ae0	Cna Financial Corp	11/15/23	5,000,000	4,877,430	4,807,610
610202BC6	610202bc6	Monongahela Power Co	05/01/25	2,000,000	1,965,620	1,907,500
694308EX1	694308ex1	Pacific Gas & Elec Co	08/01/26	5,000,000	5,048,550	5,215,344
				78,065,000	77,439,948	83,716,146
COLLATERALIZED MORTGAGE OBLIGATION						
91-10003	91-10003	Gibson, Campbell/Bel Air Rose	10/01/06	2,138,728	2,138,728	2,267,052
96-10016	96-10016	Steele Family Trust/Blue Ravin	11/01/06	2,688,218	2,688,218	2,764,665
98-10025	98-10025	Granite Park Loan	09/01/08	11,271,292	11,271,292	11,560,119
99-10029	99-10029	Alhambra Medical Building	05/01/09	13,116,024	13,116,024	13,284,073
2000-0035	2000-0035	1414 K Street/ADS Switch Partn	07/07/10	2,411,260	2,411,260	2,482,845
S86317845	s86317845	2484 Natomas Park Dr.	07/01/12	2,368,900	2,368,900	2,431,084
S86803960	s86803960	West Davis/2660 W. Covell Blvd	08/01/12	3,665,688	3,665,688	3,867,301
2003-0043	2003-0043	Walgreens Drug/Adahi, Inc	05/01/24	3,560,000	3,560,000	3,574,462
				41,220,110	41,220,110	42,231,600
COMMON STOCK						
81752M101	sra	ADR Serono S.A.		50,000	1,128,475	728,000
001941103	atyt	ATI Technologies Inc.		75,200	539,518	767,040
002346104	avii	AVI Biopharmaceuticals Inc		55,350	300,093	337,081
05367P100	avid	AVID Technology Inc		8,100	202,858	286,173
002824100	abt	Abbott Laboratories Com		15,000	669,300	656,400
00339B107	abgx	Abgenix Inc		27,000	688,280	282,150
004631107	acme	Acme Communications Inc		116,950	1,287,650	888,820
018490102	agn	Allergan Inc		10,000	800,436	771,000

Sacramento City Employees' Retirement System (SCERS)
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
01859P609	agi	Alliance Gaming Corporation		41,900	381,843	792,329
026874107	aig	American Intl Group Com		25,000	1,709,469	1,379,500
031162100	amgn	Amgen Inc		25,000	1,459,065	1,648,500
038020202	cra	Applera Corp - Celera Genomics		27,000	1,250,914	278,640
038222105	amat	Applied Matls Inc Com		28,000	879,659	443,520
03822W109	amcc	Applied Micro Circuits Corp		188,700	1,788,016	1,139,748
039483102	adm	Archer Daniels Midland Com		100,000	1,348,553	1,287,000
04033A100	aria	Ariad Pharmaceuticals Inc		25,000	378,220	110,000
045174109	askj	Ask Jeeves, Inc.		65,900	829,831	899,535
538931031	avct	Avocent Corp		17,800	443,201	532,042
055921100	bmc	BMC Software		27,000	671,684	440,910
057224107	bhi	Baker Hughes Inc		15,000	525,568	503,550
05858H104	bldp	Ballard Power Systems Inc		100,000	3,026,291	1,363,000
06652B103	bkuna	Bank United Financial Corp		14,200	201,220	283,716
079860102	bls	Bellsouth Corp Com		30,000	810,881	798,900
082657107	bnt	Bentley Pharmaceuticals		40,200	388,163	528,630
09061G101	bmrn	BioMarin Pharmaceutical Inc		49,600	517,432	484,096
09067J109	bvf	Biovail Corp		10,000	457,600	470,600
097924104	bba	Bombay Co Inc		102,250	540,651	1,086,917
103304101	byd	Boyd Gaming Corp		42,500	594,148	733,550
111621108	brcd	Brocade Communications Systems		17,000	1,736,419	100,470
122014103	br	Burlington Resources Inc		19,000	1,036,388	1,027,330
127190304	cai	Caci International Inc		15,800	541,857	541,940
130876105	calp	Caliper Technologies Corp.		17,000	505,370	77,520
14149Y108	cah	Cardinal Health Inc		20,000	1,325,100	1,286,000
149123101	cat	Caterpillar Inc Del Com		27,500	1,431,098	1,530,650
151020104	celg	Celgene Corporation		21,900	634,476	664,446
15135B101	cnte	Centene Corp Del Com		13,000	327,255	500,890
M22465104	chkp	Check Point Software		30,000	1,178,526	585,000
162813109	ckfr	Checkfree Corp		25,000	674,300	700,000
169657103	chpc	ChipPAC Inc.		203,700	758,242	1,550,157
171779101	cien	Ciena Corporation		50,000	1,823,550	258,500
17275R102	csco	Cisco Sys Inc Com		98,000	3,159,457	1,645,420
192422103	cgnx	Cognex Corp		23,600	488,328	526,988
200334118	cdcor	Comdisco Holding Co-Rts		5,000	220,625	1,575
204925101	cmnt	Computer Network Technology Co		125,900	1,332,534	998,387
205306103	cpsi	Computer Programs & Systems		25,150	580,589	503,251
205887102	cag	Conagra Inc Com		30,000	660,035	708,000
210795308	cal	Continental Airlines		34,000	506,420	508,980
219350105	glw	Corning Incorporated		75,000	1,658,882	554,250
221009103	corv	Corvis Corp		25,000	584,125	36,250
225223106	cray	Cray Inc		95,500	654,132	754,450
232572107	cymi	Cymer Inc		19,800	533,951	634,986
233326107	dst	DST Systems, Inc.		15,000	552,377	570,000
247361108	dal	Delta Air Lines Del Com		35,000	507,458	513,800
25388B104	driv	Digital River Inc		35,475	417,037	679,346

Sacramento City Employees' Retirement System (SCERS)
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
254687106	dis	Disney (Walt) Com		75,000	1,467,830	1,481,250
25848t109	hil	Dot Hill Systems Corp		60,750	459,691	795,825
261876106	drxr	Drexler Technology Corp		17,300	345,964	266,247
263534109	dd	Du Pont E I De Nemours Com		8,650	372,866	360,186
26882D109	epiq	EPIQ Systems Inc		10,300	155,473	176,954
270321102	elnk	Earth Link Inc		75,000	1,079,812	598,500
277461109	ek	Eastman Kodak Co Com		9,800	361,026	268,030
292659109	ener	Energy Conversion		22,000	519,898	206,800
292866100	easi	Engineered Support Systems Inc		8,700	341,567	362,790
294821608	ericy	Ericsson (LM) TEL-SP-ADR		40,000	2,277,094	425,200
30161Q104	exel	Exelixis Inc		25,000	344,950	172,250
30226D106	extr	Extreme Networks Inc		20,000	707,600	105,300
30249U101	fti	FMC Technologies		17,600	352,526	370,480
319963104	fdc	First Data Corp		10,000	419,648	414,400
346375108	form	FormFactor Inc.		41,000	729,017	725,700
35063R100	fdry	Foundry Networks Inc		13,900	108,011	198,214
356108100	fred	Fred's Inc		10,900	239,814	407,987
35952H106	fcel	Fuelcell Energy Inc		37,000	559,002	303,030
366630101	grts	Gart Sports Company		17,600	469,044	499,312
368710406	dna	Genentech Inc.		20,000	1,329,065	1,442,400
369604103	ge	General Electric Co		74,000	2,330,493	2,122,320
370442105	gm	General Motors Corp		9,200	352,800	331,200
372917104	genz	Genzyme Corp		20,000	961,665	837,200
375558103	gild	Gilead Sciences Inc		10,000	572,700	555,500
375766102	g	Gillette Co		30,000	940,500	955,800
379571102	gspn	Globespan Inc.		95,400	506,355	797,544
404132102	hcc	HCC Insurance Holdings Inc		14,300	361,254	422,851
406216101	hal	Halliburton Co		30,000	723,621	690,000
412822108	hdi	Harley Davidson Inc		20,000	872,037	797,200
42210p102	hdwr	Headwaters Inc		27,150	425,119	395,032
438516106	hon	Honeywell		33,000	1,201,908	886,050
444903108	hgsi	Human Genome Sciences		25,500	1,590,272	322,575
448774109	hydl	HydrilCompany		10,300	287,004	280,778
449370105	idph	IDEC Pharmaceuticals Corp		10,000	531,300	339,600
G4933P101	ipcr	IPC Holdings Ltd		7,300	216,963	244,623
451906101	idnx	Identix Inc Com		22,000	193,544	139,480
45245e109	imax	Imax Corp		93,600	645,076	843,336
45253H101	imgn	Immunogen		21,000	334,972	89,670
45255W106	imco	Impco Technologies Inc		30,000	382,993	184,500
45811e103	ies	Integrated Electric Service		67,800	414,559	491,550
458140100	intc	Intel Corp		215,000	6,292,005	4,474,150
459200101	ibm	International Bus Mach		35,000	3,435,656	2,887,500
46069s109	isil	Intersil Corp		22,300	461,054	593,403
460146103	ip	Intl Paper Co		10,200	379,786	364,446
466367109	jbx	Jack in the Box		50,000	1,090,245	1,115,000
477143101	jblu	JetBlue Airways Corp		12,000	488,200	503,760

Sacramento City Employees' Retirement System (SCERS)
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
48203R104	jnpr	Juniper Networks Inc		47,000	3,498,508	586,090
492386107	kmg	Kerr-Mcgee Corp		10,000	469,349	448,000
492914106	keg	Key Energy Services Inc		51,700	494,008	554,224
499064103	kngt	Knight Transportation		19,900	480,135	493,918
500255104	kss	Kohls Corp		20,000	1,178,290	1,027,600
37184C103	krol	Kroll Inc Com		16,400	332,563	442,636
502424104	lll	L3 Communications Hldgs		10,000	441,616	434,900
502161102	lsi	LSI Logic Corp		15,000	799,240	106,200
50540l105	labs	Labone Inc New Com		9,300	193,930	200,508
52186N106	lf	Leapfrog Enterprises Inc		21,700	522,047	690,277
524651106	lgto	Legato Sys Inc		39,700	217,320	334,274
556100105	macr	Macromedia Inc		25,400	360,857	533,654
559211107	meca	Magna Entertainment Corp		106,300	807,985	535,752
57383M108	mvl	Marvel Enterprises Inc		33,850	308,867	646,535
577729205	mxo	Maxtor Corp		122,800	699,283	922,228
583916101	medx	Medarex Inc		15,000	352,500	97,800
584699102	medi	Medimmune Inc.		20,000	1,108,575	727,400
587200106	ment	Mentor Graphics Corp		72,300	689,201	1,050,519
59151K108	meoh	Methanex Corp.		72,900	725,949	778,572
594918104	msft	Microsoft Corp		182,000	6,358,597	4,666,480
599902103	mlnm	Millennium Pharmaceutc		70,000	1,957,222	1,101,100
624581104	movi	Movie Gallery Inc		19,800	319,925	368,874
625453105	mgam	Multimedia Games Inc		40,000	816,625	1,016,000
640268108	nktr	Nektar Therapeutics		43,200	468,299	396,144
64065P102	nwre	Neoware Systems Inc		34,300	358,126	521,703
64110W102	ntes	Netease.com Inc		29,200	690,087	1,064,924
64120l104	ntap	Network Appliance Inc		30,000	1,577,367	482,400
652487703	nws	News Corp Ltd		50,000	1,535,222	1,513,500
670009109	novn	Noven Pharmceutical Inc		5,000	249,487	51,200
G6797E106	oiim	O2Micro International Ltd		56,000	648,550	903,280
671802106	oakt	Oak Technology Inc		75,950	363,419	469,371
683948103	optn	Option Care Inc		1	7	6
69344F106	pmcs	PMC-Sierra Inc		10,000	580,837	117,600
707569109	penn	Penn National Gaming Inc		27,600	453,692	566,352
712713106	psft	Peoplesoft Inc		50,000	906,800	878,000
713448108	pep	Pepsico Inc		20,000	887,032	890,000
717081103	pfe	Pfizer Inc		81,000	2,685,391	2,766,150
717125108	prx	Pharmaceutical Res Com		22,000	872,825	1,070,520
719364101	phtn	Photon Dynamics Inc.		26,500	485,274	735,375
723481107	pcle	Pinnacle Systems Inc		63,050	701,401	674,635
72919P103	plug	Plug Power Inc		50,000	957,640	233,500
739421105	prcs	Praecis Pharmaceuticals		65,300	280,561	319,970
74765E109	qtww	Quantum Fuel Sys Tech Com		30,000	336,114	66,900
749941100	rfmd	RF Micro-Devices		20,000	637,000	118,000
750862104	rnbo	Rainbow Technology Inc		88,150	772,770	742,223
756577102	rhat	Red Hat Inc		50,000	410,348	377,000

Sacramento City Employees' Retirement System (SCERS)
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
759930100	rci	Renal Care Group Inc		5,700	153,823	200,697
76122Q105	recn	Resources Connection I Com		19,900	400,145	475,013
784028102	pool	SCP Pool Corp		8,200	224,127	281,998
78645R107	sfnt	Safenet Inc		22,000	489,600	610,280
78387G103	sbc	Sbc Communications Inc		28,700	761,709	733,285
826170102	sebl	Siebel		31,000	2,692,853	293,973
834182107	slr	Solectron Corp Com		30,000	1,275,611	112,200
835460106	snic	Sonic Solutions		100,600	683,123	867,172
844741108	luv	Southwest Airlines		29,000	504,571	498,800
84855W109	ske	Spinnaker Exploration Company		28,700	691,387	751,940
852061506	pcs	Sprint Corp		40,000	1,269,636	230,000
87157D109	syna	Synaptics Inc		83,200	614,880	1,109,888
871829107	syy	Sysco Corp		45,000	1,249,355	1,351,800
872180104	tbcc	TBC Corporation		24,000	235,690	456,960
872540109	tjx	TJX Companies Inc		40,000	764,685	753,600
874054109	ttwo	Take-Two Interactive Software		38,400	906,064	1,087,488
87612E106	tgt	Target Corp		30,000	1,208,740	1,135,200
879101103	tklc	Tekelec		42,150	491,843	474,609
88162G103	ttek	Tetra Tech Inc		51,100	687,267	889,140
88162F105	tti	Tetra Technologies Inc		17,600	394,647	521,840
882508104	txn	Texas Instruments Inc		67,900	2,175,500	1,195,040
903914109	upl	Ultra Petroleum Corp		66,500	564,314	858,515
911268100	untd	United Online Inc		28,100	687,393	712,054
91819410	woof	VCA Antech Inc Com		33,100	508,780	654,056
92343E102	vrsn	Verisign		25,000	1,552,036	344,750
92343C106	vrty	Verity Inc		38,200	531,578	485,140
92343v104	vz	Verizon Communications		19,000	745,750	749,550
925524100	via	Viacom Inc CL A		35,000	1,524,956	1,529,500
92951106	whi	W Holding Company Inc		18,150	263,046	307,098
931142103	wmt	Wal Mart Stores Inc		35,000	1,899,181	1,878,450
941053100	wcn	Waste Connections Inc		25,000	953,342	876,250
954235107	wmar	West Marine Inc.		22,700	404,483	395,207
957541105	wstl	Westell Technologies Inc		43,500	351,932	360,180
98956P102	zmh	Zimmer Holdings Inc		10,000	471,816	450,500
45168A100	irn	iDine Rewards Network Inc		24,300	257,972	333,882
				7,145,526	154,862,219	125,314,207
FIXED ALTERNATIVE EQUITIES						
92857w100	vod	ADR Vodafone Group Plc		28,000	713,523	550,200
05379B107	ava	Avista Corp		55,000	1,227,859	778,250
126830207	cwp	Cable & Wireless Plc Sponsored		15,000	664,733	82,050
131347106	cpn	Calpine Corp		10,000	560,600	66,000
15189t107	cnp	Centerpoint Energy Inc.		15,000	512,400	122,250
166764100	cvx	ChevronTexaco Corp		5,000	453,687	361,000
24522P103	dlm	Del Monte Foods		13,398	109,580	118,438
251566105	dt	Deutsche Telekom Ag-Spon ADR		30,000	857,472	456,000
293561106	enrnq	Enron Corp		18,000	490,244	882

Sacramento City Employees' Retirement System (SCERS)
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
30231G102	xom	Exxon Mobil Corporation		12,000	452,787	430,920
337932107	fe	First Energy Corp		24,500	845,406	942,025
G3921A105	gblxq	Global Crossing LTD		191,000	1,881,872	3,438
40274u108	gtm	Gulfterra Energy Partners LP		15,000	545,400	563,100
423074103	hnz	Heinz H J Co.		50,000	1,638,364	1,649,000
452308109	itw	Illinois Tool Wks		23,000	1,466,149	1,514,550
46625H100	jpm	J P Morgan Chase & Co COM		14,100	359,199	481,938
494550106	kmp	Kinder Morgan Energy Partners		24,000	659,709	948,480
636180101	nfg	National Fuel Gas		22,000	478,762	573,100
723484101	pnw	Pinnacle West Cap Corp		24,000	806,363	898,800
724479100	pbi	Pitney Bowes Inc		40,000	1,601,692	1,536,400
743263105	pgn	Progress Energy		12,000	546,950	526,800
75952b105	rri	Reliant Res Inc Com		11,829	96,794	72,512
816851109	sre	Sempra Energy		15,000	330,556	427,950
82567D104	shu	Shurgard Storage Centers		35,000	977,313	1,157,800
857477103	stt	State Street Corp		40,000	1,848,715	1,576,000
868733106	surw	Surewest Communications		35,000	1,145,500	1,061,900
882443104	tgn	Texas Genco Hldgs Inc		750	7,331	17,437
873168108	txu	Texas Utilities Co		10,000	528,100	224,500
98389B100	xel	Xcel Energy Inc		18,000	494,203	270,720
				806,577	22,301,263	17,412,441
FEDERAL HOME LOAN BANK - FHLB						
3133M5ZA1	3133m5za1	Federal Home Loan Bank	10/15/03	2,000,000	2,060,860	2,021,875
3133M9FD9	3133m9fd9	Federal Home Loan Bank - NC	08/15/06	2,000,000	2,249,500	2,271,250
3133M9EP3	3133m9ep3	Federal Home Loan Bank - C	07/20/09	2,000,000	1,970,000	2,122,500
				6,000,000	6,280,360	6,415,625
U.S. GOVERNMENT BONDS						
9128276X5	9128276x5	U.S. Treasury Note	05/15/06	2,000,000	2,151,250	2,168,125
912828BA7	912828ba7	US Treasury Note	05/15/13	10,000,000	10,079,687	10,078,125
912810EQ7	912810eq7	US Treasury Note	08/15/23	5,000,000	6,107,812	6,125,000
				17,000,000	18,338,750	18,371,250
MUNICIPAL BONDS						
358216AM1	358216am1	Fresno Calif Pension Oblig	06/01/06	2,000,000	1,977,728	2,295,300
358216AN9	358216an9	Fresno Calif Pension Oblig	06/01/07	4,000,000	3,968,460	4,700,800
				6,000,000	5,946,188	6,996,100
MORTGAGE BACKED SECURITIES						
362056FF5	362056ff5	GNMA POOL #27166	12/15/08	16,652	14,182	18,084
362151A36	362151a36	GNMA POOL #150426	05/15/16	18,398	20,201	20,503
362158ZJ9	362158zj9	GNMA POOL #157445	06/15/16	129,726	131,437	144,568
36216GJN9	36216gjn9	GNMA POOL #164169	06/15/16	37,601	37,022	41,903
36216KTX7	36216ktx7	GNMA POOL #167166	08/15/16	13,026	13,426	14,656
362171CL2	362171cl2	GNMA POOL #208975	03/15/17	57,998	58,318	65,302
362173YS9	362173ys9	GNMA POOL #211421	04/15/17	28,661	28,819	32,270
36219PLJ2	36219plj2	GNMA POOL #255129	08/15/18	4,135	4,131	4,658
36223WXZ2	36223wxz2	GNMA POOL #320296	03/15/22	385,017	378,038	419,865
36224JLS9	36224jls9	GNMA POOL #329837	11/15/22	458,281	451,263	490,901

Sacramento City Employees' Retirement System (SCERS)
Investment Holdings
As of June 30, 2003

Cusip	Security Symbol	Security Name / Issuer	Maturity Date	Quantity	Total Cost	Market Value
36208F6B1	36208f6b1	GNMA POOL #450066	12/15/26	178,790	177,617	190,846
36207RGY5	36207rgy5	GNMA POOL #439515	03/15/27	384,041	376,600	406,542
36208GV62	36208gv62	GNMA POOL #450737	05/15/27	146,134	145,380	155,517
				1,858,461	1,836,436	2,005,615
OTHER GOVERNMENT AGENCY BONDS						
911759BR8	911759br8	Housing Urban Development	08/01/15	2,000,000	2,000,000	2,220,000
PREFERRED STOCK						
929903201	wbi	Wachovia Corp 'DEPS' PFD		33,000	8,012	3
TOTAL				**160,128,673**	**330,233,286**	**304,682,987**

END OF DOCUMENT

Back to Table of Contents

Tab A - Table of Contents

- **Tab A** **Table of Contents** 1
- **Tab B** **Transmittal Letter** 2
- **Tab C** **Financial Institution Profile** 4
  1. Financial Institution Description
  2. Financial Institution's Experience
  3. Assigned Bank Personnel
  4. Exceptions
- **Tab D** **Deposit Processing** 10
- **Tab E** **Account Reconcilement** 13
- **Tab F** **Electronic Money Transfers** 16
- **Tab G** **Change Order Services** 17
- **Tab H** **Balance Report** 18
- **Tab I** **Payroll Tax Processing** 19
- **Tab J** **ACH/Credit Card Processing** 20
- **Tab K** **Controlled Disbursement** 21
- **Tab L** **Sweep Account Facility** 22
- **Tab M** **Interest Allowance/Earnings** 23
- **Tab N** **Collected Balances** 24
- **Tab O** **Daylight Overdraft Protection** 26
- **Tab P** **Pricing** 27
- **Tab P.1** **Additional Pricing** 28
- **Tab Q** **Pricing Adjustments** 29
- **Tab R** **Safekeeping** 30
- **Tab R.1** **Securities Lending** 32
- **Tab S** **Conversion Plan** 33
- **Tab T** **Service Enhancements** 35
- **Tab U** **Community Reinvestment Act** 38
- **Tab V** **Community Involvement** 41
- **Tab W** **Branches Closed** 43
- **Tab X** **Affirmative Action Program** 44
- **Tab Y** **Community Services** 45
- **Tab Z** **Other Information** 46
- **Tab Z.1** **Lockbox** 52

Exhibits

- **Exhibit 1** **Corporate Resolution**
- **Exhibit 2** **Contract Samples**
- **Exhibit 3** **Financial Statements and Ratings**
- **Exhibit 4** **Account Analysis**
- **Exhibit 5** **Community Reinvestment Act Activities**
- **Exhibit 6** **Minority/Women Business Enterprise and Emerging Business Enterprise**
- **Exhibit 7** **Securities Lending Agreement**
- **Exhibit 8** **Monthly/Quarterly Billing Pro-forma**
- **Exhibit 9** **Community Reinvestment Act Activities Within City of Sacramento**

Tab B - Transmittal Letter

The letter should briefly address the Financial Institution's willingness and commitment to provide the services if selected, why the firm believes it should be selected, and the individual(s) to be assigned. Included in this letter should be the Service Categories in the enclosed proposal.

Bank of America, NA
555 Capitol Mall, Suite 1555
Sacramento, CA 95814

Beth Leonard
Vice President & Client Manager
Government Banking
CA3-117-15-01
Ph: (916) 321-4891
Fax (916) 321-4822

August 29, 2003

City of Sacramento
Attn: Thomas Friery
926 J Street, Suite 300
Sacramento, CA 95814-2709

Dear Tom:

On behalf of Bank of America, I am very pleased to submit the accompanying proposal in response to your *Request for Proposal for Financial Services* issued August 4, 2003. This proposal has been designed to demonstrate our high level of commitment, enthusiasm, and desire to continue to provide the City of Sacramento with the highest level of personalized and professional services. With this proposal, Bank of America, in conjunction with Bank of New York for your safekeeping, clearing and securities lending needs, is bidding on all services described in the City's RFP. For your convenience, the Service Categories 1-17 listed in section I of your specifications document (on pages 1-3) are listed in "Tab Z- Other Information" of our proposal, with either a specific response or a reference to where in the document the specific Service details can be found.

We greatly value the banking relationship we now have with the City and are eager to move forward with some exciting changes, once the City is prepared to do so. We know that there are many capabilities that you would like to introduce to your own operation and/or you would like to make available to your constituents. Our next steps will be to immediately begin working with you to develop your priorities for these enhancements, advise you and your team about your options and recommended optimal solutions, and develop your implementation plan. We will then utilize the Bank's extensive capabilities to make the plan become a reality. We understand that your resources are limited and we will work closely with you to develop the most efficient and cost-effective operation possible.

We view our role to be that of your business and financial partner, and as you begin to implement e-Commerce and other Internet-based solutions, you will appreciate the value of that partnership. I strongly believe that Bank of America offers the City of Sacramento the best overall value, and that we should be selected to continue as your bank. We hope you'll agree that the following attributes of Bank of America make a compelling argument for our selection:

- Our *commitment to advise* and assist the City in making a smooth transition to e-Commerce services for your constituents;
- Our *extensive training capabilities* and resources, simplifying the implementation of any enhancement you decide to make, and facilitating development of your staff;
- *Better funds availability* because our market share (based on your dollars deposited) is greater than any other bank's;
- *Competitive* pricing, which allows you to benefit from our experience, efficiencies and talents;
- Our proven commitment to *outstanding customer service*, with a client management team of experienced professionals dedicated exclusively to public agencies;

- Our *strong record of local community contributions:* not just our impressive FIVE consecutive "Outstanding" CRA ratings, but numerous other avenues of contribution not mandated or formally reported;
- Our *Superior credit rating* (highest credit-rated bank), keeping your resources safe and secure, and allowing us to be responsive to your credit needs.

We are committed to giving the City the tools it needs to operate at its peak efficiency, through quality service, knowledgeable associates and secure state-or-the-art technology. Our longtime continuous service to government agencies has provided the Bank with a wealth of knowledge and expertise, and **Bank of America's commitment to this sector will continue to be very strong**.

As your Client Manager I will continue to manage the relationship with the City, supported by my experienced team of associates. I will also be your primary contact regarding questions you may have on this proposal and for decision notification. The City's other current core Client Team members (Nita Blaich, Customer Service & Sales Support; Karen Richards, Client Support Representative-Commercial Contact Center; Suzanne Wilson, Treasury Management Sales Officer; Ron Boston, Technical Consultant; and Flor Bautista, Treasury Implementation Coordinator) will remain the same. I, along with my fellow associates, am personally committed to surpassing your expectations. We eagerly look forward to continuing to count the City of Sacramento as one of our highly valued public sector clients.

Sincerely,

Tab C – Financial Institution Profile

Head each response by restating the underlined text. Respond to the following:

1. Describe the Financial Institution.

Bank of America was born and raised a local bank. On October 17, 1904, Amadeo Peter Giannini – known as A.P. – opened Bank of Italy in a remodeled tavern, in the Italian section of San Francisco. Bank of Italy pioneered branch banking in California for the very purpose of bringing the greatest possible resources to each local community. In 1930 A.P. Giannini's Bank of Italy was renamed BANK OF AMERICA. Through the years, Bank of America helped each city and town prosper and the entire state to grow. Today, the scope of the bank's contribution is greater than ever. Bank of America has been serving the City of Sacramento since July 1921 when the Bank established its first office in the City. In 1992 Bank of America merged with Security Pacific Bank and in 1998, Bank of America Corporation and NationsBank merged, creating the new Bank of America.

Bank of America's presence in California is very strong. There are 951 banking centers located within California, 33 of those in Sacramento County. Bank of America maintains 17 full-service banking centers, 4 in-store banking centers and 86 ATMs and occupies 206,420 square feet of office space within the city of Sacramento. We have 1,314 employees and retirees working and/or living within the city. Our banking centers are located at the following addresses:

Banking Center Name	Banking Center Address	Number of Employees
Arden & Eastern	4300 Arden Way	17
Arden-Morse Branch	3101 Arden Way	20
Camellia Center	5600 Folsom Blvd.	8
Campus Commons Branch	9 Park Center Drive	11
Capitol Office	1130 K Street	8
Florin Center Branch	7198 Stockton Blvd.	23
Florin-Greenhaven Branch	940 Florin Road	18
Foothill Farms Branch	5310 Auburn Blvd.	21
Fort Sutter Branch	1100 Alhambra Blvd.	19
Freeport-Wentworth Branch	4740 Freeport Blvd.	12
Fruitridge Manor Branch	5744 Stockton Blvd.	17
Loehmann's Plaza	2501 Fair Oaks Blvd.	9
North Sacramento Branch	1830 Del Paso Blvd.	14
Oak Park Branch	3810 Broadway	9
Perkins Branch	8363 Folsom Blvd.	12
Power Inn/Gerber	7960 Gerber Road	10
Rosemont	9137 Kiefer Blvd.	6
Sacramento Main Office	555 Capitol Mall	13
South Natomas Branch	1590 W. El Camino Avenue	16
The Greater Broadway Branch	1515 Broadway	11
Town and Country Branch	2805 Marconi Avenue	16

Additionally, we have non-banking center offices located at the following addresses within Sacramento:

Office Type	Office Address	Number of Employees
Community Development	1006 4th Street	6
Mortgage Lending	8880 Cal Center Drive	17

Office Type	Office Address	Number of Employees
Attorney Client Trust Dept.	555 Capitol Mall	60
Commercial Banking		
Government Banking		
Government Relations		
Private/Premier Banking		
Real Estate Group (CRES)		
Training & Development		
Treasury Management		

Nationally, we employ approximately 133,000 associates and operate nearly 4,200 banking centers, 13,250 ATMs and another 7,680 non-banking business units. Bank of America has a 21% market share in the State of California as of June 2002 and approximately a 19.9% market share in the Sacramento area as of December 2002.

Our California Government Banking Office at 555 Capitol Mall, Suite 1555, Sacramento, CA 95814 will accept deposits for the City from the State of California.

2. Describe the Financial Institution's experience in providing similar services.

At Bank of America, we are dedicated to serving the banking, investment, and financial management needs of the public sector. Our history of providing services to the public sector since 1910 has allowed us to accumulate a breadth of knowledge and insight into the sector. Today, statewide, Bank of America services more than 1500 local agencies, approximately 300 of which are serviced through the Bank's Government Banking group due to their size and specialized needs. We bank the majority of California counties, cites, and special districts as well as being the primary financial provider for the State of California. Today, Bank of America in California has over $2 billion of public funds on deposit. Bank of America is federally chartered with banking centers and facilities located throughout California. Deposits are insured by the FDIC as required by Section 53648 of the State Government Code. Public agency deposits are collateralized as required by State law. Bank of America follows the California Public Agency Collateral Requirements when securing public agency deposits. Bank of America consistently monitors changes in regulations to ensure full compliance with all California Government Codes, including Section 53630 as it pertains to deposit of public funds. Our comprehensive spectrum of services is an integral part of our competitive strategy with a focus on the specific needs of the federal, state and local governments, related districts and agencies.

Bank of America has provided banking services for the City of Sacramento since 1986. We greatly value this relationship and continuously seek to further improve and deepen it. Listed below are three municipal clients for whom Bank of America provides similar banking services.

Contact Name:	Tim Ryan
Title:	Assistant Treasurer
Name of Customer:	Sacramento Municipal Utility District (SMUD)
Address:	6501 S Street Sacramento, CA 95817-1899
Telephone Number:	(916) 732-6308
Customer Since:	1986
Services used:	Deposit Services (checks and currency), Full Account Reconcilement with Positive Pay, On-line Information Reporting, Controlled Disbursement, EDI, Electronic Funds Transfer, Hedging Instrument and Standby Letters of Credit

Contact Name:	Gregory Wiles
Title:	Treasury Officer, CPA
Name of Customer:	City of Fresno
Address:	2600 Fresno Street, Suite 2156 Fresno, CA 93721-3622
Telephone Number:	(559) 621-7004
Customer Since:	1991
Services used:	Deposit Services checks and currency), On-line Information Reporting (BAMTRAC), Image Onsite, Full Acct. Reconcilement, Direct Deposit Payroll, Electronic Funds Transfer (GMTS), Cash Vault, ZBA, Change Orders and Electronic Payments

Contact Name:	Michael Smith
Title:	Treasurer, Tax Collector
Name of Customer:	County of Marin
Address:	3501 Civic Center San Rafael, CA 94913-4220
Telephone Number:	(415) 499-6140
Customer Since:	1973
Services used:	Depository Services (Checks and Currency), Account Reconcilement, ACH Direct Deposit and Vendor Payments; Internet Information Reporting, Lockbox (for State of CA receipts), and Wire Transfers

3. *Identify the personnel to be assigned.*

The City's relationship will continue to be domiciled at the Government Banking office located in Sacramento and managed by Beth Leonard. The relationship team assigned is provided below. Your Relationship Team has over 100 years of combined banking experience and will work closely together to ensure that you receive the world-class service you desire and should have.

Client Manager — **California Government Banking**

Elizabeth Leonard **(916) 321-4891** ■ Responsible for the delivery of a positive and seamless client experience ■ Lead and coordinate the delivery of the full capabilities of Bank of America to meet clients' strategic plans	Beth has been in the banking industry since 1971, holding positions in operations, product management, and commercial credit and acct. management. During her 22-year tenure with Bank of America, she has held positions in Bankcard, Merchant Card and Versatel Admin., Cash Mgmnt. sales and acct. management. Since 1987 Beth has focused on credit and acct. mgmnt. for commercial and public sector clients; since 2000 exclusively for public agency accounts. Beth is an active member of the Calif. Municipal Treasurers Assoc. (CMTA), California Society of Municipal Finance Officers (CSMFO), Calif. Assoc. of County Treasurers and Tax Collectors (CACTTC) and the Govt. Finance Officers Assoc. (GFOA). In addition, Beth holds Board positions with the Rotary Club of Point West and The Parochial Fund, a non-profit affiliate of the Catholic Diocese of Sacramento. Beth holds an MBA degree from UC, Berkeley. Beth will manage your overall banking relationship.

Client Sales & Support Associate — **California Government Banking**

Nita Blaich **(916) 321-4812** **Toll Free 800-207-7503** ■ Dedicated Operations Expertise/Support ■ Identification of needs and process improvements ■ Problem Resolution	Nita is your primary contact at Bank of America. Nita began her career with Bank of America over 27 years ago. Her first 10 years were in various operations positions within the bank, including banking centers. Nita worked in the Palo Alto Commercial Banking Center for 15 years as a Sr. Client Support Associate, servicing both public agencies and commercial clients. Nita joined the Government Banking Group in June of 2000. She is now dedicated exclusively to supporting public agency clients.

Senior Client Support Representative — **Commercial Contact Center**

Karen Richards **Toll Free 888-841-8159** **Ext. 61683** ■ Routine servicing needs	Karen has been with Bank of America for 38 years. With the opening of the Commercial Contact Center in July 2002, Karen moved to this unit and has been the City's assigned CSR. She is dedicated exclusively to supporting public agency clients, and is available to assist with routine inquiries such as adjustments, photo requests, funds transfers, etc.

Treasury Management Sales Officer — **Treasury Management Government Services**

Suzanne A. Wilson **(415) 622-5146** ■ Cash Management Consulting and Expertise ■ Cash Management Product/Service Sales	Suzanne began her Treasury Management career with Phoenix-Hecht, UAI Technology in 1987. From there, she moved to a national Treasury Consulting position with Security Pacific National Bank, a predecessor company. Suzanne then moved into Treasury Management sales calling in the large corporate marketplace in the U.S. and Canada. She also managed Treasury Operations for a Fortune 500 company in Southern California. Suzanne is now responsible for providing Treasury Management services to the Bank's government accounts in Northern California. She will manage your treasury management relationship and support your efforts to implement new e-Commerce solutions as well as traditional treasury management solutions. She earned a B.S. degree in Business Administration/Marketing from Elon University in North Carolina.

Technical Sales Consultant — **Treasury Management Technical Support**

Ron Boston **(415) 622-5269** ■ Implementation & Training on Bank's computer and software programs	Ron is your primary contact for any training and instruction on the Bank's computer and software programs. Ron has been with Bank of America for 13 years and has a wealth of knowledge and expertise in his field.

Implementation Coordinator — **Treasury Management Services Implementation Support**

Flor Bautista **(415) 622-5269** ■ Implementation of New Services ■ Documentation ■ Maintenance/Changes to Services	Flor has been in banking for 25 years. She has extensive knowledge of data processing and various bank operations. Flor spent 11 years as a Client Support Associate and the last 18 months as Implementation Coordinator, supporting both Government and Commercial clients. Flor is responsible for coordination of all implementation activities to ensure a smooth transition to new service applications.

We have provided the following key client team members from the Bank of New York that are assigned to the City of Sacramento for your Securities Lending and Safekeeping transactions.

Relationship Manager — **San Francisco Client Services**

Arthur A. Londos ■ Responsible for the delivery of a positive and seamless client experience ■ Lead and coordinate the delivery of the full capabilities of Bank of New York to meet clients' strategic plans	Art is a client's primary contact at BNY and is ultimately responsible for his clients' satisfaction with the delivery of BNY services. He currently services public funds, foundations and Taft-Hartley clients in northern California. Art has 13 years of industry experience. Art joined BNY in 1997 following the acquisition of Wells Fargo Bank's Institutional Custody business. While at Wells Fargo/First Interstate Bank he held supervisory and administrative responsibility for over $22 billion in assets in California, Nevada and Colorado.

Business Manager — **San Francisco Client Services**

William J. Finn ■ Dedicated Technological Expertise/Support ■ Asset Management	Bill oversees the daily custody administration services and client technology support for clients serviced from our San Francisco office. Bill manages a talented team of benefit trust and institutional custody administrators whose responsibilities include the administration of assets in excess of $25 billion dollars. He has 28 years of securities industry experience. Bill joined BNY in 1995 following the acquisition of Bank of America's Institutional Trust business.

Client Service Officer — **San Francisco Client Services**

Denise Wong ■ Dedicated Management Support ■ Transaction Processing Expertise	Denise has spent her entire career in the financial services industry, servicing clients as a Client Service Administrator and Team Leader. She joined BNY Western Trust Company in 1995 following BNY's acquisition of Bank of America's Institutional Trust business. Denise began her career with Security Pacific National Bank as an Administrative Assistant in Personal Trust and earned a position as an Account Administrator. She serviced Employee Benefit Trusts and custody clients and when promoted to Assistant Vice President, she was given supervisory responsibility for an administrative team of six members. With twenty-four years in personal trust and custody services, Denise is experienced with transaction processing requirements.

Team Leader — **San Francisco Client Services**

Claudia Banderas ■ Administrator Expertise & Management	Claudia oversees a team of administrators servicing Taft-Hartley benefit plans, public fund retirement funds, operating funds, endowments, foundations, corporate pension plans, insurance and bank custody clients. She has over 12 years of industry experience. Claudia joined BNY in 1997 as part of its acquisition of Wells Fargo Bank's Institutional Trust and Custody business. Claudia served as an Operations Supervisor in the Trust Division of Wells Fargo Bank and also worked in their Retail Banking Division.

4. Exceptions.

Bank of America has no exceptions to services required by the City. As mentioned in the transmittal letter, the portion of the proposal for Safekeeping and Securities Lending services are provided in association with the Bank of New York.

However, the following paragraph from section VII. Final Comments, will need some modification:

> The Financial Institution will be required to defend, indemnify and hold harmless the City against the negligent acts or omissions of the Financial Institution in discharging its duties and obligations under any agreement for services. The Financial Institution shall also be liable for any losses to the City due to unauthorized wire transfers or controlled by the Financial Institution so long as the City has not authorized the transfer, or was not negligent in ordering or causing any wire transfer to occur and the Financial Institution had acted directly in response to such order.

Bank of America would consider a mutual indemnification agreement. Additionally, our liability for wires is covered by UCC 4a and whether or not we followed commercially reasonable security procedures. Please refer to your Funds Transfer Agreement.

Tab D - Deposit Processing

Describe how the Financial Institution would accommodate the volume associated with an account as large and complex as the City. For instance, indicate if the Financial Institution intends to process deposits through a retail branch or a cash vault center. Discuss in what fashion the Financial Institution would handle rolled coin deposits.

Bank of America can accommodate the volume associated with the City's accounts. Our deposit features include all forms of tender, with convenient hours and various options to allow same-day ledger credit. Bank of America provides one of the largest deposit networks in California, designed to provide secure and efficient service to small and large depositors. Our network includes 14 cash vaults, over 900 branches and night drops, the Quick Business Deposit (QBD) service, and direct deposit to our check processing centers. We accept a variety of deposit items, including split deposits, fully encoded and un-encoded checks, coin, currency, and bankcard drafts. Based on the City's current deposit activity information, the majority of your deposits will continue to be processed through our Cash Vault. Additional deposits can continue to be processed through our Banking Centers and Night Drops/Quick Business Deposits as well.

Deposit Options

Cash Vault

Bank of America's Sacramento Cash Vault can accommodate the security and deposit volume for the City's accounts. Our Cash Vaults provide a full range of services and accept deposits Sunday through Friday to ensure checks are cleared as quickly as possible. Vault service also includes automated services for change orders.

Vault deposits must be presented in tamper-resistant, plastic bags provided by the bank or a private vendor. Through the bank, check-only bags are provided free of cost, while bags designed for cash cost $0.25 per bag. The bank's standard plastic cash bag holds up to $25.00 in coin. If coin exceeds this amount, it should be batched separately in generic canvas bags. In the near future, the use of cloth bags for bulk coin deposits will be changing to a clear plastic, tamper evident CoinSafe deposit bag. Some entities consolidate coin into weekly or monthly deposits to minimize coin processing and deposit charges.

The bank accepts coin deposits prepared in the following manner, depending upon where the coin deposit is delivered:

Banking center coin deposits of less than $25.00 should be denominated and rolled in coin rollers. Any loose coin of less than $25.00 should be sealed in a coin envelope and the amount written on the outside of the envelope. Coin deposits in excess of $25.00 should be placed loose, sorted or unsorted, in a cloth coin bag or plastic coin bag and deposited separately from your QBD deposit.

Cash vault coin less than $25.00 should be placed loose in a coin envelope and the amount written on the outside of the envelope. Coin deposits in excess of $25.00 should be placed loose, sorted or unsorted, in a cloth coin bag and listed on a separate deposit ticket.

Coin deposits of less than $25.00 incur no additional fee other than the per $100.00 deposited fee. If you deposit bags of coin, there is a per bag fee depending on the type of coin deposited in addition to the per $100.00 deposited fee.

Different deposit products offered have different requirements for the preparation of the deposits and their delivery to the bank. Complete detailed deposit preparation instruction sheets will be provided to the City if needed.

Customer Service and Training

Our trained, customer service staff is available to assist you during normal business hours. We offer high-quality service through dedicated support personnel and efficient operations. We can provide on-site training to assist your staff in the proper preparation of deposits.

Night Drop

The bank charges $1.10 per deposit plus $17.50 per year to access the night drop. Using a night drop will save the cost of the armored carrier pick-up and provide a secure overnight place for cash. The bank will supply you with tamper-resistant, plastic bags for night drop deposits.

The night drops are emptied at 7:00 a.m., shipped to the Cash Vault, processed and credited to the City's account on that day (i.e., deposits made after 7:00 a.m. are credited the following business day). If deposits are large, a same day deposit through the vault or banking office should be considered.

The following cut-off times are for deposits to ensure same day availability:

Location	Same Day Credit Deadline
Sacramento Main Branch	9:00 a.m. - 5:00 p.m. Mon. – Thurs. (Items processed after 4:00 p.m. receive next business day credit) 9:00 a.m. – 5:00 p.m. Fridays
Night Drop	7:00 a.m. Monday – Friday
Sacramento Cash Vault	4:00 p.m. Monday - Friday Regular Hours*
** Even though armored carriers pick up your deposit early in the day, they may not deliver it to the Bank's vault until the latest possible deadline.*	

Armored Carrier Service

As the City is aware, Bank of America does not contract directly with armored carriers for our customers. All contracts for services would remain between the City and the carrier. The City's current contract with Armored Transport can remain in effect and the charges can continue to be applied to your account analysis. However, we do not recommend this method unless the City intends to have an excess position in your account analysis. Having charges applied directly to account analysis gives the City less control over reviewing the charges incurred from the carrier. Should the City decide to compare armored carriers, we would be happy to obtain price quotes from various carriers on behalf of the City.

Returned Item and Re-clear Processing

Your existing Reclear Agreement authorizes the Bank to reprocess checks returned for non-sufficient funds, uncollected funds and refer-to-maker. Unless a change is requested, this Agreement will continue.

Returned Items

Returned items are debited from the account to which they were deposited. If it would benefit you to make a change, the City can instruct the Bank to charge back the items to a different account. Debit notifications and returned items are mailed to the City, generally within 24 hours. You may elect to receive additional information for each returned item including notifications. If you are interested in additional returned item data, we will provide applicable pricing to you.

Image Capabilities

Our Internet-based information service, Bank of America Direct, will be adding new returned item functionality in late 2003 that will allow us to deliver the image of returned items to clients. We will also be implementing a new Return Item Processing Platform in 2004 that will allow us to image-lift the check maker information. In today's environment, this information can be data keyed by our clerks and sent to the City via Data Transmission, if desired. The image lift capability will be more cost effective and will allow us to report this information more quickly to City staff.

Electronic Return Item Notification (ERIN/ERIN+)

The faster you are alerted to your returned checks and can integrate this information into your systems and processes, the greater your chances of receiving payment and of limiting your losses. In addition to the standard returned check advice and returned checks, you may benefit from the speed of electronic transmission for returned check information.

Bank of America can transmit returned check data to you directly so that you can update your accounting files or databases. This saves time by eliminating the need for your staff to re-key data and, thereby, reduces the risk of errors. Delivery options for receiving your electronic information are DIRECT, EDI and BAI download.

ERIN provides valuable information for each return item. This information is derived from data that is already in our system, and we can retrieve and deliver it to the City when the item is returned. Bank of America can deliver all of the information requested above, as well as some additional data elements. These data elements include:

- Return dollar amount
- ABA number of drawee bank
- Drawee account number
- Check serial number
- Reason for return
- Deposit account number
- Date of return
- Date of deposit
- Charge account number
- Customer reference number (i.e., location number) – optional
- Maker name
- Store/agency reference number

ERIN+ gives all the same information provided by ERIN, as well as information that is derived from data that has been subsequently added to the check (i.e., included on the check for retrieval at a later date).

- Maker name and address
- Maker phone number
- Driver's license number

Deposit Activity

A recommended enhancement is Depository+, a service for entities that utilize one deposit account for multiple deposit locations. In lieu of encoding deposit tickets with location numbers, the Bank establishes a "shadow" account for each depositing location and embeds your uniquely assigned location number (up to 10 digits) into the Depository+ system. By doing so, all adjustments to deposits, all returned checks or other exceptions (paper or electronic) that relate to this location are automatically associated with your location number by virtue of the deposit originally posting to its own unique account. Location numbers also flow through to information reporting and statements as follows:

- *Information Reporting*. Previous Day Reports on Bank of America Direct will include your location numbers
- *Bank Account Statements.* You have the option of sorting and subtotaling your transactions by location number on your master account statement
- *Statement Suppression.* If you itemize your transfers, you may choose to prevent the printing and mailing of individual location bank account statements and receive your location bank statement transaction detail in your master account statement only – or you can have these individual location statements mailed to each location.

Tab E – Account Reconcilement

Describe the account reconcilement services offered by the Financial Institution. Describe the magnetic tape specifications for the Financial Institution. Include a description of any electronic or software features available that could be used by the City to interface with the Financial Institution to determine a daily or weekly check outstanding balance. Also describe your check truncation services that would be available and its merits.

Account Reconcilement Services

Bank of America offers both Full Account Reconcilement and, as you use today, Partial Reconcilement services, each with the option of a Positive Pay service. We recommend that the City consider sending the Bank your check issue files so that we assume the burden of reporting the positive pay exceptions to you via image. This gives you the opportunity to actually see the check immediately before making your pay or return decision. It would also allow you to take advantage of teller positive pay, discussed later in this section. We also recommend that the City continue using the CD-ROM Check Truncation feature described in more detail later in this section.

Although Magnetic Tape is mentioned above, City of Sacramento is not currently sending a Magnetic Tape to Bank of America for Account Reconcilement services. We recommend your continuing with electronic delivery.

Full Account Reconcilement

Full Account Reconcilement allows the bank to reconcile your check disbursement activity, and provides you with flexible reporting formats, cut-offs, and delivery options tailored to your needs. The City sends check-issue information via data transmission or the Internet to the bank. Our Account Reconcilement Department uses an automated system to compare this data to the bank's records of paid checks. Items that do not reconcile are reviewed and corrected, wherever possible, by bank staff.

Reports include reconciled paid items, un-reconciled paid items, outstanding checks, voids, and stop payments in a variety of formats. We also prepare a certification report that reconciles the bank balance. The City may specify daily, weekly or monthly cutoffs. In addition to hard copy reports, you have the option of receiving reports electronically to update your in-house software, and we most recently introduced Account Reconcilement reports online through Bank of America Direct.

The reports you view online will contain the same information available in the paper reports you receive today. In addition, you have the ability to:

- Archive your report information online for either 6 or 24 cycles.
- Download reports into various file formats to integrate with your internal systems. Reports can be exported into text, CSV (comma-separated value) and PDF formats.
- Schedule to have your reports delivered via e-mail.

An additional feature that we are excited to share with you provides online search capabilities that allow you to search across multiple accounts and reports. By keying in specific criteria, you can search for a specific transaction or create a customized report to fit your specific business needs. This customized information can be viewed online or downloaded for further analysis.

Partial Account Reconciliation

As you know, the Partial Reconciliation Plan offered by Bank of America is designed for entities that perform in-house reconciliation with their own software. This plan provides the option for paper reports of detailed paid check information and the transmission of all checks paid on a daily basis. The City can use this plan with Positive Pay as well.

Positive Pay

Bank of America urges the City to utilize our Positive Pay service via our Internet-based service Bank of America Direct. It provides a flexible network tool that lets you use the Internet to quickly and easily manage your payments activity and fight check fraud. You are able to review exception item reports and send payment or return instructions to the bank, all from a single set of linked screens. Using Bank of America Direct, you are able to assign authority levels for accessing Positive Pay Exception reports, making pay and return decisions, and approving and releasing decisions to the bank. The City has the option of setting a six-month stale date capture so that items coming in after six months will come up as exception items. With Payments Direct Image Access you have the option of viewing only images of Positive Pay Exception items. To enhance research efforts, users can simply click on the check image to zoom in and out, flip between each side of the check, or to rotate it. Payment and return decisions can be made on the same screen used to view the check image.

The Bank expects to provide Payee Positive Pay by year-end. This will allow the comparison of the Check Payee Name in the issue record as well as comparing the check number and dollar amount to your issue file.

Teller Positive Pay

For all accounts using our Positive Pay Service, we offer Teller Positive Pay at no cost to the City. Our banking center tellers can match a request for a check encashment to an issue record provided by the City. This will reduce the number of calls the City could receive where authorization is requested from the City for check encashment as well as reduce the incidence of fraud when fraudulently issued checks are cashed in our banking centers.

Reverse Positive Pay

As you know from your experience today, Bank of America Reverse Positive Pay service gives you an effective check fraud prevention tool for your disbursement accounts. The service is designed for clients who elect to perform an automated, in-house reconciliation, or accounts for which you cannot submit check issue information. With reporting of all check activity for those accounts with Reverse Positive Pay, you are able to make quick return item decisions about those items that are fraudulent, and request photocopies of suspect items for further research. Each day, Bank of America sends you a transmission of all checks that will post to your account in the evening. This transmission is sent to you in BAI format by 6:00 a.m. PT on the day of presentment.

Truncation Services/CD Imaging of Checks Paid

Bank of America offers Truncation services. The City currently utilizes this service on most of its accounts. Truncation reduces or eliminates City costs associated with check handling and storage. With this service, checks are microfilmed or imaged and then destroyed in 24 hours. When check truncation is used, clients can obtain check copies via an on-line request or through your Customer Service Representative, Karen Richards. Copies are available within five business days after the order is placed and the Bank will certify the quality of the photocopy for use in legal cases.

Image Access

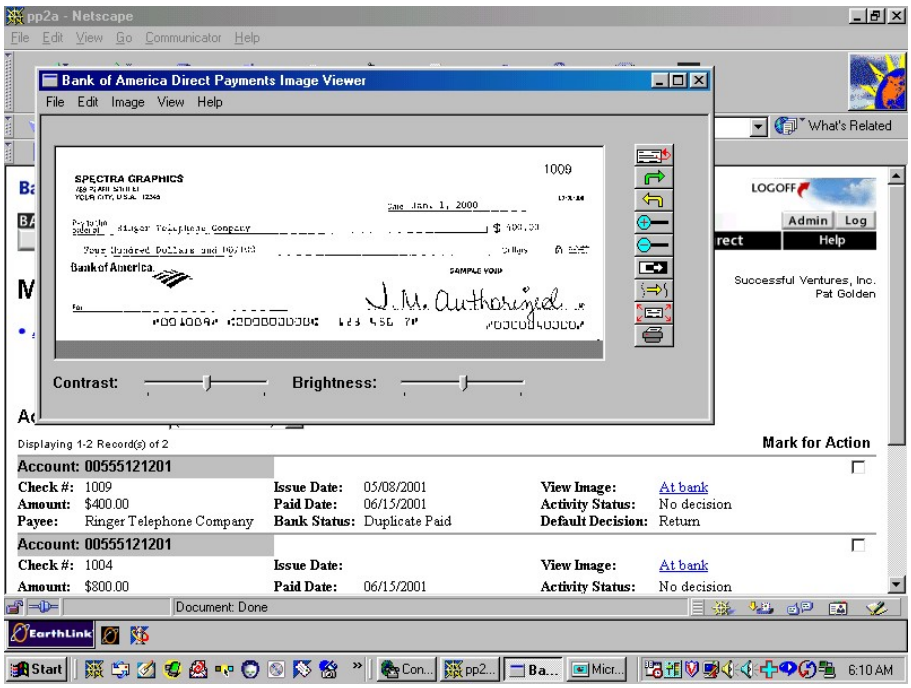
Image access is used by City of Sacramento today. As you know, each CD can hold up to 25,000 digital images of your paid checks (front and back) that can be retrieved quickly for viewing, printing, and faxing. Your staff no longer needs to contact your Customer Service Representative or search through microfilm to conduct research investigations. The Image Access Online Service option allows the City the ability to view digital images of its paid checks via a Windows-supported personal computer prior to the arrival of their CD.

With Image Access, the CDs are created in accordance with your bank statement cycle and may house information for up to 15 linked accounts. In addition, Bank of America provides an index of all the images contained on each CD, which may be downloaded onto a PC. This feature allows for quick searches on a check by entering specific information about the check or by performing a search using the following criteria: account number, dollar amount, date paid, or check serial number. CDs are delivered via overnight courier to your office within four days after your statement cutoff date.

With the Payments Direct function on Bank of America Direct, you are able to perform an online paid check inquiry, and if the check has posted to your account, you can view a digitized image of the check. Features of Image Access include:

- Improved image quality, both on-screen and hard copy
- Ability to manipulate check images by rotating, zooming in and out, and enhancing the brightness and contrast
- Ability to print, fax, e-mail, or copy and paste images to other Windows applications
- Reduction or elimination of overhead required to view microfilm

We have provided a sample image presentment screen in Bank of America Direct.



Tab F – Electronic Money Transfers

Describe the electronic money transfer services offered by the Financial Institution.

The City can continue to use Bank of America Direct to initiate outgoing Fed Wires and book transfers. It is a low-cost, efficient service that provides you with a secure method of initiating funds transfers. ACH origination is also recommended on Direct. It offers a comprehensive, yet flexible system that streamlines access to ACH payments while offering a host of ACH capabilities, from direct deposit to corporate trade payments and state and local tax payments.

Bank of America Direct - Access to the system is done via an Internet address. Data entry is simplified and uses drop-down pick lists rather than the traditional online prompt and response. These allow the user to manuever around the wire template and complete the data fields in order of preference. The online search for the bank's routing numbers is extensive and user-friendly. The cut-off for both domestic wires and book transfers is 2:30 p.m. Pacific Time. Direct Customer Service is available through a toll-free number, Monday through Friday from 6:00 a.m. Pacific Time to 6:00 p.m. Pacific Time.

Security Measures - Customers require security in electronic banking and security on the Internet is of primary importance. At Bank of America, we have put a premium on secure electronic networking. We understand that doing business on the Internet requires the best and safest security available today. That is why we have made sure that customers using our Bank of America Direct can be as secure doing business over the Internet as they are using today's electronic online delivery systems.

We've developed Bank of America Direct security around four basic industry principles that provide the foundations for secure Internet transactions. These rigorous standards exceed security in place today for most conventional systems and raise the bar for secure electronic transactions: Knowing Who You're Communicating With; Protecting the Privacy Of Your Messages; Safeguarding Your Information Against Tampering; Securing Your Information At Bank of America.

Requiring utilization of an Internet browser that supports 128-bit Secure Sockets Layer (SSL) encryption enforces these principles. The 128-bit SSL encryption and multiple firewalls protect your information from unauthorized access and are vital to security for conducting business over the Internet. In addition, digital certificates are assigned to each user for identification purposes.

Additional security features include:

- Maximum transaction and dollar limits by operator
- Up to two levels of approval
- Detailed audit trails for each wire transfer and template setup

Online Administration of Company Access

As you know Bank of America Direct facilitates online administration of users and their respective access to services. The City controls security online by designating one or two "administrators" to add, delete, or change user-level authorizations. The user system administrator grants access by account number, the application, and can restrict users to specific functions and dollar limits.

Tab G – Change Order Services

Describe the Financial Institution's procedures for requesting change orders.

Change Order Procedures

Bank of America's cash vaults can supply coin and currency to meet the City's daily operational needs. Through our automated change order system, you can order cash as needed by using a touch-tone telephone. This service is available 24 hours a day, every day of the week. Change orders can also be set up as regularly scheduled standing orders for your daily change needs. Additionally, a customer can place a manual order by calling the Cash Vault Change Order Unit directly and verbally placing orders with an associate. This provision is in place in the event of a system outage or an emergency. You can select denominations in standard and non-standard amounts. All orders placed by 11:00 a.m. will be delivered to you via your armored carrier to your designated location the next business day. Using our cash vault and your armored carrier for delivery of change/currency orders is generally the most cost-effective method. However, the City can also continue ordering coin and currency from the local banking center on an as needed or emergency basis. All charges for cash vault supplies are processed through your account analysis.

Tab H – Balance Report

Describe the balance report services offered by the Financial Institution.

We anticipate the City will continue to use Bank of America Direct for information reporting. Bank of America Direct offers timely and accurate reporting of current-day and previous-day account balances and activity. By making the information available over the Internet, the City of Sacramento can control access at the account level and share information across divisions and departments. You can view desktop standard reports, customize by dates and accounts with One-time Reports, schedule previous-day reports that are required daily with Report Notifications, and export report data in a comma-delimited format or BAI2 format for use in other applications. In addition to Direct, our BAI2 file could be provided to the City through a machine-to-machine transmission. Since you plan to convert your financial system to a new People Soft application in the near future, there may be a benefit to accessing data through this format. In addition, via Direct, the City can initiate account transfers within their own accounts.

Previous Day Balance Report, Previous Day Detail Report, and Current Day Detail Report are available at 5:30 a.m. PT. Standard reports are available for five business days, with an option to extend storage to 25 business days.

Bank of America Direct is our answer to the challenge of managing payments, receipts, and information. We are integrating functionality to improve the notification, flow, and management of bank related data and transaction initiation. Capitalizing on the timeliness of information, Direct provides shortcuts to help the Treasury staff manage their accounts. Proactive report notifications, report scheduling, and the capability to customize reports and build routines for exporting information into other spreadsheets are just a few of the features we have developed.

In addition to the balance-reporting feature, the Direct platform includes:
Information Reporting - Previous Day Balance and Detail Reporting; Current Day Reporting, Positive Pay, Wire Transfer Service, ACH, Stop Payments, Online Bank Statements, Online Analysis Statements, Online Account Reconcilement Statements and Deposit Notifications.

Scheduling Reports
Is there a standard previous day report or export file that you need each day? With Treasury Direct, you can schedule reports or files to generate automatically as soon as the information is available. You simply go to Report Notifications to pick up your report. A hyperlink appears on the Report Notifications page for each report or file that was scheduled.

Exporting
Exporting a report allows you to use the report data in another application. Exporting takes the data from the report (the facts and figures, not the formatting) and converts it to a format called Comma Separated Value (CSV) that enables it to be used in other applications such as spreadsheets and word processing.

Exporting data into a spreadsheet facilitates analysis such as indicating trends, developing forecasts or producing charts and graphs. You may put the data into a word processing application, include some explanatory text or graphics, or tailor it to your audience. When exporting report data, you control how the data appears.

One Time Reports
Using the One Time Report option, you can customize the way you view information for your Bank of America accounts. Do you want to determine your balance on a specific account? Or determine if lockbox deposits were credited to a specific account two days ago? One Time Reports allows you to specify accounts and date ranges for all the Standard reports, providing the information you need to make informed business decisions.

Tab I – Payroll Tax Processing

Describe the services available from the Financial Institution to accommodate the City's payment and reporting of payroll taxes.

Payroll Tax Payments

Bank of America does not provide tax calculation, withholding or reporting services. We recommend working with a payroll vendor such as ADP or using your own payroll software. Tax payments may be made through any of the Bank of America services described below. We will work with you to verify you have the most effective tax processing.

The City may use either an electronic (PC) method by using BAMTRAC, Internet-based Payments Direct ACH service, PC-based Express Tax service, or the manual (telephone) method through Express Tax for tax payments as follows:

Payments Direct ACH Origination Service - The City can use our *Payments Direct* ACH service to initiate tax payments. The product supports Electronic Funds Tax Payment Service (EFTPS) government and state tax templates. Entities are prompted for the payment information as required for each specific tax payment.

Express Tax - Bank of America Express Tax is an electronic tax payment system for the payment of business taxes. It offers our clients three levels of services for meeting federal and state mandates of paying business taxes electronically. Payment information may be entered made via a touch-tone telephone, via a voice response unit (VRU), personal computer, Fedwire or with the assistance of a customer service representative. The PC version is windows based, menu driven system that enables the City to easily comply with the Federal EFTPS requirements for federal tax payments to the IRS and to make business tax deposits to all the states that have mandates for EFT tax programs.

Express Tax Debit - This is a free service to pay federal taxes electronically by phone. It puts customers into compliance with federal EFTPS regulations. Any customer who is still bringing a federal tax payment coupon and a check to the teller window should be on this service as it is a free replacement of this laborious process. No credit approval required, no prefunding and no cost to the City. Payments are input via telephone at least one day prior to the tax due date by 5:00 p.m. PT. You input the settlement date. If a deadline is missed, you may call Express Tax to request instructions for making the payment via Fedwire.

Express Tax Credit – City of Sacramento uses Express Tax Credit. It is designed for customers who do not wish for the government access to automatically debit their account for tax payments. It also has features that are not available with the basic debit service such as mailed or faxed receipts and state tax payment capabilities. We require two-day prefunding of tax payments and this service can be used for federal and state payments. Payment information may be entered via telephone, PC or Online. Payments must be input at least 2 *business* days prior to the due date by 5:00 p.m. PT. The system calculates the due date based on the Liability Date & the taxpayer's depositor status. If a deadline is missed, you may call Express Tax to request instructions for making the payment via Fedwire. This is a fee-based service.

Express Tax Plus - There are service fees associated with this service. Express Tax Plus is for larger agencies, again, which do not wish to allow the government access to debit their account for tax payments. In addition to the features of Express Tax Credit, it has advanced "cash management" features such as the ability to designate a future settlement or to make multiple tax payments to different state and federal taxing authorities. No prefunding of payments is required with credit approval. Express Tax Credit Plus allows for payments to be input via telephone or PC. Payments must be input at least 1 *business* day prior to the due date by 3:00 p.m. PT. The one-day window is available with prior credit approval only. You input the settlement date. If a deadline is missed, you may call Express Tax to request instructions for making payment via Fedwire.

Tab J – ACH/Credit Card Processing

Describe the electronic system that would be available to the City for processing debit/credit card transactions.

Bank of America is currently the primary Merchant Card processor for the credit card transactions for City of Sacramento. We appreciate the loyalty you have shown us and we are confident we can continue a mutually beneficial working relationship by providing the City of Sacramento with the latest in technology solutions/enhancements to meet your payment solution requirements. We are looking forward to a continued working partnership for many years to come. Bank of America has assigned Linda Osbourn, Assistant Vice President & Senior Account Manager, to the City of Sacramento as your Account Manager. Linda has been with Bank of America for 31 years and is available to provide one-on-one assistance.

Existing Processing Method

We currently provide the City of Sacramento with terminal processing capabilities for authorization and settlement of credit card transactions. In addition, we also provide credit card processing for the parking garages via a third party, Alliance Data Systems, Inc.

Technical Capabilities

Bank of America Merchant Services focuses on providing an array of product and accounting features to insure that our clients are delivered products that are easily integrated into their existing structure. Merchant Services supports terminals that process authorizations and settlement for credit and debit card sales, includes Purchasing and Commercial Cards and guarantee checks. Online debit card transactions are supported through an integrated or optional PIN Pad. We also offer our clients Merchant Services (MS) Online, which is an Online Reporting solution. With MS Online you have access to view your monthly merchant statements, access transaction reports, reconcile accounts and research transaction information as well as chargebacks for up to 13 months. MS Online provides inquiries by batch number, merchant number, terminal ID, card number and date. Reports contain settled transactions (those transmitted for deposit) and authorized transactions (those transmitted for an authorization request that may or may not also be settled).

Merchant Services supports at least 12 separate terminal products, each offering a different mix of features and capabilities. Additionally, we support dozens of ECR interfaces, several PC products and many other specialized point-of-sale interfaces. This permits us to select or support a product that is a good fit for each individual customer's needs.

Bank of America eStores Solutions provide our merchants several different ways to do business on the Internet. *Start Up* allows the merchant to start up an Internet store from top to bottom, including a shopping cart, checkout and payment processing. *Hook Up* provides the merchant a shopping cart, checkout and payment processing and *Settle Up* only provides payment processing with or without Bank of America branding on the check-out. Merchant Services also interfaces with many 3rd party payment gateways such as Trust Commerce, Authorize Net, VeriSign or Cybersource for eCommerce Solutions.

Tab K – Controlled Disbursement

Describe the controlled disbursement program offered by the Financial Institution. Include the time of day that current day check payment information would be available.

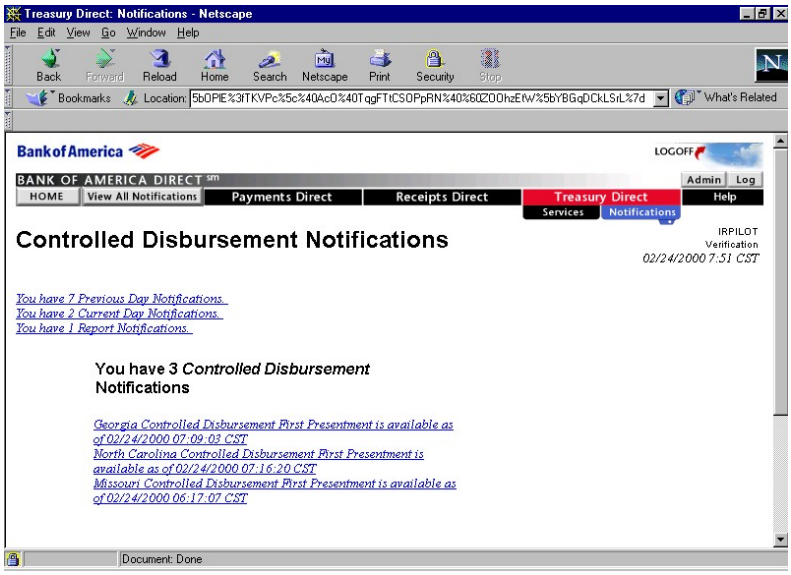
Bank of America offers Controlled Disbursement services with several disbursement points. With this service you can take the guesswork out of daily cash forecasting. Each morning, you receive notification of the total dollar amount of checks that will clear your Controlled Disbursement account that day. Because you fund your account just to cover those checks, you are ready to put your available cash to more profitable use immediately. Our Controlled Disbursement service allows you to:

- Access funding totals and current day paid check detail on your PC.
- Place stop payments on-line and access up to 90 days of on-line paid check history.
- Help protect your business from check fraud using our state-of-the-art positive pay, check fraud prevention service.
- Reconcile your accounts and general ledger faster by using our account reconcilement services.
- Save storage space by using our check truncation or safekeeping service.
- Accelerate research by receiving check images on CD-ROM or microfilm.

Our operations are owned and operated by Bank of America. No other financial institution can match the diversity of our franchise when it comes to the number of disbursement points we can offer. The Bank has several disbursement points strategically located throughout the United States to take advantage of time zone differences. You choose the disbursement point that meets your needs, whether they are geographical location, required reporting times, or type of payments you are making. If the City of Sacramento decides to pursue Controlled Disbursement at some point in the future, Walnut Creek will be the optimal option if you require the checks to be drawn on a California bank. All points for consideration are listed below and all three of our disbursement points provide dual presentment. The reporting times for our disbursement points are as follows:

- Walnut Creek, CA - 1st Presentment - 7:30 a.m. PT, 2nd Presentment - 10:00 a.m. PT
- Northbrook, Illinois - 1st Presentment - 6:00 a.m. PT, 2nd Presentment - 7:00 a.m. PT
- DeKalb, Georgia - 1st Presentment - 5:30 a.m. PT, 2nd Presentment - 7:00 a.m. PT

Presentment totals are available via our information reporting system, Bank of America Direct. Both Partial and Full Account reconcilement and Positive Pay services can be used with the bank's Controlled Disbursement services. To effectively manage the City's cash position, you may want to view your presentment totals as soon as they are ready. Through the Notifications screen in Bank of America Direct, you will know immediately what has been updated. Below is a sample screen of proactive notification for Controlled Disbursement.



Tab L – Sweep Account Facility

The City may require the Financial Institution to provide a sweep feature to the concentration account to be used at the option of the City in order to permit excess collected balances remaining in the account to be automatically invested in a money market or government fund on an overnight basis. Describe the sweep account option offered by the Financial Institution.

The City currently utilizes our overnight Sweep service that is linked to your Investment Account. As you are aware, this service provides an automated method for overnight investment of idle funds. Each day at the close of business, collected funds above a "target" or zero balance are swept from the City's checking account and invested overnight in your choice of investments. The next business day, the amount invested is returned to your checking account, and the overnight interest on your investment is credited to your designated checking account on Repo and Eurodollar investments. Dividends are paid monthly on the first business day of the following month for the Money Market Mutual Funds. Some sweep transactions (Repo and Euro only) generate a confirmation statement, which is mailed to you. The repurchase confirmation shows the amount invested, the specific collateral allocated, and interest information. Further, a detailed monthly statement is sent to the City.

Bank of America offers several Sweep investment options, including:

Public Funds Repo Sweep - As the last posted transaction of the day, invests all collected funds above your established target or (peg) balance. At the end of processing on each banking day, any excess funds above your checking account target balance are swept into an allowable public funds investment. Your deposit total plus accrued interest is swept back into your checking account on a daily basis. In compliance with state code, funds in the overnight Repurchase Agreement Sweep are collateralized at 102% (on a daily basis).

Automated Investment Sweep (also an end-of-day sweep) - All transactions (including checks, lockbox deposits, wire transfers, and ACH items) are posted to your account. Then, the ending-collected checking account balance is compared to a pre-determined "peg" balance. As the last transaction of the day, an automated investment sweep transaction is posted as necessary to restore the final closing checking account balance to the target balance. Investment income accrues daily and is credited to your checking account when received from the fund, normally on the first business day following month-end. The Automated Investment Sweep accounts major advantage is the investment flexibility it offers. You can choose from the following options:

- **Repurchase Agreement Sweep (Repo)** - A secured investment backed by the obligations of the U.S. Government and its agencies.
- **Eurodollar Deposit** - A U.S. dollar deposit in a high yielding offshore account in a foreign branch of Bank of America; the deposits carry an "investment grade" rating from both Standard & Poor's and Moody's.
- **Money Market Mutual Funds** - You have the opportunity to select from one of following funds:
    - **Nations Cash Reserves** - Allowable investments include: commercial paper, bank obligations, short-term corporate obligations, U.S. Treasury securities, U.S. Government obligations and repurchase agreements.
    - **Nations Treasury Reserves** - Allowable investments include: U.S. Treasury securities and repurchase agreements (backed by such obligations). (This fund is AAA rated by Moody's Investor Services and AAAm rated by Standard & Poor's Corporations).

An investment in money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in money market funds. There is a monthly fee of $100.00, per sweep account. Future rate changes are based upon market conditions.

In today's interest rate environment, we suggest analyzing the value of the sweep account against the earning on your deposits.

We have included a Prospectus at the end of this section.

Tab M – Interest Allowance/Earnings

Describe the methodology that would be used to give credit to the City for bank balances.

The following information is an explanation of terminology and methodology that will be used to determine the City's Earnings Allowance each month.

Ledger Balance: This is the average ledger balance on the account, calculated by totaling the daily ending ledger balance for each day of the month and dividing that total by the number of days in the month.
Collected Balance: The average collected balance is the difference resulting from subtracting the average **Float** from the average Ledger Balance.
Investable Balance: The balance used to calculate earnings for the current month. It is calculated as follows:

Average Positive Collected Balance – Balance Reserve Required

Earnings Credit Rate: Investable balances are collected balances maintained in non-interest bearing accounts, adjusted to meet the Federal Reserve requirements. The Federal Reserve requirement is currently 10%. The compensating balance requirement for a given month varies based upon the current EAR and services used.
Earnings Allowance: The current month's earnings are calculated on the Investable Balance as follows:

a) Daily EAR Factor (rounded to 8 decimal places)

$$\frac{\text{EAR x Days in Month}}{\text{Days in Year}}$$

b) Earnings Allowance (rounded to 2 decimal places)

Daily EAR Factor x Investable Balance

The average positive collected balance amount required to compensate for each $1.00 of service; based on the current month's EAR is called the multiplier. The multiplier must be calculated in two steps as shown:

a) Daily EAR Factor (rounded to 8 decimal places)

$$\frac{\text{EAR x Days in Month}}{\text{Days in Year}}$$

b) Multiplier (truncated to 10 decimal places)

$$\frac{1}{\text{Daily EAR Factor}}$$

To arrive at the balance required to compensate for service charges:

Service Charge x Multiplier
(rounded to 2 decimal places)

We are pleased to offer the City a 13-week T-bill rate. This rate exceeds our standard Earnings Allowance Rate, which the City is currently receiving. The rate is calculated monthly, based on the average of the 91-day Treasury bill auction discount rates for the previous month and applied to the City's investable balance. The following are the rates for the previous 7 months:

Month/Year	Standard EAR	13-week T-Bill
January 2003	1.0000	1.1900
February 2003	1.0000	1.1600
March 2003	.9000	1.1500
April 2003	.9000	1.1200
May 2003	.9000	1.1300
June 2003	.8500	1.0700
July 2003	.7500	.9300

Tab N – Collected Balances

Specify the Financial Institution's procedures for the calculation of collected balances, calculation of charges for funds advanced, and an explanation of how deposit float will be calculated.

Collected Balance

Please reference Tab M – Interest Allowance/Earnings regarding the calculation of collected balances. This calculation is used as part of the determination of the City's Earnings Allowance Rate.

Calculation of Charges for Funds Advanced

Charges for ledger balance overdrafts are calculated in two parts. The first, is a per item charge of $20.00 for each check or other debit which your account does not have sufficient available funds to cover up to a maximum of $100.00 per day. The second is the interest on the negative collected balance as defined below.

Negative Collected Balances (Funds advanced)

The daily collected balance must be positive to avoid negative collected balance charges. If your account is in a negative collected balance position during the month the charges incurred are based on 120% of the Bank of America Prime Rate*. This interest charge will be added to the activity expense on your monthly account analysis statement to arrive at a total amount due (service fees, plus interest fees). The negative collected balance charge will be calculated using a monthly average of the daily rates and the following formula:

$$\frac{\text{(Aggregate Daily Negative Collected Balance) x (Average Negative Collected Balance)}}{360}$$

*Our Prime Rate is the rate of interest publicly announced from time to time by the Bank of America as its prevailing Prime Rate. The Prime Rate is set by the Bank based upon various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some of our loans. The Bank may price loans at, above or below the prevailing Prime Rate. Any change in the Prime Rate will take effect on the day specified in the public announcement of such change.

Availability Schedule

Float is assigned according to the Bank's Availability Schedules included at end of this section. Incoming wires and checks drawn on Bank of America receive same day credit. In general, checks drawn on other California banks are assigned one day of float.

Credit Items	Availability
Cash and Wires	Same Day
BofA Checks	Same Day
California Bank Checks	Generally One Day, depending on time of receipt at the processing center.
U.S. Treasury Checks	One Day
State of California Warrants - Sacramento Lockbox - "Over-the-Counter"	 Same Day One Day

Float information is available daily through our information reporting services (accessed through a modem line or through the Internet) and monthly through the Account Analysis statement.

As a client of Bank of America, you currently enjoy a significant float advantage due to our large depository market share. Based on your combined deposit activity in the months of June and July 2003, Bank of America represents 17% of **all** the items the City deposits. Using the same two months of June and July 2003, we analyzed the high dollar deposit float breakdown. The high dollar deposit activity shows Bank of America at approximately $10.7 MM and competitor deposited items were: Bank 1 - $8.4MM; Bank 2 - $5.9MM; Bank 3 - $1.9 MM and; Bank - 4 $1.2MM.

Should the City choose to change financial providers, no matter what bank selected, there would be a loss of immediately available funds which will impact the amount of available funds for daily investments. Further, we have recommended use of our State Lockbox service, which would improve your funds availability and would like to discuss other potential improvements with you.

Bank of America's higher market share is a significant advantage to the City. Even at today's low interest rates, this equates to approximately $1,600 of investment income (based on June 2003 LAIF interest rate of 1.697%). As investment rates rise this benefit will increase substantially. This financial benefit effectively reduces the cost of doing business with Bank of America

Tab O - Overnight Overdraft Protection

Describe any issues, concerns or charges associated with the use of a daylight overdraft facility in an amount previously described.

Bank of America often provides intra-day credit for clients who send wires regularly pending receipt of funds from other sources, commonly known as a Daylight Overdraft Limit (DOL). It is set at a level appropriate to each client's needs, subject to credit approval, and reviewed on an annual basis. This is a courtesy to clients in good standing, though it is not a committed credit facility. There is currently no charge for this service, so long as the City's ledger balance in that account exceeds zero at the end of the day after all processing is completed. However, this may change based on future regulatory requirements. (Note: If the ledger balance is positive, but the *collected* balance is negative, the negative balance would be subject to an uncollected funds interest charge; however, this is unrelated to the DOL.)

The City currently has a DOL of $35MM in place. After selection as the winning bid, we would be happy to review this to ensure this amount still meets your needs. The purpose of the DOL is to facilitate the processing of wires only. We would also be happy to discuss the need for establishing an Authorized Overdraft facility in order to guard against items being inadvertently refused at a banking center. There is no fee for the Authorized Overdraft facility other than the ledger overdraft charges already mentioned above.

Tab P - Pricing

Describe the pricing for services and supplies that the Financial Institution proposes, in summary. Include a pro forma detailed monthly and quarterly billing as Exhibit 8. Indicate if the Financial Institution will cap the monthly service cost, based on data estimated by the City in Attachment 2 and Attachment 4.

Bank of America has priced our services very competitively for the City of Sacramento. Pricing is based on volumes and therefore your total cost will fluctuate from month to month.

As requested, we have included a pro forma detailed monthly and quarterly billing as Exhibit 8. We will work with you to order any necessary supplies. The City can order supplies through the bank, your CSSA Nita Blaich will coordinate, or through an outside vendor. If checks are purchased from an outside vendor, we will need to test the checks prior to issuing.

There is no monthly cap on the monthly service cost.

Tab P.1 – Additional Pricing

Credit Card Discount Rate Information

As requested, we have provided our Merchant Services Agreement Fee Schedule and Pricing Model in this section.

Tab Q – Pricing Adjustments

Prices are to remain firm for the first two years of the contract. For subsequent years, indicate what the Financial Institution proposes for price increases, if any. Financial Institutions may propose an annual adjustment to prices either on a fixed percentage basis or on a variable percentage based on the increase in a nationally recognized index. If the latter, indicate the not to exceed annual increase percentage.

We are pleased to offer the City a five-year, fixed rate contract with the option to renew annually thereafter. At the end of the selected term we would discuss the extension option with you. At that time you may extend for one year or a multiple number of years, based on your need. During any executed extension, increases in fees would be limited to the change in the California Consumer Price Index for the preceding annual period, not to exceed 4% per year.

Tab R – Safekeeping

Comment on Federal Deposit Insurance corporation section 344.7 and 344.8. Describe the scope of Sweep account, do you provide overnight investments in Government and Agency Securities in regards to repurchase agreements. Describe what your institution has put in place or are putting into place to handle T+1.

Federal Deposit Insurance Corporation section 344.7 and 344.8

The Bank of New York is able to fully comply with Federal Deposit Insurance Corporation sections 344.7 and 344.8.

Scope of Sweep Account

For the City of Sacramento General Account the Bank of New York utilizes, with the City's written permission, the Nations Treasury Reserve Fund. This fund accepts cash deposits up until 1:00 p.m. West Coast Time. For the City of Sacramento Employees Retirement System, the Bank of New York utilizes the Nations Cash Reserve Fund. This fund also accepts cash deposits up until 1:00 p.m. West Coast Time. Prospectuses are available as needed.

There are other sweep options available to the City and the ERS, however, we believe that the current funds that are in place offer the City and the ERS competitive rates and flexible deadlines and are best suited for their current operations.

Handling of T+1

T+1 settlement, now scheduled for 2005, is an integral component to achieving Straight Through Processing (STP). BNY is at the forefront in developments in relation to the improvement of STP rates. BNY has and continues to take the steps to ensure we have the ability to help our clients achieve their STP goals. We continue to review for implementation any new utilities as they enter the market. It is our goal as a custodian to provide solutions that can help you connect and interact while limiting your own expenditures for internal development.

The Bank of New York approaches STP at a bank-wide level. We established a STP project office that coordinates the STP projects across BNY business lines. The Bank of New York is actively involved in more than 40 securities industry groups, keeping us up to date and actively involved on changes in the business. Our motivation is to help focus the industry on changes that deal with the massive volume growth of cross border transactions, risk reduction, and improved capital utilization. Through these organizations, we are working very hard to help develop a central pan-European settlement and processing structure. This will create an environment for standards within the industry.

T+1 settlement will also likely provide additional lending opportunities for corporate bonds and equities in order to provide sufficient settlement liquidity coupled with extended trading hours to ensure coverage. The new environment most certainly favors the large Bank Agency programs, such as BNY's; the liquidity provided by a large well-established program means that only a fraction of sales must actually be recalled from borrowers. This capability serves the Fund by minimizing sale fail potential, while at the same time maintaining a steady, consistent revenue stream.

At the same time, lenders need to meet the challenges of a short settlement period for U.S. equities and corporate bonds. Of course, U.S. Treasuries have long operated on a T or T+1 basis. Therefore, loans can be immediately reallocated to other lenders in the program in order to ensure on-time settlement. BNY already has in place an automated interface to provide immediate notification of sales to Securities Lending and to enable straight-through processing of re-allocations or recall notices as required.

The securities lending staff is fully participatory in the industry efforts through the RMA/SIA Securities Lending T+1 Sub-Committee to facilitate recalls, buy-ins, and corporate actions. A white paper outlining the requirements for a recall hub, the Automated Recall Management System, was released in 2001, and other initiatives are ongoing.

Industry initiatives such as SWIFT/ISO15022 and Omgeo continue to help lay the foundation upon which to increase our STP rates. BNY has taken the following actions regarding the industry's STP initiatives:

- Appointed a full-time STP Program Manager to lead BNY's efforts
- Created a bank-wide STP Program Management Office that is managed jointly by head of Operations and Technology
- Established an Executive Steering Committee
- Has BNY representatives as members of the SIA's STP Committee Structure
- Has representation on DTCC's Board
- Has Senior Management representation on the Omgeo Board
- Has Senior Management representation and participation in the New York Clearing House Association

Tab R1 – Securities Lending

Indicate the estimated monthly income, a brief description of the Financial Institution's experience, and a summary of the securities lending program.

The Bank of New York has performed as current agent to the City of Sacramento and the Sacramento ERS since 1995 when we acquired Bank of America's custodial and securities lending business. Our securities lending service can be provided, as it is today, on a custodial basis, and we can provide the same level of service on a third party or non-custodial basis, as well.

Our current fee split arrangement has the City and ERS receiving 70% of the net earnings. Gross earnings less borrower rebates produce net earnings. There are no cash collateral management fees, or any other undisclosed fees to haircut earnings. During Fiscal year 2003 the City and ERS combined for over $655,000 in earnings. Assuming no significant changes to the portfolio composition, investment guidelines, market demand and current interest rate environment, we offer a revised fee split of 75/25 to both the City and ERS. We estimate combined monthly earnings to the City and ERS of $50,000-$55,000, based on current market conditions and borrower demand.

We do not offer an earnings guarantee, because of the variables associated with securities lending; changing portfolio compositions, market value fluctuations, borrower demand, etc. However, we would consider a "revenue floor" arrangement where, if over the next 12 months of participating in our securities lending program, the City's and ERS' combined earnings are less than $327,500, BNY will return a portion of its fees to the City and ERS up to the level of $327,500, not to exceed 100% of gross revenues. The basis of this offer is that the lendable portfolio and our current cash collateral investment guidelines remain as they are today.

The staff of both the City and ERS is familiar with our program, including the fact that we provide complete customization of cash collateral reinvestment, as well as full borrower indemnification, including simple tardy return of loans. We have operated under the guidelines for the City and ERS since inception to our program in 1995.

The Bank of New York's approach to securities lending is that of actively lending securities by providing sound risk management and steady earnings performance. BNY's Securities Lending Division is a self-contained business unit that provides all capabilities requisite to the program. Trading, operations, collateral investment, administration and systems support all report to the same business manager. This approach eliminates interdepartmental "hand-offs", maximizing asset utilization and positioning the entire scope of the process to be delivered by a single operating unit.

As further validation of BNY's ability to continue to exceed our clients' expectations, we are most proud of our #1 ranking among our peers in the 2001, 2002 and most recently in the 2003 Global Custodian magazine survey of clients.

Tab S – Conversion Plan

Describe the overall plan your Financial Institution would coordinate to ensure a smooth transition from the current provider. Indicate what direct costs the City would be responsible for in connection with a conversion. For instance, indicate if the Financial Institution intends to charge the City for supplies, such as deposit bags, endorsement stamps, deposit tickets, etc The current provider should discuss any issues that may be different from the existing services. Also discuss the training program for City staff that the Financial Institution would implement.

Existing Service and Training Plan

Bank of America is proud to be in the position of incumbency; therefore a full conversion plan will not be required. The City's assigned Customer Service & Sales Support Associate, Nita Blaich, and your Customer Service Representative, Karen Richards, will continue to focus on your account maintenance needs. We will offer the City employees refresher training on existing services as needed and will provide training on any newly added services. We will be available to provide on-site training.

The City will continue working with Suzanne Wilson and Shirley Penn for your Treasury Management relationship. They, along with other members of the team, will work closely with the City to ensure a continuity of service and smooth conversion to any service enhancements. They will oversee the day-to-day details, communicate directly with the bank's product managers, and work closely with you to ensure the City and the bank are meeting the established timelines. Beth Leonard will be responsible for coordination of the other product partners should the City decide to implement any other bank services.

The following are steps taken when implementing services at Bank of America:

- ***Implementation Meeting/Task List*** - If we are notified of the winning bid we will be in touch with you right away and agree on any implementation needs for new services. We will schedule any meeting needed to ensure that your required implementation needs are met. Generally, implementation of new services may take four to six weeks. Implementation is described in more detail below.
- ***Documentation*** - All necessary service set-up forms for any new services implemented, as well as any applicable equipment and file specifications will be provided to the City with clear instructions. Your assigned Implementation Manager will review the documentation with you and answer any questions that the City may have.
- ***Supplies*** – We will work with you to order any necessary supplies for new service implementation.
- ***Testing*** – Any necessary testing for new services will be coordinated with a member of our technical staff who will work directly with the City to ensure the testing is successful.
- ***New Services Training*** - As part of your implementation plan, Bank of America will provide training for City staff. During this training, we will ensure that your staff has an understanding of how our products and services operate. At this time, we will also provide applicable user manuals.
- ***Ongoing Training*** - Bank of America will continue to make the training resources and product information available by providing training as needed, providing operating manuals for any new services, and providing on-going telephone support or in person when required.

New Services Implementation Approach

- Suzanne Wilson and Shirley Penn will meet with Treasury to **review new services** for implementation and discuss product features and options for each service with Treasury Staff.

- Conduct kickoff meeting with Implementation Coordinator to review each service to be implemented, review action plan with target dates, and establish weekly meeting schedule.
- Conduct **weekly meeting** to discuss progress and review action plan. Implementation Coordinator will include Bank of America operational and technical support partners as necessary.
- During the implementation process, the Implementation Coordinator will update action plan for each meeting, monitor and **coordinate system testing** with the City's staff.
- Implementation Coordinator will **ensure new services are operational** by determined start date. Monitor the City's satisfaction with new service.

Conversion Costs

There are no conversion costs by remaining with Bank of America. Costs associated with deposit preparation will continue be passed through account analysis. Orders for deposit slips, endorsement stamps and checks are placed directly with our vendor (currently Clarke American). The costs of these supplies are passed directly from the vendor without any markup. These charges can be either direct debited from your account or passed through account analysis. At this time, we are not aware of any issues that would be different for existing services.

We are pleased to offer the City a credit of **$2,000.00,** which can be used to offset the set-up fees related to new services in the next 12 months. This credit will be applied to your account analysis.

Tab T – Service Enhancements

Based upon information about the City's banking needs and goals learned during the course of this proposal process, describe any enhancements, technological or otherwise, not previously mentioned that the City should consider to improve operational or cash management efficiencies.

Communication Plan

- The first recommendation is to institute a communication plan. Bank of America proposes specific methods and practices to help ensure successful communication among team members and client personnel.
- **Calling Officer Meetings:** Schedule regular formal visits to the City of Sacramento as part of our communications process. These meetings will provide a means to exchange ideas, monitor program performance, hear feedback, and discuss emerging issues.
- **Ongoing Communication:** Informal, ongoing communication will include e-mail, telephone, conference calls and web-cast presentations to cover important issues. Our key personnel and administrative staff also will be involved as often as necessary, typically quarterly.
- **Annual Meetings:** We will meet with the City to discuss the contract and to review account structure, processing issues, and quality of service. We will include Nita Blaich, your CSSA, so she can be aware and up-to-date on issues or concerns. We will also discuss new technologies and product enhancements that may be of interest to the City.
- **Status Reports:** Team members will prepare a scheduled status report that addresses program status, accomplishments, issues, and modifications to the system. The reports will be delivered via e-mail to a list approved by the City of Sacramento.
- **Organization Charts, Phone Lists:** Bank of America will prepare and maintain current organization charts and contact lists specific to the City.
- **PeopleSoft:** Part of this plan will include the PeopleSoft integration when the timing is appropriate. We look forward to working with the City as you move forward with ERP implementation to PeopleSoft. We want to fully understand the upcoming changes, which may affect file delivery and reporting. We have interfaced with a broad range of clients around the world using ERP systems, such as PeopleSoft, and we want to ensure a smooth transition for the City. Through our experience, we have an established relationship with PeopleSoft and are prepared to work with you when the integration project is initiated.

Paper Reduction

- Perform a review to identify potential of integrating our image technologies into your operation. Our treasury management-based image access solutions will make it possible for the Treasury office to view and archive account transactions in the most efficient manner possible, while allowing the City to move toward operating in a paperless environment. Our Image Access Solutions include access to images of:
- Deposited items – including deposit slips, credits and deposit corrections for cash letters, and over-the counter deposits
- Paid items
- Positive Pay exception items

Fraud Prevention

- An audit of accounts to make sure appropriate ACH **Blocks and Filters** are in place. ACH fraud is on the rise. *Blocks* can be placed on accounts where *no* ACH activity is expected. A *filter* can be placed on accounts where *some* ACH activity is expected to allow only pre-authorized debits to post.
- Implement Image Positive Pay as discussed in Tab E.

Collections

- **Lockbox:** With Check 21 on the horizon, the Bank recommends that drastic changes not be made to lockbox processing, with the exceptions of preparations for the new one. Approved unanimously by the U.S. House and Senate, this proposed legislation is intended to improve the efficiency of the nation's payment system. Once finalized, Check 21 will allow banks to migrate to all-electronic check processing by requiring banks to accept substitute check documents if received. These substitute check documents will likely be in the form of an Image Replacement Document (IRD). Electronic check processing could possibly reduce the transportation of checks among banks, which today numbers about 40 billion checks annually. As one of the largest check clearing financial institutions, Bank of America is taking a leadership role in shaping the banking industry's adoption of this technology. We are also at the forefront of developing industry-leading solutions to benefit clients in the commercial and government sectors. As Check 21 continues to evolve, we will keep our clients informed. Our

expertise in both check truncation and check conversion solutions will help guide you through selecting the best check transformation options to help meet your treasury and working capital objectives. Our options are detailed in Tab Z.1

- **Electronic Bill Presentment**: Electronic billing and payment (EBP) is an Internet technology solution enabling companies that mail out large numbers of bills on a recurring basis to present their bills and other billing information to customers electronically. EBP makes it possible for consumers to view and pay bills via the Internet using one or more of the popular Internet-based front-ends such as CheckFree® Quicken™ and MS Money™ (personal financial management software) and electronic banking systems. The first benefit to billers is a dramatic cost savings. Because EBP facilitates two-way communication, it has greater potential to support Internet-based marketing strategies.
- **Customer Initiated Payments**: Customer Initiated Payments (CIP) is a collection tool for Business-to-Business (B2B) or Business to Consumer (B2C) initiated payments utilizing credit card, debit card or Automated Clearing House (ACH) debits. Payments may be initiated by Internet, touch-tone phone or voice input using pre-formatted payment templates. CIP was designed to be flexible and can support several different product modes to accommodate our client's various stages of Internet payment presentment. The different modes of CIP are Gateway Mode, Partial Mode or Full Mode.
- **Specialized State Warrant Lockbox**: This service is designed to significantly expedite the availability of funds received from State of California warrants. This service virtually eliminates float on funds received from the State of California. The unique relationship that our Government Banking group has with State of California Treasurer's Office enables us to clear State Warrants and provide same day availability. We credit your Bank of America checking account by 8:30 a.m. each day, thus allowing your cash management team to invest the funds received from the State the same day. As previously mentioned, in reviewing the float on your high dollar deposits, we have determined that there are a significant number of State Warrants deposited with large dollar amounts. This service will ensure the maximum amount of zero-day float to the City.

Disbursements

- **Payment Network**: The outsourcing of payment origination activities in pursuit of lower costs is a goal of many entities. In addition, outsourcing may offer businesses an opportunity to increase flexibility, migrate to electronic payments, improve productivity, and enhance fraud protection. Outsourcing allows companies to take advantage of economies of scale (including postal discounts), expertise, advanced technologies, and incremental controls provided by the Banks' payables services.
- **ACH**: Whether check outsourcing is utilized or not, an initiative could be undertaken to migrate vendor check payments to ACH. Check reconcilement costs can be reduced and cash forecasting is greatly enhanced.
- **Cash Pay**: With CashPay, your employees receive "direct deposit" of payments into an electronic access bank account. CashPay can be offered as a benefit to a segment of the workforce that does not qualify for or want traditional banking services. Using CashPay, withdrawals can be made via an automated teller machine (ATM) or point of sale (POS) terminal or anywhere the VISA card is accepted. By migrating to a check less payment system, the City lowers its costs by generating transactions in a single, National Automated Clearing House Association (NACHA) formatted file for both CashPay and ACH Direct Deposit of payroll files.

Information Delivery Recommendations/Enhancements

- Monthly Bank Statements and Account Analysis Statements delivered via Direct. This service will enable the City to access Demand Deposit Account statements 1 business day after cut-off and Account Analysis statements 5 business days after cut-off. On-line statements are available for the previous six statement cycles (or 12 cycles) and can be viewed, printed or exported
- Audit to ensure the City has access to all information and enhancements available
- Review protocols to ensure the most efficient means are used for exchange of data.

Employee Benefits

Bank of America at Work™ includes a comprehensive package of financial services designed with the City's employee needs in mind. The discounted services provided by the Bank of America at Work program provides an added incentive for your employees to participate in direct deposit of payroll into a Bank of America checking account. Now is a great time to offer this employee benefit as we currently have a checking account promotion for all employees who open a checking account with direct deposit. Each employee will receive a $40 rebate through a VISA Cash card. If they set up automatic transfer to savings every month, they get an additional $25 rebate. This is a limited time offer valid through 12/31/03. *These benefits are offered at no cost to the City.*

Bank of America Securities Connection

Bank of America has created a comprehensive online account management and investing tool that consolidates your investment positions into one convenient platform. Connection enables you to access investment account holdings and activity, submit orders for money market funds and Bank of America Liability products, generate custom reports and download data right to your desktop.

Bank of America Merchant Services

Bank of America Merchant Services delivers the latest design in hardware technology and the most current versions of software programs. Over 400 product developers are certified to interface with Bank of America Merchant Services through Vital Processing Services. Developers such as Trust Commerce and Cybersource are examples of Certified Developers. We currently process for many government entities that use these 3rd party vendor interfaces to process their credit cards through Bank of America by utilizing our partner, Vital Processing Services. A complete list of their certified vendors and software can be seen at www.Vitalps.com.

POS Partner 2000 – Vital POS Partner is a PC based point of sale software application that enables you to process all types of electronic payments. This complete application combines fast, efficient Authorization and Capture and Clearing and Settlement processing with robust information management tools.

Bank of America Merchant Services supports dial, frame relay, lease line and Internet transactions. We recommend a phased approach to reach processing optimization with cost minimization. We would work with your technical team to evaluate your volume trends to determine if implementation of a Frame Relay or other communication would offer increased security and or speed at acceptable lower pricing as the optimal solution after monitoring volume and interface capabilities.

Safekeeping

As enhancements to the City of Sacramento's current environment, Bank of New York has proposed the following services:

- **General Ledger Interface:** The Bank of New York offers a customized general ledger interface to its clients as a fee for service. This interface provides complete chart of accounts mapping, comprehensive, drill down research capability on journal entries, and the ability to directly input and maintain transactions external to The Bank of New York's records. BNY's Interface Manager is user-friendly and intuitive and allows for flexible transmissions and accurate tracking of transactions.
- **Performance Measurement Reporting**: Performance Measurement is completely internal to The Bank of New York, and so we fully control all programs and other inputs involved in the calculation of rates of return. Our *system fully integrates domestic and global assets* for calculation and reporting into a single system that stores all relevant data, not calculations. Rates are calculated on demand so returns are available as soon as accounting data is received. This approach permits portfolios or portfolio segments to be combined in any way that you may wish to see them, and to reflect portfolios in alternative asset classifications. In addition, INFORMPerformance, our Internet-based workstation, provides you with on-line access to a comprehensive array of performance and analytic services. Using this system, you can quickly generate rates of return over any time period for any portfolio, group of portfolios, or index (standard or blended). Rates of return and characteristics can be drilled down from the portfolio level through the segment level to the individual security.
- **Commission Recapture**: A commission recapture program through BNY Brokerage can increase a portfolio's earning power, reduce the City's administration expenses and improve investment performance. At The Bank of New York, Commission Recapture is simple. BNY Brokerage can offer quality "best execution" in the institutional arena, simplify program administration, furnish full disclosure, and support comprehensive accounting and reporting functions. You need only to instruct your manager to place your trades through our program. BNY Brokerage's trading desks will seek the best liquidity points for your manager's trade and unless otherwise noted, the investment manager's normal "house" commission rate is applied to the trade. A significant portion of the commission is set-aside as "credits" for "recapture", which can then be applied to the payment of research bills or rebated. Either way, you reduce expenses and/or increase your bottom line.

Tab U – Community Reinvestment Act

Describe the Financial Institution's Community Reinvestment Act program established for the Sacramento area. Summarize the disclosure data for the last five years for the City of Sacramento by zip code. Provide detailed information for the last five years as Exhibit 9.

Bank of America has earned the highest Community Reinvestment Act rating-Outstanding-- from the Office of the Comptroller of the Currency (OCC).

The rating is the first for the nation's only coast-to-coast bank, following the 1998 merger of BankAmerica Corporation and NationsBank Corporation. In previous examinations, prior to the merger, Bank of America and NationsBank each received Outstanding ratings.

"We are extremely proud of this accomplishment which recognizes our lending, investment and service commitments to the communities we serve," said Kenneth D. Lewis, Bank of America Chairman and Chief Executive Officer. "The Outstanding rating reflects our commitment to higher standards - the idea that in every endeavor, there is always an opportunity to raise the bar, to do something better than anyone has done it before."

The Outstanding rating is the result of a 1-year examination that consists of a thorough analysis of a bank's total performance in serving a community's credit needs. Under the lending, investment and service tests, the OCC reviews data related to a bank's distribution of loans, investments and various channels of service. The bank's community involvement efforts are also part of the examination. The rating is for the 2-year period between January 2000 and December 2001.

The OCC, in its report, said the company's "lending performance is excellent and has positively impacted persons living in or businesses located" in low-and-moderate income areas. The report also said that the bank's "investment activity reflects an excellent level of responsiveness to the needs" of communities where the bank does business. In addition, "rating areas where the bank's provision of community development services is excellent or good includes 84%" of the bank's deposits, according to the report.

The bank was rated on 218 geographic assessment areas, where it does business in 23 states and the District of Columbia. During the evaluation period, Bank of America originated 971,677 reportable loans that total $127.6 billion. Also during that period, the bank made 3,513 investments, including grants and contributions, totaling $1.3 billion.

Bank of America is a leader in the community development industry, with the expertise to deliver innovative lending and investment products that benefit the communities in which we do business. That's why, in 1998, we made an unprecedented commitment to lend and invest $350 billion in community development efforts over 10 years, nationwide. Through lending and investments in low-and moderate-income communities, loans for small business, and products and services designed to help low- and moderate-income individuals and families build financial strength, Bank of America delivers on its commitment to make a difference in the neighborhoods we serve. This commitment has had a significant impact in Sacramento, in which we have been a longtime community development partner. Here's how we're working to deliver neighborhood revitalization and build economic vitality in Sacramento:

Affordable Housing:
Bank of America partners with for-profit and nonprofit developers to create affordable housing opportunities in low-and moderate-income homeowners and renters. We also offer affordable mortgages for these same groups.

Small Business:
Bank of America has long provided capital to small businesses and women-and minority-owned businesses in Sacramento, through loans and investments.

Consumer Loans:
At Bank of America, we understand that providing credit opportunities to low-and moderate-income individuals is a critical part of building strong communities.

Economic Development:
The Bank of America $350 billion commitment includes loans, investments and grants that foster the stability and growth of the communities and neighborhoods we serve. We make direct investments in neighborhoods and also work through nonprofit organizations, community development corporations and various intermediaries to maximize our impact in low-and moderate-income areas.

Bank of America's Northern California Community Development Banking office is located on 4th Street, in the City of Sacramento. Our associates are actively involved in projects located in the City of Sacramento, many of which are detailed in Exhibit 9.

We have provided a copy of our most recent CRA report on the enclosed CD-Rom. The first file is the full report for Bank of America, N.A. The second file is the Bank of America, N.A. (USA) report.

The following chart is a summary of Home Mortgage Disclosure Act Loan originations for the last 5 years, in the City of Sacramento. Small Business information is also available, upon request.

Bank of America

Summary of HMDA (Home Mortgage Disclosure Act) Loan Originations

for the City of Sacramento, CA

	YTD thru July 2003		For the Year 2002		For the Year 2001		For the Year 2000		For the Year 1999	
Zip Code	#	$(000)	#	$(000)	#	$(000)	#	$(000)	#	$(000)
95814	19	$ 3,214	29	$ 4,798	32	$ 4,313				
95815	56	$ 5,509	60	$ 5,488	64	$ 5,009				
95816	76	$ 14,159	90	$ 17,533	73	$ 11,527				
95817	48	$ 4,918	59	$ 6,984	49	$ 3,977				
95818	164	$ 30,038	170	$ 31,646	134	$ 21,465				
95819	163	$ 27,772	152	$ 29,480	143	$ 21,553				
95820	119	$ 11,695	138	$ 13,096	130	$ 9,114				
95821	173	$ 23,185	136	$ 19,675	154	$ 17,683				
95822	166	$ 22,463	188	$ 24,968	158	$ 15,784				
95823	223	$ 24,928	223	$ 26,373	217	$ 20,415				
95824	63	$ 6,661	64	$ 5,619	84	$ 6,921				
95825	100	$ 14,008	79	$ 10,690	116	$ 12,530	Zip Code not available for these years			
95826	176	$ 19,735	155	$ 22,369	168	$ 26,170				
95827	78	$ 9,013	72	$ 10,870	91	$ 8,485				
95828	228	$ 27,081	214	$ 24,520	223	$ 20,795				
95829	119	$ 20,510	122	$ 21,682	116	$ 16,482				
95830	5	$ 985	3	$ 971	2	$ 230				
95831	344	$ 57,721	342	$ 59,155	253	$ 37,173				
95832	28	$ 2,904	24	$ 2,718	16	$ 1,169				
95833	117	$ 15,806	143	$ 20,365	115	$ 12,439				
95834	66	$ 10,529	64	$ 10,442	63	$ 8,635				
95835	137	$ 28,198	108	$ 21,639	72	$ 13,151				
95837	3	$ 980	2	$ 763	5	$ 1,410				
95838	86	$ 8,142	94	$ 9,804	116	$ 10,135				
95841	57	$ 7,480	73	$ 9,031	51	$ 5,114				
95842	116	$ 11,495	108	$ 11,254	115	$ 9,909				
95843	207	$ 28,748	204	$ 29,042	205	$ 22,234				
95864	277	$ 58,605	238	$ 54,363	196	$ 37,884				
TOTALS	3,414	$496,482	3,354	$505,338	3,161	$381,706	2,449	$241,058	2,624	$276,403

Tab V – Community Involvement

Describe the Financial Institution's involvement during the last five years with charitable/not-for-profit institutions within the City.

Bank of America associates are very active in their communities. Much of this involvement is by way of board memberships and coordinating local events. The following are some of the organizations our associates are proud to be a part of:

Sacramento Metro Chamber
United Cerebral Palsy
March of Dimes
Diabetes Foundation
Sacramento Neighborhood Housing
Sacramento Self-Help Housing, Inc.
Sacramento Neighborhood Housing Services
Divine Savior Catholic Church – Finance
Catholic Diocese of Sacramento
Greater Sacramento Urban League
Jericho
C.H.O.C.
Little Hoover Commission
California Coalition for Rural Housing
Oak Court
Junior Achievement
Rotary Club of Point West
Sacramento Employment and Training Agency
Welfare to Work
Fairytale Town After Hours (SAEHC)
Local Blood Drives
Adopt a Family
Special Olympics

Over the last 3 years, Bank of America associates have volunteered an average of over 6,000 hours per year to charitable/not-for-profit organizations in the City of Sacramento. Specific volunteer hours and organizations are available, upon request. Nationwide more than 650,000 hours are donated by Bank of America associates to charitable/not-for-profit organizations.

The following is a list, by year, of the financial support provided by Bank of America to local charitable/not-for-profit organizations, within the City of Sacramento:

1999	$537,500.00	
2000	$537,815.00	
2001	$646,400.00	
2002	$441,769.00	
2003	$300,749.00	(Year-to-date through mid-August)

Specific contributions and organizations are available, upon request. They include the following organizations, and many more:

Rural California Housing Corporation
YMCA of Greater Sacramento
Gifts to Share
Loaves and Fishes
Sacramento Museum of History, Science and Technology
United Way - Sacramento
American Cancer Society – Sacramento chapter
American Heart Association – Sacramento chapter
Junior Achievement
Sacramento Metro Chamber of Commerce
Sacramento Housing Alliance
Sacramento Black Chamber of Commerce
Sacramento Hispanic Chamber of Commerce
Sacramento Asian-Pacific Chamber of Commerce
Sacramento Light Opera
Sacramento Mutual Housing Association
Sacramento Neighborhood Housing Services
Sacramento Public Library Foundation
Sutter Hospitals Foundation
Friends of Light Rail
Christmas in April
Water Education Foundation
SUCCEED
Children's Receiving Home
Greater Sacramento Urban League
Special Olympics
Boys and Girls Club of Greater Sacramento
NHS
Paint the Town
Los Rios Community College Foundation
League of CA Cities – City of Sacramento hosted conference
Sacramento Region Sports Education Foundation
Sacramento Sports Commission

Tab W – Branches Closed

List the Financial Institution's branches and/or offices closed within the City of Sacramento within the last five years. Briefly describe the reason(s) for the branch/office closing(s).

The following 3 locations were Bank of America branches and/or offices that have been closed within the last five years:

1) 1435 River Park Drive – This was leased office space that was no longer needed.
2) 4315 Arden Way – This was an in-store "sales office" only with no teller services. The office was consolidated into our Arden & Eastern banking center.
3) 391 Howe Avenue – This was leased office space. The building was sold and the occupants had to relocate.

There were no full-service branches closed in the City of Sacramento in the past 5-year period.

Tab X – Affirmative Action Program

Describe the Financial Institution's affirmative action program including the demographics of the Sacramento branches by branch identified under Tab C, #1.

We have included our Corporate Equal Employment Opportunity and Affirmative Action Policy Statement in this section. Additionally, our Corporate Affirmative Action Plan is available upon request.

Also included in this section is the corresponding demographics information of the Sacramento branches identified in Tab C, #1.

Tab Y – Community Services

Some services which are not required by the City but are provided by the current Financial Institution as an accommodation to the City as community services. Describe any other services that the Financial Institution could provide as a service to the community. Include whether the Financial Institution would assign a Financial Institution liaison to assist the City in developing neighborhood- or community-based low-income housing or business loans.

At the request of the City, Bank of America representatives have participated in several discussion groups. We are pleased to offer our expertise in areas of concern to the City and will continue to offer assistance, when needed.

Bank of America Community Development Banking has an assigned Market Manager for Northern California, Ximena Delgado. Additionally, Bruce Lofgren specializes in Community based lending and is located in Sacramento. Your Client Manger, Beth Leonard, will coordinate their involvement with the City of Sacramento.

Tab Z – Other Information

Describe debit card purchasing services and any other information not previously mentioned that the Financial Institution believes should be given consideration by the City. For example, address any concerns or issues that the City should be aware of in connection with the possibility of extending the contract term from five years to six or seven years.

Contract extensions: We are always willing to work with our clients and extend contracts, as needed. Many clients are on an annual extension, as agreed to by both parties. There would not be any issues with extending the City of Sacramento Contract past the 5, 6, 7 or more term.

The major service categories (as required on pages 1 – 3 of your RFP), and our responses to your requirements listed, are as follows:

1. Lockbox Services.
We have provided the detail for this service in Tab Z.1.

2. Checking Account Reconcilement.
We have provided the detail for this service in Tab E.

3. Electronic Reporting/File Transmission
We have provided the detail for this service in Tab E.

4. Cash Vault Services
We have provided the detail for this service in Tab D.

5. Electronic Payment/Deposit Services.
We have provided the detail for this service in Tabs D and F.

5a. Electronic Consumer Payments.
Homebanking Payment Consolidation - The City currently use RapidPay service for the collection of payments. This service automates the payments received from homebanking services and eliminates the check and lists received today from many homebanking providers – replacing the check with an electronic ACH payment. If there are any other applications that are receiving check and lists today, we can look at the RapidPay solution for them as well. As more consumers move to homebanking options this service has become invaluable to our clients. It is a low cost solution resulting in significant timesavings for the City.

6. Money Transfer Services.
We have provided the detail for this service in Tab F.

7. Reporting Services.
We have provided the detail for this service in Tab H.

8. Flash Fund.
Bank of America is always willing to support all law enforcement activities. However, due to the reduced cash on hand at banking centers, Sacramento Main can only guarantee accommodation up to $10,000.00, without advanced notice. The $100,000.00 amount would require a 72-hour advanced notice to ensure time for ordering. If you are unable to provide a 72-hour notice for an amount exceeding $10,000.00, we would be happy to arrange pick-up at multiple branches if necessary. The cash would always be provided on a confidential basis and to the extent possible a varied denomination of bills.

9. ACH/Credit Card Services.
We have provided the detail for this service in Tab J.

10. Overnight Sweep Account Facility. The Financial Institution must provide overnight investment options in order to maximize our earnings.
We have provided the detail for this service in Tab L.

11. e-Commerce.
Bank of America Merchant Services offers a complete e-Commerce solution that provides a fully functioning online store for merchants who (A) do not have a web-site, (B) who have a web-site and need a shopping cart and back office processing and/or (C) who have a web site and shopping cart, and need a way to authorize and settle on line credit card transactions (back office processing). These products are known as (A) Start-Up, (B) Hook-Up, and (C) Settle-Up. You may visit our web site at: www.bankofamerica.com/estores. This site has demo capability.

12. Training Services.
Bank of America is pleased to provide on-site training and support for Treasury Management services to ensure the City is comfortable that current services are utilized to their potential and new services are transitioned smoothly. In addition to this, operating manuals for any new services (primarily on line), and on-going telephone support will continue to be provided to City staff for all services. For services such as Account Reconcilement and Electronic Payment Services, the City is assigned to a Customer Service Associate who is a service specialist and is familiar with the City's specific service and operations. The associates will be available to assist the City on an ongoing basis throughout your relationship with the bank.

13. Messenger Services.
As is currently in place, Bank of America will continue to provide messenger services between the Government Banking office in Sacramento and the City. This service is provided at no cost to the City.

14. Line of Credit. The Financial Institution must provide a minimum $10,000,000 Line of Credit to be used for any authorized City purpose.
Per the City's responses to RFP Questions, "This is not required at this time, as it has never been utilized". Provider requested to "describe overdraft policy and the cost of a $10 million line of credit so that we will have the data if a line of credit becomes necessary."

As mentioned in Tab O, we would be happy to discuss the need for establishing an Authorized Overdraft facility in order to guard against items being inadvertently refused at a banking center. There is no fee for the Authorized Overdraft facility other than the ledger overdraft charges previously mentioned in the RFP. Upon your request, we would be pleased to provide an authorized overdraft amount at an appropriate level, in order to facilitate check cashing at our banking centers.

All overdrafts, even if authorized, are intended to be very short term in nature. If the City anticipates a longer-term need, Bank of America would be pleased to work with you to establish a line of credit, the terms of which would be subject to our mutual agreement.

Pricing for a line of credit would be competitive and subject to market conditions at the time. Key factors influencing your rate include the tenor, terms and utilization of the facility. If priced today, for a $10,000,000 line of credit we would expect the interest rate (assuming a one-year facility with a utilization of 50%) would be in the range of LIBOR + 1.00% to LIBOR + 1.25% (or if tax-exempt, then its tax-exempt equivalent). Other bases for pricing (such as Prime) may also be available.

15. Custody Service.

Bank of America is partnering with the Bank of New York to provide Custody Services to the City of Sacramento. We have provided the detail for this service in Tab R.

16. Securities Lending.

Bank of America is partnering with the Bank of New York to provide Securities Lending to the City of Sacramento. We have provided the detail for this service in Tab R.1.

17. Other Services.

We have provided information on debit card processing in Tabs J and T.

POS Check Service

Over the counter checks presented at merchant locations are scanned through a check reader at the point-of-sale, which captures the account, check and bank routing numbers along with the amount of the purchase. This information is then routed either to participating banks or to third-party authorizing agents (for checks drawn on non-participating financial institutions) for authorization of transaction amount. Once authorization is obtained, the customer is required to sign a separate sales receipt authorizing the conversion of the check transaction to an electronic transaction. The merchant then voids the paper check and returns it to the customer along with his or her signed sales receipt. The service significantly reduces paper check handling and fraud costs incurred by Visa financial institutions and their merchant customers. This solution enables Bank of America and its merchant customers to streamline the check-handling process in a simple, integrated and secure way.

Direct Deposit of Payroll

The City can continue to use our ACH (Automated Clearing House) Direct Deposit service to electronically credit payroll to employees' designated accounts. Employees may specify savings or checking accounts with any bank, savings and loan, or credit union, which is a member of the ACH. Your employee initially signs a Direct Deposit authorization and this authorization will stay in force until revoked. Each bi-weekly payroll period, at least two days before the settlement date, the City transmits payroll information to the Bank. On payday, credits to your employees' accounts and a debit to your account are posted simultaneously. A description appears on your employees' bank statement identifying the payroll deposit made via the ACH by the City.

ACH Reporting (e.g., file acknowledgement, ACH items processed, ACH items rejected or returned by the receiving depository financial institution) are available in several reporting mediums – fax, data transmission and now via the web through Bank of America Direct.

Additionally, the City requires:

a. The Financial Institution must have an operations center or a correspondent Financial Institution in the City of Sacramento with an operations center in the State of California, be a member of the Federal Reserve System, and meet all California government codes pertaining to depository requirements.

Bank of America maintains an operations center in the City of Sacramento. Bank of America is a member of the Federal Reserve and complies with applicable government codes pertaining to deposit requirement.

b. The City will compensate the Financial Institution for all charges on a direct fee basis.

The City has the option to compensate on a direct fee basis, with compensating balances or a combination of both.

c. The City requires a cash management system to have a main Investment Account and revolving/clearing accounts.

The City's current account structure can remain in place, or changes can be made as needed.

d. A $10,000,000 line of credit.
See item 14 above for detail regarding this potential need.

e. A computerized cash balance and reporting system with wire transfer capability.
We have provided the detail for this service in Tabs F and H.

f. A toll-free telephone line to the servicing Financial Institution's operations, investment, and custody clearance department.
Bank of America has toll-free numbers for Customer Service:

	Toll free phone number:	Toll free fax number:
Karen Richards - Commercial Contact Center	888-841-8159 Ext. 61683	888-841-8160
Nita Blaich - CSSA	800-207-7503	888-678-4708
Client Investment Strategies	800-227-3630	
Bank of New York	800-774-7240	

Additionally, Bank of America has toll-free telephone lines for most direct contact Customer Service areas, such as BAMTRAC support, BA Direct etc., have toll free numbers as well.

g. Evidence of insurance and bonding to protect City assets held in safekeeping.
Certificates of Insurance will be provided after selection as the winning bid.

h. Processing of returned checks a second time if item is initially dishonored due to "non sufficient funds" or "refer to maker".
We have provided the details for this service in Tab D.

i. Depositing of bulk coin involved with the parking meter program. The annual revenues collected approximate $3.3 million and weigh approximately 97 tons. There are eight to ten bags of counted and rolled coins (quarters only) delivered daily throughout the day for counting and deposit. The City has counted the coin for bank's verification.
Bank of America is able to handle the volume of coin deposited by the City through our Cash Vault as is currently done with the City's coin bags.

j. Lock box services for the receipt of utility billings
We have provided the details for this service in Tab Z.1

k. The City uses an external vendor to service the City's parking tickets, which are deposited into the General Account. Proposal should include this service as a City option. Parking ticket payment processing requires three (3) separate lock box addresses, daily data transmission for six (6) separate databases for payment update, and all payment exceptions forwarded daily to the City for processing. All payments must be processed and transmitted within 24 hours of delivery to lockbox. Payment activity for all lock boxes averages approximately 700 payments daily. Average payment is $29 per citation. Annual dollar total is estimated to be over $3.9 million. Deposit same day credit. Pricing information in Attachment 2 does not include parking ticket payment processing. A separate pricing schedule should be included for this City option.
The Bank recommends the City continue to process Parking Tickets with CPI. We have discussed the processing procedures and associated costs with them. It is our opinion that you are being provided an excellent service at a fair market price.

l. Verification of individual sealed-envelope amounts and cash sheet (up to twelve) to a total deposit. Enclose examples of documentation for deposits with errors to be returned to the City.

The verification of individual sealed-envelopes can continue as they are currently being processed. As requested, we have provided a sample of a deposit error notification at the end of this section.

m. A daily messenger service by 10:00 a.m. to pick up deposits (no cash) and to transport debit/credit confirmations to the Revenue Division, along with delivery of returned items and verified deposit slips.

As is currently in place, Bank of America will continue to provide messenger services between the Government Banking Unit in Sacramento and the City. This service is provided at no cost to the City.

n. Financial Institution is required to provide for large cash withdrawals in excess of $100 thousand from the Sacramento Convention and Visitors Bureau Account (demand account) when requested. Such cash withdrawals are required when promoters request payment in cash rather than by check at the conclusion of a performance. This account has recently maintained an average month end balance of approximately $700 thousand. The Convention Center box office generates an average of over $300 thousand in ticket sales each month on purchases made by credit cards.

Due to the reduced cash on hand at banking centers, the $100,000.00+ amount would require a 72-hour advanced notice to ensure time for ordering. If you are unable to provide a 72-hour notice for an amount exceeding $10,000.00, we would be happy to arrange pick-up at multiple branches if necessary.

o. Issuance of Series E Savings Bonds for City employees.

Per Pre-Bid Q & A, the City currently directly processes Savings Bond requests through the Federal Reserve.

p. Data Processing Requirements - Automated cash accountability and account(s) reconciliation. Refer to ATTACHMENT 3 for protocol.

Bank of America complies with the Attachment 3 Data Transmission Specifications. The Bank no longer supports Magnetic Tape as a back up process, we do however support floppy diskette. In addition to supporting these Data Transmission Specifications we also accept HTTPS and FTP.

1) ***Financial Institution shall identify Financial Institution's data processing liaison personnel, and Financial Institution shall provide data processing support during conversion and implementation of data processing banking service requirements.***

   Ron Boston, Technical Sales Consultant, will assist in determining the most optimal technical solutions. Once established, the Banks' liaison for treasury management services will be Flor Bautista, Implementation Manager. She will coordinate the efforts between the City's staff and Bank of America's operations units.

2) ***Financial Institution shall detail the costs for installing and training personnel in the use of optional hardware/software required by Financial Institution to fulfill the requirements of this proposal.***

   There are no costs associated with fulfilling the requirements of this proposal.

3) ***The Financial Institution shall detail the costs for guaranteed same-day data processing support.***

   There are no costs associated with same-day data processing support unless otherwise detailed in the pricing matrix.

q. Financial Institution shall have the ability to micro-encode the City's deposit slips into at least five-digit alpha or numeric character in order to identify the revenue source(s) flowing through the general account, and present information sorted by these characters through a telecommunications device, creating a data file. The City retains 2 copies of the deposit slip. (There are approximately 50 different sources).

The City's deposit slips can continue to be encoded with numeric location numbers. Data delivery options are via our Information Reporting vehicle-Direct, direct transmission or machine to machine. Duplicate deposit slips will continue to be returned to the City.

r. City employee payroll checks and accounts payable checks issued by the City require daily data transmission of paid checks, by account, to the City. This is to include the electronic transmission of check number, amount paid, date cleared and account charged.

Bank of America complies with the above requirement.

s. Financial Institution shall provide one large safety deposit box for City use.

Bank of America will be happy to provide the City with a Safety Deposit Box if needed. We have several sizes we consider large and the branch location will be dependent upon the size required and the City's convenience.

t. Financial Institution shall cash payroll checks for part-time employees without established bank accounts.

Bank of America will continue to cash payroll checks for City employees without established bank accounts. We highly recommend the use of our CashPay card as an alternative to issuing checks. However, when checks are issued for payroll, we will certainly negotiate these items for your employees. Your employees will be required to have acceptable identification to cash a payroll check, unless special arrangements have been made by the City with your CSSA, Nita Blaich. Our CashPay service is detailed in Tab T of this proposal.

Tab Z.1 – Lockbox

Lockbox Services. The Financial Institution must provide commercial lock box services with a lockbox address in Sacramento. The institution will have to provide Sacramento pickup and report delivery services. The City also utilizes a Direct Debit payment option for its customers. The financial institution will need to provide this service.

Lock box services for the receipt of utility billings. The annual number of utility billings is approximately 1,250,000 with an annual dollar total over $123 million. Utility billing is done daily with the accounts distributed in 20 billing cycles. The Financial Institution shall provide data transmission of the activity processed with same day credit. Other information to be provided to the City is the matching amounts paid. A Sacramento, California address must be used for the lock box. Any payment exceptions should be forwarded daily by the Financial Institution to the City for processing. All payments must be processed, transmitted and deposited within 24 hours of receipt.

Bank of America is offering City of Sacramento two lockbox options for the processing of utility billings. ***Option A*** is to continue with Bank of America. ***Option B*** *is* to migrate the utility payments to your other processor, Check Processors Inc. (CPI). Both options are described in more detail below. As mentioned, we do not recommend deep-seated changes with your collection process with the Check Truncation Act/Check 21 just ahead of us. To reiterate, the legislation will allow banks to migrate to all-electronic check processing by requiring banks to accept substitute check documents if received. As one of the largest check clearing financial institutions, Bank of America is taking a leadership role in shaping the banking industry's adoption of this technology. We are also at the forefront of developing industry-leading solutions to benefit clients in the commercial and government sectors. As Check 21 continues to evolve, we will keep our clients informed. Our expertise in both check truncation and check conversion solutions will help guide you through selecting the best check transformation options to help meet your treasury and working capital objectives.

OPTION A: BANK OF AMERICA

The Sacramento post office box would remain in tact as well as the courier picking up at the post office and delivering the work to our San Francisco operation the same day. From an operational perspective the work is processed very smoothly and all payment information is transmitted with the exception of checks with no coupon. The Bank performs three sorts of Full Payments, Partial Payment/single check and Multiple. Excluding the checks sent to you, ninety five percent of the items fall into the Full Payment sort; two percent Partial; and three percent Multiple. Less than one percent of payments are sent in with the check and no coupon. Remitter information is captured automatically from the OCR line of the coupon. We transmit the following information to you: account number, invoice amount, payment amount, check amount. The coupons are batched and sent to the City. No check copies are created. It was mentioned in the pre-bid meeting that you may want to expand the information received in the transmission and the Bank would be happy to work with you on amending your scannable document to enable us to report more information back to you. Bank of America reviewed City of Sacramento's process and does not recommend the usage of image technology for this application. You do not receive back copies of checks and going to image would give you back more than you require today. It is our opinion you would be paying for something that you would get little value from.

Option B: Check Processors Inc (CPI)

The City of Sacramento is already familiar with Check Processors Inc (CPI). They currently process your utility payments made at pay stations as well as Parking Tickets. CPI would begin picking up at the post office; capture payments and MICR encode the dollar amount and make a deposit to Bank of America on the same day. Bank of America has worked in conjunction with CPI on this section of the City's proposal. If you chose to have CPI process all of your utility payments, the transition would be smooth in that you would be able to keep the same post office box. CPI is already transmitting utility payment files to you so the communication and formats are

established, and it eliminates any set up charges. Courier service is also in place between the post office and CPI and from CPI to the City of Sacramento. No additional courier charges would be incurred and you would eliminate approximately $1000 per month in courier charges for delivery to San Francisco. Tab P contains pricing scenarios for both options. CPI's per item charge includes transmission and normal research, which includes copies of checks in question and proof of where any item was applied. A potential advantage to the City of Sacramento is the work would never leave the City and will be processed by a local company.

Bank of America is the originating Financial Institution for the City of Sacramento's ACH Debit program. The Bank would like to assist the City in marketing and expanding this program. Consumers have indicated that they are more willing to participate in direct debit programs when they have the following:

- Ability to adjust a payment amount
- Ability to schedule when a payment will debit their account
- Ability to skip a payment without incurring late fees
- Stated quality control measures to prevent errors and to provide for quick problem resolution
- Vendor notification of the amount of a payment prior to a transaction posting to their account

The National Automated Clearing House Association's Internet site has numerous tools to help market a direct debit program. Additional information can be found on their Internet site, www.nacha.org.

Exhibit 1 – Corporate Resolution

Provide a Corporate Resolution, Certificate of Secretary, or correspondence from the Chief Executive Officer or Chairperson attesting that the individual who signed and submitted the proposal has the authority to make binding representations on behalf of the Financial Institution.

As requested, we have included the Certificate of Secretary in this tab.

Exhibit 2 – Contract Sample

Provide a draft contract or agreement for Services that is specific to the services, term, and conditions represented in the proposal.

As requested, we have included sample contracts for services represented in this RFP.

Custody Agreements
Global Custody Agreement

The following contract samples are enclosed in the back cover of the binder:

Bank of America's Term's and Conditions and Umbrella Agreement
Contract for Deposit of Monies
Corporate Card Agreement
Overnight Investment Sweep Agreement

As an existing Merchant Services customer, your existing agreement will remain in place.

Exhibit 3 - Financial Statements and Ratings

Provide the most recent audited financial statements of the Financial Institution.

As requested, we have included our most recent Annual Report for 2002 in the front cover. We have also included our most current Standard & Poor's, Moody's and Fitch credit rating below.

Bank of America Corporation
Agency Credit Ratings
August 8, 2003

Bank of America Corporation (Parent)

	Short-Term Debt	Long-Term Debt				
	Commercial Paper	Senior	Subordinated	Trust Preferred	Preferred Stock	Outlook
1. Moody's ***	P-1	Aa2	Aa3	Aa3	A1	Stable
2. S & P	A-1	A+	A	A-	NR	Stable
3. Fitch **	F1+	AA-	A +	A+	A +	Positive

Bank of America, N.A.

	Standalone*	Short-Term Debt	Senior Long-Term Debt
1. Moody's	A -	P-1	Aa1
2. S & P	-	A-1+	AA-
3. Fitch **	A/B	F1+	AA

Bank of America, N.A. (USA)

	Standalone*	Short-Term Debt	Senior Long-Term Debt
1. Moody's	B	P-1	Aa1
2. S & P	-	A-1+	AA-
3. Fitch **	A/B	F1+	AA

Notes:
1. Moody's Investors Service
2. Standard & Poor's Corporation
3. Fitch, Inc.

* Standalone ratings are based on the financial strength of the bank only, with no credit given for ownership or potential government support. These ratings are assessed on a scale of A (best) through E (worst) and are issuer based, not attached to spec

** Fitch, Inc. was formed through the merger of Fitch IBCA and Duff & Phelps Credit Rating Co. (DCR), and the subsequent acquisition of Thomson Rating Service in December 2000. Current ratings are maintained by Fitch; ratings are no longer issued or main

*** On July 26, 2001 Moody's announced a recalibration of their preferred stock ratings to a scale that is comparable with their debt ratings scales. Resultant ratings changes are merely adjustments given the definitional change, and should not

Exhibit 4 - Account Analysis

Provide a sample account analysis and the users guide to the account analysis statement.

As requested, we have included a sample of our account analysis statement and user guide in this tab.

Exhibit 5 – Community Reinvestment Act Activities

Provide the Financial Institution's most recent standard literature on its activities associated with the Community Reinvestment Act. Also include the Financial Institution's most recent disclosure data for the Sacramento area.

As requested, we have enclosed "Our Commitment to Your Community", on the following two pages. We have also enclosed "Service to Communities by Bank of America" for the City of Sacramento, which provides CRA disclosure data.

Exhibit 6 – Minority/Women Business Enterprise and Emerging Business Enterprise

Provide a completed Minority/Women Business Enterprise (M/WBE) Certification and a copy of the Financial Institution's Emerging Business Enterprise (EBE) program document.

Bank of America is not a qualified Minority/Women Business Enterprise (M/WBE) or Emerging Business Enterprise (EBE). As requested, we have completed Attachment 1 and included it in this section.

Exhibit 7 – Securities Lending Agreement

Provide a draft securities lending agreement that should include all terms, conditions and restrictions of the agreement.

As requested, we have included applicable draft securities lending agreements in this section as provided by Bank of New York.

Exhibit 8 – Monthly/Quarterly Billing Pro Forma

Provide a pro forma detailed monthly and quarterly billing for City demand and custody services (see Tab P, Pricing).

We have included sample monthly and quarterly Account Analysis and custody services billing notifications in this section.

Exhibit 9 – Community Reinvestment Act Activities within City of Sacramento

Provide detailed information of Community Reinvestment Act activity within the City of Sacramento for the last five years by zip code.

The following chart is a summary of Home Mortgage Disclosure Act Loan originations for the last 5 years, in the City of Sacramento. Small Business information is also available, upon request.

Bank of America

Summary of HMDA (Home Mortgage Disclosure Act) Loan Originations

for the City of Sacramento, CA

	YTD thru July 2003		For the Year 2002		For the Year 2001		For the Year 2000		For the Year 1999	
Zip Code	#	$(000)	#	$(000)	#	$(000)	#	$(000)	#	$(000)
95814	19	$ 3,214	29	$ 4,798	32	$ 4,313				
95815	56	$ 5,509	60	$ 5,488	64	$ 5,009				
95816	76	$ 14,159	90	$ 17,533	73	$ 11,527				
95817	48	$ 4,918	59	$ 6,984	49	$ 3,977				
95818	164	$ 30,038	170	$ 31,646	134	$ 21,465				
95819	163	$ 27,772	152	$ 29,480	143	$ 21,553				
95820	119	$ 11,695	138	$ 13,096	130	$ 9,114				
95821	173	$ 23,185	136	$ 19,675	154	$ 17,683				
95822	166	$ 22,463	188	$ 24,968	158	$ 15,784				
95823	223	$ 24,928	223	$ 26,373	217	$ 20,415				
95824	63	$ 6,661	64	$ 5,619	84	$ 6,921				
95825	100	$ 14,008	79	$ 10,690	116	$ 12,530	Zip Code not available for these years			
95826	176	$ 19,735	155	$ 22,369	168	$ 26,170				
95827	78	$ 9,013	72	$ 10,870	91	$ 8,485				
95828	228	$ 27,081	214	$ 24,520	223	$ 20,795				
95829	119	$ 20,510	122	$ 21,682	116	$ 16,482				
95830	5	$ 985	3	$ 971	2	$ 230				
95831	344	$ 57,721	342	$ 59,155	253	$ 37,173				
95832	28	$ 2,904	24	$ 2,718	16	$ 1,169				
95833	117	$ 15,806	143	$ 20,365	115	$ 12,439				
95834	66	$ 10,529	64	$ 10,442	63	$ 8,635				
95835	137	$ 28,198	108	$ 21,639	72	$ 13,151				
95837	3	$ 980	2	$ 763	5	$ 1,410				
95838	86	$ 8,142	94	$ 9,804	116	$ 10,135				
95841	57	$ 7,480	73	$ 9,031	51	$ 5,114				
95842	116	$ 11,495	108	$ 11,254	115	$ 9,909				
95843	207	$ 28,748	204	$ 29,042	205	$ 22,234				
95864	277	$ 58,605	238	$ 54,363	196	$ 37,884				
TOTALS	3,414	$496,482	3,354	$505,338	3,161	$381,706	2,449	$241,058	2,624	$276,403

Also, please refer to Exhibit 5 for further details.

Treasury Services

Terms and Conditions

Back to Table of Contents

Bank of America Merrill Lynch

AUTHORIZATION AND AGREEMENT FOR TREASURY SERVICES

I am an authorized representative of the organization specified below (the "Client"). The Client has received Bank of America's Treasury Services Terms and Conditions Booklet (the "Booklet") in the form and with the content posted on the website of Bank of America and agrees to adhere to the Booklet and any applicable User Documentation from Bank of America ("Bank"). The Services covered by the Booklet and the banks providing Services are listed on the accompanying List of Banks and Services, which we may change from time to time. Capitalized terms used in this Authorization and Agreement form, not otherwise defined, have the meanings given to them in the Booklet.

After I sign below on behalf of the Client, the Client may from time to time request the Bank to provide any of the Services described in the Booklet. The Client may begin to use any such Service once Bank has approved such use and has received all required and properly executed forms and the Client has successfully completed any testing and training requirements. The Booklet supersedes other agreements between the Client and the Bank, as described under the General Matters heading in the Booklet, with regard to the provision of Services.

I warrant that the Client has taken all action required by its organizational or constituent documents to authorize me to execute and deliver on behalf of the Client this Authorization and Agreement form and any other documents the Bank may require with respect to a Service. I am authorized to enter into all transactions contemplated by the provision of Services to the Client. These may include, but are not limited to, giving the Bank instructions with regard to Electronic Funds Transfer Services and designating employees or agents to act in the name and on behalf of the Client.

Guidelines for completion:

If Client is a:	**Who must sign:**
corporation	any authorized officer
limited liability company	all members, or any authorized officer*
partnership (general or limited)	any general partner
limited liability partnership	the managing partner*
sole proprietorship	the sole proprietor
governmental entity	the Treasurer*

* Includes any individual authorized under Client's charter or organizational or constituent documents. The legal name of any member, managing member, manager or general partner who is signing and who is not an individual must appear in the signature block. Note that in most cases the client must also complete the Certification form which follows.

(ORGANIZATION'S/CLIENT'S LEGAL NAME)

[Signature of Authorized Representative]

[Print Name of Authorized Representative]

[Print title of Authorized Representative (include the legal name of any member, managing member, manager, or general partner who is signing and who is not an individual)]

The following addresses my be used for giving notices in connection with this Booklet except as you or we provide the other different addresses to be used in conjunction with your accounts or particular Services.

Address for Client Notices:

Telephone ( )
Fax: ( )

Dated

[Signature of Authorized Representative, if two are required by Client]

[Print Name of Authorized Representative]

[Print title of Authorized Representative (include the legal name of any member, managing member, manager, or general partner who is signing and who is not an individual)]

Address(es) for Bank Notices:
Bank of America, N.A.
Documentation Management (CA4.706-04-07)
P.O. BOX 27128
Concord, CA 94527-9904
Fax: (925) 675-7131
and, if filled in; the following:

Telephone ( )
Fax: ( )

AUTHORIZATION AND AGREEMENT CERTIFICATION

I certify that each signature appearing on the previous page for Client is the true signature of a person authorized to execute the form on behalf of Client, and I further certify that I have full authority to execute this certification. The Bank is entitled to rely upon this certification until written notice of its revocation is delivered to the Bank.

Guidelines for completion: This certification should **not be signed by the individual who signed the Authorization and Agreement.**

If Client is a:	**Who must sign:**
corporation	any authorized officer
limited liability company	any member or authorized officer
partnership (general or limited)	any general partner
limited liability partnership	any partner
sole proprietorship	no signature required
governmental entity	the entity's counsel, or any other individual as permitted by the entity's organizational documents

The legal name of any member, managing member, manager or general partner who is signing and who is not an individual must appear in the signature block.

Note: If Client is not a U.S. based entity, it is not required to complete this certification, but must provide authorizing certificates or mandates.

Dated

(ORGANIZATION'S/CLIENT'S LEGAL NAME)

[Signature of Certifying Representative]

[Print Name of Certifying Representative]

[Print title of Certifying Representative (include the legal name of any member, managing member, manager or general partner who is signing and who is not an individual)]

TREASURY SERVICES DELEGATION OF AUTHORITY FORM

This form is optional and is to be used when you wish to delegate authority to sign various authorization forms to someone other than the person who signed the Authorization and Agreement form in the front of this Booklet.

By signing below, you authorize the incumbent of the specified position listed in Section A or each person listed in Section B below, acting alone, to execute documents that we may request, and any amendments or renewals thereof, pertaining to the use of Services, including but not limited to designating one or more persons (which may include himself or herself) authorized to initiate, amend, cancel, confirm or verify the authenticity of instructions to us for Services, whether given orally, electronically or by facsimile instructions, and to revoke any authorization granted to any such person, as he or she deems appropriate. The signer of this form has the same authority described above for each Service with us, unless otherwise specified. We are entitled to rely upon this delegation until written notice of its revocation is received by us.

Guidelines for completion: Fill out either section A or section B, or both, depending on your needs.

- To delegate authority to any person holding a specific title, fill out section A.
- To delegate authority to specific individuals by name, fill out section B.

For each name or title, indicate "All" in the "Service" column if the person or title has authority to sign documents for all Services which you receive from us. Otherwise, indicate specific Services for which the person or title has authority. For each name or title, indicate the entity or entities for which the person or title has authority to sign documents.

A. TO DELEGATE AUTHORITY TO ANY PERSON HOLDING SPECIFIC POSITIONS

Title	Service	Entity

B. TO DELEGATE AUTHORITY TO SPECIFIC INDIVIDUALS

Name	Service	Entity	Specimen Signature

CLIENT AUTHORIZATION

Client Authorization Instructions: The same person who signed the Authorization and Agreement for *Treasury Services* form must *sign* this Treasury Services Delegation of Authority form.

Dated

(ORGANIZATION'S/CLIENT'S LEGAL NAME)

[Signature of Authorized Representative]

[Print Name of Authorized Representative]

[Print title (include the legal name of any member, managing member, manager or general partner who is signing and who is not an individual)]

TABLE OF CONTENTS

INTRODUCTION **1**

TREASURY SERVICES **2**

ACCOUNT RECONCILEMENT 2

AUTOMATED CLEARING HOUSE (ACH) 2

AUTOMATED CLEARING HOUSE (ACH) BLOCKS AND AUTHORIZATIONS 5

ACH POSITIVE PAY 5

CASHPAY® 7

CHECK ISSUANCE AND DOCUMENT PRINTING 8

CHECK TRUNCATION 9

CLIENT-PRINTED DRAFTS 9

COIN AND CURRENCY ORDERS 10

COLLECTION LETTERS 11

CORPORATE CARD 11

COMMERCIAL DEPOSITS 15

COMMERCIAL PREPAID CARD 20

CONTROLLED BALANCE ACCOUNTS 21

CONTROLLED DISBURSEMENT 22

CUSTOMER-INITIATED PAYMENTS 23

DATA AGGREGATION AND USAGE SERVICE 23

ELECTRONIC BILL PAYMENT CONSOLIDATION 26

ELECTRONIC DATA INTERCHANGE (EDI) 26

ELECTRONIC FOREIGN EXCHANGE 27

ELECTRONIC STOP PAYMENT 29

IMAGE SERVICES 29

INFORMATION REPORTING 30

LOCKBOX 31

NOTIFICATION SERVICE 32

PAYMENT AND INVOICE PROCESSING SERVICES 32

POSITIVE PAY 34

RECLEAR 36

RE-PRESENTMENT CHECK (RCK) 36

TAX PAYMENTS 37

WIRE TRANSFERS AND INTERNATIONAL ELECTRONIC FUNDS TRANSFERS 39

ELECTRONIC TRADE SERVICES 43

COLLECTIONS 43

STANDBY AND COMMERCIAL LETTERS OF CREDIT-ISSUED 44

OPEN ACCOUNT 46

STANDBY LETTERS OF CREDIT-ADVISED (CONFIRMED/UNCONFIRMED) 47

COMMERCIAL LETTERS OF CREDIT–ADVISED (CONFIRMED/UNCONFIRMED) 48

INFORMATION REPORTING AND IMAGE ACCESS 50

SUPPLY CHAIN 50

SUPPLEMENTAL LIMITATION OF LIABILITIES AND INDEMNIFICATION FOR ALL ELECTRONIC TRADE SERVICES 51

GENERAL PROVISIONS 52

ACCESSING SERVICES VIA THE INTERNET 52

CHANGES TO A SERVICE 53

COMMUNICATIONS 53

CONFIDENTIALITY 53

CURRENCY EXCHANGE RATES 55

E-STATEMENTS 55

FACSIMILE SIGNATURES 55

GENERAL MATTERS 56

GOVERNING LAW 57

LIMITATION OF LIABILITIES 57

OVERDRAFTS 58

PAYMENT FOR SERVICES 58

PROTECTION FROM THIRD PARTIES 59

REPRESENTATIONS AND WARRANTIES 59

RESOLUTION OF DISPUTES 59

SOFTWARE LICENSE 60

SUSPENSION AND TERMINATION 63

GLOSSARY OF TERMS 65

INTRODUCTION

Thank you for choosing the Bank of America Corporation group of financial institutions for your worldwide treasury management business needs. We appreciate the opportunity to serve you. If you have any questions about our extensive array of treasury services (including the locations where each service is available) or about this Booklet, please contact your treasury services representative.

Capitalized terms used in this Booklet are defined in the Glossary. The terms "we," "us" and "our" refer to each of the Bank of America Corporation subsidiary banks which provide you a particular Service under the terms of this Booklet. The terms "you" and "your" refer to each Client identified on the Authorization and Agreement for Treasury Services.

This Booklet contains the terms and conditions under which we provide you worldwide treasury services. It is used in conjunction with the Account Agreement which covers account terms and conditions. Please read this Booklet carefully and keep it for your records.

By signing and returning the Authorization and Agreement form in the front of this Booklet, you agree to the General Provisions section of this Booklet (which contains terms and conditions applicable to all Services), except that you agree to the Software License section of the General Provisions only to the extent we provide you Software in connection with one or more Services. You also agree to those portions of the Treasury Services and Electronic Trade Services sections of this Booklet which contain the specific terms and conditions that relate to the Services we provide to you. If you would like an additional Service, it will be covered by the terms and conditions of this Booklet once we have approved your use of the Service. You may begin using the Service when we have received all required and properly executed forms and you have successfully completed any testing or training requirements. To assist in our establishment or maintenance of overdraft limits or other processing arrangements, or to assist in our compliance with applicable laws, rules and regulations, you shall provide us with such financial and/or other information as we reasonably request.

Whenever you use any of the Services covered by this Booklet, you agree to be bound by these terms and conditions, as amended from time to time, and to follow the procedures in the applicable Materials.

TREASURY SERVICES

We offer a wide variety of treasury services. Each Service has many features and options. Your treasury services representative will be happy to describe these to you and to recommend those that will best meet your needs.

A List of Banks and Services is enclosed with this Booklet. This list includes the names of each Bank of America Corporation subsidiary bank offering Services under this Booklet and the names under which we currently offer those Services. Please contact your treasury services representative at any time if you wish to receive an updated list.

ACCOUNT RECONCILEMENT

Our Account Reconcilement Services will help you reconcile and manage the credit and debit activity in your accounts. Detailed information regarding the features offered for such Services is available in the applicable User Documentation.

Your use of an Account Reconcilement Service does not affect any of your obligations, which are described in the applicable Account Agreement, to discover and report with respect to your accounts (including joint accounts where permitted): (i) unauthorized signatures, alterations or endorsements on checks and (ii) unauthorized Requests and other discrepancies. Your use of this Service or our receipt of information associated with this Service does not increase our duty with respect to accounts or the payment of checks.

AUTOMATED CLEARING HOUSE (ACH)

This section applies only to ACH Services within the United States of America and does not apply to cross-border ACH transactions and other International Electronic Funds Transfer Services which are covered by the Wire Transfers and International Electronic Funds Transfers section in this Booklet.

Our ACH Services allow you to transfer funds to or from your accounts by initiating Entries which may be sent through the ACH system or processed directly to accounts with us.

We may send Entries to any ACH processor selected by us or directly to another bank. Each ACH Service is described in the applicable User Documentation. You authorize us to issue Depository Transfer Checks (DTCs), as instructed by you or as reasonably determined by us to be appropriate. The capitalized ACH terms appearing in italics below are defined in the NACHA Rules.

COMPLIANCE WITH NACHA RULES; LAWS; AND ADDITIONAL REQUIREMENTS

You agree to comply with the NACHA Rules for all Entries, whether or not an Entry is sent through the ACH network. You act as *Originator* and we act as *Originating Depository Financial Institution (ODFI)* with respect to Entries. You will deliver Entries to us as provided in the User Documentation and the NACHA Rules. The NACHA Rules govern if they conflict with this Booklet, except that the file specification requirements in the User Documentation govern if they conflict with the NACHA Rules. For Entries that may be processed directly to accounts with us, debits and returns may be reported on next day information reporting. The User Documentation will govern if such timing conflicts with the NACHA Rules.

You agree to comply with applicable laws and regulations. You may not use this Service for any illegal transaction or activity, including under the regulations and laws of the receiver of your transaction. Your compliance includes adherence to applicable laws and regulations, including United States economic sanctions laws and regulations, regulations issued by the Office of Foreign Assets Control of the U.S. Department of the Treasury and Executive Orders issued by the President of the United States.

If you are acting as a third party processor, we may request that you furnish us with additional information. Such information may include, without limitation, data: (i) regarding your financial condition; (ii) verifying your customers and the nature of their businesses; and (iii) sufficient for us to determine whether you are working with additional ODFIs.

Where a preauthorized debit Entry from a consumer's account varies in amount from the previous debit Entry, you will comply with the notice requirements set forth in the NACHA Rules, the Electronic Funds Transfer Act and Regulation E of the Board of Governors of the Federal Reserve System, as applicable.

AUTHORIZED PERSONS

Before using an ACH Service, you give us a written list, in a form acceptable to us, of the persons authorized by you to verify the authenticity of Entries and Reversal/Deletion Requests in accordance with the Security Procedure and to perform certain other duties in connection with such Service.

SECURITY PROCEDURE

You agree to use the Security Procedure, if any, when you deliver Entries or Reversal/Deletion Requests to us. The purpose of the Security Procedure is to verify the authenticity of Entries and Reversal/Deletion Requests delivered to us in your name and not to detect any errors in the transmission or content of Entries. Each time you use an ACH Service, you represent and warrant that, in view of your requirements, the Security Procedure is a satisfactory method of verifying the authenticity of Entries and Reversal/Deletion Requests. You agree that we may act on any Entries or Reversal/Deletion Requests after we have verified its authenticity through use of the Security Procedure.

WARRANTIES

Each time you use an ACH Service, (i) you warrant that you have obtained appropriate authorization from each *Receiver* and that Entries conform to such authorization and comply with the NACHA Rules, and (ii) you make the same warranties to us as we make under Section 2.2 (or any successor section) of the NACHA Rules.

PAYMENT WITH RESPECT TO ENTRIES

We generally debit your account on the settlement date for credit Entries (including debit Reversals), unless you are prefunding your Entries. Prefunding means that you are required to pay for all credit Entries before the settlement date as we may specify, using a Standalone Account. If your account is not a Standalone Account, we may at any time convert it to a Standalone Account for prefunding. We may, at our discretion, without prior notice to you, require prefunding before we process your credit Entries. We are not obligated to process any credit Entries, even if we have done so in the past, without having first been paid by you, but, if we do, the amount is immediately due and payable without notice or demand.

You will pay us for the amount of any returned debit Entries (including rejected debit Entries), any adjustment Entries or any returned DTCs, which we have previously credited to your account. Such amounts shall be immediately due and payable. You agree that we do not need to send a separate notice of debit Entries or DTCs which have been returned unpaid. You may request reports containing information regarding returned debit Entries and DTCs.

ACTING ON ENTRIES

We send Entries to the ACH processor for settlement on the Effective Entry Date shown on the Entries, if we receive the Entries by the applicable processing deadlines specified in the User Documentation for the ACH Service being used. We may treat Entries that we receive for processing after a deadline as if received on the next Business Day. Entries will be deemed received by us when we receive the complete file at the location specified in the User Documentation.

REJECTION OF ENTRIES

We may reject any Entry that does not comply with the requirements of this Booklet or the applicable User Documentation, including any ACH processing limits described in the User Documentation, or that we are unable to verify through use of the Security Procedure. We may also reject any Entry that may be returned for any reason under the NACHA Rules or if you have breached your payment obligations for any ACH Service we provide to you. We may also, with immediate notice to you, no longer accept or process your debit Entries.

Notice of rejection will be given to you by telephone, by electronic means, by facsimile or by mail within the time period specified in the User Documentation and will be effective when given. We are not liable for the rejection of any Entry and are not obligated to pay you interest for the period before you receive the notice of rejection. If an Entry is rejected for any reason, it is your responsibility to correct the Entry you intend to resubmit.

REVERSAL OR DELETION

We have no obligation to cancel or amend any Entry after we have received it. If you send us a Reversal/Deletion Request and we are able to verify the authenticity of the Reversal/Deletion Request using the Security Procedure, we will make a reasonable effort to act on your Reversal/Deletion Request. We will not be liable to you if such Reversal/Deletion Request is not effected (for example, but not limited to, if it is returned for non-sufficient funds). You agree to indemnify us in connection with any such Reversal/Deletion Request as provided in UCC 4A. Your obligations under this provision will survive the termination of any ACH Service.

PROVISIONAL PAYMENTS

You agree to be bound by the provision of the NACHA Rules providing that payment of a credit Entry by the *Receiving Depository Financial Institution (RDFI)* to the *Receiver* is provisional until the *RDFI* receives final settlement for the Entry. If final settlement is not received, the *RDFI* is entitled to a refund from the *Receiver* of the amount credited. This means that the *Receiver* will not have been paid.

Our payment of any debit Entry, returned credit Entry or credit Reversal is provisional until we receive final settlement for the Entry or Reversal. If final settlement is not received, we are entitled to a refund and we may charge your account for the amount previously credited. We may delay the availability of any amount credited for a debit Entry or credit Reversal if we believe that there may not be sufficient funds in your account to cover any chargeback or return of the Entry or Reversal.

INCONSISTENCY OF NAME AND NUMBER

An *RDFI* can make payment to a *Receiver* based solely on the account number, even if the name in the Entry differs from the name on the account. We will send an Entry to an *RDFI* based solely on the bank identifying number you provide, even if you provide us with a different *RDFI* name.

NOTICE OF ACCOUNT STATEMENT DISCREPANCIES

Information concerning Entries will be reflected in your account statements and, in some cases, in the form of written or electronic advices or reports that are produced by one of our Information Reporting Services. You must send us written notice, with a statement of relevant facts, within 14 days after you receive the first notice or a statement indicating a discrepancy between our records and yours. If you fail to give the required notice, we will not be liable for any loss of interest or for compensation for any other loss or cost relating to an unauthorized or erroneous debit to your account or any other discrepancy reflected in the notice or account statement. You must notify us promptly by telephone or other electronic means approved by us for such purpose, and confirm such notice in writing, of information concerning an unauthorized or erroneous debit to your account if you learn about or discover it from any source other than a statement, advice or report from us.

AUTOMATED CLEARING HOUSE (ACH) BLOCKS AND AUTHORIZATIONS

This section applies only to ACH Blocks and Authorizations Services for Entries received in the United States of America.

With the ACH Blocks and Authorizations Services, you provide us with the authorization criteria for Entries you desire to receive for debit or credit to your account. We will automatically return any Entry which does not meet your authorization criteria.

We may also return an Entry that would be returned for any reason under the NACHA Rules. The ACH Blocks and Authorizations Services do not apply to transactions between you and us, and we may pay Entries which you have authorized us to originate against your account (e.g., loan or credit card payments), whether or not you have included these in your authorization criteria. We may also pay any Entries, Reversals or adjustments which we are required to accept under the NACHA Rules, operating circulars or any other applicable rule, guideline or regulation.

You are responsible for providing authorization criteria in a manner and form acceptable to us. In your authorization criteria you may specify a maximum amount for authorized Entries, in which case you must specify the amount in dollars and cents.

You agree to comply with the NACHA Rules for all Entries. Under the NACHA Rules, credit Entries are provisional and may be revoked prior to final settlement. If the credit Entry is revoked before final settlement and final settlement is not received, we may charge your account for any amount previously credited to your account. In this instance, the person who originated the credit Entry is considered not to have paid you and we do not send a separate notice regarding such failed payment.

If an ACH Blocks and Authorizations Service is terminated for any reason, we will no longer be obligated to monitor Entries against your authorization criteria and will receive and accept or return Entries to your account in accordance with our normal procedures. You still have the right to return Entries in accordance with the NACHA Rules.

If you also subscribe to our ACH Positive Pay Services as described in this Booklet, you will still need to make your pay or return decisions under your ACH Positive Pay Services. Such decisions will supersede the terms contained in your ACH Blocks and Authorizations Services.

ACH POSITIVE PAY

Our ACH Positive Pay Services allow you to identify exception items, and to instruct us whether to pay or return those items. An exception item is an ACH Entry not previously authorized by you.

On each Business Day, we notify you of ACH debit and credit Entries presented to us for settlement on that Business Day and which we have identified as exceptions based on authorization information you have provided to us (as more fully described in the applicable User Documentation). Exceptions are determined by comparing ACH Entries presented to us (including by other depository institutions, ACH operators or by us) with the authorization instructions you have provided. Alternatively, you may choose not to authorize any ACH Entries, in which case we will treat all such ACH Entries as exception items.

On the same day we report exception items to you, you must notify us, by the deadline specified in the applicable User Documentation, which ACH Entries you want us to pay/accept or which to return. If you fail to notify us by the deadline, we will handle the exception items in accordance with the prescribed default procedure as outlined in the User Documentation. Where required, you will indicate which ACH Entries you want us to return, having been deemed by you to be unauthorized. Our deadlines, return procedures and procedures for authorizing ACH Entries are described in the applicable User Documentation. In order to assist you in making your decision whether we

should pay or return exception items, you may wish to contact your trading partner or ACH customer support for further information. This will not however extend your deadlines to pay or return.

Before using the ACH Positive Pay Services, you must entitle, in a form or manner acceptable to us, the persons authorized by you to perform certain duties in connection with such ACH Positive Pay Services.

You must access the daily reports of exception items via one of our Websites. Using such Website, you must then notify us which exception items to pay/accept or which to return. If you fail to notify us by the deadline, we will handle the exception items in accordance with the prescribed default procedure as outlined in the User Documentation.

Where available, we provide you a report of exception items. You must then notify us which items to pay/accept or which to return. If you fail to notify us by the deadline, we will handle the exception items in accordance with the prescribed default procedure as outlined in the User Documentation.

Where available you may request to receive certain types of notifications of your exception items. These notifications are further described in the applicable User Documentation.

By using the ACH Positive Pay Services, you authorize us to return ACH Entries or to pay/accept ACH Entries in accordance with your authorization instructions and the return procedure in the applicable User Documentation. We will have no liability for payment of an ACH Entry which is unauthorized if (i) the ACH Entry is included in a report of exception items; and (ii) you do not give us timely instructions to return the ACH Entry.

You acknowledge that our ACH Positive Pay Services do not preclude our standard ACH processing procedures, which may cause an ACH Entry to be dishonored even if your instructions do not otherwise require us to return such ACH Entry.

You acknowledge that if we receive an ACH Entry after the deadline, which is identified as an exception item, the exception item will be handled as more fully described in the applicable User Documentation.

You acknowledge that our ACH Positive Pay Services are intended to be used to identify and return ACH Entries which you suspect in good faith are unauthorized. They are not intended to be used as a substitute for authorization instructions or to delay your pay/accept return decisions on exception items, including and not limited to stop payment orders on ACH Entries which are not suspected in good faith to be unauthorized. If we suspect or deem, in our sole discretion, that you are using the ACH Positive Pay Services contrary to those intentions, we may require you to provide evidence that ACH Entries we return pursuant to your instructions were in fact unauthorized. In addition, we may hold you liable for losses we sustain on ACH Entries which we are requested to return under such ACH Positive Pay Services and which you do not reasonably establish as unauthorized ACH Entries.

ACH Positive Pay Services do not apply to transactions between you and us. We may pay Entries which you have authorized us to originate against your account (e.g., loan or credit card payments), whether or not you have included these in your authorization criteria. We may also pay any Entries, Reversals or adjustments which we are required to accept under the NACHA Rules, operating circulars or any other applicable rule, guideline or regulation.

If you also subscribe to our ACH Block and Authorization Services, you will still need to make your pay or return decisions under your ACH Positive Pay Services. Such decisions will supersede the terms contained in your ACH Block and Authorization Services.

CASHPAY®

Our CashPay® Service allows you to pay your employees and other payees by directly depositing payments to their CashPay accounts. Your payees can immediately access their money through ATMs, point-of-sale (POS) terminals and over-the-counter cash access transactions at offices of financial institutions that accept Visa® cards.

CASHPAY FUNDING OPTIONS

You may fund the CashPay accounts in one of two ways: by initiating Entries through the Automated Clearing House (ACH) system or, upon our approval, by instructing us to transfer funds from a deposit account you maintain with us. (ACH Services are governed by the ACH section of this Booklet.)

If you choose to pay by the transfer of funds from your account with us, we will debit your account following receipt of your payment instructions in a mutually agreed-upon format and method. You must have sufficient Collected and Available Funds in your account to cover the transfer amount. In the event that sufficient funds are not available at the time of settlement, you agree that we may take steps to protect ourselves, including refusing to fund CashPay accounts and terminating the CashPay Service (which will not affect funds previously transferred to CashPay accounts), without incurring any liability to you or your payees.

CERTIFICATION OF ENROLLMENT INFORMATION

You must provide us information for each payee who wishes to open a CashPay account. Each time you provide us with such information or initiate a transfer of funds to a CashPay account, you certify that the following statements are true and accurate as of such date:

- The payee is entitled to receive payments issued by you, and is otherwise qualified to participate in the CashPay program.
- All information provided by you about the payee is correct, including but not limited to the payee's name, date of birth, physical address, social security number or other identifying information contained in another form of identification issued by a governmental entity, employment/occupation, method of verification, country of citizenship, country of residence and source of income.
- If the payee is to receive wage payments through a CashPay account, the payee is legally employable in the United States of America.
- You have provided the payee the explanatory CashPay Service information that we have provided to you for that purpose, including the USA PATRIOT Act disclosure, and the payee has authorized the transfer of wages to the CashPay account.
- The payee has not cancelled the authorization to transfer the wages to the CashPay account.

You agree to notify us promptly of any changes to the payee enrollment information you have provided to us for this Service or if any employee who has a CashPay Account is no longer employed by you. Upon our request, you will promptly provide us any additional information for each payee to allow us, among other things, to verify enrollment information.

ADDITIONAL LIMITATION OF LIABILITY

As a general rule, ATMs cannot dispense cash in increments other than $5, $10 or $20. This means that your payees may not be able to withdraw at an ATM all funds paid by you to the payees' CashPay accounts. We will wire the difference to any payee who requests such payment; however, we will not be responsible if your payees or others assert a claim against us due to this inability to withdraw all funds at an ATM.

PROMOTIONAL MATERIALS

We will provide you with explanatory documentation for you to give your payees. We will provide to each payee the CashPay agreement, which discloses the terms and conditions of each payee's CashPay account. Such payees are

not entitled to any rights or benefits we give to our other deposit account holders or debit card holders unless such rights or benefits are contained in the CashPay agreement.

You must obtain our prior written consent if you elect to promote the CashPay Service using materials (in any format) other than the documentation we provide to you for that purpose.

CHECK ISSUANCE AND DOCUMENT PRINTING

With our Check Issuance and Document Printing Services, you may request us to (1) create checks on your behalf that are drawn on either (i) accounts owned and maintained by you with us or another bank or (ii) accounts designated and owned by us, and/or (2) print and mail on your behalf statements, invoices and other documents.

AUTHORIZED PERSONS

Before using a Check Issuance and Document Printing Service, you give us a written list, in a form acceptable to us, of the persons authorized by you to perform certain duties in connection with such Service. If you use a third party to perform certain duties, you will provide such authorization in a form acceptable to us.

SECURITY PROCEDURE

You agree to use the Security Procedure when you deliver Check Issuance Requests or Document Printing Requests or electronically transmit Stop Payment Requests to us or our third party processor. The purpose of the Security Procedure is to verify the authenticity of Check Issuance Requests, Document Printing Requests and Stop Payment Requests delivered to us or our third party processor in your name and not to detect any errors in the transmission or content of these messages. Each time you use a Check Issuance and Document Printing Service, you represent and warrant that, in view of your requirements, the Security Procedure is a satisfactory method of verifying the authenticity of Check Issuance Requests, Document Printing Requests and such Stop Payment Requests. You agree we or our third party processor may act on any Check Issuance Request and Document Printing Request and any electronically transmitted Stop Payment Request the authenticity of which we or our third party processor, as applicable, have verified through use of the Security Procedure.

STOP PAYMENT REQUESTS

You must submit Stop Payment Requests in accordance with the applicable User Documentation or Account Agreement, as appropriate. Generally, you may send us or our third party processor a Stop Payment Request with respect to a check drawn on an account designated and owned by us only if the check is lost, stolen or destroyed. In such case, you must complete and provide us with a declaration of loss and indemnity agreement reasonably acceptable to us. If you wish to stop payment on a check drawn on an account you maintain with us, you must make your request as provided in the applicable Account Agreement.

YOUR RESPONSIBILITIES

You must create and transmit to us or our third party processor a Check Issuance Request for each check you want us to issue on your behalf and a Document Printing Request for each document you want us to print and mail on your behalf . You must make certain that each Check Issuance Request and Document Printing Request conforms in form and substance to the requirements, including cutoff times on a Business Day, described in the applicable User Documentation.

If you have not received an acknowledgment message from us or our third party processor within the time period specified in the applicable User Documentation, then you must contact customer support for instructions before resubmitting any Check Issuance Request, Document Printing Request or other message initially transmitted to us or our third party processor through a Service.

In the case of checks drawn on accounts designated and owned by us, you must ensure that Collected and Available Funds, sufficient to cover the total of all checks issued, are on deposit in your accounts. We will debit your account

to cover such checks when we receive your Check Issuance Request. In the case of checks drawn on accounts designated and owned by you, you will be governed by the applicable Account Agreement. In the case of checks drawn on accounts designated and owned by you and maintained at another financial institution, the processing of those checks may be governed by additional terms between you and that financial institution.

CHECK TRUNCATION

With our Check Truncation Service, we store copies of your canceled checks on image archive, microfilm or other media and destroy the checks. You do not receive your canceled checks. We will provide a copy of any check that you request for up to seven years from the date the check was paid against your account. To request a copy, you must provide us with sufficient information for us to identify the item, including the Magnetic Ink Character Recognition (MICR) serial number, account number, exact amount (dollars and cents) of the check, statement reference number, if any, and posting date. We may also ask you for additional identifying information.

Special services such as microfilm or review of dates, dollar amounts, serial numbers or signatures may not be available in connection with the Service.

Notwithstanding the Limitation of Liabilities section of this Booklet, if we are unable to provide a copy of a check as requested by you under a Service, our liability will be limited to your actual damages but will not, in any event, exceed the amount of the check.

CLIENT-PRINTED DRAFTS

With our Client-Printed Drafts Services, you use your computer (using Software we provide or by accessing a Website) to print drafts (which may include drafts denominated in a currency other than the currency in which the relevant account is denominated) drawn on either (i) accounts maintained by you with us or another bank or (ii) accounts designated and owned by us.

AUTHORIZED PERSONS

Before using a Client-Printed Drafts Service, you give us a written list, in a form acceptable to us, of the persons authorized by you to perform certain duties in connection with such Service.

SECURITY PROCEDURE

You agree to use the Security Procedure when you deliver Payment Advices or electronically transmit Stop Payment Requests to us. The purpose of the Security Procedure is to verify the authenticity of Payment Advices and Stop Payment Requests delivered to us in your name and not to detect any errors in the transmission or content of these messages. Each time you use a Client-Printed Drafts Service, you represent and warrant that, in view of your requirements, the Security Procedure is a satisfactory method of verifying the authenticity of Payment Advices and such Stop Payment Requests. You agree that we may act on any Payment Advice or electronically transmitted Stop Payment Request the authenticity of which we have verified through use of the Security Procedure.

STOP PAYMENT REQUESTS

Generally, you may send us a Stop Payment Request with respect to a draft drawn on an account designated and owned by us only if the draft is lost, stolen or destroyed. In such case, you must complete and provide us with a declaration of loss and indemnity agreement reasonably acceptable to us. If you wish to stop payment on a draft drawn on an account you maintain with us, you must make your request as provided in your Account Agreement.

YOUR RESPONSIBILITIES

You must verify the contents of each shipment of blank draft stock and sign and return to us the receipt accompanying each shipment or notify us of any discrepancy. You must notify us immediately if any draft stock is lost or stolen. You will be liable for any damages arising out of the loss or theft of any draft stock received by you.

You must create and transmit to us a Payment Advice for each draft you issue using a Service. You must make certain that each draft, Payment Advice and electronically transmitted Stop Payment Request conforms in form and substance to the requirements, including cutoff times on a Business Day, described in the applicable User Documentation.

You must retransmit any Payment Advice, electronically transmitted Stop Payment Request or other message initially transmitted to us through a Service if you have not received an acknowledgment message from us within the time period specified in the applicable User Documentation.

OUR RESPONSIBILITIES

When we receive the Payment Advice, we will transfer funds from your account with us to the bank account on which the draft is drawn.

We will provide you with blank draft stock and with the necessary Software and/or access to a Website.

PAYMENT WITH RESPECT TO DRAFTS

You agree you will not issue any drafts using a Service which would cause your applicable account balance, according to your records, to be exceeded. If your records and ours disagree regarding the account balance, our records will control for purposes of these Services. You must ensure that Collected and Available Funds, sufficient to cover the total of all drafts issued, are on deposit in your account each Business Day before the time stated in the applicable User Documentation.

COIN AND CURRENCY ORDERS

Our Coin and Currency Order Services allow you to place orders for coin and currency (as used in this section, "change orders") with our cash vaults or the vaults of various armored carriers at which we maintain a cash inventory. Some of these armored carrier vaults have been designated by us as our extended vaults.

Before using a Coin and Currency Order Service, you will provide us with the names and locations of the person(s) authorized by you to receive the access IDs and PINs required to use the Service. We will provide such persons with access IDs and PINs so that change orders can be placed via a voice response system or electronically via a transmission, in accordance with the applicable User Documentation.

In order to use the Coin and Currency Order Service, you must contract separately with an armored carrier service that is acceptable to us to provide for the transportation of the coin and currency, which you have ordered, from one of our cash vaults, one of our armored carrier vaults and/or another location designated by us. Such armored carriers are your agents. Your armored carriers must continue to meet our requirements. In the event that they do not, we may not allow them to pick up your orders until they meet our requirements.

You authorize us to act upon any request for coin or currency made in accordance with this Booklet and the procedures described in the applicable User Documentation. In connection with any coin and currency you order from our cash vaults or our armored carrier vaults, you authorize us to debit your account (i) on the day that such coin and currency are available for release from such vault to your armored carrier, or (ii) on the day that we deliver such coin and currency to another location for pickup by your armored carrier, as applicable. Each time you use a Coin and Currency Order Service, you represent and warrant that you have sufficient Collected and Available Funds in your account for each change order requested by you. We have no obligation to release any coin and currency ordered by you unless there are sufficient Collected and Available Funds in the designated account or sufficient funds under a line of credit to pay for such order at the time scheduled for release of the coin and currency to the armored carrier.

COLLECTION LETTERS

Our Collection Letter Services allow you to forward us drafts, checks and travelers checks (as used in this section, "items") drawn on banks outside of the United States and (i) denominated in U.S. dollars or (ii) drawn in specified foreign currencies (as described in the applicable fee schedules or User Documentation) for collection.

You must prepare and forward a transmittal letter, in a form acceptable to us, along with those items you want us to process for collection in accordance with the applicable User Documentation. You agree that you will only request collection on items which are drawn on banks outside of the United States (i) in U.S. dollars or (ii) in specified foreign currencies (as described in the applicable fee schedules or User Documentation) for collection.

We will send each item you forward to us for collection to the bank on which such item was drawn or to an appropriate correspondent bank. We will generally credit your account for each item on the first Business Day following the day on which we receive payment for each such item at our then-prevailing buy rate for the applicable currency. We will deduct all service fees and charges, plus any correspondent bank fees and charges, from the amount of any payment credited to your account for such items. Special handling or services other than collection of the items will be charged in accordance with our special handling fees (as described in the applicable fee schedules or User Documentation).

We will send you a written advice showing the applicable buying rate and fees and charges for each item we process as a collection item through use of a Collection Letter Service.

Any credit given for the items received for collection is provisional only, and is subject to our actual receipt of cash proceeds. We may charge back any items at any time, whether the item is returned or not. You bear all risk of return, including without limitation the risk of late returns and fraudulent items. If we take an item payable in foreign currency for collection, you will bear all exchange rate risk.

Clearance of foreign items is subject to the regulations of the foreign country, and such regulations are different from U.S. Federal Reserve regulations. We will contact you when information is received. If you request and we agree, we will determine the status of any collection item and you agree to pay phone or wire charges incurred for such a request.

We will use our discretion regarding the method of transmitting items for collection. Notwithstanding the Limitation of Liabilities section in this Booklet, the measure of damages for such failure shall be limited to the reasonable expenses of obtaining duplicate items should the originals be misdirected, lost or destroyed, or such other damages as are expressly provided for under applicable law.

CORPORATE CARD

Our Corporate Card Services allow you to open Card Accounts for your business purposes, as described below. You may select from one or more of the following card programs: purchasing, travel and entertainment, accounts payable or fleet. If you have selected and we have approved you for a joint and several liability travel and entertainment card program, the joint and several liability travel and entertainment card program amendment to this Booklet, incorporated herein by reference, sets forth additional terms relating to the program. Detailed information regarding such Services is available in the applicable User Documentation.

OUR OBLIGATIONS

We will open Card Accounts upon your request which Cardholders or you may use to conduct Transactions for your business. We will assume that all Transactions made on a Card Account are authorized by you until we receive and have had a reasonable period of time to act upon written notice from you that the Cardholder is no longer authorized to use the Card, Convenience Checks or the Card Account.

Upon your request, we may also provide Convenience Checks with respect to your Card Accounts. At your request, we may also establish a Card Account for which we assign only a Card Account number, but we do not issue a Card. If you so request, we will provide to the Cardholder, at the address you or the Cardholder specifies, a monthly billing statement reflecting the Cardholder's use of the relevant Card Account. We may deny authorization of any Transaction if we suspect fraudulent activity or Unauthorized Use or for any other reason. Notwithstanding anything to the contrary in the Limitations of Liability section of this Booklet, we will not be liable for any failure to authorize a Transaction.

YOUR OBLIGATIONS

You will use each Card Account solely for your business purposes.

You will pay for each Transaction, regardless of its purpose or whether you signed a sales draft or received a receipt, in addition to our fees and charges.

You represent and warrant to us that each Cardholder is a current employee or agent of your company. You will promptly furnish such financial and other information as we request for the purpose of reviewing your ability to perform your obligations to us. You represent and warrant to us that all such information about your employees, agents or your company is accurate, sufficiently complete to give us accurate knowledge of your financial condition and in compliance with all applicable rules, regulations and laws.

You and each Cardholder will check to ensure that the information embossed on each new Card or printed on each Convenience Check is correct, and you will contact us immediately if there is an error.

CHARGE LIMITS

For each card program, we will give you one total charge limit for all your Card Accounts. We will also assign an individual charge limit for each Card Account. Upon your request and if approved by us, we may increase the total charge limit or any individual limit. We may decrease the total charge limit or any individual limit at our discretion. You agree not to incur obligations which would cause the total charge limit for all your Card Accounts to be exceeded. If you do exceed this limit, or if any Cardholder's individual charge limit is exceeded, we may deem the entire balance owing to be immediately due and payable. Additionally, we may refuse any Transactions on all Card Accounts or the individual Card Account until a payment is made to reduce the balance below the total charge limit or the individual charge limit.

TRANSACTIONS IN OTHER CURRENCIES

If you make a Transaction in a currency other than U.S. dollars, Visa® or MasterCard® will convert the charge or credit into a U.S. dollar amount. The conversion rate on the processing date may differ from the rate on the date of your Transaction. The exchange rate used by Visa® will either be (i) a rate selected by Visa® from a range of rates available in wholesale currency markets for the applicable central processing date, which rate may differ from the rate Visa® receives, or (ii) the government-mandated rate in effect for the central processing date. MasterCard® will use an exchange rate of either (i) a wholesale market rate or (ii) a government-mandated rate. We may add an International Transaction Fee. The International Transaction Fee is set forth in the schedule of charges currently in effect for you. The International Transaction Fee will be shown in the Activity section on your billing statement and aggregated in the Other Fees category in the Summary section of your statement.

DISPUTES WITH MERCHANTS AND SUPPLIERS

We will have no liability for goods or services purchased with, or for a merchant's or supplier's failure to honor purchases made with, a Card Account, Convenience Check or Card. You agree to make a good faith effort to resolve any dispute with a merchant or a supplier arising from a Transaction. In a dispute with a merchant or supplier, we will be subrogated to your rights and each Cardholder's rights against the merchant or supplier and you will assign (and cause the Cardholder to assign) to us the right to assert a billing error against the merchant or supplier. You

will, and will cause the Cardholder to, do whatever is necessary to enable us to exercise those rights. We may reverse from any Card Account any Transactions relating to the dispute.

A merchant or supplier may seek prior authorization from us before completing a Transaction. If you advise us in writing that you desire to restrict Transactions to merchants falling within certain categories we designate in our User Documentation, we will take reasonable steps to prevent authorization of Transactions from other types of merchants. We, however, will not be liable to you if merchants or suppliers nonetheless accept a Card, Convenience Check or Card Account for other types of Transactions, or if authorization for a Transaction is not given.

CONVENIENCE CHECKS

If we provide Convenience Checks with regard to a Card Account, they may not be used to make payment on the Card Account. We may pay a Convenience Check and post its amount to the Card Account regardless of any restriction on payment, including a Convenience Check that is post-dated, that states it is void after a certain date or that states a maximum or minimum amount for which it may be written. Once paid, Convenience Checks will not be returned to you or the Cardholder.

If you wish to stop payment on a Convenience Check, you must call us at the customer service number shown on your billing statement and provide such information as we request or is required under the relevant User Documentation. We will stop payment if we receive your request on or before the Business Day before the Business Day on which we would otherwise pay the Convenience Check. The date on which we would pay a Convenience Check may be prior to the date it would post to your Card Account. A stop payment order will remain in effect for up to six months.

CARDLESS ACCOUNTS; ACCOUNTS NOT IN NAME OF INDIVIDUAL

We may, at your request, establish a Card Account for which no Card is issued or establish a Card Account with a designation which is not an actual individual, including, without limitation, designation of a vehicle identification number, license number, department name or "Authorized Representative" on the Card Account. Notwithstanding any other term in this Booklet, you agree to be solely responsible for the use of any such Card Account, including, without limitation, any Unauthorized Use.

PAYMENT OF CARD ACCOUNTS; SECURITY INTEREST

We will provide to the Card Administrator, or other person you designate in writing to us, a billing statement which will identify each Transaction posted during the billing cycle and the date of the Transaction. The billing statement will also list any applicable fees and charges for the Services. If you have requested a Card Account for travel and entertainment Transactions, we will provide an additional copy of the billing statement covering such use of the relevant Card to the appropriate Cardholder at the address which you or the Cardholder provides to us.

You will pay to us the total amount shown as due on each billing statement on or before the due date shown on the statement. If you do not make a payment in full by the specified due date, in addition to our other rights, we may assess a late fee and finance charge as set forth in our schedule of fees and charges. You have no right to defer any payment due on any Card Account.

Unless otherwise agreed by us, payments must be made using an ACH Service. As specified by you, we may initiate ACH debits to any deposit account at any financial institution. If you arrange for direct payment by Cardholders, such an arrangement will not change your responsibilities under this Booklet, including your obligation for payment.

You grant to us a security interest and contractual right of setoff in and to all deposits now or subsequently maintained with us or any of our affiliates or Subsidiaries. In connection with that grant, you authorize us to enter into a master control agreement with our affiliates authorizing, upon the occurrence and continuance of any default, the disposition of any such deposits to satisfy all liabilities incurred in connection with these Services, without your further consent. The grant of this security interest shall survive termination of these Services.

LOST OR STOLEN CARDS; UNAUTHORIZED USE

In the event of a possible loss or theft of a Card, Convenience Check or Card Account or possible Unauthorized Use, you will give us notice by telephone or telefax to the numbers set forth in the User Documentation. You agree to give us this notice as soon as practicable but in any event no later than the Business Day after discovery of the known or suspected loss or theft or Unauthorized Use. If notice as provided in this paragraph is given and you assist us in investigating facts and circumstances relating to the loss, theft or possible Unauthorized Use, including without limitation obtaining an affidavit or similar written, signed statement from the Cardholder, then you will not be liable for Transactions resulting from Unauthorized Use. If we have issued fewer than ten Card Accounts to you, your liability for Transactions by a person who does not have actual, implied or apparent authority to use the Card or Convenience Check and whose use does not result in a direct or indirect benefit to you will not exceed $50 on each Card.

LICENSE TO USE YOUR MARKS

Upon your request, we may place Company's Marks on the Cards and collateral materials. You will provide the graphics to us in sufficient time to allow for review and approval by us and, if necessary, the respective card association. You grant to us a non-exclusive license to use, during the term of the Services, Company's Marks on the Cards and on other materials related to the Card Accounts. Your indemnity under the Protection from Third Parties section of this Booklet covers any claim that the use of any Company Marks infringes the intellectual property right of any third party.

EXTENSION OF CORPORATE CARD SERVICES TO AFFILIATES

Upon your request and submission of a participant Account form, we may approve one or more affiliates of which you are majority owner for participation in the Corporate Card Services. Each participating affiliate will have the same rights and obligations as you except that no separate charge limit will be assigned. Your charge limit will apply to Transactions on all Card Accounts, including those of your participating affiliates.

You may terminate an affiliate's participation by giving us written notice and a reasonable time to act on such notice. If an approved participant is no longer, or will no longer be, majority-owned by you, you agree to notify us immediately, and we may immediately terminate the Card Accounts of such participant.

SUPPLEMENTAL GOVERNING LAW AND RESOLUTION OF DISPUTES PROVISIONS

Notwithstanding anything to the contrary in the Governing Law provision in the General Provisions section of this Booklet, the Corporate Card Services are governed by the laws respecting national banking associations and, to the extent not covered by those laws, by the laws of the State of Delaware, without reference to that state's principles of conflicts of law, regardless of where you reside or where a Cardholder uses a Card Account.

Notwithstanding anything to the contrary in the Resolution of Disputes provision in the General Provisions section of this Booklet, you agree to submit to the personal jurisdiction of any state or federal court in Delaware and to binding arbitration in Delaware with respect to disputes regarding the Corporate Card Services.

ADDITIONAL TERMINATION PROVISIONS

We may immediately terminate these Services if there occurs (i) a termination event set forth in the Suspension and Termination section of this Booklet with respect to you, a participating affiliate or a guarantor of obligations under any Card Account, (ii) a change in your ownership, if you are a privately-held entity, in excess of 50% or (iii) any of the following with respect to you, a participating affiliate or a guarantor of obligations under any Card Account:

- The failure to pay or perform any obligation, liability or indebtedness to us or any of our affiliates or subsidiaries, whether under this Booklet or any other agreement, as and when due (whether upon demand, at maturity or by acceleration)
- The failure to pay or perform any other obligation, liability or indebtedness to any other party

- Death (if an individual) or resignation or withdrawal of any partner or material owner (of a privately-held entity)
- Merger or consolidation with or into another entity
- The determination by us that any representation or warranty made to any of our affiliates or subsidiaries in any agreement is or was, when it was made, untrue or materially misleading
- The failure to timely deliver such financial statements, including tax returns, other statements of condition or other information, as we shall request from time to time
- The entry of a judgment which we deem to be of a material nature
- The seizure or forfeiture of, or the issuance of any writ of possession, garnishment or attachment, or any turnover order for any property
- The determination by us that we are insecure for any reason
- The determination by us that any such person fails to meet credit criteria initially used by us to approve the Corporate Card Services
- The failure to comply with any law or regulation controlling its operation

Upon any termination of the Corporate Card Services, (i) the entire balance outstanding on all Card Accounts shall, at our option, become immediately due and payable and (ii) you will immediately destroy, and will instruct all Cardholders to immediately destroy, all Cards and Convenience Checks. Your responsibility to pay for all Transactions regarding each Card Account will continue until a reasonable period of time after you notify us to close the Card Account or until you pay for all Transactions entered into before we close the Card Account to future use, whichever occurs later. After termination, you and all Cardholders will make no new Transactions on any Card Account. If, however, such Transactions are made, you will be liable for each of them.

COMMERCIAL DEPOSITS

With our Commercial Deposit Services, (i) you may make deposits of coin and currency, checks and other payment instruments at one of our designated banking centers with pre-approval, depository facilities (which may include a night depository facility), processing centers, ATMs or cash vaults; (ii) you or, if applicable, a third party acting as your agent, may make deposits of checks using our Image Cash Letter Service or our Remote Deposit Service; and/or (iii) you may obtain credit for Safe Deposits through the Safe Connect Service further described herein. If these deposits are delivered by you or your agent before the cutoff time specified at the deposit location or in the applicable User Documentation, we will give you same-day provisional credit for such deposits, subject to later verification by us and our availability schedule. Banking center deposits that are immediately verified are covered under your Account Agreement.

The Image Cash Letter Service allows you, or a third party acting as your agent, to transmit an image cash letter (ICL) to us. We may create, on your behalf, a paper substitute check or image replacement document (IRD) from such electronic image transmission, as described in the applicable User Documentation.

The Remote Deposit Service allows you to create or have created on your behalf a paper substitute check or IRD from an electronic image or an original paper check, as described in the applicable User Documentation.

YOUR RESPONSIBILITIES

You agree to follow all requirements set out in the User Documentation, and to meet all specifications for returns contained in the User Documentation; provided, however, in the event that a relevant provision of the User Documentation conflicts with applicable regulatory requirements, you agree to follow such applicable regulatory requirements.

You agree to prepare all deposits accurately and in good faith and to follow the procedures for preparation, packaging and delivery of deposits as provided in the applicable User Documentation. In order to receive a receipt

of deposit at banking centers, depository facilities (which may include a night depository facility), or processing centers, and except as otherwise set forth with respect to the Safe Deposit service further described below, we may require you to provide a duplicate deposit slip. This is in addition to the number of original deposit slips required by us to process the deposit or to use other procedures as set forth in the User Documentation. If we require you to provide a duplicate deposit slip, we will stamp this duplicate deposit slip and return it to you. In all cases, deposits are subject to later verification by us.

For deposits made to one of our cash vaults, you must contract separately with an armored carrier service that is acceptable to us to transport your deposits. Armored carriers are your agents unless otherwise agreed in writing between us.

If you use our Image Cash Letter Service or our Remote Deposit Service, then prior to sending us an electronic image transmission, you and we must agree on image and transmission standards as more fully described in the applicable User Documentation.

You warrant that all ICL file transmissions you send us comply with the specifications outlined in the User Documentation, and you agree to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of your breach of this warranty. You must provide us with the reason for return of a check by such means as we may specify from time to time in our User Documentation. For example, we may require you to provide us with the reason for return of a check in the unqualified returns ICL cash letter file transmission or through stamping the front of the check with the reason for return. We will use our best efforts to notify you promptly when we cannot determine the bank of first deposit on a check in the amount of $2,500 or greater, or such other amount as may be set forth in the User Documentation from time to time. You will respond to our notice by secure email promptly upon receipt.

If you use our Image Cash Letter Service or our Remote Deposit Service, then except as provided herein, for any IRD or Image created under this Service, you are deemed to be the warrantor of certain warranties under Check 21, and for each and every day an IRD is created, you accept all responsibilities as warrantor for those warranties under Check 21 regarding creation of the IRDs. You understand that you are responsible for capturing and sending fully legible copies of the original paper check or Electronic Image which will be cleared as a Paper Image or IRD.

If you use our Image Cash Letter Service or our Remote Deposit Service, then you give the same warranties and indemnities to us that we, as reconverting bank, give under 12 CFR Parts 229.52 and 229.53 of Check 21 regulations or any successor legislation. With respect to any Image forward presented by us after your deposit, in paper check or Image form, in your account, you give the same representations, warranties and indemnities to us that we, as sending bank, give pursuant to the image exchange rules, including any applicable clearing house rules and/or regulations, that govern us. With respect to Images sent by you to us under this Service, your warranties include warranties that the Image accurately represents all the information on the front and back of the original check as of the time the original check was truncated, the MICR-line information contains all information needed for a substitute check or draft, and any transmission to us from you complies with the specifications described in the applicable User Documentation. You agree to indemnify us and any receiving parties that suffer losses as a result of receiving the substitute check instead of the original, or receiving duplicate items, whether in paper or Image form. You are responsible for capturing and sending fully legible copies of the item which may be created as an IRD. Notwithstanding the foregoing, provided you comply with the agreed upon image and transmission standards and we accept your transmission, and as more fully described in the applicable User Documentation, we will not hold you responsible for any breach of warranty or indemnity either under Check 21 based on image quality for IRDs, or under applicable image exchange rules, including any applicable clearing house rules and/or regulations, based on image quality for any Images, that we produce from your image transmission. If, in connection with your use of our Remote Deposit Service, we provide you with Software and such Software provided by us operates in a manner which causes you to breach any warranties under Check 21, in spite of your exercise of reasonable care, you shall report such Software issues to us as soon as reasonably practicable, and as more fully described in the applicable User Documentation, and we will not hold you responsible for such breach of warranty.

If you use our Image Cash Letter Service or our Remote Deposit Service, then you shall pay us for the amount of any returned Images or IRDs (including rejected images or rejected IRDs) or any claims for adjustments accepted by us, for any IRD or Image which we have previously credited to your account. Such amounts shall be charged as returns or adjustments to your account and are immediately due and payable by you. Such amounts appear on your reports to the extent agreed between us. Certain returned IRDs and/or returned Images may be redeposited, if you have a separate reclear service agreement or arrangement with us. Any IRD created and deposited to your account must comply with all requirements mandated by Check 21. If you intend to include reclears along with other items in a forward ICL file sent to us for processing, you must identify the reclear items on the ICL file in accordance with our instructions set forth in our User Documentation.

If you use our Image Cash Letter Service or our Remote Deposit Service, you agree that you provide the same warranties and indemnities that we are required to provide under applicable statutes, rules, clearinghouse arrangements, operating circulars and other applicable laws, rules or regulations. Without limiting the foregoing, you warrant and guarantee that, if you deposit a demand draft or remotely created check (an unsigned draft or a preauthorized draft) using the Image Cash Letter Service or Remote Deposit Service, the draft or remotely created check was created from paper (or from a paper item) and is authorized according to the terms on its face by the person identified as drawer. You agree to indemnify us from all loss, expense and liability related to a claim that such draft or check was not created from a paper item and/or was not authorized by the person on whose account it was drawn.

If, upon our review of your deposit account activity, we determine that abuse or unauthorized activity is or may be occurring with respect to deposited demand drafts, we may require you to provide collateral to cover the return of and/or claims against deposited demand drafts. In addition, we may require you to maintain such collateral coverage with us beyond termination your use of any deposit service, such as our Image Cash Letter Service and/or of your relationship with us as a bank customer.

In the event you use our Image Cash Letter Service or our Remote Deposit Service to redeposit any returned item as an IRD or Image, you agree to follow our procedures, set forth in the User Documentation, concerning your provision of the reason for return.

If you use our Remote Deposit Service, then it is your responsibility to use check imaging equipment acceptable to us as specified from time to time (as used in this section, "hardware") to be installed at your site in order to use any such Remote Deposit Service. The terms and conditions pursuant to which the hardware is obtained, installed and maintained shall be as agreed between you and the vendor and/or lessor of such hardware and we assume no responsibility therefore.

If you will be utilizing ACH components of our Remote Deposit Service, you must execute an agreement concerning such usage, as we may specify.

If you have captured Images from checks, you agree that you will securely store, safeguard and securely destroy the items as set forth in the User Documentation. Imaged documents (or original documents, if available) must be provided to us promptly, at our request, to facilitate investigations related to unusual transactions or poor quality transmissions, or to resolve disputes.

You agree to cooperate with us fully to facilitate our adherence to guidance provided by the Federal Financial Institutions Examination Council, including guidance concerning risk management of remote deposit capture. For this purpose, you agree that we may mandate specific internal controls at your locations, audit your operations and/or request additional information.

ADDITIONAL RESPONSIBLITIES UNDER ECCHO

In the event you are a financial institution and thereby eligible for ECCHO membership, you may use our Image Cash Letter Service or our Remote Deposit Service only if you are a member of ECCHO.

RETURN OF ON-YOU ITEMS BY ICL

In the event you are a financial institution to whom we may send, via ICL, On-You items pursuant to ECCHO rules, you agree that such ICL transmissions by us to you shall be governed by, and be in accordance with, the applicable provisions hereof and of ECCHO rules.

UNQUALIFIED RETURNS ICLs

In the event that you use the Image Cash Letter Service to send us unqualified returns ICLs, you additionally agree as follows:

You agree to send us return items only if you return the items within the requirements of the UCC and Regulation CC. You warrant that all returned checks sent to us comply with the deadlines of Regulation CC and the UCC and you agree to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of your breach of this warranty.

You agree to provide to us the same warranties that we provide to any receiver of a returned item that you send us using this Service, whether such warranty is made under Regulation J, Federal Reserve Operating Circular 3, clearinghouse rules, including ECCHO rules, or other applicable regulations or rules. These warranties include, but are not limited to, a warranty that the image of the return item is an accurate representation of the front and the back of the related check; the electronic image return accurately corresponds to the electronically returned item being returned; and the electronic image return is not a duplicate of another electronic image return.

When you return an item using the Image Cash Letter Service, you agree that you provide the same warranties and indemnities that we are required to provide under applicable statutes, rules, clearinghouse arrangements, operating circulars and other applicable laws, rules or regulations.

REDEPOSITING RETURNED ITEMS

When you redeposit a returned item using the Image Cash Letter Service, you agree to redeposit the image of the returned check or IRD, which was physically returned to you, which shall include all endorsements and return item stamps. You agree that you provide the same warranties and indemnities that we are required to provide under applicable statutes, rules, clearinghouse arrangements, operating circulars and other applicable laws, rules or regulations and you agree to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of your breach of these warranties.

OUR RESPONSIBILITIES

We receive your deposit and issue provisional credit to your account for the amount you declare on the deposit slip. The declared amount is subject to later verification by us.

If we find an error when we verify your deposit, we will debit or credit the amount of the error to the deposit account listed on the deposit slip, unless you and we have agreed otherwise in writing; provided, however, we reserve the right to set a standard adjustment amount (which we may change from time to time), in which case we will not make a correction to a deposit when the error is less than our current adjustment amount.

We give you same-day provisional credit for deposits delivered before the cutoff time on a Business Day. For deposits delivered after the cutoff time or on a non-Business Day, we give you provisional credit on the next Business Day.

We will apply and be responsible for (i) the appropriate endorsement of the bank of first deposit, if applicable, as more fully described in the applicable User Documentation on the back of each printed IRD; (ii) the appropriate legend of legal equivalency on the front of the printed IRD; and (iii) appropriate language identifying the reconverting bank if we do not clear your electronic image transmission through image exchange.

SAFE CONNECT SERVICE

You may use the Safe Connect Service for the purpose of obtaining credit, which credit may be provisional, for Safe Deposits as described herein and in Bank's User Documentation. You agree that the Safe to be utilized in connection with the Safe Connect Service must be installed at a Safe Location. Subject to cutoff times and other provisions contained in the User Documentation, we shall provide you with credit for Safe Deposits; depending upon the applicable procedures used by you, such credit may be subject to later verification and/or adjustment by us and/or the Transportation Provider designated to transport Safe Deposits from the Safe to the Vault Location. Your Safe Deposits shall be governed by the terms of this Booklet, except as otherwise provided herein.

Your Responsibilities Concerning Safe and Transportation Provider. Your responsibilities with regard to the Safe Connect Service include the following. You shall be solely responsible for the procurement of the Safe, whether by lease, sale or otherwise, and for the installation and removal of the Safe in accordance with any agreements that you may have with any third party providing the Safe. You shall not be required to prepare deposit and/or duplicate deposit slips with respect to Safe Deposits, as deposit information regarding such Deposits will be set forth in the Safe Feed. You shall be responsible for engaging a Transportation Provider to remove Safe Deposits from the Safe and to transport the Safe Deposits to Vault Locations. You agree to select the Transportation Provider you engage from a list of approved armored carriers provided by us from time to time. Such Transportation Provider shall be your agent, not ours, except as otherwise provided herein.

Settlement. Settlement terms may vary depending upon applicable procedures used by you; such procedures may be dependent, in part, upon the terms set forth in the applicable agreement between you and the Transportation Provider. Upon receipt of the Safe Deposits at the Vault Location, we or the Transportation Provider shall verify such Deposits, for which credit, which may have been provisional, has been given by us. In such instance, solely when conducting verification, the Transportation Provider shall be acting as our agent, not yours. In the event of a discrepancy between deposit amounts set forth in a Safe Feed, addressing a Safe Deposit, and deposit amounts verified at the Vault Location with respect to such Safe Deposit, any adjustments made shall be in accordance with our User Documentation. Information concerning such adjustments will be reflected in your account statements and, in some cases, in written or electronic advices and reports produced through one of our Information Reporting services.

No Warranties; Limitation of Liability. The following is in addition to the Limitation of Liabilities section under this Booklet.

YOU ACKNOWLEDGE THAT WE DO NOT PROVIDE, NOR DO WE MAKE, ANY RECOMMENDATIONS REGARDING THE SAFE. WE HAVE NOT MADE AND DO NOT MAKE ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, DIRECTLY OR INDIRECTLY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING THE SUITABILITY OF THE SAFE, ITS DURABILITY, ITS CONDITION, ITS QUALITY AND/OR ITS RELIABILITY. ACCORDINGLY, WE ALSO DISCLAIM ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR USE OR PARTICULAR PURPOSE WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE. WE SHALL NOT BE LIABLE TO YOU OR OTHERS FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE CAUSED DIRECTLY OR INDIRECTLY BY THE SAFE OR ANY SAFE FEED, HOWEVER ARISING, OR THE USES THEREOF OR THE FAILURE OF ANY OPERATION THEREOF. NO REPRESENTATION OR WARRANTY AS TO THE SAFE OR ANY OTHER MATTERS BY OTHERS SHALL BE BINDING UPON US OR IMPOSE ANY LIABILITY UPON US NOR SHALL THE BREACH OF SUCH RELIEVE YOU OR IN ANY WAY AFFECT ANY OF YOUR OBLIGATIONS TO US HEREIN.

IF THE SAFE IS NOT SATISFACTORY FOR ANY REASON, YOU SHALL NOT MAKE ANY CLAIM ON ACCOUNT THEREOF AGAINST US. REGARDLESS OF CAUSE, YOU WILL NOT ASSERT ANY CLAIM WHATSOEVER AGAINST US FOR LOSS OF ANTICIPATORY PROFITS OR ANY OTHER INDIRECT SPECIAL OR CONSEQUENTIAL DAMAGES.

Supplemental Representations and Warranties. In addition to the representations and warranties set forth in this Booklet, you represent and warrant to us that (a) you have given or procured, as the case may be, all necessary consents and approvals for our accessing of your information and/or information of the Transportation Provider, as we deem appropriate, for purposes of this Agreement; and (b) you and/or the Transportation Provider as your agent shall safeguard all Safe Deposits until delivery of such Deposits at the Vault Location and commencement of verification. In the event that the security of Safe Deposits is breached prior to such delivery and commencement of verification, and/or if the delivery of the Safe Deposits to the Vault Location is delayed, we may reverse any credit, provisional or otherwise, provided with respect to such Safe Deposits as set forth in the User Documentation. You agree to notify us promptly in the event of any such security breach or delay.

You agree that you shall be deemed to make and renew each representation and warranty set forth in this Booklet on and as of each day on which the Safe Connect Service is provided.

Supplemental Termination Provisions. Notwithstanding anything to the contrary in this Booklet, the Safe Connect Service may be terminated at any time as set forth below.

In addition to the events listed in the Termination section of the Booklet which allow us to terminate any Service immediately, each of the following events will also give us the right to immediately terminate the Safe Connect Service at any time:

(a) You breach, or permit the breach of, the security of the Safe.

(b) We determine that you have failed to maintain a financial condition that we deem to be reasonably satisfactory to minimize any credit or other risks to us in providing the Safe Connect Service or we deem immediate termination to be necessary or appropriate to prevent a financial loss to us.

(c) We, in our sole discretion, determine that the Safe Connect Service is no longer feasible or desirous for us to pursue.

COMMERCIAL PREPAID CARD

Our Commercial Prepaid Card Services enable you to distribute Commercial Prepaid Cards to your employees and others that permit them access to a predetermined amount of funds. Commercial Prepaid Cards may be used at ATMs, point-of-sale (POS) terminals, and for over-the-counter cash access Transactions at offices of financial institutions that accept Visa® cards. Detailed information regarding such services is available in the applicable User Documentation.

OUR OBLIGATIONS

We will issue Commercial Prepaid Cards to you on your request after you have provided us such information regarding the Commercial Prepaid Card as we may require at that time. Before we issue each Commercial Prepaid Card, we will debit funds from a deposit account you maintain with us for the value amount of the Commercial Prepaid Card issued.

We will mail the Commercial Prepaid Cards to the address or addresses you provide us, together with a copy of the agreement between us and the Cardholder, our privacy policy for consumers (if applicable) and instructions for activating the Commercial Prepaid Card.

We will deduct the amount of each Transaction, which may include fees added by the ATM owner or the applicable network, from the value amount with respect to the Commercial Prepaid Card. We will also deduct applicable Cardholder fees.

You may request us to add value to previously issued Commercial Prepaid Cards by providing such information as we may require at that time. Upon receipt of your request and the required information, we will debit your deposit account with us for the amount to be added to the existing Commercial Prepaid Cards.

You acknowledge and agree that the Commercial Prepaid Card is for use only for business purposes and is not for use for personal family or household purposes. Cardholders will not pay any money or anything of value to receive the Commercial Prepaid Cards. Commercial Prepaid Cards will not be re-sold or distributed by you.

If there are insufficient Collected and Available Funds in your account, we have no obligation to issue or activate any Commercial Prepaid Card or to add value to any existing Commercial Prepaid Card and we may suspend or reverse any completed value load.

Upon your request, and with our approval, we may provide a Commercial Prepaid Card that is not reloadable.

COMMERCIAL PREPAID CARD CREATION

All Commercial Prepaid Cards shall identify us as the issuer and shall include such other names and trademarks as we require. If you elect to customize the Commercial Prepaid Cards, you will be responsible for any additional costs in the design or production of the Commercial Prepaid Cards. You will provide graphics, promotional material and wording to us for review and approval and you must comply with all the rules of Visa® USA, Inc. and other systems or organizations, as applicable. You will allow us to use your artwork on the Commercial Prepaid Cards, provided that you shall have first reviewed and approved such use. You will indemnify and hold us harmless from any and all liabilities, claims, costs, expenses and damages of any nature (including Legal Expenses) arising from any claim that the artwork you supplied infringes the intellectual property rights of any third party.

COMMERCIAL PREPAID CARD ACTIVATION

Each Cardholder will be instructed to call a toll-free (in the U.S.A.) number and use an interactive voice response system to authenticate the Cardholder by using a number unique to the Cardholder in order to activate the Commercial Prepaid Card. During this call, the Cardholder will receive their PIN, if applicable. The Cardholder can change the PIN at that time to any four digit number. Once the call is successfully completed, the Commercial Prepaid Card will be activated. You will be responsible for informing each Cardholder of any other restrictions you may impose on the use of the Commercial Prepaid Card, and we will not have any responsibility for enforcing those restrictions.

COMMERCIAL PREPAID CARD USAGE

We may refuse to issue or add value to any Commercial Prepaid Card if we believe the Commercial Prepaid Card will or may be used in violation, or may cause us to be in violation, of any law or regulation, or any rule of any payment system.

We will use reasonable efforts to prevent any overdraft with respect to a Commercial Prepaid Card or any unauthorized use of a Commercial Prepaid Card, but cannot ensure we will be able to do so.

CONTROLLED BALANCE ACCOUNTS

Our Controlled Balance Account Services let you control the transfer of funds between accounts with us. These Services may be restricted to certain account types.

Transfers you make from a U.S.-domiciled money market account using these Services are considered preauthorized transfers, are counted toward the number of transactions you are legally permitted each month, and may not be made to a checking account with an overdraft credit facility.

You may instruct us to make either date-related (where available) or balance-related (where available) transfers as described below. Once you instruct us to transfer funds between accounts, transfers begin on a mutually agreeable date or, for accounts domiciled in the United States of America, either immediately or on the date you specify.

With a date-related transfer, funds can be transferred in either direction between certain types of accounts on the date and in the amount you specify. Both interstate and intrastate funds transfers are permitted as long as you meet the requirements for the account type(s), transfer date and account location(s). If the transfer date you specify is a non-Business Day, we make the transfer on the next Business Day.

With a balance-related transfer, you may have funds transferred to an account when the balance falls below a certain amount, or from an account, when the balance rises above a certain amount, or both. We transfer the amount required to meet the account balance you specify.

Unless you and we have otherwise agreed in writing, you may elect to have funds transferred to or from accounts of a U.S. Subsidiary; provided that (i) the U.S. Subsidiary's accounts are domiciled in the United States of America, (ii) you represent and warrant that such U.S. Subsidiary has authorized us to transfer funds between its accounts and your accounts and between its accounts and other accounts in the Service relationship via transfers through your account, and (iii) you provide us with such documentation as we may request in connection with such transfers.

CONTROLLED DISBURSEMENT

Our Controlled Disbursement Services provide information to you each Business Day so that you can fund the net total amount of (i) controlled disbursement checks presented that Business Day, (ii) certain controlled disbursement ACH transactions received prior to the time stated in the applicable User Documentation and (iii) any other check-related electronic adjustments to which we agree and which are posted that Business Day.

ACCOUNTS

We make the Controlled Disbursement Services available through multiple Controlled Disbursement Points in different parts of the United States of America. These points are identified on the List of Banks and Services. Subject to our approval in each case, you may use such Service through one or more of those points. For each Controlled Disbursement Point you use, you shall maintain one or more Controlled Disbursement Accounts with us.

For each Controlled Disbursement Point, as more fully described in the applicable User Documentation, you may (i) draw checks bearing the respective point's routing numbers directly on your Controlled Disbursement Accounts, (ii) initiate or authorize third parties to initiate ACH debits pursuant to the section of this Booklet regarding ACH Services and (iii) subject to the applicable funds transfer Service agreement, initiate other electronic debits to your Controlled Disbursement Accounts. (For electronic debits to your Controlled Disbursement Accounts, you must use the appropriate funds transfer Service approved by us.)

CHECKS

You shall only use checks which conform to the form and specifications described in the applicable User Documentation, and which have been satisfactorily tested by us. If we determine that checks used by you do not comply with such requirements, we may take the actions described in the applicable User Documentation.

NOTIFICATION AND FUNDING

On each Business Day, we will inform you by the time specified in the applicable User Documentation of the total amount of debits presented for payment that day at or through a Controlled Disbursement Point and any other amounts required to be deposited in your corresponding Controlled Disbursement Accounts to cover such debits. On each such Business Day, prior to the time stated in the applicable User Documentation, you must ensure that sufficient Collected and Available Funds are on deposit in your Controlled Disbursement Account(s) to cover such amounts. If we attempt to post a debit to a Controlled Disbursement Account for the amount due and determine

there are insufficient funds in the Controlled Disbursement Account, we may dishonor some or all of the checks then pending payment and/or, as appropriate, return or reject any electronic debit pending settlement. We may, however, in our sole discretion, allow an overdraft so some or all of such checks or electronic debits will be paid or settled. If we do so, we are not obligated to allow any such overdraft in the future.

If we allow an overdraft to occur in your Controlled Disbursement Account, repayment is immediately due and payable, and you will repay us, on or before the next Business Day, the amount of such overdraft along with interest on such amount as specified in our schedule of charges for business account services or as otherwise agreed. Additional terms and conditions contained in your Account Agreement may also apply. If you do not repay us as specified herein, we may dishonor some or all of the checks then pending final payment and/or, as appropriate, return or reject any electronic debit pending settlement even if the Controlled Disbursement Account has sufficient Collected and Available Funds to cover such debits.

You will select the funding methods for your Controlled Disbursement Accounts from the options described in the applicable User Documentation. However, in certain circumstances, we may require a change in the funding methods used for your Controlled Disbursement Accounts, and may require such accounts to be funded via wire transfer or account transfer.

CUSTOMER-INITIATED PAYMENTS

Our Customer-Inititated Payments Services allow you to have your consumer or business customers pay you for goods or services by using a Website. Your customers can authorize payments to you through commands on the Website or, where available, via touch-tone or voice commands over the telephone. Payments can be made via the Automated Clearing House (ACH), and credit or debit cards through the applicable card association networks. Detailed information regarding these Services is available in the applicable User Documentation. The capitalized ACH terms appearing in italics below are defined in the NACHA Rules.

CLIENT RESPONSIBILITIES

For payments made via ACH, the following provisions apply:

- Payments will be made by creation of an ACH Entry to credit your account with us and will be subject to the provisions of our Automated Clearing House Services. You will obtain the authorization of each such customer to debit their account. You act as the *Originator*, your customer acts as the *Receiver* and we act as the *ODFI* with respect to the Entries. You warrant to us each time you use this Service that you have obtained appropriate authorization from each *Receiver* and that Entries conform to such authorization and comply with the NACHA Rules.
- You also make to us the same warranties as we make with respect to Entries under the NACHA Rules.
- You authorize us to create an ACH Entry on your behalf as provided in the User Documentation and the NACHA Rules.

Payments, including chargebacks and adjustments, if any, made via credit or debit cards through the applicable card association networks are covered by the terms and conditions of the merchant services agreement you have with the acquiring bank.

DATA AGGREGATION AND USAGE SERVICE

Our Data Aggregation and Usage Service is a data aggregation, information reporting and data manipulation service which provides you with on-line access to information reporting services. These services include not only data collection and manipulation but also information reporting, cash forecasting, and automated general ledger downloading, as applicable. The availability of one or more of the foregoing services may be dependent upon various factors, including the on-line channel(s) pursuant to which the Service may be accessed, and not all functionalities of the Service may be available for your use. Subject to the foregoing limitations concerning

availability, upon your registration for the Service and completion of any other requirements, including identification of those accounts which you wish to be included for use with the Service, you may use your on-line access to retrieve, analyze, manipulate data from your accounts with us and with third parties. Detailed information regarding our Service, including information concerning the availability of the various functionalities, is set forth in the User Documentation.

You agree to use the security procedures we may designate from time to time with regard to access to the Service, verification of the authenticity of actions taken in connection with the Service, and safeguarding of correct user identification codes and passwords, as set forth in our User Documentation.

DATA AGGREGATION

You must identify for us those accounts which you wish to be included for use with the Service. You must be the legal owner of, or have the legal right to access, such accounts. With regard to the accounts you identify, you must obtain and provide to us any applicable third party consents and comply with all other requirements, including data feed requirements, that we may specify from time to time as necessary or appropriate for our receipt or retrieval of this account information. With regard to the foregoing, you agree to the following:

- You represent that you are a legal owner of, or have the legal right to access, the accounts at third party web sites which you designate to us for information aggregation, information reporting or other purposes in connection with our provision of the Service. You further represent that you have the authority to designate us and our service provider(s), if applicable, as your agent and attorney-in-fact as set forth below.

- You authorize us, as your agent and attorney-in-fact, to access third party web sites, retrieve or receive account information, and use your account information for the purposes of providing the Service, and you further authorize us to take any action we deem necessary and appropriate to facilitate the foregoing with respect to your accounts at third parties.

- Third party account providers shall be entitled to rely upon the above authorization and power of attorney granted by you.

- You agree and acknowledge that, when we access and retrieve or receive information from third party web sites, we act as your agents, and not the agents of the third party.

- We do not have any responsibility or liability for transactions and/or inquiries you make with respect to any accounts you have, or may legally access, with third parties, and all fees charged by any third parties with regard to actions involving your accounts with such parties are your sole responsibility. You agree to abide by the terms and conditions governing your accounts with third parties, and to resolve any dispute you may have regarding such accounts with the relevant third party according to the relevant terms and conditions binding upon you and the third party, without any involvement or liability on our part.

- Subject to any constraints of third parties with whom you have accounts, in providing our services we will make reasonable efforts to comply with your instructions, given in accordance with our designated procedures, regarding the timing and frequency of account data pulling activities. However, account information reflected via your use of the Service will constitute the most recent refresh successfully completed, but may not be accurate or current. We are not liable for any errors or delays in the content of such account information or for any action, and/or its consequences, which you may take in reliance upon such information. We do not endorse or recommend the services of any unaffiliated third party whom you select for purposes of using the Service's capabilities, including information aggregation capabilities, and from whom we collect your account information pursuant to your authorization.

DATA MANIPULATION

Using the Service's data manipulation capabilities, you may use various tools to populate and make other use of spreadsheet(s) as set forth in the User Documentation. With regard to the foregoing, you agree as follows:

- You agree and acknowledge that we are not responsible for any results associated with your use of any spreadsheet and/or similar representation, and/or your reliance thereupon; the appropriateness of the calculations performed in connection with your use of any spreadsheet or similar representation; the timeliness of any data populated the any spreadsheet or similar representation, as such data may not reflect true "real time" figures; the accuracy of any data provided by third parties, regardless of whether such data is populated by us or otherwise; and any data input by you.

CASH FORECASTING

Using the Service's cash forecasting capabilities, you may obtain estimates, analyses and other information based upon automated cash flow calculations. For these cash flow calculations, you may select relevant factors, such as actual account and user history, historical patterns of check clearing times and seasonality trends. You may use data from cash forecasting to take such steps (e.g. funds transfer) as you designate via certain other services for cash management purposes. You may also use the Service to obtain and implement recommended actions for managing liquidity. With regard to the foregoing, you agree as follows:

- You agree and acknowledge that, in connection with the Service's cash forecasting, we do not provide you with any guaranty or warranty regarding future payments, collections, cash requirements, funds availability or other circumstance, and you agree that you will take such steps as you deem reasonable to assess, verify, test and otherwise evaluate any forecasts or recommended actions provided pursuant to the Service.

- In providing you with various options, calculations and recommended actions to assist you with cash forecasting, we do not represent that any such options, calculations and/or recommended actions are advisable, suitable or reliable for your use. You expressly agree and acknowledge that there are inherent risks in utilizing cash forecasting tools and you assume all liability in connection with such utilization.

AUTOMATED GENERAL LEDGER INTERFACE

You may use the Service to access a capability which allows you to automatically download file(s) from your general ledger. In the event you elect to download general ledger information, you are solely responsible for verifying the accuracy, scope, completeness and timeliness of this information. You agree and acknowledge that neither we nor our service provider(s) undertake to reconcile such general ledger information in any manner or for any purpose, prior to, during or after downloading of this information to the Service. You also agree and acknowledge that our provision of this capability does not create any duty of ours either with regard to discrepancies or unauthorized actions or events or with regard to your responsibilities regarding accurate record keeping.

DISCLAIMER

We are not responsible for the accuracy, timeliness, scope, reconciliation and/or use of account and other information accessed or utilized in connection with the Service. You agree and acknowledge that all services and features utilized, and all actions taken, by you in connection with the Service are taken in your sole discretion and under your sole responsibility.

Without limiting the foregoing, you agree that the foreign exchange rates provided in connection with the Service are indicative only and are not live dealing rates. These indicative rates are provided by us solely as a courtesy. We do not accept any responsibility or liability for the accuracy or completeness of any indicative rates or for any reliance by or any other person on such rates. The indicative rates are derived from sources and models that we believe provide a reasonable approximation of market rates at the time of calculation. Rates

based on other models or differing assumptions or for different purposes may be materially different. With respect to your receipt of indicative rates in connection with the Service, you have full responsibility for all valuations of transactions for your own financial and regulatory reporting. Prices or valuations derived from use of indicative rates provided in connection with the Service do not necessarily represent or reflect prices or amounts at which any transaction could or would be entered into at this time or any other time, with us or with any other party.

In addition, we are not responsible for any data that is lost or destroyed in connection with your use of the Service. Without limiting the foregoing, we will not be responsible for any mechanical hard drive failure or other system failure, or if the Software is disabled (or "locked-up") as a result of your installation of other computer software on the personal computer, workstation or network on which Software is installed. We strongly recommend that you take the necessary measures to ensure that you perform daily back-ups of your data and the hard drives of the personal computers and/or services used in connection with the Software.

ELECTRONIC BILL PAYMENT CONSOLIDATION

Our Electronic Bill Payment Consolidation Services consolidate, reformat and deliver remittance information and other data related to payments received from Bill Payment Service Providers for credit to your account. Detailed information regarding the Services is available in the applicable User Documentation.

You agree that you will authorize Bill Payment Service Providers to deliver payments, remittance information and other related data to us for us to provide these Services to you. We will credit payments received from Bill Payment Service Providers to your account. If you elect to receive Reversals, we will debit your account for the amount of the Reversal and send such funds to the Bill Payment Service Provider.

You may also elect to have information of another company/organization reported through these Services. If you do so, you agree that you and the other company/organization will authorize the Bill Payment Service Providers to deliver payments, remittance information and other related data to us for us to provide these Services to you.

Remittance information and other data related to payments will be delivered to you in a mutually acceptable form and manner.

If you are unable to post any payments to your customers' accounts, you must promptly return such payments to us. You shall pay us immediately for the amount of any returned payments which we previously credited to your account.

ELECTRONIC DATA INTERCHANGE (EDI)

Our EDI Services allow you to disburse funds and/or deliver payment-related information to your receivers, electronically or by paper, by sending payment requests or payment-related information to us as described in the applicable User Documentation. These Services also allow you to access payments-related and remittance-related information in mutually acceptable formats received from your receivers and, where available, to match specified receivables and payables against payments.

For the web-based remittance advice delivery service, you are responsible for enrollment of your receivers on the service. During enrollment you will review and verify the accuracy of all enrollment information provided by your receivers on the specified Website. Upon completion of enrollment, you authorize us to deliver the confidential passwords and identifiers to your enrolled receiver to access the specified Website. Your receiver must keep such passwords and identifiers confidential. We will be fully protected in relying on the correct user identification codes and passwords.

SENDING PAYMENTS AND RELATED INFORMATION

When you wish to pay your receivers, you transmit a data file to us, containing instructions for your payments, in the format and by the cutoff times specified in the applicable User Documentation. When we receive a file from you under an EDI Service, we perform certain edits on the data, translate it into the appropriate format and/or medium and send the data to the payment system specified by you, except that we may use any means of transmission, funds transfer system, clearing house or intermediary bank we reasonably select. On the specified dates, we issue your payments in the required formats.

You control the content of any payment-related information you send to us and are solely responsible for the accuracy of such information. You are solely responsible for secure storage of all data relating to such information so that it can be made available to individual receivers upon request. You should reference the User Documentation for the applicable payment service to determine specific requirements for the duration of time required for data storage.

For the web-based remittance advice delivery service, we act as an intermediary to make data and information available to or from you or your enrolled receivers reasonably promptly after receipt of such information. We make the information available to your enrolled receivers on the specified Website within one Business Day of receipt. The information will be available on the specified Website for the time periods specified in the applicable User Documentation. We will not alter the content of any information that we receive from you or the receivers. We are not responsible for the accuracy of any of the information that we receive.

Payment requests originated via the EDI Services will be subject to the terms and conditions for the underlying payment services (Check Issuance and Document Printing, ACH and/or Wire Transfer and International Electronic Funds Transfer) as described in their respective sections of this Booklet.

RECEIVING REMITTANCE INFORMATION

Remittance information can be delivered to you in a mutually acceptable form and manner and will be covered under the Information Reporting section of this Booklet.

ELECTRONIC FOREIGN EXCHANGE

Our Electronic Foreign Exchange Services allow you to initiate FX Requests over the internet or by telephone. By accessing our Website, you can request that we provide an FX Transaction quotation, and by accepting our quotation you can electronically enter into FX Transactions, all in accordance with the instructions provided in the applicable User Documentation.

AUTHORIZED PERSONS

Before using an Electronic Foreign Exchange Service, you give us, by completing the applicable application, a written list of the persons authorized by you, including the security administrators, to perform certain duties in connection with the Electronic Foreign Exchange Service.

SECURITY PROCEDURE

You agree to use the Security Procedure, if any, when you send us FX Requests. The purpose of the Security Procedure is to verify the authenticity of FX Requests delivered to us in your name and not to detect errors in the transmission or content of the FX Requests. Each time you use an Electronic Foreign Exchange Service, you represent and warrant that, in view of your requirements, the Security Procedure is a satisfactory method of verifying the authenticity of FX Requests.

You agree that we may act on FX Requests, even if they are unauthorized, if we act in good faith and comply with the applicable Security Procedure and any written agreement with you restricting our action on FX Requests. In such cases, we may enforce or retain your payment to us for such FX Requests; provided, however, we may not enforce

or retain payment if you prove that the unauthorized FX Requests were not caused by a person (i) entrusted at any time to act for you with respect to FX Requests or the applicable Security Procedure, (ii) who obtained access to your premises, computer equipment or transmitting facilities or (iii) who obtained, from a source controlled by you, information (such as keys and passwords) which facilitated breach of the applicable Security Procedure.

EFFECTIVENESS OF FX TRANSACTIONS

You deliver FX Requests to us through the Service and we send you a quotation that you can accept electronically. You must follow all system instructions, procedures and warnings delivered to you on the Website provided for the Service. Once we receive your acceptance of our quote, we send you our deal acknowledgment in accordance with the applicable User Documentation, and the FX Transaction will be binding and effective. The FX Transaction is not completed until we send this acknowledgment. You are responsible for contacting us outside the Service if you have not received our electronic acknowledgment within the time specified in the applicable User Documentation (or in the absence of such specification within a reasonable time). We will book FX Transactions at our New York office. Notwithstanding anything to the contrary in this Booklet, we reserve the right to withdraw the Service or terminate your access to the Service at any time without notice.

ACCOUNT DEBITS

You must have Collected and Available Funds in your account which, when added to funds which may be made available under a line of credit, are sufficient to cover your FX Requests. You may initiate an FX Request only if the offsetting debit to your account, including the available line of credit, will not cause you to exceed the account balance according to your records. If your records and ours disagree regarding the account balance, our records will control for purposes of our processing the FX Request.

Unless you have available funds under a line of credit with us, you are obligated to pay us the amount of any FX Request once we receive your FX Request. We will debit the account you specify for the amount of your payment before we process your FX Request. If, for any Business Day, we receive more than one FX Request and/or other items payable from your account, we may debit your account for such FX Requests and items in any sequence we determine in our sole discretion.

If you have available funds under a line of credit with us, we will debit your specified account for the amount of your payment on the settlement date of the FX Transaction. Prior to the settlement date, you can request a change to the specified settlement account for the FX Transaction by using the Website for the Service. We will not be obligated to implement such a change, and the change will not be effective until we have had a reasonable opportunity to review and act upon your request.

REJECTION OF FX REQUESTS

We may reject any FX Request which does not comply with the requirements of this Booklet or the applicable User Documentation, including any processing limits described in such User Documentation, or which we have been unable to verify through use of the Security Procedure. We also may reject any FX Request which exceeds the Collected and Available Funds (including funds made available under a line of credit) on deposit with us in the applicable account. Notice of rejection is given to you by telephone, by electronic means, by facsimile or, in event such notice cannot be given by any of those means, by mail. Notices of rejection will be effective when given.

CONFIRMATIONS AND SETTLEMENTS

You agree that FX Transactions effected through the Service are automatically confirmed and do not require any further confirmation. Foreign exchange transactions effected by a method other than the Service may also be confirmed on the Website for the Service in accordance with the User Documentation. Your electronic confirmation of each such foreign exchange transaction shall have the same effect as if you had received a written confirmation from us and had reviewed, manually signed and returned the signed confirmation to us.

INTERRUPTION OF COMMUNICATIONS

In the event of a service interruption involving the Service, you may effect FX Transactions, confirm FX Transactions, and specify settlement instructions by contacting one of our trading rooms or operations centers by telephone as designated in the applicable User Documentation.

ELECTRONIC STOP PAYMENT

Our Electronic Stop Payment Services allow you to electronically place or cancel a Stop Payment Request. This is in addition to your ability to make stop payment requests in person, by telephone or in writing as described in your Account Agreement.

A Stop Payment Request will not be effective until we review our records for the time period specified in the applicable User Documentation, determine that the check has not been paid during that period and respond to you with an online status of your request of "accepted" (rather than "rejected" or "pending").

A Stop Payment Request terminates at the end of the period designated in the applicable User Documentation, unless the Stop Payment Request is renewed or canceled earlier. A Stop Payment Request is canceled automatically when the account on which the check is drawn is closed or transferred.

REQUESTING STOP PAYMENTS

You will include in each Stop Payment Request the Magnetic Ink Character Recognition (MICR) serial number and exact amount (dollars and cents) of the check for which payment is being stopped and the account number on which the check is drawn. You understand and agree that we can only stop a check that shows exactly the same MICR serial number and amount as that included in the related Stop Payment Request since our computer system identifies a check on the basis of the MICR serial number and the exact amount of the check.

You will review your account statements prior to transmitting any Stop Payment Request. You will not transmit any Stop Payment Request relating to a check that has been shown to be paid on such statements. If a check does not appear as paid on a statement with the correct check serial number due to defective or damaged MICR information on the check, we are not liable for processing the check.

In some cases, we may pay a check even if a Stop Payment Request is in effect. For example, if one of our branches (or banking centers) or affiliates becomes a "holder in due course" of the check that you asked us to stop, we may still pay the check.

The procedures for placing and acknowledging Stop Payment Requests are described in the applicable User Documentation.

IMAGE SERVICES

Our Image Services will make available to you digital images of checks, drafts, deposited items, returned items, notices of debit adjustments (with respect to this section, "debits") and/or notices of credit adjustments and deposit slips (with respect to this section "credits") with respect to specified accounts established with us. (Such Services do not include Image Lockbox Services, which are provided in connection with our Lockbox Services.) Digital images will be made available to you at such times as may be set forth in the applicable User Documentation or as otherwise established by us.

Images may be made available to you by Website, file transmission or by CD-ROM/DVDs. Images available via Website include checks, drafts, deposited items, returned items, debits and credits. Images available via file transmission include checks, drafts, returned items, debits and credits. Digital images made available via CD-ROM/DVDs, which may be accessed through the use of CD-ROM/DVD software that we provide to you, include

checks, drafts, debits and, credits. If you elect to receive Account Reconcilement reports and/or Demand Deposit Account (DDA) statements on a CD-ROM/DVD, images of such reports and/or statements will also be made available to you by CD-ROM/DVD.

If an image of a check or draft is missing or is illegible, we will provide you with a copy upon your request. Your request must include the account number, the check serial number, the exact amount (dollars and cents) of the payment and the date the payment was made. We may assess a fee for copies provided to you. We will not be liable for failure to provide copies by a given time or for failure to provide copies we are not reasonably able to provide.

Notwithstanding the Limitation of Liabilities section of this Booklet, we will not be liable for damages arising under any Image Service in excess of the amount of the check, draft or miscellaneous debit giving rise to your claim. Any such claim must include the account number, the check serial number, the exact amount (dollars and cents) of the payment, the date the payment was made, the name of the payee, a detailed explanation of how the claimed loss occurred and the name, address and phone number of the payee.

Notwithstanding the Suspension and Termination section of this Booklet, in the case of an Image Service using CD-ROM/DVDs, termination of such service upon 30 days notice may not be effective earlier than the first day of the statement period immediately following the statement period during which such notice is given.

INFORMATION REPORTING

Our Information Reporting Services make certain account, transaction and related information available to help you control and manage your accounts. This may include information generated from other Services you use. You may have information reported directly to you or, with certain of our Information Reporting Services, reported at your direction to another financial institution or other entity. Information reported on a current day basis is subject to updating and, therefore, at any point in time may not reflect the information on our records at such time. In addition, such information may be subject to adjustment upon final posting. Detailed information regarding an Information Reporting Service is available in the applicable User Documentation.

ACCOUNTS OF OTHER COMPANIES/ORGANIZATIONS

You may elect to have accounts of another company/organization reported to you with any of our Information Reporting Services. You agree that, for each such account, the company/organization will provide us with its written authorization, in a form acceptable to us, for us to make its account information available to you. However, you do not need to provide us such written authorization if the other company/organization is a U.S. Subsidiary and its accounts are domiciled in the United States of America. In that case, you represent and warrant that such other company/organization is a U.S. Subsidiary and that it has authorized us to make its account information available to you.

ACCOUNTS AT OTHER BANKS

You may also elect to have your accounts, or accounts of another company/organization, that are maintained at another financial institution reported through certain of our Information Reporting Services. If you do so, you agree that you and the other company/organization will authorize such other financial institution to make the reporting information available to us and to take all other actions necessary for us to provide Information Reporting Services to you. We shall not be responsible for the accuracy or timeliness of any information provided to us by any such financial institution.

THIRD-PARTY INFORMATION

If you gain, through your use of one or more Services, access to any information relating to any person other than us, you or any of your Subsidiaries which have authorized your receipt of such information, you agree that you will treat such third-party information as strictly confidential and you shall not disclose it to any person outside your company or to any persons within your company except those who have a need to know. Further, you shall ensure

that adequate measures have been taken to prevent the unauthorized use of any such third-party information. You agree that you will not use any such third-party information for your own purposes other than in a communication to us relating to the Service.

LOCKBOX

Our Lockbox Services involve the processing of checks and other payment instruments, such as drafts, that are received at a Lockbox Address or by special arrangement with us, excluding without limitation the processing of cash, stock certificates and tangible valuables. With a Lockbox Service, you instruct your customers to mail checks and other payment instruments you want to have processed under a Service to the Lockbox Address. We are not liable to you for losses you suffer if anything other than checks or other payment instruments are sent to the Lockbox Address. We and/or our agents will have unrestricted and exclusive access to the mail sent to the Lockbox Address.

If we receive any mail containing your lockbox number at our lockbox operations location (instead of the Lockbox Address), we may handle the mail and reserve the right to deposit the items as if they had been received at the Lockbox Address.

PROCESSING

We will handle checks received at the Lockbox Address according to the applicable Account Agreement, applicable User Documentation and our availability schedule, as if the checks were delivered by you to us for deposit to your designated account, except as modified by this Booklet.

We will open the envelopes picked up from the Lockbox Address and remove the contents. Checks and other documents contained in the envelopes will be inspected and handled in the manner specified in the set-up documents for the applicable Lockbox Address. We capture and report information related to the lockbox processing, where available, if you have specified this option in the set-up documents. As appropriate, we will endorse all checks we process on your behalf and deposit them in the account you designate for the applicable Service.

If we process an unsigned check as instructed in the set-up documents, and the check is paid, but the account owner does not authorize payment, you agree to indemnify us, the drawee bank (which may include us) and any intervening collecting bank for any liability or expense incurred by us or such other bank due to the payment and collection of the check.

If this option is available and if you instruct us not to process a check bearing a handwritten or typed notation "Payment in Full" or words of similar import on the face of the check, you understand that we have adopted procedures designed to detect checks bearing such notations; however, we will not be liable to you for losses you suffer if we fail to detect checks bearing such notations.

Unless we agree otherwise, each Business Day we will prepare and send remittance materials (images via internet, electronic file and/or paper packages) relating to the Lockbox Address to you at the address you specify for that Lockbox Address other than image lockbox. The material will include, but is not limited to, any checks not processed in accordance with the set-up documents plus information regarding the deposit for the day. For the wholesale Lockbox Service, the package will also include invoices and other materials received at the Lockbox Address.

If you subscribe to the Image Lockbox Service, unless we agree otherwise, we will retain images of processed, lockbox checks, remittance documents and correspondence for an archive period of a rolling 45 days. The images will be sent to you via an encrypted CD-ROM or other encrypted medium as specified in the User Documentation. Upon receipt, you must promptly notify us if such CD-ROM contains a media defect or is unreadable in its entirety. Subject to the terms herein regarding the retention of lockbox images, we will use reasonable efforts to replace the CD-ROM, which shall be our sole obligation and your sole remedy with respect to defects in the CD-ROM. If you

elect to not receive an encrypted CD-ROM of the lockbox images, we will have no obligation to provide copies of such items, other than a copy of the check image.

ACCEPTABLE PAYEES

For the Lockbox Address, you will provide to us the names of Acceptable Payees in writing. We will process a check only if it is made payable to an Acceptable Payee and if the check is otherwise processable. In some jurisdictions outside the United States, an Acceptable Payee is limited to you and limited variations of your name. In all other jurisdictions, including the United States, you warrant that each Acceptable Payee is either you or your affiliate. If an Acceptable Payee is your affiliate, then you also warrant that such Acceptable Payee has authorized checks payable to it to be credited to the account you designate for a Lockbox Service. We may require written authorization from any such Acceptable Payee. We may treat as an Acceptable Payee any variation of any Acceptable Payee's name that we deem to be reasonable.

NOTIFICATION SERVICE

Our Notification Services, where available, allow you to receive certain types of Notices. The types of Notices relating to a particular Service are further described in the User Documentation.

You agree Notices are in addition to and not a replacement of or substitution for the Services received by you under this Booklet or any other agreement between you and us. As set forth in the User Documentation, your system administrator(s) shall instruct us with respect to your use of the Notification Services.

You acknowledge and agree that Notices are provided as a convenience and as such you (a) acknowledge and agree that you may not rely on the receipt or expected receipt of a Notice, or the contents (or lack thereof) of any Notice, to relieve you of any of your obligations or duties under the terms of this Booklet or otherwise, and (b) must continue to use the Services in compliance with the applicable terms of this Booklet or such other agreement between you and us. Notwithstanding any terms to the contrary, you agree that we shall not be liable in any case: (i) for any failure to provide, or any delay in providing, any Notice, (ii) if any Notice is intercepted or received by an unauthorized person or entity, and (iii) if any Notice is inaccurate or incorrect in any way.

PAYMENT AND INVOICE PROCESSING SERVICES

When you enroll to use the Payment and Invoice Processing Services, you will choose to enroll as a Disburser or Payer, or both. With our Payment Service, if you are a Disburser you may request us to originate on your behalf payments to Collectors. With our Invoice Processing Service, if you are a Payer, you will receive invoices sent to us from Billers, manage those invoices through use of our Website, and elect whether to use our purchase order matching process. The capitalized ACH terms appearing in italics below are defined in the NACHA Rules.

SECURITY PROCEDURE

You agree to use the Security Procedure when you electronically transmit Transaction Requests to us or our third party processor. The purpose of the Security Procedure is to verify the authenticity of Transaction Requests delivered to us or our third party processor and not to detect any errors in the transmission or content of these messages. Each time you use a Payment Service, you represent and warrant that, in view of your requirements, the Security Procedure is a satisfactory method of verifying the authenticity of Transaction Requests. You agree we or our third party processor may act on any electronically transmitted Transaction Request, the authenticity of which we or our third party processor, as applicable, have verified through use of the Security Procedure.

YOUR RESPONSIBILITIES

If you are a Disburser:

- You must create and transmit to us or our third party processor a Transaction Request for each Entry you want us to originate on your behalf. You must make certain that each Transaction Request conforms in form and substance to the requirements, including cutoff times on a Business Day, described in the applicable User Documentation.
- You must retransmit any Transaction Request or other message initially transmitted to us or our third party processor through the Payment Service if you have not received an acknowledgment message from us or our third party processor within the time period specified in the applicable User Documentation.
- You authorize us or our third party processor to originate credits and debits to your Transaction Account through the ACH network in accordance with this Booklet and the NACHA Rules.
- You must comply with the NACHA Rules for all Transaction Requests and Entries, whether or not a Transaction Request or Entry is sent through the ACH network. We act as the *Originator*, on your behalf, and *Originating Depository Financial Institution (ODFI)* with respect to Entries. You will deliver Transaction Requests to us as provided in the User Documentation and the NACHA Rules. The NACHA Rules govern if they conflict with this Booklet or User Documentation, except that the file specification requirements in the User Documentation govern if they conflict with the NACHA Rules.
- Before using the Payment Service, you must give us a written list, in a form acceptable to us, of the persons authorized by you to verify the authenticity of Transaction Requests, Entries and Reversal/Deletion Requests in accordance with the Security Procedure and to perform certain other duties in connection with such Service.
- You must pay us with Collected and Available Funds for all Transaction Requests and credit Entries before the settlement date. If you pay us using one of our Wire Transfer Services, the terms and conditions of the Wire Transfers and International Electronic Funds Transfers section of this Booklet will apply. If you pay us using one of our Automated Clearing House (ACH) Services, the terms and conditions of the Automated Clearing House (ACH) section of this Booklet will apply.

If you are a Payer:

- You will receive invoices from Billers through the Invoice Processing Service.
- If you elect to use our purchase order matching process, you will send us a file of outstanding purchase order data, which we will use to match invoices and purchase orders.
- You will use the applicable Website to manage invoices by you, as described in the User Documentation.
- For those invoices, which are approved by you, you will enter such invoice in your accounts payable system and send payment to Biller in accordance with your agreement with such Biller.
- With respect to the Invoice Processing Service, you agree that we have no obligation to process payments or to make certain payments are made to Billers.
- You will resolve disputes regarding invoices from Billers directly with such Billers and we have no responsibility with respect to such disputes.

When you enroll to use the Payment and Invoice Processing Services, you will become a member of the Network. If you are a Disburser or a Payer, you must comply with the Network operating rules. The operating rules are available for your review at https://secure.paymode.com/policies/operatingrules.htm.

OUR RESPONSIBILITIES

If you are a Disburser:

- We will send Entries on your behalf and in accordance with your Transaction Request through the ACH system or processed directly to Transaction Accounts with us, all in accordance with the User Documentation. We may send Entries to any ACH processor selected by us or directly to another bank.
- We will send an Entry to the ACH processor for settlement on the date you select in the applicable set-up documentation, if we receive the Transaction Request by the applicable processing deadlines specified in the User Documentation for the Payment Service and, unless we agree in writing otherwise, we have received Collected and Available Funds from you for the Entry. We may treat Transaction Requests we

receive from you for processing after a deadline as if received on the next Business Day. Transaction Requests will be deemed received by us when we receive the complete file at the location specified in the User Documentation.

- We will debit your Transaction Account for the amount of the Transaction Request.
- We will make available to your Collectors any remittance information received from you, as set forth below.
- We will give you secure access to the status and history of payments made by you through use of the Payment Service.
- At your request, we will contact those entities you identify to discuss with them enrolling as Collectors, as described in the User Documentation.

If you are a Payer:

- We will send you invoices from Billers.
- If you elect to use our purchase order matching process, we will accept from you an electronic file of outstanding purchase orders for use in that process and match invoices to purchase orders, as described in the User Documentation.
- We will provide you with a Website through which you can view and manage invoices, as described in the User Documentation.
- We will send you an electronic file of approved invoices.

PROVISIONAL PAYMENTS

You agree to comply with the NACHA Rules for all Transaction Requests and Entries. You agree to be bound by the provision of the NACHA Rules providing that payment of a credit Entry by the *Receiving Depository Financial Institution (RDFI)* to the *Receiver* is provisional until the *RDFI* receives final settlement for the Entry. If final settlement is not received, the *RDFI* is entitled to a refund from the *Receiver* of the amount credited. This means that the *Receiver* will not have been paid.

Our payment of any debit Entry, returned credit Entry or credit Reversal is provisional until we receive final settlement for the Entry or Reversal. If final settlement is not received, we are entitled to a refund and we may charge your Transaction Account for the amount previously credited. We may delay the availability of any amount credited for a debit Entry or credit Reversal if we believe that there may not be sufficient funds in your Transaction Account to cover any chargeback or return of the Entry or Reversal.

NOTICE OF ACCOUNT STATEMENT DISCREPANCIES

Information concerning Entries will be reflected in your account statements and, in some cases, in the form of written or electronic advices or reports that are produced by the Payment and Invoice Processing Services. You must send us written notice, with a statement of relevant facts, within 14 days after you receive the first notice or statement indicating a discrepancy between our records and yours. If you fail to give the required notice, we will not be liable for any loss of interest or for compensation for any other loss or cost relating to an unauthorized or erroneous debit to your account or any other discrepancy reflected in the notice or account statement. You must notify us promptly by telephone or other electronic means approved by us for such purpose, and confirm such notice in writing, of information concerning an unauthorized or erroneous debit to your account if you learn about or discover it from any source other than a statement, advice or report from us.

POSITIVE PAY

Our Positive Pay Services allow you to identify exception items, to request photocopies and/or electronic images of exception items and to instruct us whether to pay or return those items. The options and features available for our Positive Pay Services are described in the applicable User Documentation. In many locations, if you send us an issue

file, your information may be made available at the teller line. This is called "Teller Positive Pay," which helps identify fraudulent checks that are presented for payment or deposit at many of our banking centers. Where available, you also have the option to include payee names with the information available at the teller line. This service is called "Payee Positive Pay." With Teller Positive Pay, or Payee Positive Pay, where available, the decision whether to pay such an item may be made by us at the teller line. Where available, you can also identify ACH Entries as exception items. Please refer to the terms and conditions specified in the ACH Positive Pay section of this Booklet.

On each Business Day, we provide you a report of checks presented to us for payment on the prior Business Day and which we have identified as exceptions based on information you have provided to us and as more fully described in the applicable User Documentation. Exceptions are determined by comparing checks presented to us (either by other depository institutions or, where applicable, for cashing at one of our banking centers) with lists of checks issued or canceled by you which you transmit electronically to us each Business Day by the time specified in the applicable User Documentation. Alternatively, where available, you may choose an option under which we report all checks presented for payment, in which case we will treat all such checks as exception items.

On the same day we report exception items to you, you must notify us, by the deadline specified in the applicable User Documentation, which checks you want us to pay or which to dishonor and return. If you fail to notify us by the deadline, we will handle the exception items in accordance with the prescribed default procedure (which you may choose where the choice is available). Where required, you will indicate which checks you want us to return, having been deemed by you to be fraudulent. Our deadlines, default procedures and procedures for acknowledging pay and return requests are described in the applicable User Documentation. In order to assist you in making your decision whether we should pay or return exception items, you may request a copy of any exception item.

AUTHORIZED PERSONS

Before using a Positive Pay Service, you give us a written list, in a form acceptable to us, of the persons authorized by you to perform certain duties in connection with such Service.

ONLINE OPTION

You may access the daily reports of exception items via one of our Websites. Using that system, you must then notify us by the appropriate deadlines which exception items to pay or which to return. Notwithstanding any courtesy alerts we may provide to you regarding reports of exception items, you are responsible for checking the applicable Website for daily reports of exception items and notifying us by the appropriate deadlines which exception items to pay or which to return.

You may request photocopies of exception items, which we will fax to you, as more fully described in the applicable User Documentation. Where available, you may arrange to receive and display electronic images of exception items.

MANUAL OPTION

Where available, we will provide you a report of exception items. You must then notify us by the appropriate deadlines which items to pay or which to return.

ACKNOWLEDGMENTS

You authorize us to return checks or to pay checks in accordance with your instructions and the default procedure in the applicable User Documentation. We will have no liability for payment of a check which is unauthorized or fraudulent if (i) the check is included in a report of exception items, (ii) you have not selected a return default for exception items and (iii) you do not give us timely instructions to return the check.

You acknowledge that our Positive Pay Services do not preclude our standard check processing procedures, which may cause a check to be dishonored even if your instructions or the default procedure do not otherwise require us to return such check.

You acknowledge that, if you have our Teller Positive Pay Service, the decision whether to pay or not pay an item may be made by us at a banking center.

If you decline to use the Teller Positive Pay Service offered by us, or fail to meet the applicable issue file deadlines in the User Documentation, you also acknowledge that, as between you and us, you will bear the full loss on checks which are drawn on your accounts with us and paid or deposited by us in good faith if the checks are counterfeits or bear unauthorized alterations to the amounts or unauthorized maker signatures, even if such checks would otherwise be exception items.

You acknowledge that our Positive Pay Services are intended to be used to identify and return checks which you suspect in good faith are fraudulent. They are not intended to be used as a substitute for stop payment orders on checks which are not suspected in good faith to be fraudulent. If we suspect or deem, in our sole discretion, that you are using these Services contrary to those intentions, we may require you to provide evidence that checks we return pursuant to your instructions or the return default, if applicable, were in fact fraudulent. In addition, we may hold you liable for losses we sustain on checks which we are requested to return under these Services and which you do not reasonably establish as fraudulent checks.

We will use reasonable efforts under the circumstances to respond promptly to proper requests for copies of exception items if image items are unavailable, but you acknowledge that our failure to provide copies does not extend the deadlines by which you must notify us of your pay/no-pay decisions.

You acknowledge that you must fulfill your responsibilities in connection with a Positive Pay Service on each Business Day.

In the event we are required to utilize our business continuity procedures, we will, if feasible, apply the default procedure in the applicable User Documentation. In some cases, we may attempt to contact you.

RECLEAR

Our Reclear Service resubmits a check or other payment instrument to the financial institution on which it was drawn if the check or payment instrument has been returned to us unpaid with the notation "refer to maker," "nonsufficient funds" or "uncollected funds." Generally, we will not notify you that such an item has been returned to us unpaid before we reclear it. If a recleared item is returned to us a second time, we will charge your account for the total amount of the check or payment instrument. We generally total your returned items each day, debit your account for the total amount and then send the returned checks and payment instructions to you. The items we send to you serve as your notice of the nonpayments.

RE-PRESENTMENT CHECK (RCK)

Our RCK Services allow you to collect eligible RCK checks that have been returned for insufficient or uncollected funds, using the ACH Services within the United States of America, as described in the applicable User Documentation. The creation of the RCK Entries on your behalf by us using the ACH Services will be subject to the terms and conditions of the ACH section of this Booklet, including but not limited to the Security Procedures requirements described in that section. The capitalized ACH terms appearing in italics below are defined in the NACHA Rules.

YOUR RESPONSIBILITIES

You authorize us to create RCK Entries on your behalf as provided in the User Documentation and the NACHA Rules. You are deemed to be the *Originator* under the NACHA Rules, and on each day you use a Service, you represent and warrant that (i) you have obtained all necessary authorizations from the *Receiver* prior to the initiation of any corresponding ACH Entry for a RCK and (ii) you accept as *Originator* all liability corresponding to the representations and warranties we as *ODFI* make under the NACHA Rules regarding RCK.

You shall pay us for the amount of any returned debit Entries (including rejected debit Entries) or any adjustment Entries accepted by us and which we have previously credited to your account. Such amounts shall be immediately due and payable by you to us. Returned debit Entries appear on your reports to the extent agreed by you and us, and you agree that we do not need to send a separate notice of debit Entries which are returned unpaid.

COMPLIANCE WITH NACHA RCK RULES AND LAWS

You agree to comply with the NACHA Rules for all Entries whether or not an Entry is sent through the ACH network. You act as an *Originator* and we act as an *ODFI* with respect to Entries. The NACHA Rules govern if they conflict with this Booklet, except that the file specification requirements in the User Documentation govern if they conflict with the NACHA Rules.

Each time you use an RCK Service (i) you warrant that you have obtained the appropriate authorization from each *Receiver* and the Entries conform to the authorization and comply with the NACHA Rules and (ii) you make the same warranties to us as we make under Section 2.2 or any successor section of the NACHA Rules.

TAX PAYMENTS

Our Tax Payment Services allow you to instruct us, using a touchtone telephone, our Software on your computer, our Website, and any such method as may be described in the applicable User Documentation, to pay any of your taxes which are reported or filed using the tax forms as more fully described and specified in such applicable User Documentation. Based on your Tax Payment Instructions, we prepare and remit your tax deposits. Each of these Services is described in the applicable User Documentation.

SECURITY PROCEDURE

You agree to use the Security Procedure when you deliver Tax Payment Instructions and, as provided in the applicable User Documentation, cancellation requests to us. The purpose of the Security Procedure is to verify the authenticity of Tax Payment Instructions or cancellation requests and not to detect errors in the transmission or content of these messages. You represent and warrant each time you use a Tax Payment Service that, in view of your requirements, the Security Procedure is a satisfactory method of verifying the authenticity of these messages. You agree we may act on any Tax Payment Instructions or, as provided in the applicable User Documentation, cancellation requests, the authenticity of which we have verified through the use of the Security Procedure.

CUTOFF TIMES

You must comply with the deadlines specified in the applicable User Documentation for initiation of Tax Payment Instructions. If a Service allows you to send instructions to us after the cutoff time, or on a non-Business Day, we may treat these instructions as if we received them on the next Business Day.

COMMUNICATION EXPENSE AND RISK

Transmission of Tax Payment Instructions to us will be at your expense, except that we may provide a toll-free number telephone service. If that service is disrupted for any reason, you have the responsibility and risk of using alternative means of communicating Tax Payment Instructions to us accurately and in time for us to perform any Tax Payment Service.

REQUIRED INFORMATION

You will furnish us with all required information and authorizations at the times, in the manner and with the content specified in the applicable User Documentation.

TAX FORMS AND REMITTANCES

After we have received complete Tax Payment Instructions from you, we prepare the related tax forms (which may be on a magnetic tape or by electronic transmission as authorized by the Internal Revenue Service or other tax authority, as applicable) for submission to the appropriate tax authority.

If permitted by the input method, you may specify a settlement date in accordance with the User Documentation. If you use a touchtone phone as your input method, you may request a specified settlement date by calling the designated customer representative for the applicable Tax Payment Service.

For purposes of these Services, settlement date means the date you specify that the taxing authority's account is to be credited. If you do not specify a settlement date, we will pay the amount you specify on or before the tax due date. If you specify the settlement date, payment will be made on the settlement date.

ACCOUNT DEBITS

If you do not specify a settlement date, we debit your account for any tax payment on the Business Day of transmission. If you specify a settlement date, we generally debit your account on the settlement date unless you are prefunding your tax payments. Prefunding means that you pay for all tax payments by such time before the settlement date as we may specify. At our discretion, we may at any time without notice debit your account on the Business Day that Tax Payment Instructions are transmitted to us (or on any other later date). If we debit the funds on the transmission date (or any other date before the payment date), we hold the funds as a deposit liability to you, and not as trust funds, until the date when we remit the funds to the appropriate tax authority. We will not pay you interest on the funds.

We reserve the right to debit your account and to make a tax payment on your behalf earlier than the tax due date if the information in your Tax Payment Instruction is unclear or inadequate to permit us to determine the later due date under the applicable Tax Payment Service or if we otherwise reasonably decide that any delay in the payment of the tax may expose you to liability for a tax penalty. In such case we will not be liable to you for any lost use of funds.

REJECTION OF INSTRUCTIONS

We may reject your instructions during or immediately after transmission to us if they do not comply with the requirements of this Booklet or the applicable User Documentation or which we have been unable to verify through use of the Security Procedure. You will be informed of any such rejection only as specified in the applicable User Documentation, and no other notice of rejection will be provided.

In addition, we may decline to perform any Tax Payment Service or to report any tax, file any tax form, or pay any related tax for you, even if we have received instructions to do so, if the tax payment and our related service fees and charges exceed the Collected and Available Funds on deposit in your account or your ACH processing limit. If we reject a Tax Payment Instruction for that reason, we will promptly notify you by telephone or facsimile transmission in which case we will not be liable to you for the tax payment, any interest on the amount of your tax liability, or for any tax penalty imposed on you in connection with the tax liability. You agree these means of communication are a reasonable means of notifying you.

CANCELLATION

Subject to the provisions in the User Documentation, you may cancel a Tax Payment Instruction prior to disconnection of the telephone call in the case of an instruction initiated by touchtone telephone or prior to transmission to us of an instruction initiated through your computer or our Website.

Thereafter, a Tax Payment Instruction may be canceled only if:

- The tax payment has not been remitted, credited or otherwise made available to a tax authority

- A request to cancel provides sufficient information for us to effect the request
- The request is received by us by telephone or, at the option of either you or us, in writing (including facsimile transmissions) in time (but in no event later than the deadline specified in the applicable User Documentation) to afford us a reasonable opportunity to effect the request

OVERPAYMENTS

If we make an overpayment of your tax liability due to our error, we will recredit your account for the amount of the overpayment, and you agree to take such actions as we reasonably request to obtain a refund of the overpayment and to arrange for payment of such refund to us. In any event, you agree to repay us for any overpayment upon the earlier of (i) your recovery of such overpayment or (ii) the application of the related tax credit to another of your tax payment obligations.

RECORDS AND NOTICE OF ERRORS

We will provide you with statements and confirmations containing information about your tax payments in accordance with and subject to the applicable User Documentation.

Nothing in this Booklet relieves you of any duty imposed by law or contract regarding the maintaining of records or from employing adequate audit, account and review practices customarily followed by similar businesses. You will promptly review for accuracy all records, information and statements delivered from time to time to you by us.

You must send us written notice, with a statement of relevant facts, within 14 days after you receive the first notice or statement indicating a discrepancy between our records and yours. If you fail to give the required notice, we will not be liable for any loss of interest or for any compensation for any other loss or cost relating to an unauthorized or erroneous debit to your account or because of any other discrepancy in the notice or account statement. You must notify us promptly by telephone, confirmed in writing, if you learn or discover from any source other than a notice or statement from us of information concerning an unauthorized or erroneous debit to your account.

SUPPLEMENTAL LIMITATION OF LIABILITIES

For each Tax Payment Service, this section supplements the Limitation of Liabilities section of this Booklet.

If any Tax Payment Service is interrupted for any reason and you are unable to complete transmission of your Tax Payment Instruction to us, you will not be relieved of your obligation to make any tax payment otherwise contemplated to be made by such Service. We will not incur any liability if you fail to make any required tax payment by other means in the event of such interruption.

Notwithstanding anything to the contrary, if you initiate a Tax Payment Instruction using an "expedited payment request", as specified in the applicable User Documentation, such "expedited payment request" is subject to our prior approval, at our sole discretion. If we do approve your use of such an "expedited payment request", and you comply with the specific instructions and procedures set forth in the applicable User Documentation, we will make a reasonable effort to act on the Tax Payment Instruction initiated using such "expedited payment request," but we will have no liability if it is not effected.

WIRE TRANSFERS AND INTERNATIONAL ELECTRONIC FUNDS TRANSFERS

This section applies to our U.S. domestic and worldwide wire and internal funds transfer services and to our International Electronic Funds Transfer Services outside the United States of America. It does not apply to ACH Services within the United States of America, which are covered in the Automated Clearing House (ACH) section of this Booklet.

Wire Transfer and International Electronic Funds Transfer Services permit you to transfer funds electronically and, as appropriate, to transmit related messages as more fully described in the applicable User Documentation. These

transfers are typically from your accounts with us to other accounts at our bank, at our affiliated banks or at other eligible banks. These transfers may also include transfers to your accounts with us from your accounts at other banks. These transfers may be made according to a specific request from you or according to your standing instructions (which may include daily sweeps from your accounts at our affiliated banks to your account with us). They also may be low-value batch payments made according to multiple requests within a single electronic data file for transfers to or from your accounts.

MULTIBANK

The Multibank Service permits you to relay through us your instructions to another bank to wire transfer funds from one of your accounts held at that other bank (as used in this section, "multibank instructions"). Before using the Multibank Service, you must provide us with the account number and bank name for each account to be debited using this Service. You also must provide the bank holding the debit account with express, written authorization (with a copy to us where requested) to act on instructions we send to it under this Service. You agree that we may rely on that authorization until we have had a reasonable opportunity to act on notice that it has been revoked.

Multibank instructions are not payment orders to us, and we have no obligation to execute, transmit or accept any payment orders made to us under the Multibank Service.

If we receive any multibank instruction via SWIFT, we will relay your instructions to the receiving bank, subject to business day schedules for us, SWIFT, and the receiving bank. We will have no liability arising out of or relating to our forwarding, or any rejection by the other bank of, any such instruction which is not in the SWIFT format required by the other bank for such instruction. Your multibank instructions to us via SWIFT must be sent to the SWIFT address specified by us to you from time to time.

If we receive any multibank instructions other than via SWIFT, we will either, (i) where feasible, create a SWIFT formatted message from your instruction and relay it by SWIFT to the other bank, or (ii) use whatever means or medium we deem appropriate, including use of third-party facilities, to reformat and transmit your payment order to another bank, and we have no duty to do so if your request is defective, incomplete, erroneous or inconsistent with the terms of this Booklet. We may act on your multibank instructions as we reasonably consider appropriate notwithstanding any error, omission, defect or lack of clarity in its terms and even if the instructions appear to duplicate other multibank requests. You agree that your indemnity of us, as set forth in the Protection From Third Parties section of this Booklet, applies to any claims by another bank based on our sending a multibank instruction containing any error, omission, defect or lack of clarity.

If you wish to cancel or amend a payment order set forth in a multibank instruction, you must contact the bank to which the payment order is directed and act in accordance with its procedures.

Reports on multibank instructions which we have processed may be included in an Information Reporting Service if you have arranged such reports from the bank that is subject to such instructions.

COMPLIANCE WITH RULES AND LAWS

You agree to comply with all applicable payment system rules, including the national payment system rules and any other applicable laws and regulations of the receiving country of your transaction. You also agree to comply with the authorization and notice requirements applicable to any Request to debit another person's account.

AUTHORIZED PERSONS

Before using a Wire Transfer Service or an International Electronic Funds Transfer Service, you give us a written list, in a form acceptable to us, of the persons authorized by you to perform certain duties in connection with such Service.

SECURITY PROCEDURE

You agree to use a Service in accordance with the relevant Security Procedure. The purpose of the Security Procedure is to verify the authenticity of Requests delivered to us in your name and not to detect errors in the transmission or content of Requests. You represent and warrant each time you use a Wire Transfer Service or an International Electronic Funds Transfer Service that, in view of your requirements, the Security Procedure is a satisfactory method of verifying the authenticity of Requests.

You agree that we may act on Requests, even if they are unauthorized, if we act in good faith and comply with the applicable Security Procedure and any written agreement with you restricting our action on Requests. In such cases, we may enforce or retain your payment to us for such Requests; provided, however, we may not enforce or retain payment if you prove that the unauthorized Requests were not caused by a person (i) entrusted at any time to act for you with respect to Requests or the applicable Security Procedure, (ii) who obtained access to your premises, computer equipment or transmitting facilities or (iii) who obtained, from a source controlled by you, information (such as keys and passwords) which facilitated breach of the applicable Security Procedure.

ACCOUNT DEBITS

You must have Collected and Available Funds in your account which, when added to funds which may be made available under a line of credit, are sufficient to cover your Requests. You may initiate a Request only if the offsetting debit to your account, including the available line of credit, will not cause you to exceed the account balance according to your records. If your records and ours disagree regarding the account balance, our records will control for purposes of our processing the Request.

You are obligated to pay us the amount of any Request once we act on, other than to reject, your Request. At our discretion, we may at any time without notice require payment before we process your Request. Even if we have done so in the past, we are not obligated to process any Request without having first been paid by you, but, if we do, the amount is immediately due and payable without notice or demand.

Prior to initiating any Wire Transfer Service Request to debit an account of a third party, you must provide us with documents, in a form acceptable to us, evidencing the third party's authorization.

You will pay us for the amount of any returned or rejected debit transactions, or any adjustments, which we previously credited to your account.

If, for any Business Day, we receive more than one Request and/or other items payable from your account, we may debit your account for such Requests and items in any sequence we determine in our sole discretion.

ACTING ON REQUESTS

We will use any means of transmission, funds transfer system, clearing house or intermediary bank we reasonably select to transfer funds.

After we receive a Request by the applicable processing deadline (as specified in the applicable User Documentation), but no later than the value date stated in your Request (if such date is not earlier than the day such Request is received), we will act upon such Request by making applicable accounting entries or by transmitting payment instructions to the applicable bank or other party. If applicable, our acting on your Request will also be subject to the business day schedule of any of our banking centers or affiliates holding an account to be debited or credited under a Service. We may treat Requests we receive after a deadline as if we received them on the next Business Day. International Electronic Funds Transfer Services Requests will be deemed received by us when we receive the complete electronic data file at the location specified in the applicable User Documentation.

REJECTION OF REQUESTS

We may reject any Request which does not comply with the requirements of this Booklet or the applicable User Documentation, including any processing limits described in such User Documentation, or which we have been unable to verify through use of the Security Procedure. We also may reject any Request which exceeds the Collected and Available Funds (including funds made available under a line of credit) on deposit with us in the applicable account. We may also reject any Request if it may be returned for any reason under the applicable national payment system rules of the receiving country of your transaction. Notice of rejection may be given to you by telephone, by electronic means, by facsimile or by mail, depending upon the method of origination. Notices of rejection will be effective when given.

CANCELLATION OR AMENDMENT

We have no obligation to cancel or amend Requests after we receive them or to cancel or amend any particular funds transfer requested by a standing instruction which is in effect, however, if you send us a Request instructing us to cancel or amend a prior Request and we are able to verify the authenticity of the cancellation or amendment Request using the Security Procedure, we will make a reasonable effort to act on that Request, but we will not be liable if it is not effected. You agree to indemnify us against and hold us harmless from any and all liabilities, claims, costs, expenses and damages of any nature, including Legal Expenses, we incur in connection with your Request to cancel or amend. Your obligations under this provision will survive termination of these Wire Transfer and International Electronic Funds Transfer Services.

PROVISIONAL PAYMENTS

Payment by us for any transaction we credit to your account is provisional until we receive final settlement for the transaction. If final settlement is not received, we are entitled to a refund and we may charge your account for the amount credited. We may delay the availability of any amount credited for a transaction if we believe that there may not be sufficient funds in your account to cover chargeback or return of the transaction.

INCONSISTENCY OF NAME AND NUMBER

A beneficiary's bank (including us when we are the beneficiary's bank) may make payment to a beneficiary based solely on the account or other identifying number. We or an intermediary bank may send a Request to an intermediary bank or beneficiary's bank based solely on the bank identifying number. We, any intermediary bank and any beneficiary's banks may do so even if the Requests include names inconsistent with the account or other identifying number as long as the inconsistency is not known by us or such other bank. Neither we nor any other bank has a duty to determine whether a Request contains an inconsistent name and number.

NOTICE OF ACCOUNT STATEMENT DISCREPANCIES

Information concerning payments made pursuant to your Requests will be reflected in your account statements and, in some cases, in written or electronic advices and reports produced through one of our Information Reporting Services. You must send us notice, in writing or by electronic means approved by us for such purpose, with a statement of relevant facts, promptly after you receive the first notice or statement indicating a discrepancy between our records and yours. If you fail to give the required notice within 14 days, we will not be liable for any loss of interest or for any compensation for any other loss or cost relating to an unauthorized or erroneous debit to your account or because of any other discrepancy in the notice or account statement. You must notify us promptly by telephone, confirmed in writing, if you learn or discover from any source other than a statement, advice or report from us of information concerning an unauthorized or erroneous debit to your account.

ELECTRONIC TRADE SERVICES

Our Electronic Trade Services includes, but is not limited to, allowing you to:

- Initiate collections
- Instruct us to issue standby and commercial letters of credit and guarantees
- Initiate open account transactions
- Receive advice of our receipt of purchase orders naming you as the supplier
- Receive advice of our receipt, confirmation, or payment, of commercial letters of credit advised and standby letters of credit advised naming you as beneficiary
- Request full or partial transfers of your commercial letters of credit or full transfers of your standby letters of credit
- Prepare documents in connection with your commercial letters of credit
- Access reports on letter of credit transactions, open account transactions, collections and bankers' acceptances
- Access images of your relevant documents as they relate to your letter of credit transactions, collections and open account transactions
- Request supply chain financing transactions in the roles of either a buyer or a seller

Detailed information regarding each Service is found in the applicable User Documentation.

COLLECTIONS

OUTGOING COLLECTIONS

Over the Counter Collections. Reports concerning your over the counter collections are made available under the Information Reporting section of Electronic Trade Services in this Booklet.

Direct Collections. Our Electronic Trade Services Direct Collections Service includes, but is not limited to, allowing you to initiate a collection (as that term is defined in the Uniform Rules for Collections) by delivering an instruction to a collecting bank.

The instruction will be on a form prescribed by us, but we will not have any responsibility or liability for the terms and conditions of any instruction; you accept all such responsibility and liability. Each direct collection will be governed by the Uniform Rules for Collections. You will promptly transmit to us a copy of the completed direct collection form and, upon our request, will provide to us copies of the underlying documentation or other information.

You represent and warrant to us as of the date you transmit the instruction form to us that the direct collection is not prohibited under the foreign asset control or other regulations of the United States of America or the applicable laws of any other jurisdictions.

Upon our receipt of any payment of a direct collection, the amounts received (less related charges, disbursements and/or expenses) will be paid to you, except that if we are required to return any such payment received upon the insolvency, bankruptcy or reorganization of the presenting bank or collecting bank or other third party or for any other reason, you will repay to us the amount paid to you together with interest thereon from the date we returned the payment and so notified you at the rate specified by us in our schedule of charges. Unpaid items and related documents received by us may be returned to you by regular mail at the address specified in the Authorization and Agreement Certification form which accompanied this Booklet or such other address as may be notified by you in writing.

INCOMING COLLECTIONS

Our Electronic Trade Services Incoming Collections Service includes, but is not limited to, allowing you to (i) request us to receive documentary time drafts, sight drafts or bills of exchange drawn on your appropriate account as part of your trade transactions and (ii) authorize us to make such payments. Such drafts are payable at sight or at a future date. All such drafts received by us shall either be in the customary form of such drafts, or contain on the face of the instrument the words "draft" or "bill of exchange." Each draft must designate us as collecting and/or presenting bank to make presentation to you for acceptance.

You appoint us as your true and lawful attorney-in fact to act in your name, place and stead, solely for the purpose of signing your acceptance on drafts in accordance with the procedures outlined below. You hereby grant to us all powers necessary for us to sign your acceptance and thereby bind you to such acceptance. We will date your acceptance, specifying your name, and will sign as your agent and attorney-in-fact. We are also authorized to sign your name on your behalf without stating your name or our capacity hereunder. This appointment and grant is deemed coupled with an interest and may be revoked only by written notice of termination.

You will indemnify us against and hold us harmless from and defend us against any and all liabilities, claims, costs, expenses and damages of any nature (including Legal Expenses) that may directly or indirectly result or arise from or be incurred in connection with:

- Any acceptance or other actions performed by us as attorney-in-fact, except to the extent directly caused by our gross negligence or willful misconduct
- Any dishonor of a draft by you; and/or
- Any breach of or default under this Incoming Collections Service by you

We shall, within a reasonable time after receipt of your authorization to accept the draft, accept such draft on your behalf by signing your acceptance on such draft. Within a reasonable time thereafter, we will send an electronic notification to you. Such notification will include your name, address and reference number, the amount of the draft, its payment tenor, the maturity date, the drawer's name and the presenter's name. You authorize us to accept, pay or reject incoming collections on your behalf.

All drafts which we accept on your behalf, in the capacity as your attorney-in-fact, shall conclusively be deemed to have been accepted in fact by you fully and for all purposes, as if your had signed or executed the acceptance and such draft.

You authorize us to debit your appropriate account for authorized payments.

STANDBY AND COMMERCIAL LETTERS OF CREDIT-ISSUED

Our Electronic Trade Services Standby and Commercial Letters of Credit-Issued Service includes, but is not limited to, allowing you to request us, by electronic transmission, to issue a commercial or standby letter of credit or a guarantee. If electronic transmission is unavailable, you may request us to issue such letters of credit or guarantees by fax transmission. Each letter of credit or guarantee which we agree to issue will be for your account or the account of another entity you designate. Each commercial letter of credit we issue will be subject to the UCP and, when applicable, the eUCP, and each standby letter of credit we issue will be subject to the ISP98. A letter of credit may be issued by any of our authorized offices within or outside the United States of America. A guarantee may be issued by any of our authorized offices outside the United States of America.

More detailed terms and conditions concerning the Electronic Trade Services Standby and Commercial Letters of Credit-Issued Service can be found in the Master Standby Letter of Credit Agreement and/or the Master Commercial Letter of Credit Agreement (collectively, the Master LC Agreements). Prior to using the Electronic Trade Services Standby or Commercial Letters of Credit-Issued Service you will have to execute the applicable

Master LC Agreement. To the extent a discrepancy occurs between this Booklet and your executed Master LC Agreement(s) , such discrepancy will be resolved by giving precedence to the respective Master LC Agreement.

YOUR RESPONSIBILITIES

You represent and warrant to us as of the date of your issuance request of each commercial letter of credit and each drawing that you or the importer has obtained all applicable and/or required licenses and other governmental approvals required for the import, export, shipping, storage of, financing of or payment for the goods and documents described in the letter of credit. You further represent and warrant to us, for each commercial and standby letter of credit issued, that you have the authority to enter into such letter of credit and that the letter of credit will not violate or conflict with any of the provisions of the applicable constituent documents or any other agreement or undertaking to which you are a party. The transactions underlying the letter of credit are not prohibited under the foreign asset control or other regulations or laws of the United States of America or the applicable regulations or laws of any other jurisdiction.

You will obtain, or cause to be obtained, insurance covering fire and other usual risks on all goods described in each commercial letter of credit issued by us.

You will reimburse us upon demand all monies paid by us under or in respect of each such letter of credit or guarantee, including payments on any draft, acceptance, order, instrument or demand drawn or presented under the letter of credit or guarantee. You will pay us on demand interest on all amounts paid by us or any other nominated bank under each letter of credit or guarantee from the date of such payment until we receive reimbursement at a rate per annum specified in the applicable User Documentation. You will reimburse us in the currency in which the letter of credit or guarantee is denominated (or, at our option, the equivalent of the denominated currency amount in U.S. Dollars or the currency of the country in which the letter of credit or guarantee was issued at the rate of exchange quoted by us in the city in which the letter of credit or guarantee was issued for the sale of the denominated currency against U.S. Dollars or such other currency on the date on which the denominated currency amount is paid by us). Regardless of the expiration of the letter of credit or guarantee, you will remain liable for all such amounts until we are released from liability to all persons entitled to draw or demand payment under the letter of credit or guarantee.

As a condition to our agreement to issue a letter of credit or guarantee, we may require you at any time to make with us a cash deposit, which may not accrue interest or earnings credit, and to grant us a security interest in the underlying goods and documents of title and/or any other property or accounts as we reasonably determine as security for your obligations to us.

You will pay us Legal Expenses incurred by us in connection with each letter of credit or guarantee including without limitation our defense of any proceeding initiated by you to enjoin payment or negotiation by us of a letter of credit or guarantee even if you are awarded such relief, provided only that we have acted in good faith in defending such action.

If you request the issuance of a letter of credit or guarantee listing one of your Subsidiaries or another entity as the account party, each such request will be considered a request by you for the issuance of a letter of credit or guarantee, and you will assume all liabilities and obligations with respect to such letter of credit or guarantee. You represent and warrant to us that you will derive substantial economic benefit from each underlying transaction relating to each request for the issuance of a letter of credit or guarantee listing your Subsidiary or another person as the account party. Your obligations under each letter of credit or guarantee will not be released or discharged if:

- We fail to collect any payment under such letter of credit or guarantee directly from the Subsidiary or such other entity.
- Any bankruptcy, reorganization, insolvency, receivership, moratorium or other such action effecting creditors generally is filed by or against the Subsidiary or such other entity.

- We receive payment from the Subsidiary or such other entity, but it is subsequently rescinded or must be returned by us.

OUR RESPONSIBILITIES

If we accept your request, we will issue the commercial or standby letter of credit as described in your electronic or fax (if electronic is unavailable) transmission and pursuant to this Booklet and the UCP (with regard to commercial letters of credit) and ISP98 (with regard to standby letters of credit). If we accept your request, we will issue the guarantee as described in your electronic or fax (if electronic is unavailable) transmission and pursuant to this Booklet.

We will pay each commercial letter of credit pursuant to its terms, this Booklet and the UCP. We will pay each standby letter of credit pursuant to its terms, this Booklet and the ISP98. We will pay each guarantee pursuant to its terms and this Booklet.

CHANGE OF LAW OR REGULATION

If, subsequent to the issuance date of a letter of credit or guarantee, we determine that the introduction of or any change in the interpretation of any law, rule, regulation or guideline or the request of a central bank or other governmental authority will increase our costs relative to our providing the Electronic Trade Services Standby and Commercial Letters of Credit-Issued Service, as set forth below, then, on demand, you will pay us additional amounts sufficient (as determined by us) to compensate us for such increased cost. Such increased costs could include: (i) reserve, deposit, assessment or similar requirements or (ii) increases in capital adequacy requirements.

DEPOSIT ON TERMINATION EVENT

If there occurs an event which permits us, under the Suspension and Termination section of this Booklet, to terminate this Service immediately, you will deposit with us, on demand and as cash security for your obligations to us, an amount equal to the aggregate undrawn amount of the letters of credit and guarantees issued by us in the same currency as the letter of credit or guarantee, or, at our option, its equivalent in U.S. Dollars or the currency of the country in which the letter of credit or guarantee was issued. You will not withdraw any amount so deposited except to the extent such amount exceeds the undrawn and unreimbursed amount of the letter(s) of credit and guarantees. If the amount deposited by you under this Booklet for a letter of credit or guarantee is in a currency different than the currency in which such letter of credit or guarantee is payable and the amount so deposited becomes less than the value of the undrawn amount of the letter of credit or guarantee because of any variation in rates of exchange, you will deposit with us additional amounts in such other currency so that the total amount deposited by you under this Booklet is not less than the equivalent value of the undrawn amount of the letter of credit or guarantee, determined by using the rate of exchange quoted by us on the date of our latest demand.

OPEN ACCOUNT

Our Electronic Trade Services Open Account Service permits you electronically to (i) inform us of your purchase order details, instruct us on examining required documents for compliance with your purchase orders and instruct us to pay the presenting party and (ii) provide notification to your vendors of open account transactions initiated through electronic means.

Purchase Orders. You will electronically transmit to us, in accordance with applicable User Documentation, files of purchase orders you have sent to your vendors with instructions to present documents to us. The electronic files will be in such format(s) and transmitted through such channel(s) as you have selected and we have approved. If you are not requesting us to issue a commercial letter of credit, each transaction will be flagged as an "open account" payment type.

When we receive required documents, we will review them according to your purchase order terms. If and as provided by the open account payment type selected by you, we will match the documents against the pertinent

purchase orders housed on our electronic database in accordance with the parameters established by you and accepted by us. If you have sufficient Collected and Available Funds in the account you have designated, we will pay the presenting vendors as provided under the open account payment type selected by you from the following three types:

- Importer matching – you match the documents against your copy of the pertinent purchase order and instruct us how much to pay to the presenter and when to pay.
- Bank matching – we match the documents against our electronic file of the pertinent purchase order, following the parameters established by you; we then electronically inform you, indicating whether they are compliant or non-compliant, and await your payment instructions.
- Auto-pay – we match the documents as described above, and, if we determine they are compliant, make payment to the presenter; if we determine that the documents are non-compliant, we make payment only upon your express instructions.

Notification of Open Account Transactions. With respect to open account notification letters, we will notify, by Electronic Trade Services, fax, courier or mail as instructed by you, your vendors of (i) our receipt of such notices naming them as vendor and (ii) any payments made pursuant to drawings under such open account transactions.

STANDBY LETTERS OF CREDIT-ADVISED (CONFIRMED/UNCONFIRMED)

Our Electronic Trade Services Standby Letter of Credit-Advised Service includes, but is not limited to, allowing you to receive advice, by electronic transmission, of (i) our receipt of any standby letter of credit naming you as beneficiary; (ii) our confirmation of any such letter of credit; (iii) the status of any documents or payments with regard to any Standby Letter of Credit-Advised; and (iv) any payment made pursuant to a drawing under any such letter of credit.

You may elect to have Standby Letters of Credit-Advised of a Subsidiary or other entity reported to you with our Electronic Trade Services Standby Letter of Credit-Advised Service. You agree that the Subsidiary or other entity will provide us with a written authorization, in a form acceptable to us, for us to make that Subsidiary or other entity's information available to you.

General. The Standby Letter of Credit-Advised and the Full Transfer (as described below) must be subject to UCP or ISP98, and our rights hereunder are in addition to rights we have under UCP or ISP98, as applicable.

Full Transfer. You may request the transfer of all of your rights as beneficiary of a Standby Letter of Credit-Advised by submitting to us, for each transfer, a request providing the following information:

- Standby Letter of Credit number
- Name of issuing bank
- Our advice number
- Name and address of second beneficiary's advising bank
- Name and address of second beneficiary
- Date of application

If we approve the transfer, we will place the appropriate endorsement on the Standby Letter of Credit-Advised and send it to the second beneficiary or send the second beneficiary a transferred letter of credit document prepared by us. The second beneficiary will have sole rights as beneficiary, whether existing now or in the future, including sole rights to agree to any amendments, including increases or extensions or other changes. You must provide us the original Standby Letter of Credit-Advised and any existing amendments. You understand that we may, at our sole discretion, refuse to approve any Full Transfer to a second beneficiary. You acknowledge that due to conditions of the original Standby Letter of Credit-Advised, certain proprietary information may be disclosed to the second

beneficiary and/or to the applicant under the original Standby Letter of Credit-Advised. We will have no liability to you in the event of such disclosure and, in such event, you will indemnify and hold us harmless from all claims of third parties. You acknowledge that your rights as beneficiary in the original Standby Letter of Credit-Advised are irrevocably transferred to the second beneficiary(ies) who shall have sole rights. In that connection, your approval is not required for us to honor a discrepant presentation made by the second beneficiary.

For our transfer fee, we may debit your account(s) with us, which you may designate subject to our reasonable approval. You also agree to pay us on demand any expenses which may be incurred by us in connection with this transfer.

Partial Transfers. We do not permit partial transfers of Standby Letters of Credit-Advised.

COMMERCIAL LETTERS OF CREDIT–ADVISED (CONFIRMED/UNCONFIRMED)

Our Electronic Trade Services Commercial Letter of Credit-Advised Service includes, but is not limited to, allowing you to receive advice, by electronic transmission, of (i) our receipt of any commercial letters of credit naming you as beneficiary; (ii) our confirmation of any such letter of credit; (iii) the status of any presentations or payments with regard to any Commercial Letter of Credit-Advised; and (iv) notification of any payment pursuant to a presentation under any such letter of credit. The Commercial Letter of Credit–Advised Service also facilitates electronic preparation of required documents under such advised letters of credit using electronic data captured through our electronic advising process.

You may elect to have Commercial Letters of Credit-Advised of a Subsidiary or other entity reported to you with our Commercial Letter of Credit-Advised Service. You agree that the Subsidiary or other entity will provide us with a written authorization, in a form acceptable to us, for us to make that Subsidiary or other entity's information available to you.

You may prepare required documents based on your Commercial Letter of Credit-Advised details. You may then edit and locally print those documents and courier them to us for presentation.

General. All Commercial Letters of Credit-Advised (and any transactions thereunder, including transfers) must be subject to the UCP and our rights herein are in addition to rights we have under the UCP.

REQUESTS FOR TRANSFERS

Partial Transfers. You may request the partial transfer of your rights as beneficiary, with or without substitution of invoices, of Commercial Letters of Credit-Advised by submitting to us, for each transfer, a request providing the following information:

- Date of application
- Whether the transfer is with or without substitution of invoices and/or drafts
- Whether you refuse to allow amendments to be passed automatically to the second beneficiary without your consent
- Our Commercial Letter of Credit-Advised reference number
- Name of issuing bank
- Name and address of second beneficiary
- Name and address of second beneficiary's advising bank
- Amount to be transferred
- Description of merchandise subject to the transfer

- Unit price (if any)
- Expiration date for the transferred Commercial Letter of Credit-Advised
- Latest shipment date for the transferred Commercial Letter of Credit-Advised
- Number of days after shipment within which documents must be presented for the transferred Commercial Letter of Credit-Advised
- Insurance percentage (if applicable) for the transferred Commercial Letter of Credit-Advised

If we approve the transfer, we will advise the second beneficiary of the terms and conditions of the transferred credit by full text teletransmission, mail/airmail or courier (as we deem appropriate).

With respect to all partial transfers, whether with or without substitution of invoices, you may refuse to allow us to notify the second beneficiary(ies) of any future amendment(s) received under the original Commercial Letter of Credit-Advised.

If you elect transfer with substitution of invoices, then, on our first demand, you will deliver to us within one (1) Business Day your draft, commercial invoice and any other required documents in compliance with the terms of the original Commercial Letter of Credit-Advised. The draft and documents are in substitution of those presented by the second beneficiary. When (i) the documents of the second beneficiary and the substitution documents from the first beneficiary are determined to comply with the terms of the Commercial Letter of Credit-Advised or, if determined to be discrepant, are taken up by the issuing bank and (ii) we are in receipt of funds, we will pay you in accordance with your instructions for the amount of the difference between your draft and the draft of the second beneficiary, less any fees due and payable to us in connection therewith. If you fail, at our first demand, to deliver to us your drafts, invoices and other required documents as stated above, you acknowledge our right to present invoices and other documents received from the second beneficiary in accordance with the instructions of the original Commercial Letter of Credit-Advised. You also understand that we will not pay you the difference between the amount of the draft of the second beneficiary and the amount authorized to be paid to you under the original Commercial Letter of Credit-Advised.

Full Transfers. You may request the transfer of all of your rights as beneficiary, without substitution of invoices, of Commercial Letters of Credit-Advised by submitting to us, for each transfer, a request providing the following information:

- Date of application
- Our Commercial Letter of Credit-Advised reference number
- Commercial Letter of Credit-Advised number (issuing bank's number)
- Name of issuing bank
- Name and address of second beneficiary
- Name and address of second beneficiary's advising bank
- Amount to be transferred

If we approve the transfer, we will place the appropriate endorsement on the Commercial Letter of Credit-Advised and send it to the second beneficiary or send the second beneficiary a transferred letter of credit document prepared by us. The second beneficiary will have sole rights as beneficiary, whether existing now or in the future, including sole rights to agree to any amendments, including increases or extensions or other changes.

For any transfer, you must provide us the original Commercial Letter of Credit-Advised and any existing amendments. You understand that we may, at our sole discretion, refuse to approve any full or partial transfer to a second beneficiary. You acknowledge that due to conditions of the original Commercial Letter of Credit-Advised, certain proprietary information may be disclosed to the second beneficiary and/or to the buyer under the original

Commercial Letter of Credit-Advised. We will have no liability to you in the event of such disclosure and, in such event, you will indemnify and hold us harmless from all claims of third parties. You acknowledge that your rights as beneficiary in the original Commercial Letter of Credit-Advised (up to the amount shown in your request with respect to partial transfers) are irrevocably transferred to the second beneficiary(ies) who shall have sole rights (but only up to the amount shown in your request in the case of a partial transfer). In that connection, your approval is not required for us to honor a discrepant presentation made by the second beneficiary.

For our transfer fee, we may debit your account(s) with us, which you may designate subject to our reasonable approval. You also agree to pay us on demand any expenses which may be incurred by us in connection with this transfer.

INFORMATION REPORTING AND IMAGE ACCESS

We will make available to you, subject to the terms of the Information Reporting section of this Booklet, reports including, but not necessarily limited to, standby letter of credit transactions issued and/or advised, commercial letter of credit transactions issued and/or advised, bankers' acceptances, collections and open account transactions, as more fully described in the applicable User Documentation.

We will also make available to you images including, but not necessarily limited to, your relevant documents as they relate to your letter of credit transactions, collections and open account transactions, as more fully described in the applicable User Documentation.

SUPPLY CHAIN

SUPPLY CHAIN BUYER

Our Electronic Trade Services Supply Chain Service permits you electronically to (1) upload invoices that you have approved for payment, (2) make these uploaded invoices available to your vendor for early financing, (3) make payments on these uploaded invoices and (4) inquire and report on the status of these uploaded invoices.

Invoice Upload. You will electronically transmit to us, in accordance with applicable User Documentation, files of invoices that you have approved for payment on a future date and which you wish us to make available to your vendors for early financing. The electronic files will be in such format(s) and transmitted through such channel(s) as you have selected and we have approved.

Approval of Uploaded Invoices and Payment. Once invoices have been made available to the vendor, we will, at our discretion, respond to their request for early financing and will pay the vendors accordingly. On the maturity date of the invoice, we will collect funds from the account you have designated. If your vendor decides not to discount an invoice, you will, at maturity date, make payment to them through us.

Reporting. Information reporting is available to you on the status of each invoice and payment related to each such invoice as further described in the applicable User Documentation.

SUPPLY CHAIN SELLER

Our Electronic Trade Services Supply Chain Service permits you electronically to (1) select invoices that you wish to be considered for early financing and (2) inquire and report on the status of these selected invoices.

Invoice Selection. You will have visibility into approved invoices that are available for discounting which you can group together and electronically request us to finance. On receipt of a request from you, we will discount these invoices at an agreed upon rate from the date of discount until maturity. We are not obligated to discount each invoice, and will treat them on a case by case basis. If you decide not to discount an invoice, you will, at maturity date, receive payment from your buyer through us.

Reporting. Information reporting is available to you on the status of each invoice and payment related to each such invoice as further described in the applicable User Documentation.

With regards to all Services covered by our Electronic Trade Services Supply Chain Service, more detailed terms and conditions can be found in the applicable Supply Chain Service Documentation to be entered into by you, us and your vendor or buyer, as applicable. To the extent a conflict exists between this Booklet and the applicable Supply Chain Service Documentation, the terms and conditions in the Supply Chain Service Documentation will govern.

SUPPLEMENTAL LIMITATION OF LIABILITIES AND INDEMNIFICATION FOR ALL ELECTRONIC TRADE SERVICES

For each Electronic Trade Service, this section supplements the Limitation of Liability section of this Booklet.

You have sole responsibility for determining the level of security you require and assessing the suitability of the security procedures for these Services. We have no duty to investigate the authenticity of any application, instruction or other communication you provide us using an Electronic Trade Service. Also, we will have no liability to you for acting upon any application, amendment or other communication purportedly transmitted by you, even if such application, amendment or message:

- Contains inaccurate or erroneous information.
- Constitutes unauthorized or fraudulent use of an Electronic Trade Service.
- Includes instructions to pay money or otherwise debit or credit any account.
- Relates to the disposition of any money, securities or documents.
- Purports to bind you to any agreement or other arrangement with us or with other persons or to commit you to any other type of transaction or arrangement.

We are authorized, but not obliged, to rely upon and act in accordance with any application, instruction, consent or other communication by fax or other electronic transmission (including without limitation any transmission by use of our Software or a Website) received by us purporting to be a communication on your behalf without inquiry on our part as to the source of the transmission or the identity of the person purporting to send such communication. We are also authorized, but not obliged, to rely upon and act in accordance with any application, instruction, consent or other communication by telephone, purporting to be a communication on your behalf by an authorized person designated by you.

GENERAL PROVISIONS

ACCESSING SERVICES VIA THE INTERNET

We may make certain Services available via one or more Websites. In addition to any other terms and conditions applicable to your use of such Websites, you agree as follows:

We reserve the right to suspend your access to, and use of, a Website upon notice of a violation of any of the terms and conditions applicable to such access and use. In addition, we may suspend your access to, and/or use of, a Website immediately without notice where such action may be required to prevent interference with or disruption to services to other customers, to protect the integrity of our systems, or as may be required by law or regulation.

Websites shall be used only for lawful purposes. Without limiting the foregoing, you agree not to use a Website in any way that would:

- infringe any third party copyright, patent, trademark, service mark, trade secret or other proprietary rights or rights of publicity or privacy
- be fraudulent or involve the use of counterfeit or stolen items
- violate any law, statute, ordinance or regulation (including, without limitation, those governing export control, unfair competition, anti-discrimination, defamation or false advertising)
- violate any contractual provision by which you are bound
- be false, misleading or inaccurate
- create liability for us or any service provider(s) or cause us to lose (in whole or in part) the services of any service provider
- be defamatory, trade libelous, unlawfully threatening or unlawfully harassing
- interfere with or disrupt computer networks connected to the network(s) used by you
- interfere with or disrupt the use by any other customer of the Website and/or of any services accessed via the Website

Violations of system and network security are prohibited, including but not limited to unauthorized access to, or use of, systems or data. You agree not to attempt to probe, scan or test the vulnerability of a system or to breach security or authentication measures or to seek to interfere with any system or network security. We will investigate violations of system and/or network security and may involve law enforcement if criminal conduct is suspected. Indirect or attempted violations of these terms and conditions by you, and any actual or attempted violations by a third party on your behalf, shall be considered violations by you.

You agree to follow all our procedures and requirements with respect to security in accessing and using a Website and not to misrepresent your identity. Where passwords or other access information may be required, you are solely responsible for the security of such access information and will hold us harmless from any unauthorized access to or use of systems that may result from your failure to properly maintain the security of such access information.

You agree to cooperate with us and any service provider(s) with regard to your access to, and use of, a Website, including providing such technical assistance and information as we may reasonably request.

You agree to access and use Websites only for the purpose intended and not for any purpose of commercial exploitation.

CHANGES TO A SERVICE

You may request us at any time to change the processing instructions for any Service. We are not obligated to implement any requested changes until we have had a reasonable opportunity to act upon them. In making changes, we are entitled to rely on requests purporting to be from you. For certain changes, we may require that your requests be in writing, in a form and manner acceptable to us, or be from an authorized person you designate. In addition, certain requests for changes may be subject to our approval.

We may change, add or delete any of the terms and conditions applicable to any or all Services upon 30 days prior notice to you in writing or by electronic means. Your continued use of or failure to terminate any Service, after the effective date of the change, will indicate your agreement to the change.

COMMUNICATIONS

Any written notice or other written communication to be given under the terms of this Booklet will be addressed to the applicable address specified on the Authorization and Agreement form you return to us, except as you or we specify otherwise in writing in conjunction with your accounts or particular Services. Notices are effective upon receipt, except as otherwise provided in this Booklet or any Materials.

You agree that we may electronically monitor and/or record any telephone communications with you in those countries which permit that practice. If our records about any such communication are different from yours, our records will govern.

If you choose to use unencrypted electronic mail to initiate payment requests or other instructions or otherwise communicate with us, your use of such electronic mail with respect to a Service will be subject to the terms and conditions of this Booklet and will comply with the applicable User Documentation. You further agree to bear the risk that such electronic mail may be corrupted, modified, garbled or hacked or its confidentiality may be breached by a third party and the risk that we will rely on such mail, which appears to be from you but which is unauthorized, and that such reliance will result in a loss. In addition, you agree that we may rely on the integrity of facsimile transmissions that you send us and you agree to bear the risk that the information we receive differs from that sent to us, and that such reliance will result in a loss.

CONFIDENTIALITY

OUR OBLIGATION

We will maintain the confidentiality of information obtained from you in connection with Services we provide under this Booklet in accordance with our normal procedures for safeguarding customer information and the policy reflected in the Bank of America Corporation Code of Ethics, except as otherwise provided herein.

YOUR OBLIGATION

You acknowledge our claim to proprietary rights in the Materials and that the Materials constitute our "trade secrets" or trade secrets of our licensors or vendors. You understand that all Materials are confidential and you will:

- Safeguard the Materials at all times.
- Establish and maintain procedures to assure the confidentiality of the Materials and any password or code subsequently changed by you.
- Use the Materials only for the purposes for which we provide them.
- Notify us promptly by telephone, confirmed in writing, if any Materials are lost or their confidentiality is compromised.
- You will not, nor will you allow anyone else to, do any of the following without our prior consent:

- Disclose any Materials to any person or entity, except to your employees and agents with a need to know the Materials.
- Make any copies, in whole or in part, of any Materials in whatever form or medium (electronic, printed or otherwise) in which they may exist from time to time, except as provided in the Software License section.
- Translate, reverse engineer, disassemble or decompile any Software or security devices.

These confidentiality obligations continue after a Service you are using is terminated.

You have sole responsibility for the custody, control and use of all Materials. You agree that no individual will be allowed to initiate a request or other instruction contemplated in this Booklet or to have access to any Materials without proper supervision and strict security controls. If a Service requires use of user identification codes or passwords, we will be fully protected in relying on the correct user identification codes and passwords, as described in the relevant User Documentation.

GENERAL

This section does not limit either party's ability to disclose information (i) that the other party has approved by prior writing for disclosure; (ii) that is disclosed to its professional advisors or auditors; (iii) that is or becomes public other than through a breach of these confidentiality obligations, (iv) that was in its possession or available to it from a third party prior to its receipt of it in connection with any Service, (v) which is obtained by it from a third party who is not known by it to be bound by a confidentiality agreement with respect to that information, (vi) as required or requested by any securities exchange or regulatory body to which either party is subject or submits or (vii) as otherwise required to be disclosed by law or by legal or governmental process.

In addition, you agree (i) that we may disclose to our offices, affiliates, officers, employees and agents with a need to know any information we obtain about you and (ii) that those offices, affiliates, officers, employees and agents may disclose such information as permitted under the immediately preceding paragraph.

You acknowledge and agree that data processing related to Services covered by this Booklet and your associated accounts, or the partial or complete delivery of certain Services, may take place in countries other than those where you and your accounts with us are located. You further understand that information concerning your relationship with us may be available on our electronic data system both for information management purposes and in order to enable you to benefit from our electronic banking services. You understand and agree that, as a result, your banking relationship information may be available to some of our offices, affiliates, officers, employees and agents outside the country or countries where you and your accounts are located. You authorize us to transmit your banking relationship information across national borders, notwithstanding the banking secrecy laws of any of the countries involved, as necessary or appropriate to provide any Services.

It is possible that in providing the Services we will transmit Personal Data. We will only transmit Personal Data to our locations, to locations of our affiliates or to others in order to provide the Services. We may contract with others to provide data transmission or storage services to us. In that case, we will require that they treat Personal Data solely in accordance with our instructions. You agree to comply with any directions we may give you from time to time with respect to the Personal Data.

Neither party will use the other's name or refer to the other party directly or indirectly in any solicitation, marketing material, advertisement, news release or other release to any publication without receiving the other party's specific prior written approval for each such use or release, except that we may use your name as a reference in service proposals if we obtain your prior oral approval for such use. In addition, the Bank may develop and use case studies related to and describing completed transactions between Bank and Client (the "Case Study") and use the Case Study in Bank's service proposals, marketing materials and Website. Prior to publishing or distributing the Case Study, Bank will provide a copy of the Case Study to Client for review and consent.

This section also does not limit our ability or that of our affiliates to access and use transaction data related to any Service provided to you in connection with the management of our or their business.

These obligations continue after any Service you are using is terminated.

CURRENCY EXCHANGE RATES

If a Request, an Entry, a check issued under the Check Issuance Services or a draft created under the Client-Printed Drafts Services involves a currency other than the currency in which the relevant account is denominated, your funds will be exchanged for such other currency at a current rate of exchange on or before the transfer or debit date, as the case may be, in accordance with our normal procedures (including applicable User Documentation). If we assign a currency exchange rate to your transaction, such exchange rate will be determined by us based upon market conditions. We consider many factors in setting our exchange rates, including without limitation exchange rates charged by other parties, desired rates of return, market risk and credit risk. You acknowledge that exchange rates for retail and commercial transactions, and for transactions effected after regular business hours and on weekends, are different from the exchange rates for large inter-bank transactions effected during the business day, as reported in The Wall Street Journal or elsewhere. Exchange rates offered by other dealers, or shown at other sources (including online sources) may be different from our rates. We do not accept any liability if our rates are different from rates offered or reported by third parties, or offered by us at a different time, at a different location, for a different transaction amount, or involving a different payment media (banknotes, check, wire transfer, etc.). Currency exchange rates fluctuate over time, and you acknowledge and accept the risks of such fluctuations: (i) in the case of Requests, between the time you initiate a Request and the time the transfer is either completed or is unwound due to a cancellation, amendment, rejection or return, (ii) in the case of checks, between the time you request us to create a check and the time we debit your account to cover such check and/or the time we re-credit your account if the check is stopped in accordance with the applicable stop payment procedures and (iii) in the case of drafts, between the time you print a draft, or request us to print a draft, and the time we transfer funds from your account to cover such draft.

E-STATEMENTS

If you use a Website, you will receive e-Statements electronically, unless you opt out. If you are not currently receiving e-Statements, we reserve the right to switch you to receipt of e-Statements unless you notify us that you wish to opt out. You may opt out by contacting your treasury services representative. You agree that this Booklet constitutes an agreement under the Uniform Electronic Transactions Act pursuant to applicable state law.

FACSIMILE SIGNATURES

In some countries, businesses use a variety of techniques to produce a facsimile signature manually or by means of a device or machine (each generally called a facsimile signature) as a convenient method for signing checks, documents and other items. If you choose to use a facsimile signature, you must provide us with a specimen of each facsimile signature.

You are responsible for any withdrawal from your deposit account that bears or reasonably appears to us to bear your facsimile signature, regardless of by whom or by what means the signature was placed on the check. If you choose to use a facsimile signature, you are responsible, and we may pay a withdrawal and debit your account for any such withdrawal, even if (i) you have not presented us with a specimen facsimile signature; (ii)the size, color or style of the check is different from that of the check you use; or (iii) the size, color or style of the facsimile signature is different from that of the facsimile signature you use.

You agree to compensate us for all losses, claims, damages or expenses, including Legal Expenses, that result from our payment of a withdrawal bearing a facsimile that reasonably resembles your facsimile signature.

You are responsible for taking security measures and implementing procedures to prevent the forgery, theft or fraudulent or unauthorized use of your facsimile signature.

GENERAL MATTERS

AGREEMENT

Except with respect to terms governing a Website to which you agree when you use a Service through such Website, this Booklet constitutes and represents the entire agreement between you and us regarding the Services we provide you anywhere in the world and supersedes and extinguishes all prior agreements, understandings, representations, warranties and arrangements of any nature (including requests for proposals and other sales material), whether oral or written, between you and us relating to any such Service (including any International Treasury Services Terms and Conditions booklet, but excluding the current Account Agreement). Except as otherwise expressly provided in this Booklet, this Booklet will be controlling in the event of any conflict between it and any relevant User Documentation, any other document or written or oral statement (including but not limited to any Account Agreement, except as applicable law requires otherwise), but excluding terms governing a Website as noted above. Current User Documentation is available upon request.

This Booklet is binding upon each of your and our respective successors and permitted assigns. You may with our prior written consent, assign any of your rights or duties described in this Booklet. This Booklet is not for the benefit of any other person, and no other person has any right under this Booklet against you or us, and nothing contained in this Booklet creates any agency, fiduciary, joint venture or partnership relationship between you and us.

NOTICE OF FINAL AGREEMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

GENERAL OBLIGATIONS

We are responsible only for performing the Services expressly provided for in this Booklet. We may contract with an outside vendor in providing any of these Services.

With respect to any Service, we will provide you with assistance by telephone at the numbers and during the hours specified by us in writing from time to time.

You are responsible for maintaining the security of your data and ensuring that it is adequately backed-up. We are not responsible for your loss of your data.

ORAL INSTRUCTIONS

Except as otherwise provided in this Booklet with respect to compliance with any applicable Security Procedure, we may rely on oral instructions from any person who identifies himself or herself by a name which is included on a written list from you of persons authorized to give such instructions. You will update this list from time to time as necessary to reflect any changes in authorized persons. Except as otherwise expressly stated in this Booklet, we are not required to act on any instruction from any person or to give notices to any person.

SEVERABILITY; NO WAIVER

If any provision of this Booklet or the application of any such provision to any person or set of circumstances is determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Booklet, and the application of such provision to persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, are not impaired or otherwise affected and continue to be valid and enforceable to the fullest extent permitted by law.

No delay or failure to exercise any right or remedy under this Booklet is deemed to be a waiver of such right or remedy. No waiver of a single breach or default under this Booklet is a waiver of any other breach or default. Any waiver under this Booklet must be in writing.

GOVERNING LAW

Except as otherwise expressly provided in this Booklet for a particular Service, with respect to each Service, this Booklet is governed by and interpreted according to (i) U.S. federal law and (ii) the law of (A) the state in the United States of America in which the account (or the principal account, in the case of multiple accounts) associated with such Service is located or, if there is no such state or no account associated with such Service, (B) the State of New York, without reference to the principles of conflicts of law of the U.S. and of such state.

If you are headquartered, or are using a Service, outside the United States of America, and if requested by us, you must appoint an agent for service of process in England, Hong Kong, Singapore and/or the United States of America, and you irrevocably agree that any writ, summons, order, judgment or other document relating to or in conjunction with any proceeding, suit or action may be served on you in such jurisdiction.

LIMITATION OF LIABILITIES

ALL SERVICES OTHER THAN ELECTRONIC FUNDS TRANSFER SERVICES

We are liable to you only for actual damages incurred as a direct result of our failure to exercise reasonable care in providing a Service.

ELECTRONIC FUNDS TRANSFER SERVICES

For Requests and Entries which are subject to UCC 4A, we are liable only for damages required to be paid under UCC 4A or the Fedwire Regulations, as applicable, except as otherwise agreed in this Booklet.

For all Requests and Entries not subject to UCC4A and for all other obligations under the Electronic Funds Transfer Services sections, our liability is limited to actual damages, resulting directly from our willful misconduct or our failure to exercise reasonable care, not exceeding the following, as applicable: (i) in case of an excessive debit to your account, the amount of the excess plus compensation equivalent to interest; (ii) in case of payment to an account not specified by you, the amount of the payment plus compensation equivalent to interest; (iii) in case of any delay in crediting a debit Entry or Depository Transfer Check (DTC) to your account, the amount of compensation equivalent to interest for the period of delay; or (iv) in all other cases, the actual damages incurred by you. You will use reasonable efforts to assist us in recovering the amount of any overpayment for which we are liable.

If we are obligated to pay interest compensation, we will pay such compensation or credit your account, as we determine, upon your written request. We calculate compensation for the relevant period as specified in the Account Agreement or as advised by your customer services representative.

If you transmit a Request to us by way of a funds-transfer system or other third-party communications system not specifically required by us, the system is deemed to be your agent for that purpose. We are not liable to you for any discrepancy between the terms you transmit to such system and the terms it then transmits to us.

ALL SERVICES

In no event will we be liable for any indirect, consequential or punitive loss, damage, cost or expense of any nature or any economic loss or damage, expense and loss of business, profits or revenue, goodwill and anticipated savings, loss of or corruption to your data, loss of operation time or loss of contracts, even if advised of the possibility of such loss, damage, cost or expense.

We will not be responsible for the acts or omissions of you or your officers, employees or agents (including but not limited to the amount, accuracy, timeliness or authorization of any instructions or information from you) or the acts or omissions of any other person or entity, including but not limited to any clearing house association or processor, any U.S. Federal Reserve Bank or any other country's central bank, any other financial institution or any Supplier, and no such person or entity will be deemed our agent.

If you permit any Subsidiary or other person to access one of our Service installations on your premises through use of a remote access software package, we will not be responsible or liable for such Subsidiary or person's use or misuse of our Services or access to accounts owned by you and for which you did not authorize that Subsidiary or person to have access via your installation. We may and will treat all instructions and information received by us through this arrangement as provided by and for the benefit of you and subject to all our rights under this Booklet with respect to the pertinent Services.

We will not be liable for and will be excused from any failure or delay in performing our obligations for any Service if such failure or delay is caused by circumstances beyond our control, including any natural disaster (such as earthquakes or floods), emergency conditions (such as war, riot, fire, theft or labor dispute), legal constraint or governmental action or inaction, breakdown or failure of equipment (including Internet failure), breakdown of any Supplier, or your act, omission, negligence or fault.

We also will not be liable for any failure to act on our part if we reasonably believed that our action would have violated any law, rule, regulation or court order or decree.

OVERDRAFTS

With respect to a Service, we may, at our sole discretion, allow an overdraft to occur in your account. Except as we agree or advise you otherwise in writing, you must repay us immediately, without demand, the amount of such overdraft plus any overdraft charges. In such cases, the fact that we previously allowed an overdraft to occur does not obligate us to do so in the future. Additional terms and conditions contained in your Account Agreement may apply.

PAYMENT FOR SERVICES

You must maintain and designate account(s) with us which we will use for debiting or crediting with respect to all payments and deposits and related adjustments and charges. Except as otherwise provided, you must have Collected and Available Funds on deposit in your account(s) sufficient to cover such obligations. For purposes of satisfying your payment obligations, we may consider any overdraft line of credit or other arrangement you have with us.

SERVICE CHARGES

You will pay us for each Service you use according to our schedule of charges currently in effect for you, except as we agree otherwise (in writing) from time to time. At your request, we will provide you a copy of the current schedule of charges for the applicable Service. All charges are subject to change upon 30 days prior written notice to you (unless otherwise agreed in writing), except that any increase in charges to offset any increase in fees charged to us by any Supplier for services used in delivering any Service may become effective in less than 30 days.

You will pay us for Software support in excess of that contemplated in the General Provisions sections of this Booklet. The charges for such extra support will be as specified by us before such charges are incurred or as otherwise agreed by you and us from time to time.

We will, on a monthly basis, debit your account with us for payment of charges due, unless you arrange another payment procedure acceptable to us.

TAXES

All Service charges are exclusive of sales, value-added and use taxes, stamp and other duties and other governmental charges imposed on any Service or Materials and not based on our net income. Such taxes, duties and charges are payable by you.

PROTECTION FROM THIRD PARTIES

To the extent permitted by law, you will indemnify us against and hold us harmless from and defend us against any and all liabilities, claims, costs, expenses and damages of any nature (including Legal Expenses) arising out of or relating to disputes or enforcement of laws, fines or rules, legal actions, by parties other than you and us concerning any Service. The obligations contained in the preceding sentence will continue after a Service you are using is terminated. This section does not apply to any cost or damage attributable to our gross negligence or intentional misconduct.

Further, with respect to any Service where we receive payment from a third party on your behalf, the amounts received (less related charges, disbursements and/or expenses) will be paid to you, except that if we are required to return any such payment received upon the insolvency, bankruptcy or reorganization of such third party or for any other reason, you will repay to us the amount paid to you together with interest thereon from the date we returned the payment and so notified you at the rate specified by us in our schedule of charges with regard to the applicable Service.

REPRESENTATIONS AND WARRANTIES

On and as of each day we provide any Service to you, you represent and warrant to us that:

- Your agreement to each provision contained in this Booklet is a duly authorized, legal, valid, binding and enforceable obligation.
- The debiting of any account as provided in this Booklet is not inconsistent with any restriction on the use of that account.
- All approvals and authorizations required to permit the execution and delivery of the Agreement and Authorization form and any other necessary documentation, and the performance and consummation by you of the transactions contemplated under each Service, have been obtained, including but not limited to due authorization from each applicable third party to allow you to transfer funds and access information from such party's account.
- Neither your performance of your obligations nor your use of any Service will facilitate illegal transactions, for example those prohibited by the Unlawful Internet Gambling Enforcement Act, 31 U.S.C. Section 5361 et seq., or otherwise violate any law, rule, regulation, judgment, decree or order applicable to you.
- The Services you receive pursuant to this Booklet are for business use only and are not primarily for personal, family or household use.
- There is no lawsuit, tax claim or other dispute pending or threatened against you which, if lost, would impair your financial condition or ability to pay us under the terms of this Booklet.

RESOLUTION OF DISPUTES

We try to resolve our clients' Service problems or disputes as quickly as possible. In most cases, we can resolve a problem by telephone.

Any dispute or controversy concerning your use of Services described in this Booklet will be decided by binding arbitration conducted in the United States of America (except as you and we expressly agree otherwise) in accordance with the United States Arbitration Act (Title 9, U.S. Code) under the Commercial Arbitration Rules of

the American Arbitration Association. Under these procedures, the dispute is submitted to a neutral person for determination in place of a trial before a judge or jury. Judgment upon the award made by the arbitrator may be entered in any court having jurisdiction.

Without regard to the foregoing, any dispute or controversy that arises from an Electronic Funds Transfer Service will be decided by a judge without a jury in a United States of America federal or state court (except as you and we expressly agree otherwise in writing). **This means that in these instances you waive any right to a trial by jury in any action or proceeding and agree that such action or proceeding will be tried before a judge without a jury.**

Either you or we may exercise self-help remedies or obtain provisional or ancillary remedies from a court. You or we may exercise or obtain these remedies at any time, even while the arbitration or trial by a judge is pending. By exercising or obtaining any such remedies, neither you nor we waive the right to request that a dispute or controversy be decided by arbitration or trial by a judge.

SOFTWARE LICENSE

This section applies to all Software we provide to you after you return the Agreement and Authorization form unless we provide you a separate license agreement for specific Software (including a "click-wrap" Software license you may obtain from us by downloading from our Website).

LICENSE

For each Software application we provide to you for one or more Services, we grant you a non-exclusive, revocable, non-transferable license for the use of that Software and any Materials related to the Software that we provide to you. Each license is granted solely for use in object code form only in connection with one or more Services. You may use the Software only in accordance with the applicable User Documentation.

The Software, its source code, the Materials and all copyright, patent, trademark, trade secret and other rights in them are and will remain the exclusive property of us or our licensors. You will secure and protect the Software and Materials (including all copies) in a manner consistent with the maintenance of our rights and those of our licensors. In order to protect those rights, you will reproduce and incorporate copyright notices and all other proprietary legends prescribed by us in any permitted copies. You may not remove, obscure or otherwise tamper with or alter any such notices or legends affixed to or otherwise contained in the Software or Materials (or copies). You will also take appropriate action to instruct and obligate your representatives who are permitted access to the Software and/or Materials (including copies) to comply with your obligations to protect the Software and Materials.

We are obligated to provide you only with those updates, upgrades or new releases of Software which we make generally available to our other customers who license the same Software. Any corrections, updates, upgrades or new releases that we provide to you must be installed by you promptly or by such later time as we specify, and will be deemed part of the Software upon delivery to you. We will provide support only for the most current version of Software we have provided to you.

You will, at your expense, cause a computer to be installed and kept in good condition and working order at your site for use of the Software. The computer and its components must be equipment which is acceptable, as specified by us from time to time.

At our option, we may assist you with the installation of Software on your computer and/or with the training of persons who will use the Software, but we will not bear any responsibility for (i) such training or (ii) the proper installation or use of the Software. Except as you and we may agree otherwise, you will be deemed to have accepted the Software upon its installation.

If we have provided you with Software to be installed on your computer, you may not install the Software on more than one computer or electronically distribute it to any other computer, without our prior written approval and the payment of any fees that we may assess. You may move the Software to another computer replacing the one on which the Software was originally installed or to another site, but only after you give us notice, in writing or by electronic means approved by us for such purpose, specifying the new computer and site. If we have provided you with Software to be installed on your network server, you may not electronically distribute, or allow anyone else to electronically distribute, the Software except from the network server on which it is installed to workstations on that network. You will provide us notice, in writing or by electronic means approved by us for such purpose, each time you install the Software on more than one computer (subject to our prior written approval) or electronically distribute the Software to a workstation on that network, as applicable, in each case indicating the location and the date of such installation or distribution.

You may not (i) sell, assign, transfer, license, sublicense or publish the Software or Materials (including any permitted copies), (ii) disclose, display or otherwise make available the Software or Materials (including any permitted copies) to third parties, or (iii) copy, or allow anyone else to copy, the Software or Materials, without our prior written approval, except that you may make two copies of the Software for backup and/or archival purposes. In the event that we provide you with our prior written approval to make an additional copy of the Software, you will (i) pay us any fees assessed by us and (ii) provide us notice, in writing or by electronic means approved by us for such purpose, of the location and the date of such copy.

You will provide us with reasonable access to the Software and Materials at your site to provide assistance or to verify the status or location of the Software and Materials. In addition, we may audit your site and have access to the Software and Materials provided to you to confirm compliance with this Software License section. Furthermore, we may audit your site and have access to such Software and Materials if you fail to provide us with any notices or reports, or if we reasonably believe you are using unauthorized copies of the Software and/or Materials, using the Software and/or Materials in an unauthorized manner, and/or otherwise failing to comply with any of the terms and conditions of this Booklet.

You may not alter, repair, modify or adapt any Software or Materials, including, but not limited to, translating, reverse engineering, decompiling, disassembling or creating derivative works from it.

You will inform our client support unit of all errors, difficulties or other problems with the Software of which you become aware. We may make reasonable efforts to fix or provide workarounds for any material errors reported to us and to provide you with support and consultation concerning the Software. Any such efforts, support and consultation will be determined by us, in our sole discretion. You will cooperate with us in the expeditious resolution of such errors, difficulties or other problems by providing us, on request, a listing of input, output and all other data which we may reasonably request in order to reproduce operating conditions similar to those present when such errors, difficulties or other problems were discovered.

Your license to the Software and Materials will terminate automatically if you breach a material term of this Software License section or the license, or if the Services for which you are using the Software are terminated. In addition, in the event of a breach of your confidentiality obligations with respect to the Software, we may seek any remedy provided by law or equity.

LIMITED WARRANTY/DISCLAIMERS

You acknowledge that the Software and Materials have not been produced to meet your specific requirements and have not been tested in every possible combination and operating environment. You are responsible for satisfying yourself that the Software and Materials are satisfactory for your purposes.

You further understand and agree that we make no representation concerning the completeness, accuracy, timeliness, operation or performance of the Software and/or Materials or their compatibility with any hardware. You

acknowledge and agree that the operation of the Software may not be uninterrupted or error-free and that the Software and Materials are provided on an "AS IS" basis.

We warrant that the Software will substantially conform to the documentation provided with the Software for a period of 30 days after delivery to you, provided that (i) the Software has been used by you in strict compliance with the terms and conditions of this Booklet and the Materials, (ii) the Software has not been modified in any way by you, and (iii) you promptly notify us and reproduce for us any defects, errors or bugs in the Software which result in the Software not substantially conforming to such documentation. In the event that such warranty is breached, we shall, at our option, (i) use reasonable efforts to correct or work around any such defects, errors or bugs or (ii) accept return of the Software and refund any license fees paid by you for the Software.

You agree that the foregoing is your sole and exclusive remedy for breach of warranty and our sole obligation in connection with the performance or operation of the Software and Materials.

Except as specifically stated above and in the Infringement Indemnity subsection below and notwithstanding any other provision in this Booklet or otherwise, we make no representation or warranty, express or implied, written or oral, and, to the full extent permitted by law, disclaim all other warranties including, but not limited to, the implied warranties of merchantability or fitness for a particular purpose, regarding the Software, the Materials, any CD-ROM/DVDs provided to you, and all other property, services or rights covered by this Booklet.

To the extent permitted by applicable law, and except as otherwise provided in this section, we will not be liable for damages of any kind arising out of the provision of, use of, or inability to use, the Software and/or Materials.

You agree that the United Nations Convention on Contracts for the International Sales of Goods will not apply to our provision to you or your use of any Software and/or Materials.

INFRINGEMENT INDEMNITY

Notwithstanding your indemnity of us in the Protection From Third Parties section of this Booklet and except as otherwise provided in this Booklet, we will defend at our own expense or settle any action brought against you to the extent it is based on a third party claim that your use of the Software and/or Materials provided by us to you pursuant to this Booklet infringe any Berne Convention country copyright or any United States of America or United Kingdom patent, trade secret or trademark of any third party, and we will pay all costs and damages finally awarded in any such action.

Our obligations under this indemnity are subject to (i) prompt notice from you of any such claim or action, (ii) your not having made any admission of liability or agreed to any settlement or compromise, (iii) your providing to us, in a prompt and timely manner, the documents, information and assistance we reasonably request, (iv) our having sole control of defending such claim or action, (v) your having used the current version of the Software and Materials, as provided to you by us, in compliance with the terms and conditions of this Booklet, (vi) your using the Software and Materials only in the manner for which the Software and Materials were designed , (vii) your not modifying the Software and Materials, and (viii) your not incorporating the Software and Materials with products not approved by us. You acknowledge and agree that our obligations under this indemnity are our only obligations to you with respect to any infringement claim in connection with your use of the Software and/or Materials.

EXPORT CONTROLS

You understand and acknowledge that any obligations that we may have to provide Software, any Materials, data, technical assistance, training and related technical data, and any media in which any of the foregoing is contained (all of which shall be collectively referred to as "Data") will be subject in all respects to all applicable laws and regulations as shall from time to time govern the export or diversion of certain products and technology to and from certain countries. You warrant and agree that you will comply in all respects with the export and reexport

restrictions applicable to the Data shipped and/or provided to you and that you will comply with all applicable laws and regulations governing the export and diversion of the Data.

IMAGE SERVICES - SUPPLEMENTAL CD-ROM/DVDs SOFTWARE LICENSE PROVISIONS

This subsection supplements this Software License section with respect to Software we provide for the Image Services, under which we provide you with CD-ROM/DVDs, and shall control in the event of conflict between it and the balance of the Software License section. This subsection does not apply to the Image Lockbox Service. If we provide you a CD-ROM/DVD which contains a media defect or is unreadable in its entirety, you must notify us in writing of such defect within 30 days after the CD-ROM/DVD creation date appearing on the CD ROM/DVD. If you provide us with such notice within such time period, we will use reasonable efforts to replace the CD-ROM/DVD. You acknowledge and agree that this shall be our sole obligation and your sole remedy with respect to any such defects in the CD-ROM/DVD.

Notwithstanding anything to the contrary in the Suspension and Termination section of this Booklet, if an Image Service under which we provide you with CD-ROM/DVDs is terminated for a reason other than your breach of any terms and conditions in this Booklet, you may continue to use the Software and Materials for such Service after termination of such Service for six months, or for such longer period as we approve, subject to the terms of this Software License section or such other software license agreement as we, at our election, require you to sign for this purpose. At the end of such six-month or longer period, the license for your use of such Software and Materials will then terminate automatically.

SUSPENSION AND TERMINATION

If at any time we believe (i) that our provision of any Service to you may create a risk of financial loss for us or result in an unacceptable credit exposure to us, or (ii) that an account associated with any Service may be subject to irregular, unauthorized, fraudulent or illegal activity, we may, in our sole discretion, immediately, without prior notice to you, suspend or modify our provision of any such Service until such time that such risk, exposure, or activity is eliminated or otherwise resolved, notwithstanding anything to the contrary in this Booklet. Either you or we may terminate any or all Services upon 30 (60 in the case of Corporate Card Services) calendar days prior written notice to the other party. Notwithstanding the foregoing sentence, we may terminate any or all Services effective immediately, and we will send you notice of the termination, if any of the following occurs:

- You breach any of the terms and conditions in this Booklet or any other agreement with us.
- You terminate, liquidate or dissolve your business or dispose of a substantial portion of your assets.
- You fail generally to pay your debts as they become due.
- You, voluntarily or involuntarily, become the subject of any bankruptcy, insolvency, reorganization or other similar proceeding.
- You initiate any composition with your creditors.
- You experience a material adverse change in your financial condition or your ability to perform your obligations under the terms and conditions in this Booklet.
- Any guaranty of your obligations to us terminates, is revoked or its validity is contested by the guarantor, or any of the events set forth in the above five bullet points attributable to you occur to the guarantor.
- The account necessary to provide any Service is closed.

If a Service you are using is terminated for any reason, you will do the following:

- Immediately stop using any Materials relating to the terminated Service.
- Erase or delete any Software we have provided relating to the terminated Service to the extent it is stored in your computers.

- At our option, either return to us or destroy all Materials relating to the terminated Service and certify to us that you have done so.

These obligations will continue after a Service you are using has been terminated.

Termination of a Service you use does not affect your payment obligations for services we provide to you before the Service is terminated, and any such termination is in addition to our other rights under applicable law and under the terms of this Booklet. Also, termination of any Service you use does not release you or us from any of our respective obligations which arose or became effective before such termination. Upon termination, all amounts owed by you and outstanding will become immediately due and payable.

GLOSSARY OF TERMS

The following are some important terms that appear in this Booklet.

Acceptable Payee. Your name and any other payee name you provide to us as an acceptable payee for checks to be processed under the Lockbox Services.

Account Agreement. The current signature card, International Account Agreement or SAOTC and the publication(s), as amended from time to time, we provide you containing terms and conditions applicable to each deposit, savings or current account for which you use a Service.

ATM. Automated teller machine.

Bill Payment Service Provider. Any entity, which may include us, you authorize to deliver payments, remittance information and other related data from your customers to us for the Electronic Bill Payment Consolidation Services.

Biller. A non-consumer that is a member of the Network and sends invoices to Payers.

Business Day. Each day on which the bank or bank office providing or facilitating a Service is open for business related to that Service.

Card. Each plastic charge card which we issue for your Card Account under our Corporate Card Services.

Card Account. Each MasterCard® or Visa® account which we issue to you or to a Cardholder under our Corporate Card Services, including an account for which only an account number and no Card is provided.

Card Administrator. One or more individuals designated by you in writing, as our primary contact for the Card Accounts, who is authorized to take actions necessary or appropriate to maintain the Card Accounts, including without limitation designating persons to receive Card Accounts, receiving communications from us related to the Card Accounts, requesting the closure of Card Accounts and otherwise communicating with us with respect to the Card Accounts.

Cardholder. Your employee or any other person who you designate in writing and who we approve to receive a

Card Account or a Commercially Prepaid Card. If you or a Cardholder makes a Commercial Prepaid Card, a Card Account number or Convenience Check available to another party, that person will also be considered a Cardholder.

Check 21. The Check Clearing Act for the 21st Century Act, 12 CFR 229 or any successor legislation. Any IRD created and deposited to your account must comply with all the requirements mandated by Check 21.

Check Issuance Request. Using the Check Issuance Service, a message transmitted from you to us requesting us to issue a check on your behalf drawn on either accounts you maintain with us or accounts designated and owned by us.

Collected and Available Funds. Funds in an account equal to the ledger balance minus float which, in our reasonable determination, are not subject to a hold, dispute or legal process preventing their withdrawal.

Collector. A non-consumer that is a member of the Network and receives payments and remittance information from Disbursers.

Commercial Prepaid Card. A pre-paid magnetic strip-based plastic card issued by us for a Cardholder's purchase of goods or services or for cash withdrawals.

Company's Marks. Your trademark, tradename, service mark and/or designs which are used in connection with the Corporate Card Services.

Controlled Disbursement Account. One or more demand deposit accounts maintained by you with us and used in connection with our Controlled Disbursement Services.

Controlled Disbursement Point. Each bank office designated by us through which checks

issued under the Controlled Disbursement Service will be cleared or routed.

Convenience Check. A check which we may provide to you to draw on a Card Account.

Currency. When used in connection with the Safe Connect Service, U.S. denominated cash and any such other currency as is set forth in the User Documentation.

Depository Transfer Checks (DTCs). Depository transfer checks and preauthorized checks to debit Receivers' accounts to accomplish the same purpose as debit Entries. (Receiver is defined in the NACHA Rules.)

Disburser. A non-consumer that uses the Payment Service to send Transaction Requests to us and on whose behalf we originate an Entry to a Collector.

Document Printing Request. Using the Document Printing Service, a message transmitted electronically from you to us or our third party processor requesting us to print and mail on your behalf statements, invoices and other documents.

ECCHO. The Electronic Check Clearing House Organization.

Effective Entry Date. The date specified, in accordance with the NACHA Rules, on the Entry by the Originator on which the Originator intends the Entry to be settled. (Originator is defined in the NACHA Rules.)

Electronic Funds Transfer Services. ACH Services, International Electronic Funds Transfer Services and Wire Transfer Services.

Electronic Image. An image conforming to the applicable industry standards for Images.

Entries. Entries has the meaning provided in the NACHA Rules and also includes any data for Entries and any prenotification.

e-Statements. Statements with respect to which you opt for electronic delivery and which are selected by you as outlined in the applicable User Documentation.

eUCP. The rules for electronic presentation of documents under the UCP.

Federal Reserve Operating Circular 3. The Federal Reserve Board's Operating Circular 3, Collection of Cash Items and Returned Checks.

Fedwire Regulations. Subpart B of Regulation J of the Board of Governors of the Federal Reserve System of the United States of America, as amended from time to time.

FX Request. A request by means permitted under the Electronic Foreign Exchange Services to enter into an FX Transaction.

FX Transaction. A transaction between you and us, permitted under the Electronic Foreign Exchange Services, for the purchase of one currency in exchange for the sale of another currency (including without limitation any foreign exchange spot, swap or outright forward transaction or option), including any transaction that effects the pre-delivery, extension, rollover or splitting of such a transaction.

ICL. An image cash letter.

Image. An Electronic Image or a Paper Image. With regard to an Image of an original paper check, the check Image that is deposited with us pursuant to the Commercial Deposits section of this Booklet shall be a "check" and/or an "item" (as applicable) for all purposes under such Booklet section, any Account Agreement between you and us relating to the collection of checks generally, the Uniform Commercial Code, the Expedited Funds Availability Act, Regulation CC, any other federal or state check law, and federal and clearinghouse rules, to the same extent as that original is a "check" or an "item," as applicable.

International Account Agreement. A form of Account Agreement used in some countries.

International Electronic Funds Transfer Services. Electronic payment services for transfers to or from your account outside the

United States of America or to or from your account in the United States of America to or from an account in a different country. These services include low-value batch payments made according to multiple requests within a single electronic data file. International Electronic Funds Transfer Services exclude ACH Services within the United States of America and exclude Wire Transfer services.

International Transaction Fee. In using Corporate Card Services, a fee that we may add to the U.S. dollar amount of any Transaction that is made in a foreign currency.

IRD. When used in connection with the Commercial Deposits section of this Booklet, an "Image Replacement Document" or substitute check, as set forth in Check 21, which provides that a properly prepared substitute check that meets the requirements for legal equivalence is the legal equivalent of the original for all purposes.

ISP98. The "International Standby Practices 1998" developed by the Institute of International Banking Law & Practice and endorsed and published by the International Chamber of Commerce or such later revision as may be adopted and be in effect on the date the subject standby letter of credit is issued.

Legal Expenses. Reasonable lawyer's fees, allocated costs of staff counsel (unless prohibited by applicable law), fees and expenses of litigation and any other fees and expenses incurred in enforcing any provision of this Booklet.

Lockbox Address. The post office address we assign to you or we accept from you for the Lockbox Services.

Materials. The Software, user identification codes, passwords, codes, keys, test keys, security devices, embedded algorithms, digital signatures and certificates, other similar devices and information, User Documentation and related documentation we provide to you.

NACHA Rules. The rules of the National Automated Clearing House Association (including any other clearing house rules applicable to automated clearing house transactions), as amended from time to time.

Network. The third-party owned PayMode® network made up of Disbursers and Payers, using the Payment and Invoice Processing Services, as well as Collectors and Billers.

Notice(s). In connection with the Notification Services, notices provided by us to you that are associated with and related to the Services provided by us to you under the terms of this Bookletor other agreement between you and us.

Paper Image. An Image that is a paper reproduction of the related physical check (the original paper item or substitute check created from an image of the original paper item) created with image technology.

Payer. A non-consumer that uses the Invoice Processing Service to receive invoices from Billers.

Payment Advice. Using the Client-Printed Drafts Services, an electronic message transmitted by you to us advising us that you have created a draft.

Personal Data. Information we receive from you in connection with the Services consisting of an individual's bank accounts or other financial data or identifying a living individual.

PIN. A personal identification number which a Cardholder may receive when activating a Commercial Prepaid Card.

RCK. A "Re-Presented Check Entry" as defined in the NACHA Rules.

Request. A request by means permitted under the relevant Wire Transfer Service or International Electronic Funds Transfer Service to transfer funds to or from a specified account or beneficiary (including standing instructions) or to amend or cancel a prior request to transfer funds.

Reversal/Deletion Request. A request for a Reversal or a request to delete a previously delivered Entry.

Reversals. Data for reversing Entries. For the Electronic Bill Payment Consolidation Services, it includes data from a Bill Payment Service Provider for reversing a payment from one of its customers that was delivered to us by the Bill Payment Service Provider.

Safe. When used in connection with the Safe Connect Service, the equipment (and related software and accessories) installed at the Safe Location and used by you for depositing Currency. The Safe counts, records and reports the Currency deposited into and accepted by it.

Safe Connect Service. The service described in the Commercial Deposits section of this Booklet, whereby through your use of a Safe installed at a Safe Location, we receive Safe Feeds concerning your deposits into such Safe, and afford such deposits credit, which may be provisional, as described in this Booklet and in the User Documentation.

Safe Deposits. When used in connection with the Safe Connect Service, deposits of Currency made by you and accepted into the Safe, with respect to which we have received a Safe Feed.

Safe Feed. When used in connection with the Safe Connect Service, an electronic file transmission received by us from the Transportation Provider, which Feed (i) originated from a Safe, (ii) was sent from the Safe to the Transportation Provider, (iii) was then forwarded intact to us and received intact by us, and (iv) reports the purported value of all Currency accepted into the Currency validating portion of such Safe since the transmission of the last Safe Feed, or the first such Feed, as applicable.

Safe Location. When used in connection with the Safe Connect Service, the location(s), to be mutually agreed by you and us, at which the Safe may be located.

SAOTC. Each form of Standard Account Opening Terms and Conditions used in certain countries as an Account Agreement.

Security Procedure. Unless we agree otherwise with you, the applicable security procedure described in the Materials for your data delivery type or Service for verifying the authenticity of Entries, Requests, Reversal/Deletion Requests, Payment Advices, Check Issuance Requests, Document Printing Requests, Stop Payment Requests, FX Requests, Transaction Requests or Tax Payment Instructions.

Service. With respect to a Bank of America Corporation subsidiary bank, a treasury management service provided in a specific Bank location and covered by this Booklet.

Software. Web-based applications accessed via a Website and/or the programs and data files provided by us for use on a computer in connection with one or more particular Services.

Standalone Account. One or more demand deposit accounts maintained by you with us that is not linked to another account as part of a treasury service relationship or that is not linked as a sub-account to another account in a treasury service relationship.

Statements. Account statements, account analysis, pricing information and other information relating to account activity or services, transactional activity and/or cash management services with us and/or our affiliates.

Stop Payment Request. A message you send us using the Electronic Stop Payment Services, the Check Issuance and Document Printing Services or the Client-Printed Drafts Services to request that payment be stopped on a check or draft which, in the case of the Electronic Stop Payment Services, must be drawn on an eligible account you have with us.

Subsidiary. Any entity in which more than 50% of the ownership interest is owned, directly or indirectly, by you. The term "Subsidiary" does not include affiliates or other entities in which

50% or less of the ownership interest is owned, directly or indirectly, by you.

Supplier. Any private or common carrier communication or transmission facility, any time-sharing supplier or any mail or courier service.

SWIFT. The international electronic message-transfer service known as the Society for Worldwide Interbank Financial Telecommunication.

Tax Payment Instruction. An instruction by means permitted under the relevant Tax Payment Service to pay any taxes using any of the tax forms specified in the applicable User Documentation.

Transaction. The purchase or reservation of goods or services or a cash advance made or facilitated by use of a Commercial Prepaid Card, Convenience Check or Card Account.

Transaction Account. One or more demand deposit accounts maintained by you with us or another financial institution and used in connection with the Payment and Invoice Processing Services.

Transaction Request. Using the Payment Service, a message transmitted electronically from you as a Disburser to us or our third party processor requesting us to originate an Entry to a Collector on your behalf.

Transportation Provider. When used in connection with Safe Connect Service, the armored carrier which you engage to transport Safe Currency from the Safe to the Vault Location.

UCC 4A. Article 4A of the Uniform Commercial Code - Funds Transfers, as adopted by the state in the United States of America whose law applies to a Service, as amended from time to time.

UCP. The Uniform Customs and Practices for Documentary Credits, 2007 Revision, ICC Publication No. 600 or such later revision as may be adopted by the International Chamber of Commerce and be in effect on the date the subject letter of credit is issued.

Unauthorized Use. Use of a Card Account, Card or Convenience Check by a person (i) who is not your Cardholder, employee or agent, (ii) who does not have actual, implied or apparent authority to use the Card Account and (iii) whose use does not benefit you directly or indirectly.

Uniform Rules for Collections. The Uniform Rules for Collections, ICC Publication No. 522, or such later revision as may be adopted by the International Chamber of Commerce and be applicable to a collection.

User Documentation. Any written information we provide you, including information in electronic format, as amended from time to time, which contains detailed instructions regarding the use of a Service, as provided by a particular banking center or office. User Documentation may vary from one jurisdiction to another. Current User Documentation is available upon your request.

Vault Location. When used in connection with the Safe Connect Service, the vault facility where the vaulting and related cash processing services are performed with respect to Safe Deposits.

Website. Any internet website and/or online access channel for use in accessing one or more Services.

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Back to Table of Contents

2011 Addendum to Bank of America's 2003 Bid Response

I. **Incorporation by reference.** This 2011 Addendum to the Bank of America's ("Bank's") 2003 Bid Response, and exhibits D-1 through D-11 attached hereto, constitute Exhibit D to the Umbrella Agreement for Government Banking Services executed concurrently herewith. The Bank's 2003 Bid Response and the Bank's Terms and Conditions referenced herein are contained in Exhibits B and C, respectively, of the Umbrella Agreement for Government Banking Services, and are incorporated herein by reference.

II. **Changes to the Bank's 2003 Bid Response.** Changes to the banking services identified in the Bank's Bid Response submitted on August 29, 2003 (the 2003 Bid Response) are set forth below. Except for the changes stated herein, the banking services identified in the 2003 Bid Response remain in effect for the duration of the Umbrella Agreement for Government Banking Services executed concurrently with this 2011 Addendum, unless later mutually agreed otherwise by the Bank and Client.

Tab B, pp. 2-3,Transmittal letter:

The letter in Exhibit D-1 replaces and supersedes the letter contained in Tab B.

Tab C, p. 4, Financial Institution Profile:

Exhibit D-2, Sacramento Market Profile, updates the information contained in Tab C.

Tab C, p. 4, List of Bank centers:

Below is an update on the Bank of America branch openings over the past 5 years in the Greater Sacramento area. The table below shows 6 full-service branches opening, but the West Roseville one was a relocation, so the net new is five. Stores Opened from 2005 to 2010:

MSA	Store Name	Address	City	County	Open Date
Sacramento--Arden-Arcade--Roseville, CA	West Roseville	4012 Foothills Blvd.	Roseville	Placer	10/19/09
Sacramento--Arden-Arcade--Roseville, CA	West Natomas	3645 N. Freeway Blvd.	Sacramento	Sacramento	3/28/08
Sacramento--Arden-Arcade--Roseville, CA	West Sacramento-Southport	2130 Town Center Plaza	West Sacramento	Yolo	9/25/06
Sacramento--Arden-Arcade--Roseville, CA	Empire Ranch	25065 Blue Ravine Rd, Ste 100	Folsom	Sacramento	5/15/06
Sacramento--Arden-Arcade--Roseville, CA	Laguna Reserve Marketplace	10046 Bruceville Road	Elk Grove	Sacramento	12/5/05
Sacramento--Arden-Arcade--Roseville, CA	Sterling Pointe	685 South Highway 65	Lincoln	Placer	8/29/05

Tab C, p. 7 – Updated list of Personnel:

The information below updates the information provided on pages 7-9 of Tab C.

Your Bank of America Merrill Lynch Client Team

Bank of America Merrill Lynch

Works with you to know your business and proactively provide unique opportunities that help you succeed.

Client Team

Robert D. Lucchese

Client Manager
Key advisor to the client in strategic and financial matters. Leads the Bank of America client team in the delivery of products and services appropriate to each client's needs.
Office: 415-913-2849 Mobile: 415-699-7770
Fax: 916-326-3176
Email: robert.lucchese@baml.com

Maureen Ellis-Sales Support Associate
Back-up contact for client manager in support of the client's relationship, products, and services with Bank of America
Office: 916-326-3158
Fax: 415-228-.7389
Email: maureen.ellis@baml.com

Jim Hackett

Treasury Solutions Officer
Advises the client on optimal liquidity solutions that best meet the client's objectives. Liquidity solutions include disbursements, collections & concentration of cash.
Office: 916-326-3120
Fax: 916-326-3182
Email: jim.hackett@baml.com

Maureen F.Woelffer -Treasury Solutions Analyst
Back-up contact for Treasury Solutions Officer on all liquidity/treasury management products.
Office: 925-675-2886
Fax: 877-317-5073
Email: maureen.f.woelffer@baml.com

Andy Shin

Credit Products Officer
Credit support includes structuring, underwriting, documentation & ongoing monitoring of the client's credit products including negotiation and closing of loan transactions.
Office: 213-621-7146
Fax: 206-585-9024
Email: andy.shin@baml.com

Allen Ralph-Credit Support Associate
Assists Credit Products Officer in supporting loan origination & monitoring. Coordinates loan set-up & documentation. Responsible for financial statements and borrowing base collection and L/C applications.
Office: 916-307-8610
Fax: 415-796-1206
Email: allen.ralph@baml.com

Servicing

Client Contact Center

Clarizza (Claire) B.Palma, Dedicated Service Director Phone: 916-326-3132 Fax: 415-796-1143 Monday – Friday 7:30 am – 4:00 pm

Email: dedicatedwgovone@bankofamerica.com

Responsible for quickly responding to servicing requests. You may also call the Client Contact Center for questions or concerns regarding:
Checking, Savings, & Money Market Accounts – Account Balances – Fund Transfers - Loans, including advances & payments – Treasury Mgmt Services

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Tab E, p. 14 Truncation Services/CD Imaging of Checks Paid:

The following replaces and supersedes the section on this topic contained on page 14 of Tab E:

Bank of America offers Truncation services. The City currently utilizes this service on all of its accounts. Truncation reduces or eliminates City costs associated with check handling and storage. With this service, checks are microfilmed or imaged and then destroyed in 24 hours. When check truncation is used, clients can obtain check copies via Image Access through the Cashpro Online portal or by contacting their Customer Service Representative. The City's Dedicated Service Representative is Claire Palma. In most cases, copies are available within five business days after the order is placed and the Bank will certify the quality of the photocopy for use in legal cases. Older items dating back longer than 4 years may take longer to obtain copies.

The Check 21 Act, improved technology, and concerns over information security are leading to a change in how banks facilitate the payment process. Increasingly, banks are exchanging images

rather than clearing original paper checks. The City's paper checks are truncated and are now received on a monthly CDROM in addition to Image Access on the CashPro Online portal.

Tab H, p. 18 – Exporting:

The following replaces and supersedes the section on this topic contained on page 18 of Tab H:

We now use M2M –Machine-to-Machine (M2M). Information reporting provides balance, summary and high-level transaction detail for posted and memo-posted activity via a direct transmission of BAI2 formatted files into the City's People Soft system. This information is used to manage the City's cash position on a next-day (previous-day) or intraday (current-day) basis and post it to the general ledger systems for accounting purposes. This M2M process replaces the exporting of files from Bank of America Direct, as well as the need for Paid Check files that were previously provided by the Account Reconcilement Department.

Tab J, p. 20 – ACH Credit Card Processing:

Exhibit D-3 replaces and supersedes the information on this topic contained on page 20 in Tab J.

Tab K, p. 21 – Controlled Disbursement:

Exhibit C of the Umbrella Agreement, Terms and Conditions, pp. 22-23, describes the Bank's Controlled Disbursements Service.

This service is not currently provided to the City, but the City intends implement it in the future.

Tab M, p. 23 – 13-Week T-bill rates:

The rates below replace and supersede the rates shown at the bottom of page 23 in Tab M:

Month/Year	Standard EAR	13- week T-Bill
July 2010	0.35	0.1400
August 2010	0.35	0.1768
September 2010	0.35	0.1532
October 2010	0.35	0.1105
November 2010	0.35	0.1552
December 2010	0.35	0.1197
January 2011	0.35	0.1450

Tab P, p. 27 – Pricing:

The new price schedule set forth in Exhibit D-4 replaces and supersedes the price schedule contained in Tab P.

Tab P-1, p. 28 – Additional Pricing:

The revised additional price schedules set forth in Exhibits D-5.a, D-5.b, and D-5.c replace and supersede the price schedules contained in Tab P-1.

Tab R, pp. 30-31 – Safekeeping:

Tab R, related to Safekeeping, is deleted in its entirety.

Tab R-1, p. 32 – Securities Lending:

Tab R-1, related to Securities Lending, is deleted in its entirety.

Tab S, pp. 33-34 – Conversion Plan:

Tab S, related to Conversion Plan, is deleted in its entirety.

Tab T, p. 35 – Service Enhancements--Lockbox:

The lockboxes information found in Exhibit C of the Umbrella Agreement, Terms and Conditions, page 31, replaces and supersedes the lockboxes information contained on pages 35-36 in Tab T.

Tab T, p. 36 – Service Enhancements—Employee Benefits:

Exhibit D-6.a, BAC Solutions, and Exhibit D-6.b, BAW50-Work Program, replace and supersede the information on employee benefits contained on page 36 in Tab T.

Tab T, p. 37 – Service Enhancements—Safekeeping:

The information relating to Safekeeping at the bottom of page 37 in Tab T is deleted.

Tab U, pp. 38-40 – Community Reinvestment Act:

Exhibit D-7, pp. 95-98, describes the Bank's Community Reinvestment Act Program in Sacramento.

Tab V, pp. 41-42 – Community Involvement:

The information on community involvement found in Exhibit D-2, Sacramento Market Profile, replaces and supersedes the information on this topic contained on pages 41-42 in Tab V.

Tab W, p. 43 – Branches Closed:

From 2005 to 2010, the Bank closed five in-stores. Two of these were in the City of Sacramento, with the others in Folsom, Carmichael and Davis. In each case we felt the customer usage was declining and we had redundant coverage with existing banking centers. These sites were closed in 2009 and 2010.

Tab X, p. 44 – Affirmative Action Program:

The following policy statement replaces and supersedes the policy statement contained in Tab X:

BANK OF AMERICA
EQUAL EMPLOYMENT OPPORTUNITY AND AFFIRMATIVE ACTION POLICIES

Bank of America's equal employment opportunity policy supports our tradition of valuing all associates by prohibiting discrimination and harassment on the basis of race, gender, gender identity, color, religion, sex, sexual orientation, national origin, age, disability, or veteran status. The Company also does not allow discrimination on other bases such as ancestry, medical condition, or marital status, where legally prohibited.

As it relates to employment, our policy means providing applicants and associates with equal opportunity under the Company's personnel practices, including, but not limited to, recruitment, hiring, training, compensation, and promotion. Managers are responsible for establishing an atmosphere within the workplace free from discrimination and harassment, including that which may be sexual, verbal, physical, or visual in nature.

The Company's affirmative action policy means eliminating inappropriate barriers to employment and advancement, and fostering a workforce that represents a diverse labor market, including women, minorities, individuals with disabilities, and covered veterans within the Company. Affirmative action also means taking positive steps to attract, select, promote, and retain women and minorities at levels where our analysis indicates they are underutilized in the workforce. Affirmative action goals are targets, not quotas, which guide the Company in these efforts.

Tab Y, p. 45 – Community Services:

The Bank's community service participation is described in Exhibit D-2, Sacramento Market Profile. In addition, the Bank is also participating in the Bank on Sacramento Program.

Tab Z, pp. 46-51 – Other Information:

Page 48 – Other Information –Custody Services: This service is no longer provided.

Page 48 – Other Information –Securities Lending Services: This service is no longer provided.

Page 49 – Other Information –Additional Requirements—f. Toll-free Telephone numbers for customer service: The updated telephone numbers for customer service are contained in the list of client contacts listed above for Tab C, p. 7, Updated List of Personnel.

Tab Z.1, pp. 52 – Lockbox:

The information on lockboxes found in Exhibit C of the Umbrella Agreement, Terms and Conditions, page 31, replaces and supersedes the information on this topic contained in Tab Z.1. Additionally, the City of Sacramento processes its utility payments by Kubra Inc.

Tab Exhibit 1– Corporate Resolution:

The certificate in Exhibit D-8 replaces and supersedes the certificate contained in Tab Exhibit 1.

Tab Exhibit 2- Contract Samples and Related Information:

The Custody Agreement contained in Tab Exhibit 2 is deleted, and replaced by the following:

See Exhibit D-9.a, sample Umbrella Agreement

See Exhibit D-9.b, sample Contract for Deposit of Moneys

See Exhibit D-9.c, sample Merchant Agreement

See Exhibit D-9.d, Commercial Card Services Amendment to the Bank's Terms and Conditions relating to the Corporate Card Agreement

Tab Exhibit 3 – Financial Statements and Ratings:

The Financial Statement and Ratings contained in Exhibit D-10.a, replaces and supersedes the Financial Statement and Ratings contained in Tab Exhibit 3.

The 2009 Annual Report contained in Exhibit D-10.b is provided as supplemental information.

Tab Exhibit 4 – Account analysis statement guide:

The Account analysis statement guide (2010) contained in Exhibit D-11, replaces and supersedes the Account analysis statement guide contained in Tab Exhibit 4.

Tab Exhibit 7 – Securities Lending Agreement:

Tab Exhibit 7, relating to Securities Lending Agreement, is deleted in its entirety.

Tab Exhibit 8 – Monthly/Quarterly Billing Pro-Forma:

Tab Exhibit 8, relating to Monthly/Quarterly Billing Pro-Format, is deleted in its entirety.

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EXHIBITS D-1 THROUGH D-11, INCLUSIVE, FOLLOW

Back to Table of Contents

Exhibit D-1 - Tab B, pp. 2-3 - new Transmittal Letter

February 25, 2011

City of Sacramento

Attn: Russell Fehr

926 J Street, Suite 300

Sacramento, CA 95814-2709

California Government Banking
Mail Code: CA5-704-13-11
315 Montgomery Street
San Francisco, CA 94104-1866

Robert D. Lucchese
SVP Sr. Client Manager

Tel: (415) 913-2849
Fax: (415) 228-7389

Dear Russ

On behalf of Bank of America, I am very pleased to submit the accompanying addendum to Bank of America's proposal in response to your *Request for Proposal for Financial Services* issued August 4, 2003. This addendum has been designed to demonstrate our continued high level of commitment, enthusiasm, and desire to continue to provide the City of Sacramento with the highest level of personalized and professional services. With this addendum, Bank of America is confirming our mutual desire to execute a new contract on all services provided by the Bank today, as well as, any that are contemplated in the future. For your convenience, the Terms and Conditions Booklet that the City has signed, is sufficient to initiate new services as needed by the City.

We greatly value the banking relationship we now have with the City and are eager to move forward with more exciting changes, particularly vendor payments via the Bank's ePayables solution, as soon as the City is prepared to do so. Our next steps will be to immediately begin working with you to implement this critical service so that the City can maximize its benefits, including revenue. We understand that your resources are limited and we will work closely with you to develop the most efficient and cost-effective operation possible.

We view our role to be that of your business and financial partner, and as you begin to implement e-Commerce and other Internet-based solutions, you will appreciate the value of that partnership. I strongly believe that Bank of America continues to offer the City of Sacramento the best overall value and that a new contract is appropriate for both parties We hope you'll agree that the following attributes that Bank of America has provided the City since 2004 :

- Our *commitment to advise* and assist the City in making a smooth transition to e-Commerce services for your constituents;

- Our *extensive training capabilities* and resources, simplifying the implementation of any enhancement you decide to make, and facilitating development of your staff;

- *Better funds availability* because our market share (based on your dollars deposited) is greater than any other bank's;

- *Competitive* pricing, which allows you to benefit from our experience, efficiencies and talents;

- Our proven commitment to *outstanding customer service*, with a client management team of experienced professionals dedicated exclusively to public agencies located in Sacramento;

- Our *strong record of local community contributions:* not just our "Outstanding" CRA ratings, but numerous other avenues of contribution not mandated or formally reported;

- Our *strong capital position and credit ratings*), keeping your resources safe and secure, and allowing us to be responsive to your credit needs.

We are committed to giving the City the tools it needs to operate at its peak efficiency, through quality service, knowledgeable associates and secure state-or-the-art technology. Our longtime continuous service to government agencies has provided the Bank with a wealth of knowledge and expertise, and **Bank of America's commitment to this sector will continue to be very strong**.

As your Client Manager I will continue to manage the relationship with the City, supported by my experienced team of associates. I will also be your primary contact regarding questions you may have on this proposal and for decision notification. The City's other current core Client Team members (Maureen Ellis, Customer Service & Sales Support; Claire Palma, Client Support Representative-Sacramento Service Center; Jim Hackett, Treasury Solutions Sales Officer; and Maureen Woelffer Treasury Solutions Analyst will remain the same. I, along with my fellow associates, am personally committed to surpassing your expectations. We eagerly look forward to continuing to count the City of Sacramento as one of our highly valued public sector clients.

Sincerely,

Robert Lucchese

SVP; SR CLIENT MANAGER
GOVT - WEST

Bank of America, CA5-704-13-11
315 MONTGOMERY ST, 13TH FLOOR
SAN FRANCISCO CA 94104-1866

Phone: 415-913-2849 Email: robert.lucchese@baml.com

Back to Table of Contents

Sacramento Market Profile

Exhibit D-2 - Tab C, pp. 4-5 - new Financial Inst. Profile

About the Bank

As the leading bank in California with more than $120 billion in retail deposits, Bank of America has unmatched capacity to deliver financial services and unparalleled opportunities to benefit the communities we serve. Three in ten households have financial relationships with Bank of America. We serve these households, along with businesses, government agencies and community organizations, with a comprehensive suite of high quality financial products and services.

Sacramento Leadership

The Sacramento market is very well represented with executive leadership from Bank of America. These regional executives based in Sacramento oversee key business lines including Commercial, Business Banking, Wealth Management Banking and Investments, Merrill Lynch, Mortgage, Community Development and the Retail Consumer Bank. The executives not only work here in the market, but they support the market through board leadership and personal involvement with local community organizations.

Sacramento Market President

Kathie Sowa is the Sacramento Market President at Bank of America. She is responsible for integrating all of the bank's businesses to provide comprehensive community service and for developing and implementing strategies to utilize the bank's resources to serve the local community in Sacramento and the northern part of the state. Currently, Kathie serves on the board of directors for the United Way and Valley Vision.

We believe we can make a difference, not only with financial support, but also by listening to local voices and taking action. Together with our associates, we are committed to strengthening the fabric of the communities where we work and live. By partnering with key individuals and organizations, community development lending and investing, philanthropy, sponsorship of community-enriching events, and the volunteer efforts of our associates, we are achieving tangible results in our neighborhoods every day.

Providing Comprehensive Financial Services

We provide full-service banking to individuals, businesses of all size, government agencies and nonprofit organizations through the following lines of business:

- Consumer Banking
- Community Development
- Small Business Banking
- Wealth Management Banking
- Business Banking
- The Private Bank (U.S. Trust)
- Middle Market Banking
- Commercial Real Estate Government Banking
- BAC Home Loans
- Global Capital Markets & Investment Banking
- Merrill Lynch

Customer Convenience

- More than 100 Banking Centers and 400 ATMs serving the Sacramento region
- The bank employs over 1900 associates in the region
- Ranked #1 in online banking
  www.bankofamerica.com

Investing in our Community

We work closely with individuals and organizations throughout Sacramento to identify and prioritize issues that we can address in order to build vibrant, healthy and caring communities, create economic opportunity, and improve people's lives.

- **Community Development/ Neighborhood Preservation**: Assisting those who face the loss of their home as well as those seeking affordable housing alternatives. We will focus on preserving the economic assets of the community and helping the LMI individuals affected by those economic forces that remain at the forefront of those organizations working in these communities.
- **Environment:** Bank of America is working with local organizations to be a leader in supporting clean energy and green business in the Sacramento region. With its $20 billion environmental initiative, Bank of America is committed to supporting environmental activities through lending, investment and Foundation support.
- **Arts and Culture**: Support programs and organizations that provide access to arts and culture to our customers, associates and the under-served.
- **Health & Human Services:** An emphasis on improving the economic and social well being of individuals, families and communities.
- **Education:** An emphasis on K-12, including after school programs; early childhood development and financial literacy.

While the majority of our resources are invested in organizations working in these three focus areas, we also partner with other essential health and human service organizations such as the United Way. Locally, Bank of America associates pledged more than $164,000 to the Sacramento United Way in 2009.

Commitment to Small Business

Bank announces $10MM to spur small business lending

Bank of America will provide $10 million in grants to nonprofit lenders, such as Community Development Financial Institutions (CDFIs), to leverage funds from the U.S. Small Business Administration (SBA) and the U.S. Department of Agriculture (USDA) for lending to small and rural businesses.

The grants, for use as loan loss reserves, may unlock as much as $100 million in low-cost, long-term capital for small business microloans nationwide over the next 12 months.

According to the SBA, the country's 30 million small and micro-businesses are the chief generator of new jobs, creating two out of every three new jobs across the country.

Foreclosure Prevention Activities in Sacramento

In Sacramento, Bank of America has partnered with several organizations to help with foreclosure prevention in the community. Here is a list of events and workshops we partnered in:

- Hope Now Event (February 26, 2010)
- AREAA- Sacramento Chapter (March 27, 2010)
- NID Sacramento (April 2, 2010)
- CA State Controller's Office (June 2, 2010)
- NACA (October 8-12)
- Housing Counselor Training (October 20, 2010)

Charitable Investments and Sponsorship

The Bank of America Charitable Foundation is one of the nation's largest corporate philanthropic organizations. Our ten-year commitment of **$2 billion** in grants is unprecedented in corporate America. We deliver our services through grants to nonprofit organizations, our signature Neighborhood Excellence Initiative, and by matching dollars contributed to our associates. To apply for grants online, go to http://www.bankofamerica.com/foundation. In addition to philanthropy, Bank of America provides resources in the community through sponsorships of local organizations and activities. To submit a sponsorship request please visit http://www.bankofamericasponsorships.com.

Community Development

In 2005, Bank of America set a goal of lending or investing $1.5 trillion for community development over the next ten years – more than $400 million per day. We exceeded plan in the first year, with $85.1 billion.

In **Sacramento**, the Bank has financed projects including St. Anton's, who recently completed Norden Terrace a 204- unit affordable family rental housing development. St. Anton's also completed Corsair Park, a 112-unit senior affordable rental development.

Earlier this year, the Bank of America Charitable Foundation continued its support of Mercy Housing through a two-year, $750,000 grant which will support the growing gap between the supply and demand of affordable housing. Mercy Housing has outlined in their 2010 – 2014 strategic plan a goal to create an additional 60,000 affordable multifamily homes.

Neighborhood Excellence

Neighborhood Excellence is an initiative that Bank of America currently operates annually in 40 communities throughout the country to identify, recognize and reward outstanding community-based individuals and organizations. **Local Heroes** receive $5,000 grants that they can direct to an organization of their choosing. **Student Leaders** receive mentoring from the bank and summer internships with local nonprofits. **Neighborhood Builders** are outstanding local nonprofit organizations that receive unrestricted $200,000 operating grants, plus extensive leadership training.

2009 Neighborhood Builders

EMQ Families First: EMQ Families First will use its NEI grant to provide support to youth who "age out" of the foster care system. EMQ Families First will provide support to an additional 75 emancipating foster youth, ages 15 through 23. These youth will receive educational support, job readiness and retention skills training, life skills training, volunteer and internship development, and case management services. In addition, youth will receive instruction on basic personal finances and monthly budgeting.

The Sacramento Food Bank: The Sacramento Food Bank will use its NEI grant to support and complete phase one of their five year strategic plan, which is to completely transition our Food Assistance Program to the Mobile Food Project concept. The MFP provides a five day supply of

nutritious food and improves clients' health and wellbeing through resources such as cooking demonstrations, health and nutrition education and screenings, and community services provided by qualified nutritionists and resource specialists, and referral sources.

Bank of America is proud to support these organizations in 2010:

- Crocker Art Museum
- Sacramento Housing Alliance
- Greater Sacramento Urban League
- St. Vincent De Paul
- City Year
- Junior Achievement
- St Johns Women's Shelter
- Valley Vision
- Lake Tahoe Musical Festival
- United Way
- American Cancer Society
- The Sacramento Zoological Society
- Sacramento Mutual Housing
- Sacramento Metro Chamber of Commerce
- Sacramento Hispanic Chamber of Commerce
- Sacramento Asian Pacific Chamber of Commerce
- Sacramento Black Chamber of Commerce
- California Museum of History of Women and the Arts
- Sacramento Business Journal
- Neighborworks Sacramento
- Sacramento Regional Conservation Corps
- Cottage Housing
- Boys and Girls of Greater Sacramento
- The El Dorado County Boys and Girls Club
- Make A Wish Foundation
- KVIE Foundation
- University Enterprises
- Agriculture in the Classroom
- Service Corps of Retired Executives
- Junior Giants
- Great Valley Center
- Sacramento Gay and Lesbian Film Festival
- Sierra Forever Families
- United Cerebral Palsy
- Friends of the Roseville Library
- Sacramento ASIS Crime Alert
- American Diabetes Association
- CEAR

- Sacramento Area Commerce and Trade Organization

Associate Involvement

Bank of America's involvement in its local communities is supported by the bank's associates, who volunteer thousands of hours each year as volunteers in the neighborhoods where they live and work. Bank of America Community Volunteer organizes the bank's involvement in volunteer projects, but associates donate their time outside the network as well.

In 2009 Bank of America associates in Sacramento volunteered more than 5,000 hours through Bank of Community Volunteers.

Bank of America Community Volunteer Projects (partial list):

- The Sacramento Food Bank
- BloodSource
- CHOICES Educational Program
- Making Strides Breast Cancer Walk
- St. John's Women's Shelter
- United Way Campaign
- Hearts for the Holidays
- Fairytale Town
- Sacramento Zoo

Bank of America Executives serve on the following boards (partial list):

- Junior Achievement
- Boys and Girls Club of Greater Sacramento
- Greater Sacramento Urban League
- Make A Wish Foundation
- United Cerebral Palsy
- United Way
- Valley Vision
- St. John's Women Shelter Program for Women and Children

Back to Table of Contents

ACH/ Credit Card Processing

Describe the electronic system that would be available to the City for processing Debit/Credit card transactions.

On June 29, 2009, Bank of America N.A. and First Data Corp. announced the formation of a new company, Bank of America Merchant Services that will deliver next-generation payments solutions to merchants ranging from small business to commercial and corporate clients worldwide. Banc of America Merchant Services, LLC (Bank of America Merchant Services) will provide clients with the most comprehensive suite of innovative payments solutions including credit, debit and prepaid cards to merchant loyalty, check and eCommerce payments.

The new joint venture creates the largest processor in the world today with over 12.9 billion credit card transactions processed annually and representing over 380,000 Merchant based relationships alone.

- Single source payment solution for all payment types
- Ability to provide turn-key solutions
- Economies of scale pricing with the largest payment provider in the world
- Dedication to being the leading paycard provider in the industry

Existing Processing Method

Bank of America Merchant Services currently provides the City of Sacramento with authorization and settlement of their credit card transactions. The City utilizes a variety of processing methods to include, dial terminals, Point of Sale (POS) software applications and Internet processing.

Technical Capabilities

Diverse Solutions to Meet Your Specific Needs

Our solution is flexible and can accommodate your needs, delivering a unique processing partnership to your business operations and customers. We are one of the only processors in the industry today who is able to offer a true enterprise payments solution. We will partner with you to co-develop service deliverables and a tailored integration plan to best support your processing environment.

Since each industry we process for requires a unique knowledge base and specialized skill set, we serve the following vertical markets:

- Retail
- Healthcare
- Petroleum
- Travel and Entertainment
- Restaurant
- Government
- Business-to-business

- Lodging and Casino
- eCommerce

Industry Leader—Complete and Integrated Solutions
We have industry leading technology, a dynamic infrastructure, and innovative solutions that will benefit your business. These solutions focus on speeding the checkout process and letting consumers pay how and when they want.

- **Payroll Cards**
  Through Money Network®, we offer a payroll card to provide paperless pay through a stored-value debit card to your "unbanked" employees.

- **Prepaid Services**
  Our Premium Gift Card solution is dedicated to helping our clients navigate new opportunities in prepaid products and services. As an industry leader in gift and spending card programs, we offer a wide range of transaction processing, card acquisition, marketing and design, card fulfillment, and customer service capabilities.

- **Loyalty Solutions**
  With our Loyalty solutions, you can track customers' shopping and spending patterns and convert that knowledge into more valuable, better tailored rewards and specific, target marketing campaigns that inspire even greater purchasing activity.

- **Check Products**
  TeleCheck® Services, Inc., operates one of the largest check authorizations networks and offers a full suite of check solutions, i.e., paper, Electronic Check Acceptance (ECA), Internet Check Acceptance (ICA), Check 21, etc.

- **Global eCommerce Solutions**
  Bank of America Merchant Services offers a fully integrated suite of eCommerce Solutions. This comprehensive set of online ecommerce solutions allows our customers of any size to simply and confidently take full benefit of the new revenue streams provided by eCommerce while carefully controlling cost, complexity and compliance issues.

- **Card Brand Compliance**
  As one of the largest payers of dues and assessments, we are in constant contact with Visa and MasterCard for related regulation changes and interchange programs. They work very closely with merchants on specialized programs for their specific industry.

- **Global Merchant Acquiring Solutions**
  We help multi-national corporations consolidate global payments processing to one acquirer and receive funding in a multitude of currencies with our Global Merchant Acquiring Solution. We provide you with a single-source solution to consolidate your multiple acquiring relationships and agreements.

- **Equipment Provider**
  TASQ® Technology Services division is one of the largest providers of outsourced point-of-sale equipment and support services in North America. We create custom solutions, ranging from one-time special projects to long-term business relationships, all designed to complement your business.

- **Mobile Commerce**
  We have wireless solutions to allow a mobile merchant to accept electronic payments from any location.
- **Tokenization**
  With the use of a unique combination of tokenization, advanced encryption and public-key technologies, we can provide merchants with the capability to eliminate card data from their environments without loss of business functionality or massive rewrites of applications.

Advanced Reporting and Interchange Management Tools
We offer ClientLine®, our electronic web-based reporting and reconciliation solution. It offers not only more than 150 prebuilt online standard summary and detail reports, but also supports custom reporting requirements. Reports are accessed through a secure account using a standard Web browser or delivered via e-mail by configuring scheduling parameters.

Through an aggressive Interchange Management System, we provide consultative recommendations to our customers on solutions that help control their overall payment costs.

We act as the advocate for merchants on a daily basis with the credit card associations and debit networks. We firmly believe in proactively working with our partners to develop the payment solutions and processes that deliver maximum value.

Customer Service and Operational Excellence
We pride ourselves on our customer service and operational excellence, and place great importance on the relationships we enjoy with our strategic partners. We believe that we are in a unique position to offer you an integrated bankcard acquiring solution.

We help merchants and financial institutions grow their businesses and take advantage of new market opportunities. We are recognized as a global technology leader in information commerce. We process transaction data of all kinds, harness the power of that data, and deliver innovations in secure infrastructure, intelligence, and insight for our customers. From large financial institutions to the merchant around the corner, we support our customers by helping them process and understand the intelligence behind every transaction.

Back to Table of Contents

CITY OF SACRAMENTO PRICING PROVIDED BY BANK OF AMERICA

AFP CODE	SERVICE DESCRIPTION	PRICE	SERVICE DEFINITION
	BALANCE AND COMPENSATION INFORMATION		
00 0230	FDIC ASSESSMENT	0.3258	Quarterly charge for insuring demand deposit with the Federal Deposit Insurance Corporation (FDIC)
	GENERAL ACCOUNT SERVICES		
10000	ACCOUNT MAINTENANCE (010000)	12.00	The per account monthly service charge for maintaining an analyzed account.
010020	ZBA-DEPOSITORY+ MASTER MAINT	8.00	The charge associated with the maintenance of a zero balance master account or Depository Plus master account.
010021	ZBA SUBSIDIARY ACCOUNT MAINT	8.00	The per account monthly service charge for an account having a target balance of zero. A designated concentration account automatically transfers funds to or receives funds from this account to maintain the zero balance after each day's activity.
010306	DIRECT DDA STMT PER ACCT	20.00	The charge for providing DDA statements to a client via Bank of America Direct. This charge is assessed 'per account' that is entitled to retrieve a statement.
010310	ADDITIONAL STATEMENTS	10.00	The per statement charge for any scheduled statement more than one per month for customers
010610	PHOTOCOPIES	10.00	The per item charge for photocopying checks, deposit tickets, etc.
	LOCKBOX SERVICES		
050321	WLBX ADD'L REPORT COPY	25.00	Per month fee to receive a duplicate deposit report, a non-standard report type, or any hardcopy report of keyed data or data transmission details. Alternatively, this information is available to clients online or via transmission outputs.
050530	WLBX CORRESPONDENCE	0.25	Per envelope fee to handle remittances containing only correspondence/documents and no monetary payment for a lockbox.
05032Z	WLBX FAX NOTIFICATION	115.00	Per month fee to report deposit totals, invoice totals, or other payment information via fax.

050320	WLBX NO DEPOSIT NOTIFICATION	15.00	Per month fee to notify the client when no checks were received for processing. This information can be given to the client via a paper report sent in the lockbox package or via fax, or informed of the no deposit via telephone.
050300	WLBX DEPOSIT PREP PER DEPOSIT	0.75	Per deposit fee to prepare and deposit checks received in a client's lockbox. Number of daily deposits is driven by the deposit cut(s) selected by the client.
050155	WLBX SCANNABLE SORT-ITEM	0.01	Per item fee to separate lockbox transactions into scannable processing (with coupon) and wholesale processing (without coupon) on a scannable lockbox. Use this fee in conjunction with WLBX SCANNABLE SORT MAINT.
05013B	WLBX CASH/GIFT CERT/COUPON	1.50	Per transaction fee to process a cash/currency payment received in a lockbox. Although currency payments are discouraged for lockbox remittances, currency will be processed to the lockbox number on the envelope using an internal deposit ticket and includ
050121	WLBX DATA TRANS PER ITEM	0.09	Per check fee to transmit captured data from checks, remmitance documents and envelopes in a data transmission file to a client. Use in conjunction with WLBX DATA TRAN MAINT 1ST BOX and WLBX DATA TRANS ADD'L BOX.
05011L	WLBX PACKAGE PREP PER MONTH	15.00	Per month fee to PREPARE a package for delivery to a client. This fee applies when the client has selected to use one of the following mailing methods: US Standard Mail Service (charged on analysis via WLBX STD US MAILOUT PER ITEM) or the client preferre
05011P	WLBX WALK IN DEPOSIT	7.00	Per envelope fee for each package received from a source other than the normal USPS lockbox mail.
050405	WLBX EARLY EOM CD DELIVERY	50.00	Per month fee to create and mail an IMAGE lockbox CDROM on the last business day of the month (standard delivery time is within 5 business days after month end)
005413	WLBX OVERNIGHT COURIER	AT COST	Per amount fee (based on weight, package size, from/to zip codes) to mail a remittance package to client using the bank's prefered courier.
050112	WLBX SCANNABLE SORT MAINT	10.00	Per month fee to separate lockbox transactions into scannable processing (with coupon) and wholesale processing (without coupon) on a scannable lockbox. Use this fee in conjunction with WLBX SCANNABLE SORT PER ITEM.
050101	WLBX SCANNABLE PROC-COUPON	0.01	Per invoice (or coupon) fee to process each OCR-readable coupon for a scannable lockbox. Use in conjunction with WLBX SCANNABLE PROCESS-ITEM.
050020	WLBX SCANNABLE PROCESS-ITEM	0.17	Per check fee to process checks with scannable coupons received for a scannable box. Use in conjunction with WLBX SCANNABLE PROCESS-INVOICE and WLBX IMAGE PROC PER ITEM - processing of wholesale items (i.e. items received without a scannable coupon) in a
050020	WLBX SCANNABLE LBX MAINT	115.00	Per month maintenance fee for use of scannable lockbox.
050126	WLBX DATA CAPTURE	0.015	Per keystroke fee to capture data as defined by the client from checks, processed card transactions, remittance support documents, and/or correspondence received in a lockbox.
050401	WLBX NON BUSINESS DAY TRANS	125.000	Per month fee to generate a data transmission of lockbox deposit information and accompanying remittance detail on a non -business day i.e. Saturday, Sunday , bank holiday

05041Z	WLBX COMPANY LEVEL MAILOUT	60.000	Per month fee to consolidate lockbox documentation of same-site lockboxes into one lockbox package to client.
050500	WLBX FOREIGN ITEM	10.000	Per foreign check fee to process any check not drawn on a US bank even a Canadian check in US funds.
050540	WLBX MISC GOODS RETURNED	50.000	Per occurrence fee to forward non-remittance materials/goods received at the lockbox address to the client.
050401	WLBX DATA TRAN MAINT 1ST BOX	65.00	Per month fee to generate a data transmission of lockbox deposit information and accompanying remittance detail. If a single transmission is generated for several boxes at the same site, the lead box would receive WLBX DATA TRANS MAINT 1ST BOX and the ot

DEPOSITORY SERVICES

100419	LARGE ITEM RETURNED	10.00	Per item fee for sending letter for EARNS.
100200	IMAGE DEPOSIT	1.00	Receipt of a transmission which contains a deposit of an image cash letter.
100209	TRANSMISSION MAINTENANCE	150.00	Flat monthly maintenance charge for maintaining clients data on our systems, per customer; includes unlimited transmissions.
100210	CKS DEP ON US-CA	0.023	Transactional charge for processing pre-encoded checks drawn on the bank.
100212	CKS DEP LOCAL CLEARINGS-CA	0.030	Transactional charge for processing checks drawn on local clearinghouse member banks.
100213	CKS DEP SELECT IN DIST	0.04	Transactional charge for processing deposited checks drawn on select non-local banks in the same Federal Reserve District as the capture site of deposit.
100214	CKS DEP ALL OTHER-CA	0.05	Transactional charge for processing deposited checks drawn on non-local Federal Reserve District banks. The default tier for any items not assigned to a select price tier.
100229	IMAGE DEPOSITED ITEMS-ICL	0.06	Bundled pricing for items cleared via Image Exchange.
100229	IRD DEPOSITED ITEMS- ICL	0.10	Bundled pricing for items cleared via IRD.
10022Z	CKS DEPOSITED-CA	0.06	Transactional charge for processing unencoded checks.
10022Z	CKS DEP UN-ENCODED ITEMS	0.10	Transactional charge for processing unencoded checks.
100400	RETURNS-CHARGEBACK	2.00	Per item charge for a deposited check which is returned by the payer bank and debited back to the depositor's account.
100501	DEPOSIT CORRECTION-CASH	3.00	The fee for a discrepancy found between client's declared amount of cash deposited and the amount actually verified by bank. Charge applies to all cash vault and banking center cash deposits and is applied per deposit requiring adjustment.
100200	CASH LETTER/ITEM PROCESSING DEPOSITS	1.00	Transactional charge for posting a deposit made directly to a Proof or Item Processing Center.
100040	CHANGE ORDER BC	1.00	The fee for receiving and processing a coin and/or currency order in the banking center or Automated Business Center.

100230	CKS DEP REJECTS-CA	0.65	Transactional charge for deposited items requiring special handling as rejects from the depositor's automated process. Charge is bundled priced for low speed processing.
100100	VAULT DEPOSIT	0.90	Per deposit fee for processing a deposit delivered to a vault processed before daily cut-off to obtain same day credit. Also applies to deposits made in an ABC & safe drop deposit facilities in certain banking centers delivered directly to cash vault.
100000	BANKING CENTER DEPOSIT	1.40	The fee to have a deposit presented to a teller in a banking center processed for credit to the customer's account. This is charged per deposit.
100007	QBD/NIGHT DROP DEPOSIT	0.90	The fee for giving conditional credit for a deposit delivered to a banking center. The deposit is credited under the condition that the declared cash amount is equal to the actual cash counted. The fee is applied per deposit.
10001A	CURR-COIN DEP/$100-QBD-ND	0.085	The fee for counting the cash portion of a deposit at some time after the deposit was processed for credit to the account. This fee is applied to each $100 cash delivered to a banking center. This is also known as post verification.
10001Z	CURR-COIN DEP-PER $100-BC	0.90	The fee for counting the cash portion of a deposit at the time of processing the deposit for credit to the account. This fee is applied to each $100 cash deposited at a banking center. This is also known as immediate verification.
100502	DEPOSIT CORR NON CASH		Transactional charge for processing an adjustment for each non-cash deposit reconciliation difference.
100044	COIN SUPP/ROLL-BKG CTR	0.10	The per roll fee for supplying rolls of coin of any denomination from a banking center.
100044	COIN SUPP/ROLL-BOX BKG CTR	3.50	The per roll fee of supplying standard boxes of rolled coin from a banking center
100044	COIN SUPP-PER ROLL-STD BOX	0.065	The per roll fee for supplying standard boxes of rolled coin (25 or 50 rolls of single denomination per box) from a banking center.
100049	CURR SUPP/$100-BKG CTR	0.12	The fee for providing requested currency from the banking center. The unit price is applied to each $100 requested.
100200	CARRIER DOC	15.00	Fee for including carrier documents to clear checks within your deposit.
100104	ENVELOPE DEPOSIT-DETAIL	1.15	The fee for counting and balancing deposits prepared in individual envelopes/batches. The client requires verification of each envelope/batch in the deposit. This fee is applied per envelope and is in addition to the per deposit and per $100 fee.
100111	COIN DEPOSIT-NON STD BAG-VLT	3.35	The fee to deposit bags of loose coin in less than Federal Reserve standard amounts or mixed denomination delivered directly to a cash vault or banking center. This fee is applied per bag in addition to per $100 charge.
100113	COIN DEPOSIT-STD BAG-VLT	1.25	The fee to deposit bags of loose coin sorted by denomination in Federal Reserve standard amounts delivered directly to a cash vault or banking center. This fee is applied per bag in addition to the per $100 charge.
10011Z	CURR/COIN DEP/$100-VLT	0.085	The fee for processing the cash portion of a deposit delivered directly to cash vault by client's armored carrier. The fee is applied to each $100 of cash deposited.

100141	CHANGE ORDER VAULT	3.00	The fee for receiving and processing a request for coin and/or currency in a Non-Compass cash vault received via the automated change order system. This fee is applied for each change order processed. Also refer to 'CHANGE ORDER-AUTO-VLT'.
100146	COIN SUPP/ROLL-BOX VLT	0.08	
100147	COIN SUPPLIED-STD BAG VLT	2.00	
100148	CURRENCY SUPP/$100-NONSTD-VLT	0.12	The fee for supplying currency in non-standard strap amounts (i.e., less that 100 notes of the same denomination) requested from a cash vault. The fee is applied to each $100 supplied.

PAPER DISBURSEMENT SERVICES

150102	GEN DISB CKS PD-IS FRT/BK IMG	0.15	The Controlled Disbursement per item checks paid charge for receiving front and back images of paid checks via Image Statement.
150102	GENERAL CHECKS PAID TRUNCATED	0.05	General disbursement per item fee for truncated paid checks.
150322	ARP POSITIVE PAY RETURN-OTHER	10.00	The charge for positive pay return other than fraud
150340	NSF ITEMS PAID/RETURNED	40.00	Charge for checks processed against an account that have been rejected due to insufficient funds.
150400	PAID ITEM INQUIRY	1.00	The charge for inquiring if a check has been paid in Bank of America Direct.
150400	STOP PAY INQUIRY	1.00	The charge for inquiring if a stop payment is currently on a check in Bank of America Direct.
150410	STOP PAY AUTOMATED <=12 MONTHS	8.00	Stop payment requests placed on the Direct/ CashPro information recording platforms with a duration of up to and including 1 calendar year.
150410	STOP PAY AUTOMATED >12 MONTHS	15.00	Stop payment requests beyond 1 calendar year.
150500	NON-RELATION CUST CK CASHED CA	0.00	Non-relationship customer check cashing transactions that occur in CA banking center; client has CA specific NRC arrangement
150810	CHECK PRINTING/SUPPLIES	AT COST	The charge for printed checks that the customer orders through Bank of America.
151342	CHECK COPY	10.00	The per item chagre for a photocopy of a paid check
151350	CD ROM MAINTENANCE	10.00	CD-Rom monthly maintenance, per account, for software expense, ongoing support and revision/upgrades.
151351	CD ROM PER IMAGE	0.03	The per item fee for each posted item that is burned on a CD ROM.
151399	IMAGE MAINTENANCE	10.00	The monthly maintenance fee for image access via BA Direct. This fee is assessed on each account, and recalculated for group level pricing on Account Analysis.
200201	ARP CHECK ISSUE INPUT-TRANSM	25.00	The per transmission charge for receiving check issued information via transmission. Note: if accounts are strung, the lead account is the account that is charged.
200201	ARP PPAY NO RECON INPUT PER ITEM	0.03	The per item charge for each check issue submitted via transmission for providing Full Positive Pay if the customer is not using any other reconciliation service.
200099	ARP POSITIVE PAY MAINT-NO RECON	50.00	The per month per account charge for providing electronic positive pay to a customer if the customer is not using any other reconciliation service.

200208	ARP CKC ISSUE INPUT-FILE REJECTS	50.00	The per file charge for reprocessing a check issued file that is rejected.

GENERAL ACH SERVICES

250323	PAYMODE CON RETURN	3.00	Per item fee for each payment returned to the payer.
259999	ACH STANDARD RPTS-ELECTRONIC	2.00	A per report charge to deliver standard ACH reports electronically. This includes Bank of America Direct, transmissions and other electronic methods.
259999	ACH STANDARD REPORTS-MAIL	10.00	Per report charge for ACH reports requested by the client that are delivered via mail.
259999	ACH OPTIONAL REPORTS-MAIL	10.00	Per report charge for ACH reports requested by the client that are delivered via mail.
251110	PAYMODE CON MTHLY LICENSE		Monthly fee for use of PayMode Concentrator Service.
251070	ACH NOTIF OF CHANGE (NOC)	1.00	Per item fee for an ACH Notification of Change (NOC) item sent by the receiver's financial institution to notify the originator that the information on an ACH transaction is erroneous or has become outdated.
251050	ACH BLOCKS AUTH MAINTENANCE	10.00	The charge to maintain blocks and filters information on the ACH systems.
250800	PAYMODE CON TRANSACTION		Per item fee for each payment concentrated.
250701	ACH OPTIONAL REPORTS-FAX	5.00	A per report charge to fax optional ACH reports.
250640	ACH DELETE/REVERSAL	20.00	Per item charge to delete or reverse an ACH item previously originated by the client.
250201	ACH CREDIT RECEIVED ITEM	0.05	per item fee, charged by ACH, for an ACH received credit. This fee is in addition to the per item fee the client receives from the posting of an electronic item to their DDA account.
250200	ACH DEBIT RECEIVED ITEM	0.05	per item fee, charged by ACH, for an ACH received debit. This fee is in addition to the per item fee the client receives from the posting of an electronic item to their DDA account.
250150	ACH BLOCKS AUTH INSTRUCTIONS	2.00	A per filter fee to allow selected ACH credits and/or debits to post to a corporate account.
250101	ACH CONSUMER ON US CREDITS	0.05	Per item fee to originate an ACH item which is destined for another Bank of America account holder.
250101	ACH CONSUMER OFF US CREDITS	0.05	Per item fee to originate an ACH item which is destined for an account holder at another financial institution.
250100	ACH CONSUMER ON US DEBITS	0.05	Per item fee to originate an ACH item which is destined for another Bank of America account holder.
250100	ACH CONSUMER OFF US DEBITS	0.05	Per item fee to originate an ACH item which is destined for an account holder at another financial institution.
250000	ACH MONTHLY MAINTENANCE	100.00	Monthly fee to maintain a set up on the ACH system.
250501	ACH INPUT-FILE	15.00	Per file fee to process ACH entries that are delivered to Bank of America via a data transmission.
250400	ACH OPTIONAL REPORTS- ELECTRONIC(E)	2.00	A per report charge to deliver optional ACH reports electronically. This includes Bank of America Direct, transmissions and other electronic methods.

WIRE TRANSFER SERVICES

350300	INCOMING DOMESTIC WIRE	7.00	The per wire charge to receive a Fedwire transfer that was sent from another US bank.
359999	WIRE MODULE MAINTENANCE SVCS	25.00	Monthly maintenance fee charged per Bank of America Direct billing ID for clients utilizing the Payments Initiation Service.
350320	BOOK CREDIT	8.50	The per wire charge to process a transfer received from a customer's account to another Bank of America account not in the same relationship.
350123	ELEC WIRE OUT-BOOK DB	3.00	The per wire debit fee for an outgoing, electronically initiated wire being sent to another account held at Bank of America.
350103	ELEC WIRE OUT-DOMESTIC	7.00	The per wire charge for an outgoing, electronically initiated, domestic wire being sent to a beneficiary at a bank in the U.S.
350113	ELEC WIRE OUT-USD INTL	15.00	The per wire charge for a US dollar outgoing electronically initiated international wire being sent to a beneficiary at a bank outside the US where sender shares the fees with the beneficiary.
350551	CUST MAINT TEMPLATE STORAGE	0.50	The per template charge for repetitive wire templates that are maintained by customers and stored on Bank of America systems.

INFORMATION SERVICES

400050	DIRECT PREVIOUS DAY ACCT	25.00	A monthly maintenance fee charged for each domestic account set up on Bank of America Direct for previous day information reporting.
400051	PREVIOUS DAY EXT ITEM	0.13	A per item charge for each previous day detail item stored on Bank of America Direct for the extended 45 calendar day retention period for a domestic account.
400051	PREVIOUS DAY STD ITEM	0.10	A per item charge for each previous day detail item stored on Bank of America Direct for the standard 10 calendar day retention period for a domestic account.
400053	DIRECT CURRENT DAY ACCT	25.00	A monthly maintenance fee charged for each domestic account set up on Bank of America Direct for current day information reporting.
400054	CURRENT DAY STD ITEM	0.20	A per item charge for each current day detail item stored on Bank of America Direct for the standard 10 calendar day retention period for a domestic account.
400110	MAINFRAME TRAN-CDR FF ACCT	35.00	A per account charge for providing current day reporting of balance and/or cumulative full file detail information at client selected times via the Machine-to-Machine (M2M) transmission service.
400110	MAINFRAME TRAN-CDR FF ITEM	0.30	A per item charge for each current day detail item stored for subsequent cumulative full file reporting at client selected times via the Machine-to-Machine (M2M) transmission service.
400110	MAINFRAME TRANS-PDR ACCT	25.00	A per account charge for providing previous day reporting of balance and/or detail information via the Machine-to-Machine (M2M) transmission service.
400110	MAINFRAME TRANS-PDR ITEM	0.10	A per item charge for each previous day detail item stored for subsequent reporting via the Machine-to-Machine (M2M) transmission service.

INVESTMENT/CUSTODY SERVICES

450020	AUTO REPO INVESTMENT	100.00	The monthly fee charged for the use of the Repo Sweep service. This fee also applies to the Master Account in a Multi-Account Repo Sweep relationship.

Pricing will be updated in conjunction with ePayables implementation.

Exhibit D-5a- Tab P.1, new Credit Card Processing Fees Schedule

Bank of America Merchant Services

FEE SCHEDULE to Merchant Agreement between Bank of America, N.A. ("Bank") and below named merchant ("Merchant")
The above referenced Merchant Agreement is referred to below as the "Agreement".

City of Sacramento
Legal business name (as it appears on the Application)

April 1, 2011
Effective Date

Bank Processing Fees for:

Interchange category	See Attached
Discount rate for Visa® Transactions	0.08%
Discount rate for MasterCard® Transactions	0.08%
Discount rate for Discover® Network Transactions	0.08%
Bank processing fee	
Per Item Authorization Fee[1] for Visa/Mastercard/Discover Network	$0.10

Visa Association Fees	0.11%	
MasterCard Association Fees	0.11%	
Discover Association Fees	0.0925%	
Voice Auth Address Verification Service	$0.50	per call
PIN Debit Card Fees		per transaction plus
		of monthly sales
Electronic Benefits Transfer		per transaction fee
☐ Food Stamps	☐ Cash Benefits	☐ Both
FNS#		
Return Fee	$0.00	per item

YES Discover Network

If service is already established, current Discover Account #

American Express Card $0.15 per authorization Fee[1]

* Visa/MasterCard/Discover Network and Credit Vouchers are charged/credited monthly on gross sales/credits. Visa/MasterCard/Discover Network association fees are charged monthly on gross sales. Bank processing fees are charged monthly based on a daily calculation of gross sales.

Visa/MasterCard/Discover Network discount rates:

~These fees are in addition to any charges, assessments and other fees from Visa, MasterCard and Discover Network. Possible Visa/MasterCard/Discover fee adjustments are explained in the Agreement.

~Also apply to Visa Check card, MasterMoney, Electron Card, JCB and Diners Club International.

~Are subject to periodic increases of fees by Bank.

* The processing fees for Discover Network transactions will apply to any JCB or Diners Club International transactions you process.
* American Express Card authorization fee is not charged on authorizations processed through split dial.
* Rates quoted in this Fee Schedule are subject to change if a merchant relationship is not established within 60 days from the effective date stated above.

[1] The per item authorization fee applies to attempted and approved authorizations, for all card types.

MasterCard allows issuers to collect a handling fee for specific authorization chargebacks: 07-Warning Bulletin File. 08-Requested/Required Authorization not Obtained or Declined and 47-Fraudulent transaction/Exceeds Floor Limit/Not Authorized. This fee is in addition to any other fees assessed by the Bank or the Card Organizations and will be processed separately from the applicable chargeback. Issuers may collect this fee on each submission of the chargeback for certain merchant Industry types excluded from the handling fees which must be processed with the appropriate codes to avoid assessment of the handling fees.

Service Fees

Early Termination Fee	$300.00	per location Initial Term	3 years	
Set-Up Fee (non-refundable)	$50.00	per new account/location		
Monthly minimum discount	$25.00	per month per location		
Chargeback Fee	$15.00	per item		
Support Package	$0.00	per month per location (Paper Statement)		
Batch Settlemet Fee		per batch transmitted		
Additional Card Types				
Rush Order		per location		
BAMS Access Fee		monthly per UserID		Quantity
Wireless Activation Fee		per device		
Other				
Other				
Other				

Fee Schedule Bank of America, N.A.

Chart numbers 2221-3221-VSIP and 2221-3221-MCIP, 4221-DSIP

Merchant's Initials _____

Account Boarding use only: A (M)

Bank of America
Merchant Services

Other Card Service Provider Fees

YES American Express Card: Non-ESA**

Discount rate EDC _____

or

Monthly $7.95 flat fee with estimated annual charge volume of up to $4,999.00.

Mandatory regardless of charge volume for Internet merchants with physical delivery, Mail Order/Telephone Order, and Home-based businesses.

American Express Franchise Cap# _____

Monthly Gross Pay (+.03% if above $100K) Does not apply to monthly flat fee

Monthly Net Pay (sales minus credits, less discount and fees)

3 Day Pay Frequency

If service is already established, current American Express Account Number _____

**American Express discount rates and fees including a 0.30% downgrade for Retail transactions whenever a CNP or Card Not Present Charge occurs are established and billed separately by the issuer, who is responsible for settlement, chargebacks, and customer service.

Product Fees

	Model	Quantity	Purchase (Excluding Tax)	
Terminal				per device
Printer				per device
PIN Pad				per device
Check Reader/Imager				per device
Imprinter				per imprinter
Software				per software
Other				
Other				

Specialty Supported Activation Fee***		per terminal
Wireless Fee		monthly per device
PIN Pad Encryption Fee		per PIN Pad
Other		
Other		
Other		

All data communications and telecommunications costs will be passed through to merchant.

***This Fee is assessed monthly for certain terminal applications which require specialized support and licensing. Please contact Bank Acct. Rep for additional details.

Rental and/or Leased Fees are subject to separate agreements.

Select products, services and solutions listed above may be discontinued in the future. If you are using such a product, service or solution, you will be given advance notice of such a change as provided in the amendment section of the Agreement.

Fee Acknowledgement

The Merchant has reviewed the above fee structure of Bank Merchant Account. The Merchant understands that the above stated fees for Visa/MasterCard/Discover Network are based on the following requirements ("Pricing Requirements"): (i) a minimum threshold of an average transaction size of $25, (ii) an annualized Visa/MasterCard/Discover Network sales volume of $32,000,000. The rates and fees quoted by the Bank for acceptance of the American Express Card are subject to the terms and conditions of Merchant's agreement with American Express.

The Merchant further understands that , from time to time, the Bank may compare actual activtity against the Pricing Requriements, and if actual activity is less than either of the Pricing Requirements, an increase of the discount rate may occur. In addition, the Bank may pass on charges imposed by Card Organizations, such as Visa, MasterCard and Discover Network, resulting from Merchant's failure to comply with Card Organization Rules. The Bank may collect these charges in the same way as other amounts owed by Merchant under the Agreement. The Merchant acknowledges that the Agreement provides for increases in fees. The Merchant understands that application is subject to approval by the Bank and by American Express issuers for processing its transactions.

Merchant signature by authorized representative | Print Name | Date

Lori Stevens

Bank Representative Signature | Print Name | Date

Fee Schedule Bank of America, N.A.

Chart numbers 2221-3221-VSIP and 2221-3221-MCIP, 4221-DSIP

Account Boarding use only: A (M)

MasterCard® Interchange Programs

This Interchange Rate Schedule contains a summary of the primary qualification criteria established by MasterCard for most interchange programs - it is not all inclusive. In the event of any ambiguity or conflict, the interchange requirements established by the Card Organizations will determine the interchange programs at which your transactions qualify. The most common interchange programs for this pricing type are listed in this document.

Program Rate Category	Rates		MasterCard Transaction Qualification Information
	Fee Per Sales $	Per Item	
Merit III	1.58%	$0.10	Consumer, Enhanced, World, and World Elite cards. Face-to-Face/Magnetic Stripe Read/Signature Obtained/Electronically Authorized. Authorization and settlement amounts can differ up to 10% (up to 25% for Beauty and Barber Shops - 7230 for transactions up to $25). Restaurants (5812), Bars (5813), Fast Food (5814), Hotel / Motel (3501-3999 or 7011), Car Rental (3351-3500, 7512, 7513, 7519), Cruise Line / Steamship (4411), and Limousines & Taxis (4121) exempt from transaction amount tolerance test. Key-entered transactions, Service Stations (5541), Automated Fuel Dispenser (5542), Real Estate Agents and Managers – Rentals (6513), and Direct Marketing Insurance Services (5960) and Insurance Sales, Underwriting, and Premiums (6300), Utlilities (4900), Travel Agencies (4722) not eligible for this rate. Maximum 2 days to deposit & settle.
Merit III Enhanced	1.73%	$0.10	
World Merit III	1.73%	$0.10	
High Value Merit III	2.20%	$0.10	
World Elite Merit III	2.20%	$0.10	
Merit III Debit	1.05%	$0.15	
Key Entered	1.89%	$0.10	Consumer, Enhanced, World, and World Elite cards at a non-T&E Merchant. Face-to-Face/Signature Obtained/Electronically Authorized. Eligible merchants include Retail and Restaurant, except World & World Elite transactions at Restaurants (5812) are not eligible. Authorization and settlement amounts can differ up to 10% (up to 25% for Beauty and Barber Shops - 7230 for transactions up to $25). Restaurants (5812), Bars (5813), Fast Food (5814), Hotel / Motel (3501-3999 or 7011), Car Rental (3351-3500, 7512, 7513, 7519), Cruise Line / Steamship (4411), and Limousines & Taxis (4121) exempt from transaction amount tolerance test. Service Stations (5541), Automated Fuel Dispenser (5542), Real Estate Agents and Managers – Rentals (6513), and Direct Marketing Insurance Services (5960) and Insurance Sales, Underwriting, and Premiums (6300), Utlilities (4900), Travel Agencies (4722) not eligible for this rate. Maximum 2 days to deposit & settle.
Key Entered Enhanced	2.04%	$0.10	
World Key Entered	2.05%	$0.10	
High Value Key Entered	2.50%	$0.10	
World Elite Key Entered	2.50%	$0.10	
Key Entered Debit	1.64%	$0.16	
Merit I	1.89%	$0.10	Consumer, Enhanced, World, and World Elite cards. Magnetic swipe not required / Electronically Authorized / does not meet Key-Entered or Travel Industries Premier Service requirements. E-Commerce, Mail or Phone order. Effective April 16, 2010, the authorization and settlement amounts are exempt from the amount tolerance test for all merchants. Utilities (4900) and Insurance Sales, Underwriting, and Premiums (6300) not eligible for this rate. Maximum 3 days to deposit & settle (9 days for Airlines). Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Merit I Enhanced	2.04%	$0.10	
World Merit I	2.05%	$0.10	
High Value Merit I	2.50%	$0.10	
World Elite Merit I	2.50%	$0.10	
Merit I Debit	1.64%	$0.16	
Small Ticket Debit	1.55%	$0.04	Consumer Debit cards. Transaction amount $15.00 or less/Magnetic stripe read unless initiated via transponder/Electronically Authorized. Eligible Merchants: Commuter Transport (4111), Limousines & Taxis (4121), Miscellaneous Food (5499), Restaurants (5812), Fast Food (5814), Parking Lots and Garages (7523), Motion Picture Theatres (7832), Videotape Rental (7841), Bus Lines (4131), Bridge and Road fees; Tolls (4784), News Dealers/Newsstands (5994), Laundry Services; Family & Commercial (7211), Dry Cleaners (7216), Quick Copy: Reproduction & Blueprinting Services (7338), Car Washes (7542), and Postal Services - Government (9402). Authorization and settlement amounts can differ up to 10%. Restaurants (5812), Bars (5813), Fast Food (5814), and Limousines & Taxis (4121) exempt from transaction amount tolerance test. Maximum 2 days to deposit & settle.
Convenience Purchase	1.90%	$0.00	Consumer, Enhanced, World, and World Elite cards. Magnetic Stripe read unless initiated via transponder/Electronically Authorized. Eligible Merchants: Fast Food (5814), Misc. Food Store (5499), Movie Theater (7832) merchants. Limousines and Taxis (4121) merchants will also qualify for sales under $25.00. Authorization and settlement amounts can differ up to 10%. Fast Food (5814) and Limousines & Taxis (4121) exempt from transaction amount tolerance test. Service Stations (5541) and Automated Fuel Dispenser (5542) not eligible for this rate. Maximum 2 days to deposit & settle.
Conv Purchase Enhanced	1.90%	$0.00	
World Convenience Purchase	2.00%	$0.00	
High Value Conv Purchase	2.00%	$0.00	
World Elite Conv Purchase	2.00%	$0.00	
Restaurant Debit	1.19%	$0.10	Consumer Debit cards. Magnetic Stripe read unless initiated via transponder/Electronically Authorized. Eligible Merchants: Fast Food (5814) and Restaurant (5812). Maximum 2 days to deposit & settle.
World Restaurant	1.73%	$0.10	World and World Elite cards. Magnetic Stripe read/Electronically Authorized/Transactions amount $60.00 or less. Eligible Merchants: Restaurant (5812). Maximum 2 days to deposit & settle.
High Value Restaurant	2.20%	$0.10	
World Elite Restaurant	2.20%	$0.10	
Emerging Markets Debit	0.80%	$0.25	Consumer Debit cards. Magnetic Swipe not required/Electronically Authorized. Authorization and settlement amounts can differ up to 10%. Eligible Merchants: Transportation (4111), Cable/Satellite/other Pay Television /Radio Stations (4899), Utilities (4900), Court Costs (9211), Fines (9222), Bail/Bond Payments (9223), Tax payments (9311), Government Services (9399), Schools/Elementary/Secondary (8211), Colleges/Universities/Professional Schools/Junior Colleges (8220), Schools and Educational Services not elsewhere classified (8299), Direct Marketing Insurance Services (5960), Insurance Sales, underwriting and premiums (6300), Bridges & Road Fees, Toll (4784), Postal Services-Government (9402), and Passenger Railways (4112). Maximum 3 days to deposit & settle.
Merit I – Real Estate	1.10%	$0.00	Consumer, Enhanced, World, and World Elite cards at a non-T&E Merchant. Magnetic swipe not required/Electronically Authorized /does not meet Key-Entered or Travel Industries Premier Service requirements. E-Commerce, Mail or Phone order. Authorization and settlement amounts can differ up to 10%. Eligible Merchants: Real Estate Agents and Managers – Rentals (6513). Maximum 3 days to deposit & settle.
Merit I Enhanced – Real Estate	1.10%	$0.00	
World Merit I – Real Estate	1.10%	$0.00	
High Value Merit I – Real Est	2.20%	$0.10	
World Elite Merit I – Real Est	2.20%	$0.10	
Merit I – Real Estate Debit	1.10%	$0.00	
Merit I – Insurance	1.43%	$0.05	Consumer, Enhanced, World, and World Elite cards at a non-T&E Merchant. Magnetic swipe not required/Electronically Authorized /does not meet Key-Entered or Travel Industries Premier Service requirements. E-Commerce, Mail or Phone order. Authorization and settlement amounts can differ up to 10%. Eligible Merchants: Direct Marketing Insurance Services (5960) and Insurance Sales, Underwriting, and Premiums (6300). Maximum 3 days to deposit & settle.
Merit I Enhanced – Insurance	1.43%	$0.05	
World Merit I – Insurance	1.43%	$0.05	
High Value Merit I – Insurance	2.20%	$0.10	
World Elite Merit I – Insurance	2.20%	$0.10	
Supermarket	1.48%	$0.05	Consumer, Enhanced, World, and World Elite cards. Merchant is certified with MasterCard. Face-to-Face/Magnetic Stripe Read/Signature Obtained/Authorized. Authorization and settlement amounts can differ up to 10%. Cap of $0.35 on consumer debit transactions only. Eligible merchants: Supermarket (5411). Maximum 2 days to deposit & settle.
Supermarket Enhanced	1.48%	$0.05	
World Supermarket	1.58%	$0.05	
High Value Supermarket	1.90%	$0.05	
World Elite Supermarket	1.90%	$0.05	
Supermarket Debit	1.05%	$0.15	

Program Rate Category	Rates: Fee Per Sales $	Rates: Per Item	MasterCard Transaction Qualification Information
Public Sector	1.55%	$0.10	Consumer, Enhanced, World and World Elite cards. Magnetic Swipe not required/Electronically Authorized. Authorization and settlement amounts can differ up to 10%. Eligible Merchants: Court Costs & Alimony and Child Support (9211), Fines (9222), Bail and Bond Payments (9223), Tax Payments (9311), Government Services (9399), Transportation-Suburban & Local Commuter (4111), Bridges & Road Fees, Tolls (4784), Postal Services - Government (9402), and Passenger Railways (4112). Maximum 3 days to deposit & settle.
Public Sector Enhanced	1.55%	$0.10	
World Public Sector	1.55%	$0.10	
High Value Public Sector	1.55%	$0.10	
World Elite Public Sector	1.55%	$0.10	
Standard	2.95%	$0.10	Consumer, Enhanced, World, and World Elite cards. Authorization or not. Maximum 30 days to deposit & settle.
Standard Enhanced	2.95%	$0.10	
World Standard	2.95%	$0.10	
High Value Standard	3.25%	$0.10	
World Elite Standard	3.25%	$0.10	
Standard Debit	1.90%	$0.25	
World T&E	2.30%	$0.10	World and World Elite cards. Magnetic Swipe not required/Electronically Authorized. Eligible Merchants: Airline (3000-3299, 4511), Car Rental (3351-3500, 7512, 7513, 7519), Hotel / Motel (3501-3999 or 7011), Travel Agent (4722), Cruise Line / Steamship (4411) and Restaurant (5812). Airline, vehicle rental, and lodging transactions must be accompanied by a Passenger Transport, Vehicle Rental, or Lodging addendum record, respectively. Maximum 3 days to deposit & settle.
High Value T&E	2.75%	$0.10	
World Elite T&E	2.75%	$0.10	
High Value T&E Large Ticket	2.00%	$0.00	High Value World and World Elite cards. Eligible Merchants: Airline (3000-3299 or 4511), Automobile/Vehicle Rental (3351-3500, 7512, 7513, 7519), Hotel/Motel (3501-3999 or 7011), Passenger Railway (4112), Cruise Line/Steamship (4411), Travel Agent (4722), Eating Places, Restaurants (5812). Magnetic Swipe read not required/Electronically Authorized. Transaction amount greater than $2,500. Additional addendum data required. Maximum of 3 days to deposit and settle.
World Elite T&E Large Ticket	2.00%	$0.00	
Petroleum CAT/AFD Debit	0.70%	$0.17	Consumer Debit cards. Transaction at Cardholder Activated Terminal or Automated Fuel Dispenser. Magnetic Stripe read/ Electronically Authorized. CAT level indicator of 1 or 2 must be present. Cap of $0.95. Eligible Merchants: Automated Fuel Dispenser (5542). Maximum 2 days to deposit & settle. Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Petroleum Service Station Debit	0.70%	$0.17	Consumer Debit cards. Magnetic Stripe read unless initiated via transponder/Electronically Authorized. Cap of $0.95. Eligible Merchants: Service Station (5541). Maximum 2 days to deposit & settle.
Petroleum	1.90%	$0.00	Consumer, Enhanced, World, and World Elite cards. Eligible Merchants: Service Stations (5541) and Automated Fuel Dispenser (5542). Magnetic Stripe read unless initiated via transponder / Electronically Authorize. Maximum 2 days to deposit & settle. Maximum charge $0.95. Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Petroleum Enhanced	1.90%	$0.00	
World Petroleum	2.00%	$0.00	
High Value Petroleum	2.00%	$0.00	
World Elite Petroleum	2.00%	$0.00	
Passenger Transport	1.75%	$0.10	Consumer and Enhanced cards. Eligible merchants: Airline (3000-3299, 4511) and Passenger Railways (4112) until October 2010. Magnetic Swipe read not required/Electronically Authorized. Additional addendum data required, including Passenger Name, Ticket Number, Issuing Carrier and Itinerary Data in Settlement. Maximum 9 days to deposit & settle.
Pass Transport Enhanced	1.90%	$0.10	
Passenger Transport Debit	1.60%	$0.15	
High Value Airline	2.30%	$0.10	High Value World and World Elite cards. Eligible Merchants: Airlines (3000-3299, 4511). Magnetic swipe read not required/Authorized except Airlines/Passenger transport detail – General Ticket data (passenger name, ticket number, and issuing carrier), Trip Leg data (Travel date, carrier code, service class code, City of origin/Airport code, City of destination/Airport code). Maximum 3 days to deposit & settle.
World Elite Airline	2.30%	$0.10	
Full UCAF	1.68%	$0.10	Consumer, Enhanced, World, and World Elite cards and Online Checkout Service transactions. Magnetic swipe not required/Electronically Authorized. Merchant must support SecureCode software. Terminal type must indicate Electronic Commerce Transactions and merchant and issuer's participation in MasterCard UCAF. UCAF indicator of 2 must be present. Must have valid Security level indicator / Security protocol and Cardholder Authentication in authorization. T&E merchants require addendum data. If all electronic commerce identifiers are present, exempt from timeliness edits. Maximum 2 days to deposit & settle.
Full UCAF Enhanced	1.83%	$0.10	
World Full UCAF	1.83%	$0.10	
High Value Full UCAF	2.30%	$0.10	
World Elite Full UCAF	2.30%	$0.10	
Full UCAF Debit	1.15%	$0.15	
Merchant UCAF	1.58%	$0.10	Consumer, Enhanced, World, and World Elite cards and Online Checkout Service transactions. Magnetic swipe not required/Electronically Authorized. Merchant must use SecureCode software. Terminal type must indicate Electronic Commerce Transactions and merchant's participation in MasterCard UCAF. UCAF indicator of 1 must be present. Must have valid Security level indicator / Security protocol and Cardholder Authentication in authorization. T&E merchants require addendum data. If all electronic commerce identifiers are present, exempt from timeliness edits. Maximum 2 days to deposit & settle.
Merchant UCAF Enhanced	1.73%	$0.10	
World Merchant UCAF	1.73%	$0.10	
High Value Merchant UCAF	2.20%	$0.10	
World Elite Merchant UCAF	2.20%	$0.10	
Merchant UCAF Debit	1.05%	$0.15	
Service Industries	1.15%	$0.05	Consumer, Enhanced, World, and World Elite cards. Registered with MasterCard. Requires a recurring transaction. Cardholder must not be present and authorization request must have value of 4 in Point of Sale data. Magnetic swipe not required/Electronically Authorized. Authorization and settlement amounts can differ up to 10%. Eligible merchants: Phone Service (4814) and Cable TV (4899). Maximum 2 days to deposit & settle.
Service Industries Enhanced	1.15%	$0.05	
World Service Industries	1.15%	$0.05	
High Value Service Industries	1.15%	$0.05	
World Elite Service Industries	1.15%	$0.05	
Services Industries Debit	1.15%	$0.05	
Premier	1.58%	$0.10	Consumer and Enhanced cards. Magnetic swipe not required/Electronically Authorized. Requires enriched data fields in authorization and settlement. Premier transactions must include mandatory fields of Vehicle Rental or Lodging Addendum record. Authorization request message must contain a premier indicator of "P" in additional data. Eligible merchants: Vehicle Rental (3351-3441, 7512, 7513, 7519), Lodging (3501-3799, 7011), and Cruise Lines (4411). Certification by MasterCard must be obtained prior to submitting transactions into interchange. Maximum 2 days to deposit & settle.
Premier Enhanced	1.90%	$0.10	
Premier Debit	1.36%	$0.15	

Program Rate Category	Rates		MasterCard Transaction Qualification Information
	Fee Per Sales $	Per Item	
Warehouse Club	1.10%	$0.00	Consumer, Enhanced, World, and World Elite cards. Also applies to MasterCard Business, Corporate, Purchase and Fleet cards. MasterCard Corporate Fleet card at fuel locations are not eligible for this rate. Merchant must register with MasterCard. Magnetic swipe required on debit transactions only/Electronically Authorized. Eligible merchants: Wholesale Clubs (5300), Service Stations (5541) and Automated Fuel Dispenser (5542). Authorization and clearing amounts can differ up to 10% for Wholesale Clubs (5300). Service Stations (5541) and Automated Fuel Dispensers (5542) exempt from amount tolerance test. Cap of $0.35 for debit transactions. Maximum 2 days to deposit & settle.
Warehouse Club Enhanced	1.10%	$0.00	
World Warehouse Club	1.10%	$0.00	
High Value Warehouse Club	1.10%	$0.00	
World Elite Warehouse Club	1.10%	$0.00	
Warehouse Club Debit	1.05%	$0.15	
Payment	0.19%	$0.53	Consumer cards. Magnetic Stripe Read not required / Authorization not required. Eligible merchants: Payment Service Provider - Member Financial Institution (6532) and Payment Service Provider - Merchant (6533).
Payment Debit	0.19%	$0.53	
Corporate Payment	0.19%	$0.53	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite cards. Magnetic Stripe Read/Electronically Authorized. Eligible merchants: Payment Service Provider - Member Financial Institution (6532) and Payment Service Provider - Merchant (6533). Maximum 3 days to deposit and settle.
Corporate World Payment	0.19%	$0.53	
Corp World Elite Payment	0.19%	$0.53	
Business World Payment	0.19%	$0.53	
Business World Elite Payment	0.19%	$0.53	
Utilities	0.00%	$0.65	Consumer, Enhanced, World, World Elite, Business, Business World, and Business World Elite cards. Registration not required. Magnetic swipe not required/Electronically Authorized. Authorization and settlement amounts can differ up to 10%. Eligible merchant: Utility Merchants only - Electric, Gas, Heating Oil, Sanitation, Water (MCC 4900). Cable, Satellite, TV and Radio (4899) and Telecommunications (4812) merchants are not eligible for this program. Maximum 2 days to deposit & settle.
Utilities Enhanced	0.00%	$0.65	
Utilities World	0.00%	$0.65	
Utilities High Value	0.00%	$0.75	
Utilities World Elite	0.00%	$0.75	
Utilities Debit	0.00%	$0.45	
Utilities Business	0.00%	$1.50	
Utilities Business Enhanced	0.00%	$1.50	
Utilities Business World	0.00%	$1.50	
Utilities Business World Elite	0.00%	$1.50	
Electronic Payment Account	0.19%	$0.53	Electronic Payment Account. Magnetic swipe not required/Authorized or not. Maximum 30 days to deposit & settle.
Pay with Rewards	0.90%	$0.00	Pay with Rewards cards. Magnetic swipe not required/Electronically Authorized. Maximum 30 days to deposit & settle.
Commercial Large Ticket 1	1.25%	$40.00	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite cards. Magnetic Swipe read not required/Electronically Authorized. Transaction amount greater than $7,255 and less than $25,000. Provide tax amount, customer code (when provided by customer), corporate line item transaction detail (Product code, item description, item qty., item unit of measure, extended item amount, debit or credit indicator). Corporate Fleet card (at fuel locations) must provide transaction information addendum. Authorization and settlement amounts can differ up to 25%. Airline, Car/Vehicle Rental, Hotel/Motel, Passenger Railway, and Restaurant merchants are not eligible for this rate. Maximum 2 days to deposit & settle. Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Corp World Large Ticket 1	1.25%	$40.00	
Corp World Elite Large Ticket 1	1.25%	$40.00	
Bus Enhanced Large Ticket 1	1.37%	$40.00	
Business World Large Ticket 1	1.42%	$40.00	
Bus World Elite Large Ticket 1	1.47%	$40.00	
Commercial Large Ticket 2	1.25%	$40.00	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite cards. Magnetic Swipe read not required / Electronically Authorized. Transaction amount greater than $25,000 and less than $100,000. Provide tax amount, customer code (when provided by customer), corporate line item transaction detail (product code, item description, item qty., item unit of measure, extended item amount, debit or credit indicator). Corporate Fleet card (at fuel locations) must provide transaction information addendum. Authorization and settlement amounts can differ up to 25%. Airline, Car/Vehicle Rental, Hotel/Motel, Passenger Railway, and Restaurant merchants are not eligible for this rate. Maximum 2 days to deposit & settle. Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Corp World Large Ticket 2	1.25%	$40.00	
Corp World Elite Large Ticket 2	1.25%	$40.00	
Bus Enhanced Large Ticket 2	1.37%	$40.00	
Business World Large Ticket 2	1.42%	$40.00	
Bus World Elite Large Ticket 2	1.47%	$40.00	
Commercial Large Ticket 3	1.25%	$40.00	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite cards. Magnetic Swipe read not required / Electronically Authorized. Transaction amount greater than $100,000. Provide tax amount, customer code (when provided by customer), corporate line item transaction detail (product code, item description, item qty., item unit of measure, extended item amount, debit or credit indicator). Corporate Fleet card (at fuel locations) must provide transaction information addendum. Authorization and settlement amounts can differ up to 25%. Airline, Car/Vehicle Rental, Hotel/Motel, Passenger Railway, and Restaurant merchants are not eligible for this rate. Maximum 2 days to deposit & settle. Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Corp World Large Ticket 3	1.25%	$40.00	
Corp World Elite Large Ticket 3	1.25%	$40.00	
Bus Enhanced Large Ticket 3	1.37%	$40.00	
Business World Large Ticket 3	1.42%	$40.00	
Bus World Elite Large Ticket 3	1.47%	$40.00	
Corporate Face to Face	2.15%	$0.10	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite cards. Face to Face/Magnetic Stripe Read/Signature Obtained/Electronically Authorized. Business & Corporate card transactions provide tax amount. Purchase & Fleet card transactions provide tax amount & customer code (when provided by customer). Tax amount must be between 0.1% to 30% of the sales amount. Authorization and settlement amounts can differ up to 10%. Airline (3000-3299, 4511), Car/Vehicle Rental (3351-3441, 7512, 7513, 7519), Hotel/Motel (3501-3999, 7011), Passenger Railway (4112), Automated Fuel Dispenser (5542), Restaurant (5812), and Mail/Phone Order merchants are not eligible for this rate. MasterCard Corporate Fleet card at fuel locations are not eligible for this rate. Maximum 2 days to deposit & settle.
Corporate World Face to Face	2.15%	$0.10	
Corp World Elite Face to Face	2.15%	$0.10	
Business Face to Face	2.20%	$0.10	
Purchasing Face to Face	2.40%	$0.10	
Fleet Face to Face	2.50%	$0.10	
Bus Enhanced Face to Face	2.32%	$0.10	
Business World Face to Face	2.37%	$0.10	
Bus World Elite Face to Face	2.42%	$0.10	

Program Rate Category	Rates: Fee Per Sales $	Rates: Per Item	MasterCard Transaction Qualification Information
Corp Face to Face Petro	2.05%	$0.10	Corporate, Corporate World, Corporate World Elite, Business, Business World, Business World Elite, Purchasing, and Fleet cards. Face to Face/Magnetic Stripe Read/Signature Obtained/Electronically Authorized. Business & Corporate card transactions provide tax amount. Tax amount must be between 0.1% to 30% of the sales amount. Eligible merchants: Marinas (4468), Service Stations (5541), Automated Fuel Dispenser (5542), Misc. Auto, Aircraft and Farm Equip (5499), Fuel Dealers (5983), Truck Stop (7511), U.K. Petro (9752). Maximum 2 days to deposit & settle.
Bus Enhanced F2F Petroleum	2.17%	$0.10	
Bus World F2F Petroleum	2.22%	$0.10	
Bus World Elite F2F Petro	2.27%	$0.10	
Corporate Data Rate I	2.65%	$0.10	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite, and Electronic Payment Account cards. Magnetic Swipe not required/ Electronically Authorized. Corporate Fleet card (at fuel locations) provide transaction information addendum. Airline (3000-3299, 4511), Car/Vehicle Rental (3351-3441, 7512, 7513, 7519), Hotel/Motel (3501-3999, 7011), Passenger Railway (4112), and Restaurant (5812) merchants are not eligible for this rate. Maximum 3 days to deposit & settle. Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Corporate World Data Rate I	2.65%	$0.10	
Corp World Elite Data Rate I	2.65%	$0.10	
Bus Enhanced Data Rate I	2.77%	$0.10	
Business World Data Rate I	2.82%	$0.10	
Bus World Elite Data Rate I	2.87%	$0.10	
Corporate Data Rate II	2.15%	$0.10	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite, and Electronic Payment Account cards. Magnetic Swipe not required/ Electronically Authorized. Provide tax amount, customer code (when provided by customer). Tax amount must be between 0.1% to 30% of the sales amount. Corporate Fleet card (at fuel locations) provide transaction information addendum. Airline (3000-3299, 4511), Car/Vehicle Rental (3351-3441, 7512, 7513, 7519), Hotel/Motel (3501-3999, 7011), Passenger Railway (4112), and Restaurant (5812) merchants are not eligible for this rate. Maximum 3 days to deposit & settle. Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Corporate World Data Rate II	2.15%	$0.10	
Corp World Elite Data Rate II	2.15%	$0.10	
Business Data Rate II	2.20%	$0.10	
Purchasing Data Rate II	2.40%	$0.10	
Fleet Data Rate II	2.50%	$0.10	
Bus Enhanced Data Rate II	2.32%	$0.10	
Business World Data Rate II	2.37%	$0.10	
Bus World Elite Data Rate II	2.42%	$0.10	
Comm Data Rate II Petroleum	2.05%	$0.10	Corporate, Corporate World, Corporate World Elite, Business, Business World, Business World Elite, Purchasing, and Fleet cards. Magnetic Swipe required/ Electronically Authorized. Provide tax amount, customer code (when provided by customer). Tax amount must be between 0.1% to 30% of the sales amount. Eligible merchants: Marinas (4468), Service Stations (5541), Automated Fuel Dispenser (5542), Misc. Auto, Aircraft and Farm Equip (5499), Fuel Dealers (5983), Truck Stop (7511), U.K. Petro (9752). Maximum 3 days to deposit & settle. Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Bus Enhanced DR II Petro	2.17%	$0.10	
Bus World DR II Petroleum	2.22%	$0.10	
Bus World Elite DR II Petro	2.27%	$0.10	
Corporate Data Rate III	1.80%	$0.10	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite cards. Magnetic Swipe not required/ Electronically Authorized. Provide tax amount, customer code (when provided by customer), corporate line item transaction detail (Product code, item description, item quantity, item unit of measure, extended item amount, debit or credit indicator). MasterCard Corporate Fleet card at fuel locations are not eligible for this rate. Airline (3000-3299, 4511), Car/Vehicle Rental (3351-3441, 7512, 7513, 7519), Hotel/Motel (3501-3999, 7011), Passenger Railway (4112), and Restaurant (5812) merchants are not eligible for this rate. Maximum 3 days to deposit & settle. Effective November 9, 2010, completion advice with the total amount spent by the cardholder must be submitted within 60 minutes of the authorization for Automated Fuel Dispenser (5542) merchants.
Corporate World Data Rate III	1.80%	$0.10	
Corp World Elite Data Rate III	1.80%	$0.10	
Bus Enhanced Data Rate III	1.92%	$0.10	
Business World Data Rate III	1.97%	$0.10	
Bus World Elite Data Rate III	2.02%	$0.10	
Corporate World Warehouse	1.10%	$0.00	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, and Business World Elite cards. Merchant registered at MasterCard. Magnetic Stripe Read not required/Electronically Authorized. Eligible merchants: Wholesale Clubs (5300), Service Stations (5541) and Automated Fuel Dispenser (5542). Authorization and settlement amounts can differ up to 10% for Wholesale Clubs (5300). Service Stations (5541) and Automated Fuel Dispensers (5542) exempt from amount tolerance test. Cap of $0.35 for debit transactions. Maximum 2 days to deposit & settle.
Corp World Elite Warehouse	1.10%	$0.00	
Bus Enhanced Warehouse	1.10%	$0.00	
Business World Warehouse	1.10%	$0.00	
Bus World Elite Warehouse	1.10%	$0.00	
Corporate T&E I	2.40%	$0.00	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite cards. Magnetic Swipe not required/ Electronically Authorized. Eligible Merchants: Airline (3000-3299, 4511), Auto/Vehicle rental (3351-3500, 7512, 7513, 7519), Hotel/Motel (3501-3999, 7011), Passenger Railway (4112), Restaurants (5812). Airline & Passenger Railway require additional General ticket data. Hotel may require additional addendum if lodging summary message is submitted. Maximum days to deposit & settle 3 days and 9 days for Airlines.
Corporate World T&E I	2.40%	$0.00	
Corporate World Elite T&E I	2.40%	$0.00	
Business T&E I	2.50%	$0.00	
Purchasing T&E I	2.70%	$0.00	
Fleet T&E I	2.70%	$0.00	
Business Enhanced T&E I	2.62%	$0.00	
Business World T&E I	2.67%	$0.00	
Business World Elite T&E I	2.72%	$0.00	
Corporate T&E II	2.25%	$0.10	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite cards. Magnetic Swipe not required/ Electronically Authorized. Eligible Merchants: Airline (3000-3299, 4511), Auto/Vehicle rental (3351-3500, 7512, 7513, 7519), Hotel/Motel (3501-3999, 7011), Passenger Railway (4112). Airline & Passenger Railway require additional General ticket, trip leg, or rail data. Auto/Vehicle rental require rental detail data, Hotel/Motel requires lodging detail and may require additional addendum data if lodging summary message is submitted. Maximum days to deposit & settle 3 days and 9 days for Airlines.
Corporate World T&E II	2.25%	$0.10	
Corporate World Elite T&E II	2.25%	$0.10	
Business T&E II	2.35%	$0.10	
Purchasing T&E II	2.55%	$0.10	
Fleet T&E II	2.55%	$0.10	
Business Enhanced T&E II	2.47%	$0.10	
Business World T&E II	2.52%	$0.10	
Business World Elite T&E II	2.57%	$0.10	

Program Rate Category	Rates: Fee Per Sales $	Rates: Per Item	MasterCard Transaction Qualification Information
Corporate T&E III	2.20%	$0.10	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite cards. Magnetic Swipe not required/ Electronically Authorized. Eligible Merchants: Airline (3000-3299, 4511), Auto/Vehicle rental (3351-3500, 7512, 7513, 7519), Hotel/Motel (3501-3999, 7011), Passenger Railway (4112). In addition to Corporate T&E II requirements: Airline & Passenger Railway require additional General ticket, trip leg, or rail data, Auto/Vehicle rental require rental detail data, Hotel/Motel requires lodging detail and may require additional addendum data if lodging summary message is submitted. Maximum days to deposit & settle 3 days and 9 days for Airlines.
Corporate World T&E III	2.20%	$0.10	
Corporate World Elite T&E III	2.20%	$0.10	
Business T&E III	2.30%	$0.10	
Purchasing T&E III	2.50%	$0.10	
Fleet T&E III	2.50%	$0.10	
Business Enhanced T&E III	2.42%	$0.10	
Business World T&E III	2.47%	$0.10	
Business World Elite T&E III	2.52%	$0.10	
Corporate Standard	2.95%	$0.10	Business, Corporate, Purchasing, Fleet, Corporate World, Corporate World Elite, Business World, Business World Elite, and Electronic Payment Account cards. Magnetic swipe not required/Authorized or not. Maximum 30 days to deposit & settle.
Corporate World Standard	2.95%	$0.10	
Corp World Elite Standard	2.95%	$0.10	
Business Enhanced Standard	3.07%	$0.10	
Business World Standard	3.12%	$0.10	
Business World Elite Standard	3.17%	$0.10	
Intrachange	2.95%	$0.10	All U.S. and International Consumer, Commercial, Credit and Debit transactions that reject upon settlement. Maximum 2 days to deposit & settle.
International Electronic	1.65%	$0.00	Consumer and Premium (Platinum, World, World Elite, and Black) cards issued in a foreign country. Face-to-Face/Magnetic Stripe Read/Signature Obtained/Electronically Authorized. Key-entered transactions not eligible for this rate. For Consumer cards only, authorization and settlement amounts can differ up to 10% (up to 25% for Beauty and Barber Shops - 7230 for transactions up to $25). Restaurants (5812), Bars (5813), Fast Food (5814), Hotel / Motel (3501-3999 or 7011), Car Rental (3351-3500, 7512, 7513, 7519), Airlines (3000-3299, 4511), Cruise Line / Steamship (4411), Commuter Railways, (4111), and Limousines & Taxis (4121) exempt from transaction amount tolerance test. Platinum, World, World Elite, and Black transactions exempt from amount tolerance test for all merchants. Automated Fuel Dispenser (5542) and Direct Marketing (5960, 5962, 5964, 5965, 5966, 5967, 5968, 5969) merchants not eligible for this rate. Maximum 5 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
International Premium Electronic	2.40%	$0.00	
International Standard	2.15%	$0.00	Consumer, Electronic, and Premium (Platinum, World, World Elite, and Black) cards issued in a foreign country. Transaction date more than five (5) days old. Authorization not required. Maximum 30 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
International Premium Standard	2.40%	$0.00	
International Electronic Cons	1.65%	$0.00	Electronic Consumer Cards. Face-to-Face/Magnetic Stripe Read/Signature Obtained/Electronically Authorized. Key-entered transactions not eligible for this rate. Authorization and settlement amounts can differ up to 10% (up to 25% for Beauty and Barber Shops - 7230 for transactions up to $25). Restaurants (5812), Bars (5813), Fast Food (5814), Hotel / Motel (3501-3999 or 7011), Car Rental (3351-3500, 7512, 7513, 7519), Airlines (3000-3299, 4511), Cruise Line / Steamship (4411), Commuter Railways, (4111), Limousines & Taxis (4121), and Automated Fuel Dispensers (5542) exempt from transaction amount tolerance test. Maximum 30 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
International Electronic Corp	2.40%	$0.00	Electronic Corporate Cards. Face-to-Face/Magnetic Stripe Read/Signature Obtained/Electronically Authorized. Key-entered transactions not eligible for this rate. Maximum 30 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
International Purchasing Data Rate II	2.25%	$0.00	Purchasing or Fleet Cards, and Electronic Payment Accounts (at non-fuel locations) issued in a foreign country. Authorized/Provide sales tax amount/customer code (when provided by the customer). Maximum 5 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
International Purchasing Large Ticket	1.45%	$30.00	Purchasing or Fleet Cards, and Electronic Payment Accounts issued in a foreign country. Merchants NOT eligible for this rate: Airline (3000-3299, 4511), Auto/Vehicle Rental (3351-3441, 7512, 7513, 7519), Hotel/Motel (3501-3999, 7011), Passenger Railway (4112), Restaurants (5812). Maximum 30 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
International Purchasing	2.55%	$0.00	Purchasing or Fleet Cards, and Electronic Payment Accounts issued in a foreign country. Maximum 30 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
International Corporate	2.55%	$0.00	Business, Corporate, and Premium Commercial (Platinum, World, World Elite, and Black) cards issued in a foreign country. Authorization not required. Maximum 30 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
International Premium Commercial	2.55%	$0.00	
International UCAF – Full	2.09%	$0.00	Consumer and Premium (Platinum, World, World Elite, and Black) cards issued in a foreign country. Applies to all intra and inter regional transactions except for U.S. Region and Canada Region. Terminal type must indicate Electronic Commerce Transactions and merchant and issuer's participation in MasterCard UCAF. Magnetic swipe not required/Electronically Authorized. Maximum 5 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
International Premium UCAF - Full	2.40%	$0.00	
International UCAF – Merchant	1.99%	$0.00	Consumer and Premium (Platinum, World, World Elite, and Black) cards issued in a foreign country. Applies to all intra and inter regional transactions except for U.S. Region and Canada Region. Terminal type must indicate Electronic Commerce Transactions and merchant's participation in MasterCard UCAF. Magnetic swipe not required/Electronically Authorized. Maximum 5 days to deposit & settle. Rate includes the MasterCard Acquirer Program Support Fee.
Intl Premium UCAF - Merchant	2.40%	$0.00	
International Payment	0.74%	$0.53	Consumer cards only. Applies to all intra and inter regional transactions except for U.S. Region and Canada Region. Magnetic Stripe Read not required / Authorization not required. Eligible merchants: Payment Service Provider - Member Financial Institution (6532) and Payment Service Provider - Merchant (6533). Rate includes the MasterCard Acquirer Program Support Fee.
Intl Corporate Payment	0.74%	$0.53	
MasterCard Assessments	0.11%	$0.00	Fee assessed on the gross dollar amount of all MasterCard transactions.
Cross Border Assessment	0.40%	$0.00	Fee assessed on all Consumer, Commercial, Credit and Debit transactions that are processed with the country code of the merchant different from the country code of the cardholder. All sales must be processed in U.S. dollars.
Network Access & Brand Usage (NABU) Fee	0.00%	$0.0185	Fee assessed on all MasterCard Consumer Credit, Consumer Debit, and Commercial card sales and credit (return) transactions that are processed with a U.S. issued card at a U.S. merchant location.

This Interchange Rate Schedule contains a summary of the primary qualification criteria established by VISA for most interchange programs - it is not all inclusive. In the event of any ambiguity or conflict, the interchange requirements established by the Card Organizations will determine the interchange programs at which your transactions qualify. The most common interchange programs for this pricing type are listed in this document.

Program Rate Category	Rates		VISA Transaction Qualification Information
	Fee Per Sales $	Per Item	
CPS / Retail Credit	1.54%	$0.10	Consumer Traditional Cards. Card Present / Magnetic Stripe Read / Signature Obtained / Authorized. For Hotel and Car Rental merchants: Folio / Rental Agreement number and check-in / check-out dates required. For Passenger Transport merchants: full itinerary required, including ticket number, passenger name, and trip leg data. Authorization and settlement amount on check card transactions do not need to match for certain merchant segments (Taxis and Limousines - 4121, Bars and Taverns - 5813, Beauty and Barber Shops - 7230, Health and Beauty Spas - 7298). Maximum 2 days to deposit & settle. Purchase date must be within 1 day of auth date.
CPS / Retail Debit	0.95%	$0.20	
CPS / Restaurant Credit	1.54%	$0.10	Consumer Traditional Cards. Same requirements as CPS/Retail. Authorized amount does not have to match transaction amount. Authorization and magnetic stripe required. Eligible merchants: Restaurants (5812) and Fast Food Restaurants (5814). Maximum 2 days to deposit & settle. Purchase date must be within 1 day of auth date.
CPS / Restaurant Debit	1.19%	$0.10	
CPS / Rewards 1	1.65%	$0.10	Consumer Traditional Rewards card that meet existing requirements for CPS/Retail, CPS/Supermarket, CPS/Retail Service Station, and CPS/Automated Fuel Dispenser. Transactions processed from VISA Signature or Infinite cards by NON-T&E merchants. Maximum 2 days to deposit & settle.
CPS / Rewards 2	1.95%	$0.10	Consumer Traditional Rewards card that meet existing requirements for CPS/Card Not Present, CPS/Retail Key Entry, and CPS/E-Commerce Basic. CPS/E-Commerce: Hotel/Car Rental, & Passenger Transport, CPS/ Hotel/Car Rental: Card Present/Card Not Present, and CPS/Passenger Transport and CPS/Restaurant. Signature and Infinite cards that meet existing CPS/Card Not Present, CPS/Retail Key Entry, and CPS/E-Commerce Basic by NON-T&E merchants. Maximum 2 days to deposit & settle.
CPS / Small Ticket Credit	1.65%	$0.04	Traditional, Traditional Rewards, Signature and Infinite consumer cards. Card present / magnetic stripe read and authorized. Signature not required. Eligible Merchants: Local Commuter Transport (4111), Taxi Cabs and Limousines (4121), Service Stations (5541) for credit transactions only, Restaurants (5812), Fast Food Restaurants (5814), Parking Lots and Garages (7523), Motion Picture Theaters (7832), Videotape Rental Stores (7841), Bus Lines (4131), Tolls & Bridges Fees (4784), News Dealers & Newsstands (5994), Laundries-Family & Commercial (7211), Dry Cleaners (7216), Quick Copy, Reproduction, Blue Print (7338), and Car Washes (7542). Transaction amount must be less than or equal to $15.00. Maximum 2 days to deposit & settle. Effective October 16, 2010, all merchants will be eligible for this program, with the exception of: Money Transfer (4829), Supermarkets (5411), Convenience Stores (5499), Service Stations (5541) for debit transactions only, Automated Fuel Dispensers (5542), Direct Marketing - Insurance (5960), Direct Marketing - Travel Arrangement (5962), Direct Marketing - Catalog (5964), Direct Marketing - Combination Catalog & Retail (5965), Direct Marketing - Outbound Telemarketing (5966), Direct Marketing - Inbound Telemarketing (5967), Direct Marketing - Continuity / Subscription (5968), Direct Marketing - Other (5969), Manual Cash (6010), Automated Cash (6011), Betting / Casinos / Race Tracks (7995), Intra-Government Purchases (9405), UK Supermarkets (9751), UK Petrol Stations (9752), and Intra-Company Purchases (9950).
CPS / Small Ticket Debit	1.55%	$0.04	
CPS / Card Not Present Credit	1.80%	$0.10	Consumer Traditional Cards. Card Not Present / Signature Not Obtained / Mail or Phone Order, Address Verification required. Customer Service phone number and invoice number required. Must be authorized. Authorization amount must equal transaction amount. Maximum 2 days to deposit & settle.
CPS / Card Not Present Debit	1.60%	$0.15	
CPS / E-Commerce Basic Credit	1.80%	$0.10	Consumer Traditional Cards. Same requirements as CPS / Card Not Present. E-commerce requires additional data fields in authorization and settlement. Authorization required. Maximum 2 days to deposit & settle.
CPS / E-Commerce Basic Debit	1.60%	$0.15	
CPS / E-Comm Preferred Credit	1.80%	$0.10	Traditional, Traditional Rewards, Signature and Infinite consumer cards. Same requirements as E-commerce Basic, except require Cardholder Authentication Value (CAVV) and Address Verification. Authorization required. Requires Verified by VISA. Maximum 2 days to deposit & settle.
CPS / E-Comm Preferred Debit	1.55%	$0.15	
CPS / Retail Key Entered Credit	1.80%	$0.10	Consumer Traditional Cards. Key-entered due to inability to read magnetic stripe. All requirements of CPS/ Retail except magnetic stripe read. Address Verification Required with a positive match on Zip Code or full address. Automated Fuel, Direct Marketing, Quasi-Cash, and Cardholder Activated Terminal merchants are not eligible for this rate. Authorization required. Maximum 2 days to deposit & settle. Industry specific date required for hotel and car rental.
CPS / Retail Key Entered Debit	1.60%	$0.15	
CPS / Hotel / Car: CNP Ecommerce Preferred Credit	1.54%	$0.10	Consumer Traditional Cards. Hotel / Car Rental merchant, Authorized. Card not present. Estimated length of stay required in authorization. Folio / Rental Agreement number, no show indicator, and check-in / check-out dates required. One or more authorizations obtained. Authorization amount within 15% of transaction amount. Authorization date is more than one (1) day apart from transaction date. E-commerce requires additional data fields in authorization and settlement. Maximum 2 days to deposit & settle.
CPS / Hotel / Car: CNP Ecommerce Preferred Debit	1.36%	$0.15	
CPS / Hotel / Car Rental CP Credit	1.54%	$0.10	Consumer Traditional Cards. Hotel / Car Rental merchant, Authorized. Card is present. Magnetic stripe read and signature obtained. Estimated length of stay required in authorization. Folio / Rental Agreement number, no show indicator, and check-in / check-out dates required. One or more authorizations obtained. Authorization amount within 15% of transaction amount. Authorization date is more than one (1) day apart from transaction date. Maximum 2 days to deposit & settle.
CPS / Hotel / Car Rental CP Debit	1.36%	$0.15	
CPS / Retail 2 Credit	1.43%	$0.05	Traditional, Traditional Rewards, Signature and Infinite consumer cards. Eligible merchants: Court Costs (9211), Fines (9222), Government Services (9399), Colleges / Universities / Professional Schools (8220), Elementary & Secondary Schools (8211), Schools - Other (8299), Insurance (5960, 6300), Cable and Other TV Services (4899), Subscriptions (5968), Fuel Dealers (5983), Child Care Services (8351), and Charitable Organizations (8398). Same requirements as CPS Card Not Present, CPS Retail Key-Entered or E-Commerce Preferred and Basic. Authorization required. Maximum 2 days to deposit & settle.
CPS / Retail 2 Debit	0.80%	$0.25	
CPS / Supermarket Credit	1.24%	$0.05	Consumer Traditional Cards. Merchant is certified with VISA. Same requirements as CPS/ Retail. No signature required if transactions $25.00 or less. Authorization and magnetic stripe required. Cap of $0.35 for consumer debit transactions only. Purchase date must be within 1 day of auth date. Eligible Merchants: Supermarkets (5411). Maximum 2 days to deposit & settle.
CPS / Supermarket Debit	0.95%	$0.20	
CPS / Auto Fuel Dispenser Credit	1.15%	$0.25	Traditional, Traditional Rewards, Signature and Infinite consumer cards. Fuel Dispensing merchant who is certified with VISA. Same requirements as CPS/ Retail except signature obtained. Must be less than or equal to $75.00 (or $500.00 for transactions submitted via Real Time Clearing). May be authorized for full amount or for $1.00. Magnetic stripe required. Cardholder Activated Terminal (CAT) indicator must be present. MCC must be 5542. Cap of $0.95 per transaction for Debit transactions. Maximum 2 days to deposit & settle.
CPS / Auto Fuel Dispenser Debit	0.75%	$0.17	
CPS / Retail Service Station Credit	1.15%	$0.25	Traditional, Traditional Rewards, Signature and Infinite consumer cards. Same requirements as CPS/Retail. Maximum 2 days to deposit & settle. Purchase date must be within 1 day of auth date. MCC must be 5541 (Service Stations). Cap of $0.95 per transaction for Debit transactions.
CPS / Retail Service Station Debit	0.75%	$0.17	
CPS Passenger Transport Credit	1.70%	$0.10	Consumer Traditional Cards. Airline or Passenger Railway merchant. Authorized. Does not have to be magnetic stripe read. Full itinerary required including ticket number, passenger name, and trip leg data. One (1) or more clearing records for a single authorization. Maximum 8 days to deposit & settle.
CPS Passenger Transport Debit	1.60%	$0.15	
CPS / Passenger Transport Ecommerce Preferred Credit	1.70%	$0.10	Consumer Traditional Cards. Airline or Passenger Railway merchant. Authorized. Does not have to be magnetic stripe read. Full itinerary required including ticket number, passenger name, and trip leg data. One (1) or more clearing records for a single authorization. E-commerce requires additional data fields in authorization and settlement. Maximum 8 days to deposit & settle.
CPS / Passenger Transport Ecommerce Preferred Debit	1.60%	$0.15	

VISA® Interchange Programs

(Effective July, 2010)

Program Rate Category	Rates: Fee Per Sales $	Rates: Per Item	VISA Transaction Qualification Information
Utilities Consumer Utilities Business Utilities Debit	0.00% 0.00% 0.00%	$0.75 $1.50 $0.75	Consumer Credit and Debit, Business, and Signature Business card transactions including Traditional, Traditional Rewards, Signature and Infinite consumer cards. Same requirements as CPS/CNP, CPS/E-Commerce Basic or Preferred, CPS/Retail, and CPS/Retail Key-Entered. Eligible Merchants: Utilities (4900). Requires registration with VISA and MVV must be present. Maximum 2 days to deposit & settle.
Electronic (EIRF) Credit Electronic (EIRF) Debit	2.30% 1.75%	$0.10 $0.20	Key-Entered due to unreadable magnetic stripe and did not meet CPS/Retail Key-Entered requirements. Authorized. Mail or phone order and did not meet CPS/Card Not Present requirements. Did not meet other CPS market specific requirements. Authorization is Referral / Voice-Authorized transaction. Transaction date is three (3) days old. Signature or Infinite card transactions, CPS qualified at a T&E Merchants including, Airlines (3000-3299, 4511), Passenger Railway (4112), Cruise Lines (4411), Lodging (3501-3999, 7011), Car Rental (3351-3500, 7512, 7513, 7519), Restaurants (5812), Fast Food (5814), and Bars and Taverns (5813). Cap of $0.95 per transaction for Debit transactions in MCC 5541 (Service Stations) or 5542 (Automated Fuel Dispensers). Maximum 3 days to deposit & settle.
Account Funding Credit Account Funding Debit	2.14% 1.75%	$0.10 $0.20	Consumer Traditional Cards identified as e-commerce transactions. Card is not present. Full Address Verification or preferred. One (1) or more clearing records for a single authorization. E-commerce requires additional data fields such as the merchant order number and the Customer Service phone number in authorization and settlement. Maximum 2 days to deposit & settle.
Debit Tax Payment	0.00%	$2.50	Consumer Debit cards. Card Present / Magnetic Stripe Read / Signature Obtained / Authorized. Eligible Merchants: Tax Payments (9311). Requires registration with VISA and MVV must be present. Purchase date must be within 1 day of auth date. Merchant can charge a convenience fee up to $3.95, which must be submitted as a separate transaction and will be assessed a zero interchange rate. Maximum 2 days to deposit & settle.
Debt Repayment	0.35%	$0.50	Consumer Debit cards. Debt repayment indicator must be present. Eligible Merchants: Financial Services-Merchandise and Services (6012), Non-Financial Institutions – Merchandise and Services (6051). Card Present and Card Not Present transactions. Requires registration and MVV must be present.
Signature Preferred Electronic	2.40%	$0.10	VISA Signature Preferred card that meets existing requirements for EIRF. Maximum 2 days to deposit & settle.
Signature Preferred Retail	2.10%	$0.10	VISA Signature Preferred card that meets existing requirements for CPS/Retail, CPS/Supermarket, CPS/Retail Key Entry, & CPS/Small Ticket by non T&E merchants. Maximum 2 days to deposit & settle.
Signature Preferred Card Not Present	2.40%	$0.10	VISA Signature Preferred card that meets existing requirements for CPS/Card Not Present, CPS/E-Commerce Preferred, CPS/E-Commerce Basic, CPS/Retail 2, CPS/Acct Funding by non T&E merchants. Maximum 2 days to deposit & settle.
Signature Preferred Business to Business	2.10%	$0.10	VISA Signature Preferred card that meets existing requirements for any CPS program by non T&E merchants. Eligible Merchants: Business-to-Business MCCs 0780, 1799, 2741, 2791, 2842, 4214, 5021, 5039, 5044, 5046, 5047, 5051, 5065, 5074, 5085, 5099, 5131, 5137, 5139, 5169, 5192, 5193, 5198, 5199, 6300, 7311, 7333, 7349, 7361, 7372, 7375, 7379, 7392, 7399, 7829, 8734, 8931, 8999. Maximum 2 days to deposit & settle.
Signature Preferred Fuel	1.15%	$0.25	VISA Signature Preferred card that meets existing requirements for CPS Retail. Eligible Merchants: Service Stations (5541) or Automated Fuel Dispensers (5542). Purchase date must be within 1 day of auth date. Maximum 2 days to deposit & settle.
Signature Preferred Standard	2.95%	$0.10	VISA Signature Preferred card. Transaction date is more than two (2) days old. Not CPS qualified, Not authorized. Maximum 30 days to deposit & settle.
Standard Credit Standard Debit	2.70% 1.90%	$0.10 $0.25	Transaction date is more than three (3) days old, Not authorized. Signature or Infinite cards NOT CPS qualified at a T&E Merchant, including Airlines (3000-3299, 4511), Passenger Railway (4112), Cruise Lines (4411), Lodging (3501-3999, 7011), Car Rental (3351-3500, 7512, 7513, 7519), Restaurants (5812), Fast Food (5814), and Bar and Taverns (5813). Maximum 30 days to deposit & settle.
Intrachange	2.70%	$0.10	All U.S. and International Consumer and Commercial Credit and Debit transactions that reject upon settlement.
Commercial			
Business Card Level 2 Corporate Card Level 2 Purchasing Card Level 2	2.05% 2.05% 2.05%	$0.10 $0.10 $0.10	VISA Corporate, Business, Signature Business, Purchasing, and GSA Purchasing Cards. CPS requirements met, Non-Travel Services transactions. Level 2 data required, which is Sales Tax (sales tax must be between 0.1% and 22% of the sales amount - tax exempt transactions do not qualify) and Customer Code (only required for Purchasing card transactions at fuel merchants). Maximum 2 days to deposit & settle.
Purchasing Card Level 3	1.80%	$0.10	Purchasing and GSA Purchasing cards. CPS requirements met, Non-Travel Services transactions. Level 3 data required, which includes Summary Record - Discount Amount, Freight / Shipping Amount, Duty Amount and Account Number and Line Item Detail Record - Item Sequence Number, Item Commodity Code, Item Descriptor, Product Code, Quantity, Unit of Measure, Unit Cost, Discount per Line Item, Line Item Total, and Line Item Detail Indicator. Maximum 2 days to deposit & settle.
GSA Government to Government	1.65%	$0.10	GSA Purchasing Cards. Card Present / Magnetic Stripe Read / Signature Obtained / Authorized. Eligible Merchants: Government Services (9399), Postal Services - Government (9402). Federal government merchants only. Requires registration with VISA and MVV must be present. Purchase date must be within 1 day of auth date. Maximum 2 days to deposit & settle.
Business Electronic Corporate Electronic Purchasing Electronic	2.40% 2.25% 2.65%	$0.10 $0.10 $0.10	VISA Business, Signature Business, Corporate, or Purchasing Cards. Same requirements as EIRF. Level 2 data requirements (Sales Tax and Customer Code) are not met. Maximum 2 days to deposit & settle.
Business Retail Corporate Retail Purchasing Retail	2.20% 2.10% 2.30%	$0.10 $0.10 $0.10	VISA Business, Signature Business, Corporate, Purchasing cards that meet existing requirements for CPS/Retail, CPS/Supermarket, CPS/Retail Key Entry, & CPS/Small Ticket by non T&E merchants. Level 2 data requirements (Sales Tax and Customer Code) are not met. Maximum 2 days to deposit & settle.
Business Card Not Present Corporate Card Not Present Purchasing Card Not Present	2.25% 2.20% 2.55%	$0.10 $0.10 $0.10	VISA Business, Signature Business, Corporate, Purchasing cards that meet existing requirements for CPS/Card Not Present, CPS/E-Commerce Preferred, CPS/E-Commerce Basic, CPS/Retail 2, CPS/Acct Funding by non T&E merchants. Business and Signature Business cards require AVS. Maximum 2 days to deposit & settle.
Business Business to Business Corporate Business to Business Purchasing Business to Business	2.10% 2.10% 2.10%	$0.10 $0.10 $0.10	VISA Business, Signature Business, Corporate, Purchasing cards that meet existing requirements for any CPS program by non T&E merchants. Eligible merchants: Business to Business MCC's 0780, 1799, 2741, 2791, 2842, 4214, 5021, 5039, 5044, 5046, 5047, 5051, 5065, 5074, 5085, 5099, 5131, 5137, 5139, 5169, 5192, 5193, 5198, 5199, 6300, 7311, 7333, 7349, 7361, 7372, 7375, 7379, 7392, 7399, 7829, 8734, 8931, 8999. Level 2 data requirements (Sales Tax and Customer Code) are not met. Maximum 2 days to deposit & settle.
Purchasing Electronic w/Data	2.65%	$0.10	Non-GSA purchasing cards. Not CPS qualified, Non-Travel Services transactions. Level 3 data required, which includes Summary Record - Discount Amount, Freight / Shipping Amount, Duty Amount and Account Number and Line Item Detail Record - Item Sequence Number, Item Commodity Code, Item Descriptor, Product Code, Quantity, Unit of Measure, Unit Cost, Discount per Line Item, Line Item Total, and Line Item Detail Indicator. Maximum 2 days to deposit & settle.
Business Standard Corporate Standard Purchasing Standard	2.95% 2.95% 2.95%	$0.10 $0.10 $0.10	VISA Business, Signature Business, Corporate, or Purchasing Cards. Transaction date is more than two (2) days old. Not CPS qualified, Not authorized. Level 2 data requirements (Sales Tax and Customer Code) are not met. Maximum 30 days to deposit & settle.

Program Rate Category	Rates: Fee Per Sales $	Rates: Per Item	VISA Transaction Qualification Information
Large Ticket			
GSA Purchasing Card Large Ticket	1.20%	$39.00	GSA Purchasing cards. Level 2 and 3 data is required and must be CPS qualified. Not applicable to Travel Services (3000-3999, 4112, 4411, 4511, 4722, 5812, 5814, 7011, and 7512). Authorization required. Maximum 2 days to deposit & settle.
US Purchasing Emerging Market Large Ticket	0.95%	$35.00	Non-GSA Purchasing cards. Must be registered with VISA and MVV must be present. Level 2 and 3 data is required and must be CPS qualified. Not applicable to Travel Services (3000-3999, 4112, 4411, 4511, 4722, 5812, 5814, 7011, and 7512). Authorization required. Maximum 2 days to deposit & settle.
Interregional			
Interregional (Foreign) Standard	1.60%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Authorization required. Maximum 30 days to deposit & settle.
Interregional Standard - Electron	1.60%	$0.00	
Interregional (Foreign) Electronic	1.10%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Card Present / Magnetic Stripe Read / Signature Obtained / Authorized. Maximum 3 days to deposit & settle.
Interregional Electronic - Electron	1.10%	$0.00	
Interregional Business	1.80%	$0.00	VISA Business, Signature Business, Corporate, and Purchasing cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Card Present / Magnetic Stripe Read / Signature Obtained /Authorized. Maximum 5 days to deposit & settle.
Interregional Corporate	1.80%	$0.00	
Interregional Purchasing	1.80%	$0.00	
Interregional Infinite	1.80%	$0.00	VISA Infinite cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Maximum 30 days to deposit & settle.
Interregional Signature	1.80%	$0.00	VISA Signature credit and debit cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Card Present / Magnetic Stripe Read / Signature Obtained / Authorized. Enriched transaction data must be included in both settlement and authorization records. Maximum 30 days to deposit & settle.
Signature Preferred Interregional	1.80%	$0.00	U.S. issued VISA Signature Preferred card transactions conducted at a merchant in a U.S. territory.
Interregional E-Comm Merchant	1.44%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Authorized within 7 days of purchase (shipping) date. Authorized amount must match clearing amount. Transactions must be Card Not Present, Key-Entered, E-Commerce transactions. Requires Verified by VISA. Transactions must be channel encrypted and include the E-Commerce Indicator, and utilize 3-D Secure Verification Service processing requirements.
Interregional E-Commerce Merchant - Electron	1.44%	$0.00	
Interregional Secure Elec Comm	1.44%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Authorized within 7 days of purchase (shipping) date. Authorized amount must match clearing amount. Transactions must be Card Not Present, Key-Entered, E-Commerce transactions. Requires Verified by VISA. Transactions must be channel encrypted and include the E-Commerce Indicator, and utilize 3-D Secure Verification Service processing requirements.
Interregional Secure Electronic Commerce - Electron	1.44%	$0.00	
Interregional Issuer Chip	1.20%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Card Present / Magnetic Stripe Read (not Chip Read) / Signature Obtained / Authorized. Card issuer must be chip qualified. Maximum 3 days to deposit & settle.
Interregional Issuer Chip - Electron	1.20%	$0.00	
Interregional Chip Acquirer	1.00%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Card Present/ Magnetic Stripe or Chip Read / Chip Enabled Terminal / Signature Obtained/ Authorized (Stand In Processing allowed). Maximum 3 days to deposit & settle.
I/R Chip Acquirer - Electron	1.00%	$0.00	
Interregional Chip Full Data	1.00%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Card Present/ Chip Read / Signature Obtained / Authorized. Enriched chip transaction data must be included in both settlement and authorization records. Maximum 3 days to deposit & settle.
I/R Chip Full Data - Electron	1.00%	$0.00	
Interregional Chip Full Data PIN	0.95%	$0.00	
I/R Chip Full Data PIN - Electron	0.95%	$0.00	
Interregional Airline	1.10%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Authorization required. Eligible Merchants: Airline merchants (3000-3299 or 4511). Maximum 15 days to deposit & settle.
Interregional Airline - Electron	1.10%	$0.00	
Interregional Airline Chip Acquirer	1.00%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Card Present / Magnetic Stripe or Chip Read / Chip Enabled Terminal / Signature Obtained/ Authorized (Stand In Processing allowed). Eligible merchants: Airline merchants with a MCC of 3000-3299 or 4511. Maximum 3 days to deposit & settle.
I/R Airline Chip Acquirer - Electron	1.00%	$0.00	
Interregional Airline Chip Full Data	1.00%	$0.00	VISA Consumer and Electron cards. Non U.S. issued cards at a U.S. merchant location or cards issued in a different region at a U.S. Territory or non-U.S. location. Card Present/ Chip Read / Signature Obtained / Authorized. Enriched chip transaction data must be included in both settlement and authorization records. Eligible Merchants: Airlines (3000-3299 or 4511). Maximum 3 days to deposit & settle.
I/R Airline Chip Full Data - Electron	1.00%	$0.00	
I/R Airline Chip Full Data with PIN	0.95%	$0.00	
I/R Air Chip F/D PIN - Electron	0.95%	$0.00	
VISA Assessments	0.11%	$0.00	Fee assessed on the gross dollar amount of all VISA transactions.
International Service Assessment (ISA)	0.40%	$0.00	Applies to all transactions where the merchant is in the U.S. and the issuer country is non-U.S. Fee is assessed on international purchases.
International Acquirer Fee (IAF)	0.45%	$0.00	Fee assessed on all transactions at a U.S. merchant location with a non-U.S. issued card.
International Acquirer Fee (IAF) - High Risk	0.90%	$0.00	Fee assessed on all transactions at a U.S. merchant location with a non-U.S. issued card for High Risk merchants in Direct Marketing – Travel-Related Arrangement Services (5962), Direct Marketing – Outbound Telemarketing Merchants (5966), and Direct Marketing – Inbound Telemarketing Merchants (5967).
Zero Dollar Verification Message Fee	0.00%	$0.025	Fee assessed on all Account Verification messages, including both approved and declined, AVS, and SMS account verification transactions. Account Verification transactions must be submitted for $0 and are used to validate cardholder account numbers and other elements, such as CVV2 and AVS, prior to obtaining an actual authorization.
Authorization System Misuse Fee	0.00%	$0.045	Fee assessed on all VISA authorized transactions which are not followed by a matching VISA clearing transaction (or not reversed in the case of a cancelled transaction). Billed on a one month lag.
Zero Floor Limit Fee	0.00%	$0.10	Fee assessed on all VISA clearing transactions that are not authorized. Billed on a one month lag.
Network Acquirer Processing Fee (NAPF)	0.00%	$0.0195	Fee assessed on all VISA authorization attempts. Does not apply to $0 Account Verification messages, Real Time Clearing pre-authorization requests, authorization reversals, chargeback responses, and other administrative messages.
Return Item Fee	0.00%	$5.00	Fee assessed on each VISA clearing transaction that is submitted 30 days after the authorization.
Partial Authorization Non Participation Fee (PANPF)	0.00%	$0.01	Fee assessed on Automated Fuel Dispenser (5542) transactions that do not support partial authorization.

Back to Table of Contents

Bank wherever, whenever, however you want

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Banking Solutions

We offer a wide array of secure and convenient banking solutions that let you manage your money, achieve your savings goals, pay bills and transfer funds. Bank online, at banking centers nationwide, and right on your own phone.

Checking

- **Promotional cash incentives** for eligible employees[1]
- **Direct Deposit** gives you access to your paycheck the day it's deposited
- **Debit card** comes with our **$0 Liability Guarantee**, so there's less hassle if fraudulent charges occur[2]
- Optional **Overdraft Protection** helps you reduce overdraft fees and avoid declined debit card transactions[3]
- **Access** to more than 18,000 ATMs, with one likely near you, and 5,900 banking centers coast-to-coast
- **Online Banking** and **Mobile Banking** give you secure access to your money wherever you are[4]
- Optional **Bill Pay** helps you pay your bills in minutes[5]
- Customizable **Alerts** help you track your balance and account activity[6]

Savings

- **Keep the Change®** program makes it easy to save automatically with every debit card purchase you make[7]
- **Add It Up®** program lets you earn cash back from hundreds of participating retailers[8]
- Optional automatic monthly **transfers** from your checking account can help you save money[9]

Credit Solutions

Bank of America offers a range of helpful credit solutions, including a choice of credit cards to meet your needs. And we don't make you jump through hoops to earn rewards.[10]

The BankAmericard Cash Rewards™ credit card

- Earn 1% cash back on all your purchases
- No limit to how much cash back you can earn, and rewards don't expire as long as your account remains open
- Earn rewards quickly — you can start redeeming at $25, which means money back in your wallet sooner
- You decide how you want your cash back — deposited into your checking or savings account, as a statement credit or check, or to pay down your eligible mortgage

Home Equity Loan or Line of Credit

- Make home repairs, finance education, consolidate debt or pay for other expenses[11]
- Interest payments are usually tax deductible[12]
- Optional loan protection, Borrowers Protection Plan® or Line Protection Plan® may help provide peace of mind[13]

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MERRILL EDGE™
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Home Financing Solutions

Whether you're buying a home or looking to refinance your existing mortgage, we're here to help you find a home loan solution you can comfortably afford. Plus, Bank of America provides a one-page Clarity Commitment® loan summary, written in easy-to-understand language that highlights key terms of your loan.[14]

Mortgages

- A mortgage loan specialist will help you through the home loan process
- A variety of loan options are available, including mortgages with flexible, lower down payment options for qualified borrowers
- Optional loan protection, Borrowers Protection Plan®, may help provide peace of mind[13]

Refinancing

- Lower your monthly mortgage payment by refinancing to a lower interest rate[15]
- Switch from an adjustable rate to a fixed rate and enjoy the stability of a predictable monthly payment

Eligibility for Bank of America at Work® terminates when (a) you terminate your relationship with the sponsoring company or organization or (b) the sponsoring company's or organization's Bank of America at Work plan is terminated by either the company or organization or Bank of America, at which time rates and fees will revert to the current rates and fees as stated in the Personal Schedule of Fees.

[1] Offer expires 06/30/2011. Bank of America may terminate the offer before that date. To receive the offer, you must open a qualifying new personal checking account through the Bank of America at Work® program and set up qualifying direct deposit into your checking account within 60 days of account opening. This offer is available in any Bank of America banking center or at a tabling event when this form is presented at the time of account opening. Limit one incentive per customer. The new customer must not be a current personal checking customer and the new checking account must remain open until we can verify its eligibility, which generally takes no more than 120 days. The new customer is not eligible for this offer if they were a signer on a Bank of America checking account that was closed within the last three months. All accounts are subject to our normal approval process. Offer does not apply to second or multiple accounts. This offer cannot be combined and is not eligible with other offers. The minimum deposit required to open a new Bank of America checking account and receive this offer is subject to normal opening deposit requirements of the specific account being opened. For example, the minimum opening deposit for some non-interest bearing Bank of America checking accounts is $25. Account must be in good standing at the time of qualification. Customer will receive $50 after verification of qualification in the incentive program. We generally direct deposit the incentive into the new Bank of America checking account within 120 days of account opening. If for any reason we are unable to successfully direct deposit the funds, a check will be issued. We may report to the IRS the value of any premium and applicable taxes are the responsibility of the recipient. We offer a variety of interest-bearing and non-interest-bearing personal checking accounts. For Tiered Interest personal checking accounts, the minimum balance to open is $100 and the Annual Percentage Yields (APYs) are as follows: less than $10,000, 0.05%; $10,000-$99,999, 0.10% and $100,000 and over, 0.25% as of 11/01/2010. The rate may change after the account is opened or anytime after this date. Fees could reduce the earnings on the account. Please consult a banking center associate, visit bankofamerica.com or see our Personal Schedule of Fees for more information. Reproduction, purchase or sale of this offer is prohibited.

[2] The $0 Liability Guarantee covers fraudulent purchases and payments made by others using your Bank of America debit card[s]. To be covered, report purchases made by others promptly, and don't share personal or account information with anyone. Access to funds next business day in most cases, pending resolution of claim. Consult customer and account agreements for full details.

[3] Overdraft Protection transfer fees may apply. Please see your Personal Schedule of Fees for details. If you enroll in Overdraft Protection with your credit card, overdraft transfers will be Cash Advances under your Credit Card Agreement and will accrue interest at the APR stated in your Credit Card Agreement. A fee may apply to each transfer. Please refer to your Credit Card Agreement for additional details.

[4] Web access is needed to use Mobile Banking. Check with your wireless carrier for fees that may apply. Mobile Banking available to Online Banking enrollees only. All terms applicable to Online Banking apply to Mobile Banking. Must have Transfers and Bill Pay set up previously in Online Banking to use these functions in Mobile Banking. Mobile Banking is not available with accounts located in Washington and Idaho.

[5] Bill Pay is called Bill Payer in WA and ID.

[6] Not available with accounts in Idaho and Washington.

[7] Keep the Change® patent pending.

[8] Participating retailers and offers are subject to change. You must have either a Bank of America debit card or consumer credit card and be enrolled in Online Banking to be eligible for participation in the program. Redemption of accrued cash back rebates occurs in accordance with program Terms and Conditions, generally monthly when a minimum of $5.00 cash back has been earned. Program is not available to Online Banking customers in WA or ID and select military bank customers. Select MyExpression® credit cards, co-brand debit cards, Business credit cards and other accounts are not eligible for participation in the program. Additional restrictions apply. For complete program Terms and Conditions, visit bankofamerica.com/additup.

[9] Automatic transfers for savings not available for accounts in Washington and Idaho.

[10] For more information about rates, fees, other costs and benefits associated with the use of these accounts, please see an associate.

[11] The relative benefits of a loan for debt consolidation depend on your individual circumstances and your actual debt payments. You will realize interest payment savings when you make monthly payments toward the new, lower interest rate loan in an amount equal to or greater than what you previously paid toward the higher rate debt(s) being consolidated.

[12] Please consult your tax advisor regarding deductibility of interest.

[13] Bank of America offers two optional loan protection plans for home financing. Borrowers Protection Plan® is available on many first mortgages used for home purchase and home equity loans, less than $500,000. Line Protection Plan® is available on many home equity lines of credit. Your purchase of a loan protection plan is optional. Whether or not you purchase a loan protection plan will not affect your application for credit or the terms of any existing credit agreement you have with Bank of America. Additional information will be provided to you before you are required to pay for your loan protection plan. This information will include a copy of the Addendum, which is the contract containing the terms of the loan protection plan. There are eligibility requirements, conditions and exclusions that may prevent you from receiving benefits under your loan protection plan. Carefully review the Addendum for a full explanation of the terms of the loan protection plan. These loan protection plans are not available for all loan types or amounts.

[14] The Clarity Commitment® summary is provided as a convenience, does not serve as a substitute for a borrower's actual loan documents and is not a commitment to lend. Borrowers should become fully informed by reviewing all of the loan and disclosure documentation provided.

[15] Refinancing or taking out a home equity loan or line of credit may increase the total number of monthly payments and/or the total amount paid when compared to your current situation.

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Information is accurate as of 11/01/2010.

Merrill Edge is the marketing name for two businesses: Merrill Edge Advisory Center™, which offers team-based advice and guidance brokerage services; and a self-directed online investing platform. Both are made available through Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S).

Investment Products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

MLPF&S is a registered broker-dealer, Member SIPC and a wholly owned subsidiary of Bank of America Corporation.

Banking products are provided by Bank of America, N.A. and affiliated banks, Members FDIC and wholly owned subsidiaries of Bank of America Corporation.
Some accounts and services, and the fees that apply to them, vary from state to state. Please review the information for your state in the Personal Schedule of Fees (www.bankofamerica.com/feesataglance or at your local banking center) and in the Online Banking Service Agreement at www.bankofamerica.com/serviceagreement.

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Back to Table of Contents

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- Discounts on safe deposit box rentals[3]

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- **Add It Up®** program lets you earn cash back from hundreds of participating retailers[6]
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Offer Code: OBD

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* Offer expires 06/30/2011. Bank of America may terminate the offer before that date. To receive the offer, you must open a qualifying new personal checking account through the Bank of America at Work® program and set up qualifying direct deposit into your checking account within 60 days of account opening. This offer is available in any Bank of America banking center or at a tabling event when this form is presented at the time of account opening. Limit one incentive per customer. The new customer must not be a current personal checking customer and the new checking account must remain open until we can verify its eligibility, which generally takes no more than 120 days. The new customer is not eligible for this offer if they were a signer on a Bank of America checking account that was closed within the last three months. All accounts are subject to our normal approval process. Offer does not apply to second or multiple accounts. This offer cannot be combined and is not eligible with other offers. The minimum deposit required to open a new Bank of America checking account and receive this offer is subject to normal opening deposit requirements of the specific account being opened. For example, the minimum opening deposit for some non-interest bearing Bank of America checking accounts is $25. Account must be in good standing at the time of qualification. Customer will receive $50 after verification of qualification in the incentive program. We generally direct deposit the incentive into the new Bank of America checking account within 120 days of account opening. If for any reason we are unable to successfully direct deposit the funds, a check will be issued. We may report to the IRS the value of any premium and applicable taxes are the responsibility of the recipient. We offer a variety of interest-bearing and non-interest-bearing personal checking accounts. For Tiered Interest personal checking accounts, the minimum balance to open is $100 and the Annual Percentage Yield (APY) is as follows: less than $10,000, 0.05%; $10,000-$99,999, 0.10% and $100,000 and over, 0.25% as of 11/01/2010. The rate may change after the account is opened or anytime after this date. Fees could reduce the earnings on the account. Please consult a banking center associate, visit bankofamerica.com or see our Personal Schedule of Fees for more information. Reproduction, purchase or sale of this offer is prohibited.

Eligibility for the Bank of America at Work® program terminates when (a) you terminate your relationship with the sponsoring company or organization or (b) the sponsoring company's or organization's Bank of America at Work® program plan is terminated by either the company or organization or Bank of America, at which time rates and fees will revert to the current rates and fees as stated in the Personal Schedule of Fees.

[1] Bank of America personal checking has no monthly maintenance fee/service charge with a qualified monthly direct deposit or if you maintain an average daily balance of $1,500 during each monthly statement cycle.

[2] The variable Annual Percentage Rate (APR) is 4.49% for a new $100,000 home equity line of credit in 2nd lien position, with a combined loan-to-value (CLTV) ratio of up to 60% on a 1-4 family owner-occupied primary residence. APR is based on *The Wall Street Journal* Prime Rate (3.25% as of 11/08/2010) plus a margin, and will vary with the Prime Rate, but will not exceed 24%. APR includes a 0.25% discount for maintaining automatic payment from a Bank of America account, a 0.25% discount for selecting, at closing, to take an initial advance of $25,000 or more, and maintaining, at minimum, a balance of $25,000 for at least the first 3 full consecutive billing cycles, and a 0.25% discount for maintaining one of the following qualified Bank of America relationship accounts: FirstChoice Gold,™ Prima,® Tiered Interest Checking, Advantage,® Master Relationship Account, Preferred,™ Small Business Banking, First Mortgage with Bank of America, Bank of America at Work®* or Bank of America Direct Benefits.®* (*Automatic payment from a Bank of America account is necessary for relationship discount.) You are not required to have a qualified relationship account to obtain a home equity line of credit at an undiscounted rate. APR will be higher if conditions for discounts are not maintained, except on TX (a)(6) liens. CLTV ratios, margins, rates and payment amounts may vary based on certain factors such as state, lien position, occupancy status, loan amount, property value, debt ratios and credit history and are subject to change without notice. Your actual rate and payment amount may be higher or lower than the advertised rate and payment amount. Property insurance is required and flood insurance where necessary. Please contact Bank of America for current rate information and other details. For home equity lines of credit up to and including $500,000, Bank of America pays all closing costs other than attorney fees that exceed $300 in states where attorney closings are required. For lines over $500,000, customers may be responsible for paying closing costs, including attorney fees. The combined amount of all third-party fees, including any taxes owing to state and/or local government units, generally totals between $1,665 and $15,165 ($5,675 and $24,535 in NY). The term of the loan is 25 years. You may advance funds for 10 years, then repay the loan balance over 15 years. If you terminate your account within 36 months of opening it, you will be required to pay an Early Closure Fee of $450, plus any mortgage and government taxes, and any closing agent or attorney fees the Bank paid on your behalf. Additional Information for Texas Collateral Lines and loans secured by a primary residence homestead property in Texas for the purpose of obtaining cash, or refinancing a prior Texas (a)(6) lien are subject to Section 50(a)(6) of the Texas Constitution; and the following exceptions apply:

- Bank of America cannot use a customer's home equity funds to pay (in part or in full) Bank of America non-homestead debt at closing
- The minimum advance amount on the line of credit is $4,000
- The maximum CLTV is 80% and the maximum LTV for the home equity line is 50%
- Bank of America pays all closing costs
- The Early Closure Fee does not apply
- Access to the home equity line account using a home equity line Visa® access card or ATM card is not allowed

Credit and collateral are subject to approval. Terms and conditions apply. This is not a commitment to lend. Programs, rates, terms and conditions are subject to change without notice.

[3] Discounts and pricing vary depending on the state where the account is opened. Ask an associate at your nearest banking center for details.

[4] Keep the Change® patent pending.

[5] The $0 Liability Guarantee covers fraudulent purchases and payments made by others using your Bank of America debit card(s). To be covered, report purchases made by others promptly, and don't share personal or account information with anyone. Access to funds next business day in most cases, pending resolution of claim. Consult customer and account agreements for full details.

[6] Participating retailers and offers are subject to change. You must have either a Bank of America debit card or consumer credit card and be enrolled in Online Banking to be eligible for participation in the program. Redemption of accrued cash back rebates occurs in accordance with program Terms and Conditions, generally monthly when a minimum of $5.00 cash back has been earned. Program is not available to Online Banking customers in WA or ID and select military bank customers. Select MyExpression® credit cards, co-brand debit cards, Business credit cards and other accounts are not eligible for participation in the program. Additional restrictions apply. For complete program Terms and Conditions, visit bankofamerica.com/additup.

[7] Web access is needed to use Mobile Banking. Check with your wireless carrier for fees that may apply. Mobile Banking available to Online Banking enrollees only. All terms applicable to Online Banking apply to Mobile Banking. Must have Transfers and Bill Pay set up previously in Online Banking to use these functions in Mobile Banking. Mobile Banking is not available with accounts located in Washington and Idaho.

[8] Bill Pay is called Bill Payer in WA and ID.

Some accounts and services, and the fees that apply to them, vary from state to state. Please review the information for your state in the Personal Schedule of Fees (at www.bankofamerica.com/feesataglance or at your local banking center) and in the Online Banking Service Agreement at www.bankofamerica.com/serviceagreement.

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Comptroller of the Currency
Administrator of National Banks

Large Bank Supervision
250 E Street, SW
Washington, DC 20219

Public Disclosure

September 30, 1997

Community Reinvestment Act Performance Evaluation

Bank of America, NT & SA
Charter Number: 13044

555 California Street
San Francisco, CA 94104

Office of the Comptroller of the Currency

250 E Street, SW
Washington, D.C. 20219

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

	Page Number
General Information	2-3
Description of Institution	4-7
Conclusions with Respect to Performance Tests	7-10
Performance Test Tables	11-16
Compliance with Antidiscrimination Laws and Regulations	17-18
Alaska State Ratings Alaska Aggregate Tables	19-29 30-33
Arizona State Ratings Arizona Aggregate Tables	34-48 49-52
California State Ratings California Aggregate Tables	53-132 133-142
Idaho State Ratings Idaho Aggregate Tables	143-153 154-157
Illinois State Ratings Illinois Aggregate Tables	158-163 164-165
Nevada State Ratings Nevada Aggregate Tables	166-176 177-179
New Mexico State Ratings New Mexico Aggregate Tables	180-193 194-197
New York State Ratings New York Aggregate Tables	198-200 201-202
Oregon State Ratings Oregon Aggregate Tables	203-216 217-220
Washington State Ratings Washington Aggregate Tables	221-258 259-263
Las Vegas - Mohave Multistate MSA Ratings Las Vegas - Mohave Aggregate Tables	264-268 269-270
Portland - Vancouver Multistate MSA Ratings Portland - Vancouver Aggregate Tables	271-275 276-277
Appendix A - Scope of Examination	278-280
Appendix B - Summary of State and Multistate MSA Ratings	281
Appendix C - Demographic Information	282-284

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Bank of America, NT & SA** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 30, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated **Outstanding**.

The major factors supporting the institution's rating are:

- **The strength of Bank of America NT & SA's CRA activities is clearly exhibited in the states of California and Washington and the Portland/Vancouver Multistate MSA, where it generated almost $26 billion in loans and community development investments or 83% of its total CRA-related activities.**

- **Bank of America NT & SA has provided a substantial level of credit to small businesses, especially those that have annual revenues below $1 million.**

- **Many of Bank of America NT & SA's $869 million in community development activities are innovative and/or complex.**

- **Bank of America NT & SA demonstrated leadership in all aspects of its CRA performance throughout the review period.**

- **Bank of America NT & SA's aggregate community development activities represent a substantial commitment to its states and assessment areas.**

- **Bank of America NT & SA is a respected community development leader both at the assessment area, state and national level.**

The following table shows the performance level of **Bank of America, NT & SA** with respect to the lending, investment, and service tests.

Performance Levels	**Bank of America, NT & SA** Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High satisfactory		X	X
Low satisfactory			
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Scope of the Examination

This examination followed the Interagency CRA Examination Procedures for Large Retail Institutions. These procedures evaluated the performance tests prescribed under CRA's implementing regulations. Our analysis of BANTSA's performance included the evaluation of the distribution of credit at four income levels. In addition, our analysis looked at total residential and consumer lending and its individual components. Our evaluation covered transactions BANTSA generated between January 1, 1996 and June 30, 1997. We also reviewed investment transactions the bank generated prior to the review period, but remain on its books.

For insight into the context of BANTSA's performance, we reviewed its previous CRA Public Disclosures as well as those of similarly situated institutions. We used information derived from the 1996 Aggregate HMDA and Small Business data to determine performance of the bank's competitors within its assessment areas. We also considered demographic data from the 1990 Census for each state and assessment area. The listing of assessment areas under Appendix A, identifies the areas that received a comprehensive review bank activities and those areas that we reviewed for consistency of performance.

Definitions and Common Abbreviations

The following terms and abbreviations are used in this Performance Evaluation. They are intended to provide a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSA's consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau to group homogenous populations.

Home Mortgage Disclosure Act (HMDA) - The statute that annually requires certai n mortgage lenders that do business in a MSA to file summary reports of their mortgag e lending activity. The reports includes the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The United States Census Bureau determines the MF I every ten years and uses it to determine the income level category of census tracts. Also, annually the Department of Housing and Urban Development determines the MFI that is used to calculate the income level category of individuals.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

LMI - Low- and Moderate-Income levels. This is applied to both the income level of a geography and borrower.

Small Business Loans - Loans with an original amount of $1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Tier 1 Capital - consists of common shareholders' equity, perpetual preferre d shareholders' equity with noncumulative dividends, retained earnings, and minorit y interests in the equity accounts of consolidated subsidiaries.

Description of Institution

Bank of America, National Trust & Savings Association (BANTSA), is a wholly-owned subsidiary of BankAmerica Corporation (BAC). BAC is a bank holding company headquartered in San Francisco, California, and is the third-largest bank holding company in the United States. BANTSA is the largest bank in the Western United States and has representative offices in thirty-six countries. As of June 30, 1997, it had total assets of $224 billion. As of the same date, total deposits were $165 billion, with $111 billion in domestic deposits and $53 billion in offshore deposits. Total loans were $150 billion, with $114 billion in loans from domestic offices, and $36 billion from offshore offices. Its Tier 1 capital was almost $14 billion. BANTSA's primary focus is retail and wholesale banking within seventy-six assessment areas. These areas are in ten states and two multistate MSAs. A listing of the assessment areas is in Appendix A. In addition, demographic information covering each state and multistate MSA is in Appendix C.

On January 1, 1997, BAC began consolidating its subsidiary bank charters into BANTSA's charter. At the end of the review period, Bank of America Illinois (BAI) was an independent charter. However, on July 1, 1997, BAC consolidated BAI's charter into BANTSA. Management asked that we include BAI's CRA performance in our evaluation of BANTSA. As of June 30, 1997, BAI had total assets of almost $17 billion. Its deposits totaled $8 billion, with $6 billion in domestic deposits and $3 billion in offshore deposits. Total loans were $13 billion. BAI's primary focus is wholesale banking.

The Global Retail Bank of BANTSA is responsible for delivering products and services to individual consumers and businesses through its branch system. The bank's branch system runs throughout its assessment areas. There are no known legal or financial impediments to the bank's ability to deliver any product or service to its assessment areas. Three bank groups supply its retail lending services:

- National Consumer Assets Group [NCAG]
- Bank America Mortgage Lending Group [BAMG]
- Business Lending Services Division [BLD]

NCAG is responsible for consumer credit delivered through BANTSA's branch system. This includes home equity loans and lines of credit, automobile loans, and other instalment loans and lines of credit. BAMG is responsible for the delivery of first mortgage products (purchase money and refinance) through the wholesale markets that include brokers and developers and the bank's branch system. BLD is responsible for providing credit to small businesses and farms. Loan amounts for these types of credit are less than $750 thousand.

BANTSA offers loan products that respond to identified credit needs of small business owners and LMI consumers within its assessment areas. These products' underwriting

standards were innovative when first introduced and retain their flexibility. The bank continues to offer three special consumer loan products and three special small business loan products. They offer these products throughout all the bank's assessment areas. BANTSA has enhanced these products over the review period, to help meet the diverse credit needs of its assessment areas better.

CONSUMER LOAN PRODUCTS:

Neighborhood Advantage (NA) is an affordable residential mortgage product for both purchase money and refinance transactions. BANTSA has evolved this product as follows:

- In October 1994, BANTSA introduced a "3/2 downpayment" feature. The borrower must provide 3% of the downpayment from their own funds, while 2% of the downpayment may come from outside sources such as gifts, grants, or deferred loans.

- Also in October 1994, BANTSA began to participate in the Home Works program with Freddie Mac and the city of Los Angeles. This program gives eligible applicants downpayment assistance from a grant (up to 2%) and an interest-free second mortgage for rehabilitation of the property.

- In 1994, BANTSA piloted a 3% downpayment program. It combines the lower downpayment requirement with private mortgage insurance and more conservative underwriting standards. Prospective customers can qualify for this product in one of two ways:

  1. The house being purchased or refinanced is in a low- or moderate-income (LMI) census tract or a zip code with predominantly LMI census tracts.

  2. The customer's income is less than 120% of the county's median income.

BANTSA includes a schedule of qualifying incomes for each county in California, with the NA application package. The customer does not have to request the NA product to be considered for the product. They have programmed the mortgage loan underwriting process to evaluate all loans under NA criteria, and, the criteria for the bank's conventional products.

To promote NA better and provide information on buying and financing a home, BANTSA developed a comprehensive home buyer education program. BANTSA loan specialists conducted seminars in their local communities throughout the bank's assessment areas. The seminars and printed materials were presented in both English and Spanish.

B•A•S•I•C is BANTSA's consumer loan product that is similar to the NA product. The qualifying income and/or location requirements for home improvement and home equity

loans are the same as NA's. For all other B•A•S•I•C consumer purpose loans, the qualifying income must be less than or equal to 80% of the areas median income. In 1993, BANTSA began automatic identification of all applications for B•A•S•I•C loans. They use a similar system on NA applications.

The **Spanish Loan-by-Phone** program enhances the delivery of consumer loans to California's largest ethnic minority. The program offers an information and application service to Spanish speaking customers. In May 1994, BANTSA launched the program for auto and personal loans and in July expanded the program to home equity products. This service extends beyond the application process through the life of the loan. Loan documentation is also in Spanish.

BANTSA's **Loan for Customers with Disabilities (ADA Loans)** program provides financing for the purchase and/or retrofitting of vehicles, personal property and homes to accommodate the needs of individuals with disabilities. Products offered under the program include auto loans, personal loans, and home equity loans. This program offers borrowers longer terms than standard products. Further, all declined ADA Loans go through a second review process. This product resulted from several meetings with groups who serve the disabled community. To promote this product BANTSA sent letters and brochures to community groups, government agencies, car/van dealers and installers who serve the disabled community.

SMALL BUSINESS LOAN PRODUCTS:

BANTSA designed the **Advantage Business Credit (ABC)** product to give small business applicants loans or lines of credit. In the fourth quarter of 1993, the bank increased the limit for this product to $100,000. Loans are available in amounts from $2,500 to $100,000. Lines of credit are available in amounts from $10,000 to $100,000. Loan officers can give applicants a response within three days of receiving a completed application.

BANTSA introduced the **Advantage Business Credit Express Line (ABC Express Line)** in the fourth quarter 1994. This program provides small, unsecured revolving lines of credit, in amounts from $2,500 to $10,000. The program accommodates short term working capital needs and can act as an optional overdraft protection service for checking account customers. The product features a simplified application and quick approval process.

BANTSA created the **Minority- and Women-Owned Business Enterprise (MWBE)** loan program for small businesses that are at least 51 percent owned and operated by one or more individuals who are minorities or women. MWBE makes loans in amounts of $2,500 to $50,000. Lines of credit are available in amounts of $10,000 to $50,000, with terms to five years. Loan officers can give applicants a response in two business days after

receiving a completed application.

Products Co-sponsored with Government Agencies:

BANTSA, with Bank of America Community Development Bank, has provided considerable resources in support of very low- and low-income multi-family housing construction, rehabilitation and permanent financing. Federal, state, and local government programs are integral components in the provision of credit.

BANTSA and the California Housing Finance Agency have developed a program to offer mobile home owners financing to purchase the land underlying their homes. The program is intended to help very low-, low- and moderate-income residents buy spaces in mobile home parks.

Besides BANTSA, other BAC subsidiaries provide lending services in the bank's assessment areas. The affiliates of BANTSA have developed expertise in offering the following credit products in its states and assessment areas:

NAME:	SERVICES PROVIDED:
Bank of America Community Development Bank (BACDB)	Small Business Administration (SBA) loans, other government and leveraged loans, and affordable housing loans.
Bank America, N.A. (BANA)	Credit Cards
Bank of America, Federal Savings Bank (BA-FSB)	Indirect loans for manufactured housing.
Bank of America Community Development Corp. (BACDC)	Domicile for Low-Income Housing Tax Credit Investments

BAC allocated loans and investments from these affiliates for BANTSA's CRA performance. We evaluated only those loans BAC allocated to BANTSA in this assessment.

Conclusions with Respect to Performance Tests

Overall CRA Performance

- **BANTSA has provided an excellent level of all types of credit to LMI applicants.**
- **BANTSA continues to demonstrate its commitment to lending, investing and servicing all segments of the states in which it does business.**

LENDING TEST

The following lending tables show that during the review period, BANTSA originated more than 230 thousand loans totaling more than $3.6 billion in LMI areas. Further, they originated more than 363 thousand loans totaling almost $3 billion to LMI borrowers. In total, during the review period, BANTSA generated in its assessment areas more than one million loans totaling more than $30 billion. BANTSA's residential and small business lending in LMI areas accounted for $2.7 billion or 72% of its total lending in LMI areas. While its credit card accounts made up 64% of the number of loans in LMI areas.

The bank's lending helped borrowers achieve many financial goals including the purchase, refinance or improvement of their home, various consumer purposes including the purchase of automobiles and the support of small businesses. These were the primary credit needs we identified through community contacts. BANTSA's volume of lending showed an excellent responsiveness to the identified credit needs. Further, virtually all of BANTSA's CRA-related lending took place within its assessment areas or assessment areas of its affiliates. The bank's lending that took place in affiliate assessment areas will be analyzed as part of their respective CRA performance evaluations.

BANTSA's overall lending performance is strongly grounded in California, Washington and the Portland/Vancouver Multistate MSA. During the review period, the two states and Multistate MSA accounted for 909 thousand loans totaling more than $25 billion of the bank's total lending activity. Moreover, they originated $3 billion or 83% of the bank's loans in LMI geographies and $2.4 billion or 81% of its loans to LMI borrowers. Further, the two states and Multistate MSA generated $72 billion or 81% of all the assessment areas' domestic deposits and corresponds to the significant presence the bank has in these markets. Total deposits within the bank's assessment areas account for 80% of its domestic deposits. Community development lending in these areas accounted for 195 transactions totaling $331 million or 72% of the bank's activity. This lending performance extends the bank's historical commitment to CRA. BANTSA's lending activity in these areas overwhelmingly supports its overall performance and reaffirms its position as a leader in each of the three markets. However, BAC's historical commitment has not been fully exported to the bank's other areas.

The strongest attribute of BANTSA's lending performance is its ability to extend loans to LMI borrowers. This reflects the success of the flexible terms the bank has created in its affordable loan products. While we no longer consider these products innovative, they continue to provide borrowers flexible underwriting standards. Frequently the bank's loan originations to LMI borrowers matched or exceeded its overall market share of loans within an area or the demographics of an area. In 1996, BANTSA's LMI borrower market share of residential loans reported under HMDA created a bankwide parity surplus of more than 2,500 loans. That is, the bank's market share of LMI borrowers exceeded its overall market share. The strongest example of its ability to attract LMI borrowers was in California, which accounted for 86% of the parity surplus. The bank's weakest

performance in attracting LMI borrowers was in New Mexico, where it had a parity shortfall. BANTSA's lending strength was also exhibited in its loans to small businesses with revenues of less than $1 million. Loans to these smaller businesses accounted for 78% of the bank's small business loans (population of small business loans when they know revenue size).

The weakest attribute of BANTSA's lending performance is its ability to penetrate LMI geographies. In 1996, BANTSA's market share of residential loans in LMI geographies reported under HMDA, created a bankwide parity shortfall of more than 1,100 loans. That is, the bank's market share in LMI geographies fell below its overall market share. However, its strength in its small business lending distribution mitigates BANTSA's weakness in residential lending distribution. In 1996, BANTSA's market share of small business loans in LMI geographies reported under CRA, created a bankwide parity surplus of more than 200 loans. Again, the bank's market share of small business loans in LMI geographies frequently exceeded its overall market share. The strongest example of its small business loan penetration of LMI geographies was in California and the weakest example of its performance was in Washington.

Supplementing BANTSA's residential, consumer and small business lending activity was the bank's creation of 266 community development loans totaling more than $467 million. BANTSA's community development loans helped finance projects for affordable housing and economic development as defined under CRA. Frequently management took a leadership role in putting together the financial packages for these projects. Often the packages used a variety of sources to make the transaction financially sound. These sources included grants and contributions, soft money, public and private guarantees, and tax advantages, such as the Low-Income Housing Tax Credits. Management also found unique ways to use Small Business Administration programs to supplement higher risk business financing.

INVESTMENT TEST

BANTSA used its financial resources to help LMI areas and individuals through qualified community development investments. Again the bank's strength is exhibited in California, Washington and the Portland/Vancouver Multistate MSA. These activities were also the focal points of the bank's performance in Illinois. BANTSA made more than one thousand qualified investments totaling $407 million, more than 78% of these transactions were created in the above areas. Moreover, the volume of these activities exceeds 4.4% of the bank's capital (Tier 1 capital allocated to domestic deposits). The bank's investments were productively used for the capitalization of loan pools, community development corporations, syndicated community development participations, government subsidized programs, municipal securities financing affordable housing, tax credits and the support of nonprofit developers, social services, and support groups. Many investments were components of a financing package that included community development lending.

BANTSA is viewed as a leader both locally and nationally in the participation and creation of qualified investments. It has received many awards for its community developmen t achievements. Management has also reinvested its cash awards back into areas tha t have few qualified developers and need to build capacity.

SERVICE TEST

BANTSA uses an extensive branch and ATM network to help serve the financial needs of its entire service area. Management monitors the hours of operation of these facilities and attempts to adjust access to meet the needs of the customer. During the review period, BANTSA closed 110 branches, 27% were in LMI areas, and opened 81 new branches , 11% were in LMI areas. California and Washington accounted for 71% of the branc h closures and 45% of the new offices. The closures in California had a greater impact on middle- and upper-income areas when compared to area demographics. Most o f California's activity occurred in the Los Angeles MSA. The closures in Washington slightly affected LMI areas when compared to area demographics, but were partially offset by new offices in LMI areas. Most of Washington's activity occurred in the Seattle MSA. However, the bank maintains a substantial branch network in both states, the distribution of which compares favorably to each state's demographics.

BANTSA has extensive phone-in services that supplement its branch network. Customers can manage their accounts and apply for loans through toll-free phone access. It has also expanded its financial services to personal computer banking. The customer can access and manage their accounts through the Internet. Management is currently pioneerin g programs to place computers in facilities that can be accessed by LMI customers . Included in these programs will be training on the use of the computer and Interne t software.

BANTSA employees have supplemented the bank's traditional and new delivery channels for financial services by participating in community development services. Employee s were involved in 361 different services in all states except Alaska. Their activities i n Arizona, California, Illinois and Washington accounted for 68% of the services.

BANTSA's CRA Public File contained all required information. This included a list o f available deposit accounts, general bank services, and credit products. This list can be accessed through all of the bank's branches and certain alternative delivery systems.

To help illustrate BANTSA's performance and provide consistent demographic data, we have included the following tables: State or Assessment Area Profiles; Bank and Stat e Aggregate Residential, Consumer and Small Business Lending, Investment Test, an d Service Test.

Lending Test

BANTSA LENDING ACTIVITIES								
Loan Type	#	% of Total	$ (million)	CT / B	# LMI	$LMI (million)	LMI % of #	LMI Avg. Loan (000s)
Residential	146,005	13%	$16,951	CT	16,988	$1,195	12%	$70
				B	30,547	1,552	21	51
Consumer - Automobile	161,592	15%	2,439	CT	27,243	387	17	14
				B	67,213	569	42	8
Consumer - Home Equity	61,939	6%	2,702	CT	5,310	181	9	34
				B	11,618	374	19	32
Consumer - Other	42,648	4%	475	CT	10,365	71	24	7
				B	19,743	100	46	5
Consumer - Credit Card	611,733	55%	2,143	CT	147,411	371	24	3
				B	233,952	395	38	2
Small Business	87,225	8%	5,620	CT	22,986	$1,463	26	$64
Community Development	266		467					
Total Lending	1,111,408	100%	$30,797	CT	230,303	$3,668	21%	$16

(CT) Income Level of Census Tracts
(B) Income Level of Borrower

BANTSA AGGREGATE RESIDENTIAL LENDING										
State:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
ALASKA	11%	36%	8%	15%	1.61%	1.03%	1.05%	365	$29,900	$82
ARIZONA	23	35	11	23	3.51	3.15	4.01	12,781	920,200	72
CALIFORNIA	17	39	13	21	7.37	6.62	8.81	86,020	12,120,100	141
IDAHO	12	38	8	22	2.10	1.30	1.44	1,280	74,400	58
ILLINOIS	21	43	8	15	0.64	0.24	0.30	1,514	287,000	190
NEVADA	18	37	8	23	7.58	3.51	5.95	2,631	200,600	76
NEW MEXICO	25	39	14	20	3.19	2.50	1.32	2,619	170,400	65
NEW YORK	13	44	9	9	1.67	1.00	1.33	1,468	223,500	152
OREGON	10	38	10	17	5.18	5.78	5.80	4,442	247,200	56
WASHINGTON	13	37	10	22	7.74	6.89	8.50	20,336	1,652,100	81
LAS VEGAS, NV	15	37	5	23	4.12	2.61	3.89	3,660	325,200	89
PORTLAND, OR	14%	36%	14	19	6.91%	6.81%	7.39%	8,889	700,800	79
Total			12%	21%				146,005	$16,951,400	$116
LMI Parity**						(1,179)	2,521			
% Of Bank's 1996 Lending						1.2%	2.6%			

(*) 1996 HMDA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

BANTSA AGGREGATE CONSUMER LENDING							
State:	% LMI CTs	% LMI Families	% Loans in LMI CTs	% Loans to LMI Borrowers	#	$ (000s)	Avg. Loan (000s)
ALASKA	20%	36%	12%	9%	5,542	$36,800	$7
ARIZONA	31	38	20	37	72,177	753,900	10
CALIFORNIA	27	39	26	44	544,970	3,987,470	7
IDAHO	16	38	11	21	7,293	82,300	11
ILLINOIS	45	43	27	10	9,071	67,000	7
NEVADA	26	37	18	37	8,402	116,900	14
NEW MEXICO	33	39	19	44	11,576	152,200	13
NEW YORK	33	44	0	0	0	0	0
OREGON	12	38	11	34	20,901	268,900	13
WASHINGTON	21	37	15	20	147,409	1,657,300	11
LAS VEGAS, NV	29	37	11	38	22,268	231,400	10
PORTLAND, OR	22%	36%	13	34	28,303	403,700	14
Total States			22%	38%	877,912	$775,787	$1

BANTSA AGGREGATE SMALL BUSINESS AND COMMUNITY DEVELOPMENT LENDING													
State:	% of Small Businesses in LMI CTs	% of Reporters' Loans in LMI CTs*	Market Share			% of Bank's Loans in LMI CTs	% of Loans less than $100,000	% of Loans to Small Businesses ◆	Bank Totals		Avg. Loan (000s)	Community Development Loans	
			Overall	LMI CTs	Parity **				#	$(000s)		#	$(000s)
ALASKA	25%	21%	1.30%	1.83%	3	25%	88%	74%	118	$7,700	$65	3	$8,181
ARIZONA	29	28	16.24	18.03	47	29	91	81	6,999	374,500	54	7	9,050
CALIFORNIA	29	26	16.33	16.91	298	27	92	77	60,407	3,657,500	61	120	261,510
IDAHO	24	16	1.59	1.32	(6)	21	81	83	383	36,100	94	8	4,540
ILLINOIS	25	22	0.23	0.25	0	27	33	3	114	38,000	333	17	28,086
NEVADA	33	32	15.73	18.49	11	39	86	79	1,618	122,100	75	4	6,535
NEW MEXICO	33	30	3.87	3.82	(15)	26	95	84	984	65,300	66	2	5,300
NEW YORK	24	21	0.01	0.01	0	13	88	50	8	1,000	125	0	0
OREGON	18	15	4.46	5.36	26	20	87	86	976	86,600	89	27	38,506
WASHINGTON	24	25	15.00	13.48	(118)	21	88	80	10,046	684,000	68	53	43,940
LAS VEGAS, NV	13	19	19.19	18.58	(4)	17	83	75	3,071	278,500	91	3	36,350
PORTLAND, OR	25%	23%	6.00%	5.80%	(6)	22	82	80	2,501	269,000	108	22	25,426
Total States					236	26%	90%	78%	87,225	$5,620,300	$64	266	$467,424

(*) 1996 CRA Small Business Reporters

(**) A negative means additional loans needed in LMI CTs to achieve parity to overall market share.

(◆) Percent of loans to businesses with revenues less than $1 million when revenue was known.

Investment Test

BANTSA AGGREGATE QUALIFIED INVESTMENTS									
State:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # Bk	$ (000s)	#	% # Bk	$ (000s)	#	% # Bk	$ (000s)
ALASKA	0	0%	$0	11	1%	$58	11	1%	$58.4
ARIZONA	11	3	5,731	49	6	345	60	5	6,076
CALIFORNIA	171	53	181,270	290	33	2,384	461	38	183,654
IDAHO	1	0	45	20	2	108	21	2	153
ILLINOIS	32	10	65,861	155	18	2,970	187	16	68,831
NEVADA	7	2	9,546	20	2	134	27	2	9,680
NEW MEXICO	3	1	389	33	4	230	36	3	619
NEW YORK	24	7	9,145	11	1	173	35	3	9,318
OREGON	10	3	8,943	16	2	150	26	2	9,093
WASHINGTON	26	8	45,480	238	27	1,385	264	22	46,865
LAS VEGAS, NV	2	1	1,622	25	3	181	27	2	1,803
PORTLAND, OR	15	5	69,767	9	1	54	24	2	69,821
National Entities	23	7%	685	0	0%	0	23	2%	685
Total	325		$398,484	877		$8,171	1,202		$406,654

Service Test

BANTSA AGGREGATE DELIVERY CHANNELS														
State:	#				$ Deposits (millions) 06/30/97	% of Bank	% # of Offices				% # of ATMs			
	Branch Offices	In-store Offices	ATMs	% of Offices			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
ALASKA	4	7	15	1%	$110	0.1%	0%	27%	36%	36%	0%	33%	33%	33%
ARIZONA	119	25	440	9%	6,422	7.2%	4	22	37	36	5	22	37	35
CALIFORNIA	906	84	3,631	59%	62,505	70.2%	6	21	46	26	5	20	41	10
IDAHO	21	1	45	1%	187	0.2%	9	23	64	5	4	24	67	13
ILLINOIS	1	0	0	0%	6,160	6.9%	0	0	0	100	0	0	0	0
NEVADA	31	6	88	2%	1,032	1.2%	0	16	57	27	0	26	47	27
NEW MEXICO	29	12	102	2%	577	0.6%	0	15	54	32	0	19	43	38
NEW YORK	1	0	0	0%	0	0.0%	100	0	0	0	0	0	0	0
OREGON	35	4	68	2%	617	0.7%	3	15	74	8	4	21	65	10
WASHINGTON	258	33	839	17%	8,274	9.3%	3	22	59	16	4	23	57	16
LAS VEGAS, NV	45	9	192	3%	2,072	2.3%	6	9	50	35	6	16	51	28
PORTLAND, OR	50	6	145	3%	1,049	1.2%	2%	21%	64%	13%	3%	22%	59%	14%
Total All States	1,500	187	5,565	100%	$89,005	100%								
% of Total Bank					80%									
Tot. Domestic Dep.					$111,413									

Compliance with Antidiscrimination Laws and Regulations

We performed a residential fair lending examination of BANTSA using the OCC's residential fair lending examination procedures. The examination included a sample of residential home purchase, refinance and home improvement loan applications. Our analysis also included a review of fair housing complaints registered against the bank.

To simplify this examination, we used statistical modeling programs developed by the OCC. We obtained data for 1,811 mortgage loan files. BANTSA processed these applications between January 1, 1996 and September 30, 1996. The data included HMDA and other relevant applicant information used in the underwriting process. Our sample from this data included only minority denials and white approvals. We checked the sample files to ensure the accuracy of the data and determined that the data quality was good. We also replicated 99% of the California home improvement files reported credit scores. Our analysis included separate statistical models of BANTSA's underwriting process.

The credit scoring portion of the examination focused on the California home improvement scorecard. BANTSA provided electronic information on home improvement loan applications, including the variables and weights employed in the scoring models, the product policy manual, and applicant HMDA data. The data-set we used included 10,030 loan applications processed during the first half of 1996. Our statistical analysis examined relevant issues to the scoring model.

Fair Lending Conclusions:

- BANTSA does not process minority applications for residential home purchase, refinance and home improvement transactions in a disparate manner.

- We found no notable differences in BANTSA's application of its credit scoring policies by race of the applicant. Override reasons and policies were equally and consistently applied across racial groups.

- BANTSA's compliance review process, including training, is appropriate to insure compliance with antidiscrimination laws.

- Our analysis of fair lending complaints showed that BANTSA did not treat complainants in a disparate manner.

- BANTSA is in compliance with antidiscrimination laws and regulations.

We did not find any "reason to believe" that disparate treatment exists in BANTSA's underwriting of home purchase and home improvement applications. Our conclusion is based on our modeling and comparison process and evaluation of BANTSA's methods of soliciting residential loan applications.

ALASKA

ALASKA STATE RATING

CRA Rating for Alaska: **Satisfactory**

The lending test is rated: **Low Satisfactory**
The investment test is rated: **Low Satisfactory**
The service test is rated: **Low Satisfactory**

Description of Institution's Operations in Alaska

BANTSA has defined the Anchorage MSA, Aleutians West, Juneau, Kenai, Ketchikan, and Matanuska as its assessment areas. BANTSA serves this state with twelve offices and fifteen ATMs. Major competitors include National Bank of Alaska and First National Bank of Anchorage, the largest commercial banks in Alaska. Major competition in mortgage banking comes from City Mortgage Corporation and Norwest Mortgage, Inc. The loans BANTSA originated in this state during the review period, accounted for .5% of its total number and .2% of its total dollar volume. Further, the state accounts for .1% of the bank's domestic deposits. This ranks the state's market size number eleven out of the ten states and two Multistate MSAs evaluated.

The large size and location of Alaska contribute to high transportation expenses. This, combined with an overall weak infrastructure and fragmented population has led to high home construction costs and weak economic conditions, particularly in the remote rural areas. In recent communications with representatives of organizations serving the Alaska community, we learned that affordable housing and small business loans are among Alaska's primary credit needs. Much of Alaska's economy is dependent upon the industries of services (particularly tourism), fishing and timber. In examining the bank's performance in these areas, we focused particular attention on the more populated geographies of Anchorage and Juneau.

ASSESSMENT AREA PROFILE: ALASKA							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	356,880	100%		19%	17%	23%	41%
Median Income($)			$53,737				
Census Tracts	108	100		5	15	50	24
Unemployment Rate - May 31, 1997	4%						
Owner-occupied Housing (#)	72,107	100		2	9	54	36
Median Housing Value ($)			$92,929				
Small Businesses	11,000	100%		4%	20%	52%	24%

Conclusions with Respect to Performance Tests in Alaska

- **BANTSA's lending activity in Alaska represents an adequate response to the assessment area's credit needs.**

- **BANTSA's loan distribution to geographies throughout the state's assessment areas is good and its loan distribution to borrowers of different income levels is adequate.**

- **BANTSA made an adequate level of community development loans, grants, and services.**

LENDING TEST

BANTSA's lending activity in Alaska represents an adequate response to the areas' credit needs. Its originations among home loans, small business and consumer loans for 1996 totaled 4,210 or $56 million. Through the first six months of 1997, the bank's total loan originations, when annualized, are slightly below the 1996 level.

In 1996, the bank's volume of residential loan originations was among the top ten lenders in the state. However, its level of home purchase-related loans, the area's primary credit need, was low. That year, only 14% of its home loan originations were home purchase-related compared with more than 50% by other lenders.

In small business lending, another major credit need within the assessment area, BANTSA made a nominal level of 118 loans.

Geographic Distribution:

BANTSA's overall loan distribution to geographies throughout its assessment areas is good with lending occurring in most of the 108 census tracts. Its home loan distribution closely corresponds to the levels of owner-occupied housing within these geographies. In 1996, the bank had a 3% market share of residential loans and a comparable share in originations in LMI census tracts. The bank's loan performance in LMI areas for all residential loans, was also comparable to other lenders in the market.

The geographic distribution of BANTSA's small business lending is adequate. The proportion of lending was in reasonable proportion to the geographic location of the small businesses.

BANTSA's consumer lending among the census tracts was adequate. Automobile lending in the LMI areas was excellent, as was other consumer and credit card loans.

Borrower Distribution:

BANTSA's overall distribution of loans to borrowers of different income levels is adequate. In 1996, the level of home loans to LMI borrowers corresponded to the area's demographics.

The distribution of consumer loans by borrower income is adequate. The proportion of automobile and other consumer loans to borrowers within the four income categories reasonably correspond to the demographic composition of the assessment area.

The distribution of small business loans is good. During the review period, 73% of BANTSA's small business loans went to firms having annual revenues of less than $1 million. This distribution corresponds reasonably well to the assessment area profile where approximately 75% of such businesses record less than $1 million in annual revenues.

Community Development Lending Activities: BANTSA made an adequate level of community development loans considering the limited opportunities available in the area. During the review period, BANTSA financed three affordable housing-related projects totaling more than $8 million, that benefited LMI individuals.

INVESTMENT TEST

BANTSA has an adequate level of qualified community development grants, although rarely in a leadership position. Within the state's assessment areas, the bank provided eleven grants totaling $58 thousand. In each case, the programs went to benefit LMI individuals or geographies, or small businesses.

The bank exhibits an adequate responsiveness to credit and economic development needs of the community. It provided community development loans to affordable housing related programs and financial related services to organizations promoting community development initiatives. The bank also provided grants to various organizations whose goals were to support community development efforts.

SERVICE TEST

BANTSA's delivery systems are accessible to essentially all portions of its assessment areas. The locations of these facilities generally correspond to the heavier populated areas. In addition, the bank offers 24-hour customer service, computer banking, and Loan-By-Phone accessibility through any telephone.

BANTSA's opening and closing of branch locations has not adversely affected the accessibility of its delivery systems, particularly to LMI individuals or geographies. During the review period, the bank opened five branches and consolidated one branch.

The bank's services or business hours do not vary in a way that inconvenience LMI individuals or geographies. Again, the locations of the bank's branches and ATMs are generally consistent with population levels.

Community Development Services: BANTSA provides an adequate level of community development services. During the review period, they provided financial related services to six organizations as either a member of the board or project coordinator. The mission of these programs is consistent with community development.

Anchorage MSA # 0380

Description of Institution's Operations in the Anchorage MSA

The large size and location of Alaska contribute to high transportation expenses. This, combined with an overall weak infrastructure and fragmented population has led to high home construction costs and weak economic conditions, particularly in the remote rural areas. In recent communications with representatives of organizations serving the Alaska community, we learned that affordable housing and small business loans are among Alaska's primary credit needs. Much of Alaska's economy is dependent upon the industries of services (particularly tourism), fishing and timber. BANTSA serves this MSA with seven offices and nine ATMs.

ASSESSMENT AREA PROFILE: ANCHORAGE MSA # 0380							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	57,519	16%		6%	22%	43%	29%
Median Income($)			$43,946				
Census Tracts	56	52		5	20	45	29
Unemployment Rate - May 31, 1997	5%						
Owner-occupied Housing (#)	43,664	61		2	11	46	41
Median Housing Value ($)			$69,800				
Small Businesses	7,184	65%		6%	32%	41%	21%

Conclusions with Respect to Performance Tests in the Anchorage MSA

- **BANTSA's lending activity in Anchorage is an adequate response to the assessment area's credit needs.**
- **BANTSA has made an adequate level of community development loans and grants.**
- **BANTSA provides an adequate level of community development services.**

LENDING TEST

The bank's lending activity in Anchorage represents an adequate response to the assessment area's credit needs. Its originations in home loans, small business and consumer loans for 1996 totaled 3,296 or $45 million. Through the first six months of 1997, the bank's total loan originations, when annualized, are below the 1996 level.

In the category of home loans (loans for home purchase, refinance, or home improvement), for 1996, BANTSA made 210 home loans translating to a 3% market share. However, of this total, only 13% were home purchase-related which is the area's primary credit need. By contrast, 61% of all home loans made by other lenders in the assessment area were home purchase related. In small business lending, another major credit need within the assessment area, the bank had a nominal level of 105 loans during the review evaluation period.

Geographic Distribution:

BANTSA's overall loan distribution to geographies throughout the Anchorage MSA is adequate with lending occurring in most census tracts. There were no significant gaps noted, although the home loan penetration was light in several geographies. The home loan distribution for LMI areas was 8% compared to a 13% owner-occupied housing level for the area. We note, however, that for 1996, the bank's residential loan market share was proportionate to its share of originations in LMI tracts.

BANTSA geographic distribution of small business lending is below demographics. Of 105 small business loans originated, 28% went to LMI areas and the remainder to middle and upper. This is below the location demographics, which show that 38% of the businesses are in LMI areas.

The geographic lending distribution of consumer loans, except automobile loans, is also weak. LMI areas total 25% of the assessment area and comprise 24% of the families in Anchorage. The bank had only 16% of its consumer loans to this segment. The remaining 84% went to middle and upper income geographies where 76% of the families reside.

Borrower Distribution:

BANTSA's overall distribution of loans to borrowers of different income levels is below demographics. During the review period, the percentages of home loans to borrowers by income level were 15% LMI and 85% middle- and upper-income. The corresponding demographic representation is 38% and 62%, respectively. In 1996, the bank's overall market share of home loans was 2.8%, while its share of LMI borrowers was 1.7%. Additionally, the portfolio distribution of home loans to LMI borrowers by the bank was 16%, which was well below the 26% of other lenders' portfolios.

The distribution of consumer loans by borrower income is also below demographics. During the review period, 10% of these loans went to borrowers in the LMI category, yet 38% of the family population is at this income level. Within the consumer loan categories, the bank performed better on automobile and other consumer loans to LMI borrowers. However, it performed below demographics in the home equity and credit card segments.

BANTSA's distribution of small business loans is excellent. In its assessment area, 73% of the businesses have less than $1 million in annual revenues. Of the bank's business loans of $ 1 million and less, 73% were to companies with less than one million in annual revenues (using available data on business revenue size).

The bank exhibits an overall low responsiveness to highly disadvantaged geographies and low-income persons. During the review period, low-income borrowers received 2% of the bank's home loans when their representation is 6% (by family). In 1996, the bank made only five of its 210 home loans to low-income borrowers, or 2%. By contrast, other lenders made 7% of their home loans to low-income individuals. On a geographic basis, BANTSA's percentage home lending to low-income census tracts was well below the percentage of owner-occupied housing within those tracts.

The bank's penetration of consumer loans to low-income individuals was also low at 4%. This was more pronounced in the home equity and credit card segments. The performance was better with automobile and other consumer loans.

BANTSA's lending to very small businesses is adequate. In its assessment area, 73% of the businesses have less than $1 million in annual revenues. Again, the bank originated 73% of its small business loans, to companies with less than $1 million in revenues. The geographic distribution, however was less complimentary. The bank made 2% of its small business loans in low-income geographies where 6% of the small businesses are located.

Community Development Lending Activities: BANTSA has made an adequate level of community development loans. During the review period, it was a lender for three affordable housing related projects (Jewel Lake 1&2 and Brighton Park) totaling $8 million, targeted to LMI individuals. As mentioned, affordable housing is identified as a primary credit need in the MSA.

INVESTMENT TEST

BANTSA made an adequate level of qualified community development grants, particularly those that are not routinely provided by private investors. BANTSA made seven grants for the direct benefit of the Anchorage area totaling $38,600. They used these funds to benefit LMI individuals.

The bank exhibits an adequate responsiveness to credit and community economic development needs. It provided community development loans to affordable housing related programs and financial services to organizations promoting community development initiatives. The bank also provided grants to organizations whose goals were to support various community development efforts.

SERVICE TEST

BANTSA's delivery systems are accessible to essentially all portions of its assessment areas. The geographic locations of its branches, however, do not include a presence in a low-income census tract. This absence is mitigated as only three census tracts are low-income. Additionally, these tracts represent only 6% of the household population. Lastly, the bank's offering of 24-hour customer service, computer banking, and Loan-By-Phone, which is accessible through any telephone, increases the access to its services.

The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI individuals or geographies. During the review period , BANTSA opened three branches and closed one branch. No LMI census tracts were involved.

The bank's services/business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI individuals or geographies. Again, the bank's offering of 24-hour customer service, computer banking and Loan-By-Phone makes its services more readily accessible to all.

Community Development Services: The institution provides an adequate level of community development services. During the review period, financial related services were provided to the following organizations as either a member of the board or project coordinator. The mission of each of these programs is consistent with the community development definition.

- Womens$ Fund, Anchorage
- Christmas in May, Anchorage
- United Way
- Small Business Development Center, Alaska
- Habitat for Humanity - The Women's House

JUNEAU ASSESSMENT AREA

Description of Institution's Operations in the Juneau Assessment Area

The city of Juneau serves as the hub of the Juneau Borough, which is accessible by plane and sea. Tourism and the government sector fuel the economy. Juneau's lack of housing is a major barrier to its economic growth. Its housing vacancies are low and rental rates are high. BANTSA serves this area with one office and one ATM.

ASSESSMENT AREA PROFILE: JUNEAU							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	26,751	8%		12%	13%	23%	52%
Median Income($)			$48,500				
Census Tracts	8	7		0	0	38	38
Unemployment Rate -May 31, 1997	4.7%						
Owner-occupied Housing (#)	5,764	8		0	0	48	60
Median Housing Value ($)			$117,579				
Small Businesses	1,212	11%		0%	0%	72%	28%

Conclusions with Respect to Performance Tests in the Juneau Assessment Area

- **BANTSA's lending activity in Juneau was extremely limited during the review period, consisting mostly of credit cards. Of the home loans originated, its distribution by geography was good, but low by borrower profile.**

- **Investments were also extremely limited.**

- **Services are adequate overall, service accessibility, branch locations, and hours of operation are reasonable.**

LENDING TEST

The bank's lending volume in the Juneau assessment area was limited and concentrated primarily in credit card activity. In 1996, it originated 399 loans for $3.3 million of which 363 or $1.6 million were credit cards. They did not make any small business loans. This trend continued through the first six months of 1997. Overall, this institution is not a major lender in the Juneau area.

Geographic Distribution:

BANTSA's overall loan distribution throughout the Juneau area is good. Its lending penetrated the six tracts that are classified middle and upper income levels. During the review period, 42% of the bank's loans went to middle-income tracts and the remaining 58% went to upper-income tracts. This penetration is nearly identical to the family population percentages of the two tracts and thus represents a strong performance for the limited level of lending conducted.

Borrower Distribution:

Again, BANTSA's overall lending level is low and its distribution to borrowers of different income levels is below demographics. While none of the census tracts are LMI, 12% of the family population is low-income and another 13% is moderate-income. During the review period, the bank's twenty-five home loans went to borrowers with either middle- (12%) or upper-income levels (88%). The distribution of consumer loans appeared better. However, the lack of borrower income data precluded any meaningful analysis.

Of the available information on borrower income profiles, the bank exhibits a low responsiveness to highly disadvantaged individuals. Although as previously discussed, the lending in the Juneau area was low. Low-income borrowers received none of the bank's twenty-five home loans, despite their 12% representation of the family population in Juneau. Consumer loan data was limited and thus precluded any meaningful analysis.

The bank did not have any community development lending activities that directly benefitted the Juneau assessment area. Refer to the Alaska state narrative for statewide benefits.

INVESTMENT TEST

BANTSA provided a $15,000 grant to the Tlingit-Haida Regional Housing Authority, an organization that helps the development of affordable housing to LMI individuals. Besides this, the bank provided various grants that went to benefit the Alaska state as a whole. Refer to the Alaska state narrative for statewide benefits.

The bank has not participated in any community development activities that directly benefitted the Juneau assessment area, other than those previously mentioned. Refer to the Alaska state narrative for statewide benefits.

SERVICE TEST

BANTSA's overall delivery systems are reasonably accessible to essentially all portions of its assessment area. While the institution has only one in-store branch with an on-site ATM, it is situated in a middle income geography. Moreover, 43% of the families reside in middle income geographies and the remainder in upper income areas. The bank's 24-hour customer service, computer banking, and Loan-By-Phone accessibility through any telephone provides a further vehicle from which they can better access its services.

BANTSA's opening and closing of branches has not adversely affected the accessibility of th e bank's services. During the review period, the bank opened one in-store branch with an on-site ATM machine. This branch is in a middle-income area. In the assessment area, nearly half the population resides in middle-income areas, with the remainder in upper income areas. Again , with the 24-hour customer service and Loan-By-Phone program, the accessibility of the bank's services is reasonable.

The bank's services do not vary in a way that inconveniences certain portions of the assessment area. Juneau has no LMI areas.

Community Development Services: The institution did not participate in communit y development services that directly benefit the Juneau assessment area. Refer to the Alaska state narrative for statewide benefits.

ALASKA AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: ALASKA Assessment Area:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
ANCHORAGE # 0380	13%	38%	8%	32	1.61%	1.36%	.94%	266	$22,200	$83
Aleutians West	0	43	0	0	NA	NA	NA	2	200	100
Juneau	0	36	0	0	1.39	NA	0.00	25	2,100	84
Kenai	6	34	0	11	NA	NA	NA	18	1,200	67
Ketchikan Gateway	0	28	0	30	NA	NA	NA	10	700	70
Matanuska-Susitna	13	36	14	25	2.06	1.30	2.30	44	3,200	73
Total State	11%	36%	8%	15%	1.44	1.03	.94%	365	$29,600	$81
% of Total Bank						0.0%	0.0%	0%	0%	
Total Bank								146,055	$16,951,400	$116
LMI Parity**						(3)	(12)			

(*) 1996 HMDA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: ALASKA Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	$ (000s)	Avg. Loan (000s)
ANCHORAGE # 0380	38%	25%	10%	16%	4,212	$29,700	$7
Juneau	28	0	4	0	541	2,900	5
Kenai	34	10	9	1%	179	1,000	6
Matanuska	36	27	8	10	249	1,700	7
Ketchikan	30	0	6	0	190	1,000	5
Aleutians West	43	33	7	0	171	700	4
Total State	36%	29%	9%	12%	5,542	$37,000	$7
% of Total Bank					1%	0%	
Total Bank					877,912	$7,758,000	$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: ALASKA Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	$ (000s)	Avg. Loan (000s)	#	$ (000s)
ANCHORAGE # 0380	35%	28%	2.93%	3.84%	5	105	$7,300	$70	3	$8,181
Aleutians West	0	0	0.47	0.15	(2)	4	100	25	0	0
Juneau	0	0	0.36	NA	NA	0	0	??	0	0
Kenai	4	0	0.11	NA	NA	2	0	0	0	0
Ketchikan Gateway	0	0	1.03	0.00	0	2	200	100	0	0
Matanuska-Susitna	3	0	2.13	NA	NA	5	100	20	0	0
Total State	25%	25%	4.46%	5.36%	3	118	$7,700	$65	3	$8,181
% of Total Bank					0.0%	0%	0%		1%	2%
Total Bank						87,225	$5,620,300	$64	266	$467,424

(*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than $1 million

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): ALASKA Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	$ (000)	#	% # ST	$ (000)	#	% # ST	$ (000)
ANCHORAGE # 0380	0	0%	$0	7	64%	$39	7	64%	$39
Kenai	0	0	0	0	0	0	0	0	0
Aleutians West	0	0	0	1	9	3	1	9	3
Juneau	0	0	0	1	9	15	1	9	15
Matanuska	0	0	0	0	0	0	0	0	0
Ketchikan	0	0	0	0	0	0	0	0	0
Statewide	0	0	0	2	18%	2	2	18%	$2
Total State (ST)	0		0	11		$59	11		$59
% of Total Bank	0%		0%	1%		1%	1%		0%
Total Bank	325		$398,484	877		$8,171	1,202		$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: ALASKA Assessment Areas:	#				$ Deposits (millions)	% of State					% # of Branches% # of ATMs			
	Branch Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
ANCHORAGE # 0380	3	4	9	58%	$90	82%	0%	43%	28%	28%	0%	56%	22%	22%
Kenai	0	1	1	8	2	2	0	0	100	0	0	0	100	0
Juneau	0	1	1	8	3	2	0	0	100	0	0	0	100	0
Aleutians West	1	0	2	8	6	5	0	0	0	100	0	0	0	100
Matanuska	0	1	1	8	5	5	0	0	100	0	0	0	100	0
Ketchikan	0	1	1	8	4	4	0	0	0	100	0	0%	0%	100%
Total State	4	8	15	100%	$110	100%	0%	25%	42%	33%	0%	33%	33%	33%
% of Total Bank	0.3%	4.3%	2.7%	1.2%	0.1%									
Total Bank	1,500	187	556		$111,413									

ARIZONA

ARIZONA STATE RATING

CRA Rating for Arizona[1]: Satisfactory

The lending test is rated: Low Satisfactory
The investment test is rated: High Satisfactory
The service test is rated: High Satisfactory

Description of Institution's Operations in Arizona

BAC entered the retail banking market in Arizona in June 1990, when it purchased assets and liabilities of the former Western Savings and Loan Association from the Resolution Trust Corporation. On January 1, 1997, Bank of America state banking charters in Arizona, Nevada and New Mexico were consolidated into BANTSA's charter. BANTSA is the state's second largest commercial bank, with a 27% share of the state's deposits. It provides retail, commercial, trust and private banking services to more than half-a million customers. The loans BANTSA originated in this state during the review period, accounted for 8.3% of its total number and 6.8% of its total dollar volume. Further, the state accounts for 5.8% of the bank's domestic deposits. This ranks the state's market size number three out of the ten states and two Multistate MSAs evaluated.

A major challenge to the bank in serving its customers is the state's population dispersion and land ownership. Arizona remains one of the ten least populated states in the country. Maricopa County has more than 61% of the state's population. The government owns one-half of the state's land, including the Grand Canyon National Park, while twenty-one Indian reservations own a quarter of the state's land.

BANTSA has identified five assessment areas in Arizona; the Phoenix MSA (Maricopa and Pinal Counties), the Tucson MSA (Pima County), the Flagstaff MSA (Coconino County), the Yuma MSA (Yuma County), and Rural Arizona (Cochise, Gila, Graham, La Paz, Navajo, Santa Cruz, and Yavapai Counties.) The assessment areas reflect either MSA boundaries or contiguous counties, and define where branches are found. BANTSA serves this state with 144 offices and 440 ATMs.

Major competitors include Bank One and Wells Fargo Bank, the largest commercial banks in Arizona. Major competition in mortgage banking comes from Countrywide and Norwest mortgage companies.

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[1] For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Arizona is experiencing sustained economic and employment growth. Phoenix is the metropolitan leader with job growth of 5.7%, while Tucson lags behind, adding jobs at just a 2.2% pace. Arizona's manufacturing industry has a much higher component of high-tech production than the national average. Defense-related activity accounts for 20% of this industry. Arizona's probusiness tax legislation and regulatory environment, combined with a relatively low-cost workforce attracts many firms.

Arizona has experienced a relatively stable real estate market, however, this has not been the case for affordable housing. The increasing number of people moving into the state and the growing economy have resulted in rising housing costs including rents, and reduced vacancy rates. The rapid escalation in home values and rental rates is reducing housing stock available for lower income persons.

We considered information gathered from community contacts. They included the City of Phoenix, Community and Economic Development Division, the Office of Community Development of Maricopa County, the Arizona Multibank, Dynamic Program Planning, Inc., Housing for Mesa, City of Glendale Neighborhood Revitalization Division and Maricopa County Department of Planning and Infrastructure Development.

ASSESSMENT AREA PROFILE: ARIZONA							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	3,502,132	100%		20%	18%	23%	39%
Median Income($)			$43,493				
Census Tracts	757	100		7	24	39	29
Unemployment Rate - May 31, 1997	4.5%						
Owner-occupied Housing (#)	839,247	100		3	20	43	34
Median Housing Value ($)			$81,110				
Small Businesses	94,737	100%		5%	24%	39%	32%

Conclusions with Respect to Performance Tests in Arizona

- **The geographic, borrower and business income distributions of residential, consumer and small business loans show adequate penetration throughout its assessment areas. Further, BANTSA has made a relatively high level of community development loans.**

- **BANTSA has an adequate level of qualified, occasionally complex, investments that are responsive to the credit and economic development needs of the community.**

- **BANTSA's delivery systems are accessible to essentially all portions of its community.**

The lending and service tests performance for the Flagstaff and Yuma MSAs is similar to the Rural Arizona performance. However, the results of the investment test for these two MSAs reflect less than adequate performance. Other than limited grants, no other investments made in these non-targeted MSAs.

Our evaluation focused primarily on BANTSA's performance in the Phoenix-Mesa and Tucson MSA and the Rural Arizona Assessment Area. We also compared for consistency the bank's CRA activities in the Flagstaff and Yuma MSAs.

LENDING TEST

BANTSA's loans are adequately dispersed among individuals of different income levels and excellently distributed to businesses of different size.

The overall geographic distribution of these loans, does not compare favorably to the demographics of the area or its residents.

BANTSA has an adequate record of serving the credit needs of low-income individuals. It also has an excellent record of service to businesses with gross revenues of $1 million or less.

BANTSA's high level of community development lending has used flexible and complex lending practices to help address the credit needs of LMI individuals or geographies.

BANTSA's loan volume compared to the bank's deposit base is reasonable and depicts an acceptable response to the community's credit needs, particularly that of the highly economically-disadvantaged areas. Further, in 1996, BANTSA's portfolio distribution of loans to LMI borrowers matched or exceeded the distribution of all HMDA reporters and is evident in the Phoenix MSA.

Geographic Distribution:

BANTSA's geographic distribution of the loan activity did not compare favorably with the demographics of the state's assessment areas. However, the small business loans are adequately dispersed when compared to the location of the businesses. Also, almost 91% of the small business loans were for less than $100,000. This size of the loan helped address one of the state's more pressing business credit needs.

Borrower Distribution:

BANTSA's loan activities show acceptable lending to LMI borrowers in relation to the demographic data. The residential lending table shows that the bank's distribution of

originations is below the state's demographic composition. However, the bank's consumer lending activities reflect an appropriate distribution among individuals of different income levels. More important, the level of auto and other consumer loans to LMI borrowers is good. In addition, BANTSA had an excellent penetration of businesses with revenues less than a million, as 81% of its lending went to these small businesses.

Community Development Lending Activities: Supplementing BANTSA's performance in lending to the economically-disadvantaged areas and individuals is its high level of community development loans. Three loans were construction loan projects to provide single family homes to lower-income households. Four were apartment complex transactions for low-income residents. Most of these loans are complex and required flexible lending criteria. In addition, many involved the use of Low Income Housing Tax Credits (LIHTC). One loan made in Phoenix included the bank's own equity investment in an LIHTC. The two loans made in Yuma involved Direct Subsidy Grants from the Federal Home Loan Bank Affordable Housing Program. These types of loans require a significant amount of time to package, review and process. This is because of the documentation and audit requirements either from HUD or other state and federal funding agencies.

BANTSA offers a full range of housing, consumer, and business loan products, which include several very flexible programs. A recent undertaking is the bank's use of the HUD 184 Native American Home Loan Program. Under this program, HUD provides a 100% guarantee on loans to tribal members and designated tribal housing authorities. Most of the Indian Reservations are found in LMI census tracts.

INVESTMENT TEST

BANTSA has an adequate level of qualified investments primarily concentrated in the Phoenix MSA. Other financial institutions routinely provide a majority of these investments. These investments include six Navajo Indian New Public Housing Bonds and participation in a community development corporation. The bank is one of two banks that made a $3 million commitment to fund the $10 million total equity goal of the Arizona Multibank Community Development Corporation (Multibank). Through the review period, the bank had funded more than $2 million of their commitment.

Management provides a leadership role in its involvement with the Multibank. A BANTSA officer currently chairs the Board of the Multibank. The Multibank is a partnership between thirteen investing banks and the community. The Multibank was an initiative of the Arizona Bankers Association and its member banks. It provides financial and technical assistance to small business owners, nonprofit organizations and affordable housing projects throughout the state. BANTSA's investment in the Multibank and the LIHTC transactions represent complex investments benefiting LMI individuals throughout the state.

The bank also used grants to respond to statewide credit and community development needs. Grant beneficiaries that foster affordable housing include the Mercy Housing, Housing for Mesa, United Housing, and Navajo Housing Partnership. Contributions to the Sunnyslope Village

Revitalization, Inc. and Christmas in April - Santa Cruz County, are examples of grants to promote neighborhood revitalization. These activities are reflected in the Investment Test table below.

SERVICE TEST

The distribution of BANTSA's retail branches and ATMs closely approximates the demographics of the state. During the review period, the bank closed nine branches and opened ten offices. The overall change provided more access in the upper-income areas. Nonetheless, these statewide changes have not adversely affected the accessibility of the bank's delivery systems. They remain reasonably accessible to essentially all portions of the institution's assessment areas.

The products provided in each branch are essentially the same. Before the entry of BANTSA's affiliate, Bank America Mortgage Group, into the Arizona market in 1996, home purchase loans were processed through the branch system. Now, home mortgage products are delivered by the retail system, loan-by-phone (a toll-free number), and through the wholesale brokers. Branch business hours do not vary in a way that inconveniences portions of the bank's assessment area, particularly LMI geographies or individuals. The extensive ATM network allows the customers of all income levels and from all geographies, 24-hour access to cash or account information.

PHOENIX MSA # 6200

Description of BANTSA's operations in the Phoenix MSA

This MSA includes Maricopa and Pinal Counties. Maricopa County residents make up more than 60% of the state's population. Two of Arizona's Indian Reservations are within this MSA and parts of three are found here. BANTSA serves this MSA with 95 offices and 315 ATMs.

The city of Phoenix evolved from an agrarian community into a large metropolitan center. Phoenix has a diversified economy based on bio-industry, business services, high tech industry, tourism, transportation, and software. Principal employers of the MSA are manufacturing, the government sector and retail trade and service sectors. Throughout the review period, the MSA's unemployment rate declined.

The county's sustained growth has driven residential permit requests to an all-time high and has led to escalating rents. Increasing housing costs are expected to outpace income growth. Median rents have increased 12% since 1990. Community contact information showed that affordable housing, rehabilitation and redevelopment loans are the area's most pressing credit needs. Despite the favorable employment environment, the major factor affecting the availability of affordable housing is the number of service sector jobs and the ability of employees in this category to pay for their housing.

BAC has three operations originating credit within the MSA. Both BANTSA and BA-FSB originate residential credit. BA-FSB is a dominant home purchase lender in LMI areas and supplements BANTSA's lending activity. However, they have not allocated BA-FSB originations to BANTSA and were not included in the MSA's review.

ASSESSMENT AREA PROFILE: PHOENIX MSA #6200							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	2,238,480	61%		20%	18%	23%	39%
Median Income($)			$47,500				
Census Tracts	490	65		6	25	38	30
Unemployment Rate -May 31, 1997	2.8%						
Owner-occupied Housing (#)	539,494	64		3	21	42	34
Median Housing Value ($)			$85,627				
Small Businesses	64,170	68%		5%	26%	36%	32%

Conclusions with Respect to Performance Tests in the Phoenix MSA

LENDING TEST

BANTSA's overall distribution of loans to borrowers of different income levels and businesses of different sizes, is acceptable.

BANTSA's distribution of residential loans does not compare favorably to the MSA's demographics, however, its small business lending positively reflects the distribution of the MSA's small businesses.

To supplement its lending activity BANTSA used community development loans and investments to help meet the MSA's critical credit needs.

Geographic Distribution:

BANTSA's geographic distribution of residential lending is only fair. The bank's activity in LMI areas is less than other institutions and its market share is slightly below its overall market share. Further, its level of consumer loans made in LMI areas also does not compare favorably to the distribution of the MSA's areas.

BANTSA's small business loans are adequately distributed throughout the MSA. The bank shows satisfactory distribution of small business loans to businesses of different sizes. The bank extended most of its loans to businesses that have annual revenues of less than $1 million. Further, 91% of the total number of loans extended during the assessment period were for loans $100 thousand or less.

Borrower Distribution:

BANTSA's residential and consumer loan activities show reasonable lending to LMI borrowers. When comparing the bank to its peers, its portfolio distribution to these borrowers performed better than the average of all banks in the area. The average distribution of loans to LMI borrowers for all banks in the MSA was 6.2% and 17.2% versus BANTSA's distribution of 7.5% and 17.3%, respectively. Further, the bank's market share of LMI borrowers met or exceeded its overall market share.

Community Development Lending Activities: BANTSA provided $3.75 million in permanent financing for a 183-unit affordable housing apartment complex. This is a flexible community development loan that also used low-income housing tax credits (LIHTC) and was the bank's first LIHTC equity investment in Arizona. Recent bank initiatives are the HUD 184 Native American Home Loan Program and Title 1 Home Improvement Loans through the City of Phoenix. The HUD 184 program provides flexible criteria on housing loans for properties in Native American reservations. The Title 1 program positions the bank as the exclusive lender providing affordable home improvement financing to LMI families residing in the City of Phoenix.

INVESTMENT TEST

BANTSA has a reasonable volume of qualified investments of which two are complex in nature. It has exhibited occasional leadership roles not only in providing grants but also in its involvement with the Arizona Multibank Corporation. The scarcity of investment opportunities in Phoenix magnifies the importance of these activities. The area has less than five nonprofit developers that have the capacity for low income housing tax credit deals. Further, bidding for the deals that come to fruition is extremely competitive. A project receiving little attention from the banking community is the financing of the Phoenix Industrial Authority, a separate entity from the city.

BANTSA has funded 75% of its $3 million commitment to the Arizona Multibank Corporation (Multibank). Participation in this activity benefits not only this assessment area but the whole state. The Multibank investment and LIHTC, stemming from its $3.75 million community development loan is complex. While not complex, BANTSA's certificate of deposit investment in another CDC provided funds to promote small business lending.

Through these various investments and many grants, BANTSA shows good response to credit and community development needs. Examples of the grants' beneficiaries were Homeward Bound, National American Indian Enterprise Development, Valley Community Revitalization Project, Carl Hayden Youth Center, and the Glendale Housing Development Organization.

SERVICE TEST

BANTSA has provided a relatively high level of community development services and in several occasions played a leadership role. Its delivery systems are reasonably accessible and services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies or individuals.

BANTSA's officers and employees have extended significant financial and technical expertise to promote affordable housing, neighborhood revitalization and small business lending to various organizations. Examples of these organizations are the Salt River Pima/Maricopa Indian Tribe, Sunnyslope Village Revitalization, and the Habitat for Humanity. Its leadership role was highly evident in the service it provides to groups like the Phoenix Local Initiatives, Neighborhood Housing Services, the Friendly House, and the Consumer Credit Counseling Services.

During this assessment period, the bank closed six and opened five branches. None of the closed branches were in low income census tracts. However, two were in moderate-income tracts. This did not adversely affect the accessibility of its delivery systems. Based on the demographic data, the current distribution of branches can reasonably service the moderate-income population.

TUCSON MSA # 8520

Description of BANTSA's operations in the Tucson MSA.

This MSA includes Pima County. BANTSA has a significant presence offering a full suite of consumer and business banking products. In September 1996, BANTSA opened its first Native American branch within the Tohono O'Odham reservation. Members of the tribe staff it solely. The Pasqua Yaqui and the Salt River Indian Reservations are also in the MSA. BANTSA serves this MSA with 27 offices and 75 ATMs.

The University of Arizona is a major asset both culturally and economically. Along with the federal, state, and local government, it is one of the two largest employers. Manufacturing is also a driving economic force with high technology firms such as AiResearch and Hughes Aircraft. Tourism figures prominently as well, with more than $2.3 billion produced through hotel and resort-related activities over the past year. While economic conditions have been on the upswing since the early 1990's, housing affordability in the area is below national averages. The average home buyer can afford 55% of the homes in the market. This limited affordability is the result of rising home prices (up 5% in 1996) and stagnating wages. The area has seen a reduction in inexpensive single room occupancy hotels, a critical housing resource for low-income single individuals.

A community contact with the Tucson Urban League noted that more residential loans are required in South Tucson, an LMI area. Additionally, consumers need automobile financing at affordable rates. Public transportation is not viable as it can take two to three transfers to get to most work destinations.

ASSESSMENT AREA PROFILE: TUCSON MSA # 8520							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	666,880	18%		21%	18%	22%	39%
Median Income($)			$40,100				
Census Tracts	115	2		9	30	35	27
Unemployment Rate - May 31, 1997	3.1%						
Owner-occupied Housing (#)	159,467	19		3	20	39	38
Median Housing Value ($)			$78,704				
Small Businesses	16,120	17%		9%	27%	34%	31%

Conclusions with Respect to Performance Test in the Tucson MSA

LENDING TEST

Overall lending performance of BANTSA in the lending test is generally adequate. This is based on the issues noted below.

The distribution of loans across all income levels of geographies does not compare favorably to the area's demographics. However, it is satisfactory among individuals of different income levels and businesses of different size.
BANTSA has an adequate level of community development loans, some of which incorporate complex lending practices.

Geographic Distribution:

BANTSA's response to the credit needs of the Tucson MSA is diverse. Its residential and consumer loan distribution shows weakness in LMI geographies when compared to area demographics. However, the bank's automobile and other consumer loans were more appropriately distributed among different geographies.

BANTSA's lending to small businesses is adequately distributed between geographies and shows leadership in the community. Further, it shows a good response to the credit needs of small businesses as most of the loans are to small business with gross revenues of $1 million or less. Also, micro loans ($100,000 or less) represent 92% of its total loans.

Borrower Distribution:

While the distribution of BANTSA's residential loans among individuals of different income levels remains weak, consumer loans are better distributed across all individual income levels. Again, the bank's distribution of automobile and other consumer loans closely mirrored the demographics of the MSA. BANTSA's portfolio distribution of its residential loans to LMI borrowers made up 21.4% of its activity compared to all banks' distribution of 21.5%.

Community Development Lending Activities: BANTSA made an adequate level of community development loans. During the review period, it originated two permanent financing packages for apartment complexes targeting LMI renters. These are considered complex as both involved working with HUD through the 241 (f) program.

INVESTMENT TEST

The only qualified investments BANTSA made in this MSA are contributions to nine organizations that promote affordable housing, economic development and neighborhood revitalization. They made these grants, aggregating $40 thousand, to the PP Microbusiness and Housing Development, Primavera Builders, Pasqua Yaqui Tribe, and others. While these grants

do not require innovation, they reflect the bank's responsiveness to the community's developmental needs.

SERVICE TEST

BANTSA's branches, in-store offices and ATMs are accessible to essentially all portions of this MSA. The distribution of these delivery systems approximates the demographic distribution by income level and by census tract. Changes in the delivery systems have not inconvenienced any particular group. The bank closed two branches in the moderate-income locations and one branch in an upper income area. It also opened two new branches in LMI census tracts, one each. One of these was the Sells branch in the Tohono O'Odham Reservation.

Products available in each branch are essentially the same and do not vary across income levels. The bank has provided an excellent level of community development services through its contacts with various agencies, promoting affordable homeownership, economic development and neighborhood revitalization. Examples of these groups include the Southern Arizona Housing Center, Haven of Hope, PCC Small Business Class, Pasqua Yaqui Tribe, and the Sunny Side High School.

RURAL ARIZONA ASSESSMENT AREA

Description of BANTSA'S operations in the Rural Arizona Assessment Area

This assessment area includes the counties of Cochise, Gila, Graham, La Paz, Santa Cruz and Yavapai. Within this assessment area are eight Indian Reservations. BANTSA serves this area with 18 offices and 35 ATMs.

Manufacturing, mining, tourism, and agriculture continue to drive economic forces in these regions, with high technology firms finding rural Arizona increasingly attractive. About one-quarter of the state's agricultural acreage yields cotton, the state's principal crop. Cattle and mining operations are two major mainstays of the Native American economy.

The Arizona State University Center for Business Research recently noted that the single family housing sector in rural Arizona will continue to grow. This is more evident in the second and/or retirement home markets as these buyers seek housing away from traffic, pollution, crime and other problems of the large cities. Consequently, the pressure of increased demand will affect housing affordability, particularly the LMI population.

ASSESSMENT AREA PROFILE: RURAL ARIZONA							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	393,286	11%		22%	18%	20%	40%
Median Income($)			$31,200				
Census Tracts*	103	14		6	15	50	25
Unemployment Rate -May 31, 1997							
Owner-occupied Housing (#)	98,340	12		4	10	55	31
Median Housing Value ($)			$66,125				
Small Businesses	10,002	11		0%	6%	61%	32%

Conclusions with Respect to Performance Tests in the Rural Arizona Assessment Area

LENDING TEST

Geographic Distribution:

BANTSA showed weak performance in this assessment area. Its residential, small business and consumer loans in LMI geographies were significantly below the area's demographics. Even automobile and other loans, which have generally been the lending types where the bank has

shown adequate performance, remained inequitably dispersed to the detriment of the LMI areas. Management has identified under performance in four LMI tracts. However, it has not yet improved its performance. The bank's loans to small businesses came the closest to approximating the area's business demographics.

Borrower Distribution:

BANTSA's distribution of residential and consumer loans among individuals of different income levels are better than the distribution among different geographies. However, the overall performance remains below performance levels it achieved in other Arizona areas. BANTSA has an adequate record of serving the credit needs of highly economically disadvantaged low-income individuals. When compared to the performance of all banks in the area, BANTSA made 5.9% of its residential loans in LMI geographies compared to all other banks' residential lending of 6.5%. BANTSA's residential loan portfolio distribution to LMI borrowers total 17.3% compared to all banks' at 11.4%. The bank's overall market share for residential loans during the period was 5.9%. The bank shows an excellent response to the credit needs of small businesses as 100% of its small business loans were to businesses with gross revenues of $1 million or less. Also, its micro loans ($100,000 or less) made up 95% of its total loans.

Community Development Lending Activities: The bank has made an adequate level of community development loans. During the review period, it made two loans, one was a construction loan used for the development of a single-family home subdivision targeting LMI households in Nogales. The other loan financed the construction of an apartment complex in Douglas also benefiting LMI individuals. Both projects are complex as they involved LIHTCs and guarantees from other state and federal agencies.

INVESTMENT TEST

BANTSA has an adequate level of qualified investments. It invested in six Navajo Indian Public Housing Bonds, which general investors have routinely provided. This investment did not require use of innovative or complex ideas and activities.

The bank provided $86 thousand in grants to eight beneficiary agencies to foster economic development, affordable housing, and neighborhood revitalization. Examples of these agencies are Copper Community Research and Development and Christmas in April.

SERVICE TEST

BANTSA's delivery system is accessible to limited portions of the bank's assessment area. The bank has no branches or ATMS in the low-income tracts. The percentage of delivery systems in the moderate-income tracts barely supports the combined population level of this group. The delivery systems are concentrated in the middle-income tracts.

In 1996, the bank opened a branch in a moderate-income area. The change will help provide better access to the LMI geographies and individuals. No branches were closed.

Despite the vast area the assessment area covers, the bank has successfully provided a high level of community development services. Bank officers have provided various organizations not only leadership, but also technical services to promote economic development, affordable home ownership, and neighborhood revitalization. Examples of these organizations are The City of Safford Housing Forum, Cochise Community college, Nogales-Santa Cruz Economic Development Foundation, and the Colorado River Indian Tribes.

ARIZONA AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: ARIZONA Assessment Area:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
FLAGSTAFF # 2620	17%	39%	4.2%	12%	4.77%	1.45%	5.20%	285	19,600	$69
PHOENIX # 6200	24	38	11	24	3.59	3.11	4.07	9,507	748,100	79
TUCSON # 8520	23	38	14	20	4.22	3.80	4.06	1,923	101,700	53
YUMA # 9360	29	38	16	20	4.22	2.95	2.97	193	11,100	58
RURAL ARIZONA	14	40	6	16	NA	NA	NA	873	39,800	46
Total State	23	38	11	22	3.51%	3.15%	4.01%	12,781	$920,300	$72
% of Total Bank						0.1%	0.1%	9%	5%	
Total Bank								146,055	$16,951,400	$116
LMI Parity**						(126)	146			

(*) 1996 HMDA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING by Income Level of Borrower							
State: ARIZONA Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	$ (000s)	Avg. Loan (000s)
FLAGSTAFF # 2620	39%	20%	35%	7%	1,257	$16,300	$13
PHOENIX # 6200	38	31	38	20	53,788	558,600	$10
TUCSON # 8520	38	38	38	24	10,965	110,500	$10
YUMA # 9360	38	33	34	20	958	10,700	$11
RURAL ARIZONA	40	21	26	9	5,209	57,800	$11
Total State	38	31	37	20	72,177	753,900	$10
% of Total Bank					8%	10%	
Total Bank					877,912	$7,758,000	$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: ARIZONA Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	$ (000s)	Avg. Loan (000s)	#	$ (000s)
FLAGSTAFF # 2620	20%	6%	16.63%	25.58%	8	195	$11,100	$57	0	$0
PHOENIX # 6200	31	30	17.54	19.31	43	5,182	279,100	54	1	3,750
TUCSON # 8520	36	32	15.62	15.46	(1)	1,137	61,200	54	2	2,300
YUMA # 9360	31	27	6.88	5.41	(1)	60	3,700	62	2	1,000
RURAL ARIZONA	6	5	9.97	7.23	(2)	425	19,400	46	2	2,000
Total State	29%	29%	16.24%	18.03%	47	6,999	$374,500	$54	7	$9,050
% of Total Bank					0.1%	8%	7%		3%	2%
Total Bank						87,225	$5,620,300	$64	266	$467,424

(*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than $1 million
(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): ARIZONA Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	$ (000s)	#	% # ST	$ (000s)	#	% # ST	$ (000s)
FLAGSTAFF # 2620	0	0%	$0	2	4%	$27	2	3%	$27
PHOENIX # 6200	4	36	3,061	31	63	198	35	58	3,259
TUCSON # 8520	0	0	0	9	18	40	9	15	40
YUMA # 9360	0	0	0	1	2	24	1	2	24
RURAL ARIZONA	6	55	420	6	12	56	12	20	476
Statewide	1	9%	2,250	0	0%	0	1	2%	2,250
Total State (ST)	11		$5,731	49		$345	60		$6,076
% of Total Bank	3%		1%	6%		4%	5%		1%
Total Bank	325		$398,484	877		$8,171	1,202		$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: ARIZONA Assessment Areas:	#				$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branches Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
FLAGSTAFF # 2620	2	0	10	1%	$66	1%	0%	0%	0%	100%	50%	0%	0%	50%
PHOENIX # 6200	71	24	315	66%	4,594	72	4	21	39	35	5	21	39	33
TUCSON # 8520	25	2	75	19%	1,048	16	7	26	22	44	4	31	24	41
YUMA # 9360	2	0	5	1%	81	1	0	50	50	0	0	40	40	0
RURAL ARIZONA	18	0	35	13%	633	10	0	22	50	28	0	9	56	35
Total State	118	26	440	100%	$6,422	100%	4%	22%	37%	36%	5%	21%	37%	35%
% of Total Bank	7.9%	13.9%	7.9%	8.5%	5.8%									
Total Bank	1,500	187	5,565		$111,413									

CALIFORNIA

CALIFORNIA STATE RATING

CRA Rating for California: Outstanding

The lending test is rated: Outstanding
The investment test is rated: High Satisfactory
The service test is rated: High Satisfactory

Description of Institution's Operations in California

A.P. Giannini established the Bank of Italy, now BANTSA, in 1904 after the San Francisco earthquake. He established BANTSA to provide financial products and services that would meet the needs of all residents and shareholders in the state. Through the years BANTSA has been a pioneer in branch banking, consumer lending, a leader in unique and innovative projects. These include the Golden Gate Bridge, Hollywood and the expanding entertainment industry, the aerospace industry and the high technology industry originally centered in the Silicon Valley.

BANTSA is the largest bank in the state offering a variety of services including consumer, corporate and middle market banking, commercial real estate and investment services to customers that span the geography and economy of California. BANTSA is best known for its consumer operations in California. BANTSA serves the state with 990 offices and 3,631 ATMs. The loans BANTSA originated in this state during the review period, accounted for 62.2% of its total number and 65.2% of its total dollar volume. Further, the state accounts for 56% of the bank's domestic deposits. This ranks the state's market size number one out of the ten states and two Multistate MSAs evaluated.

Major competitors include Wells Fargo Bank and Union Bank of California, the second and third largest commercial banks in California. Major competition in mortgage banking comes from Countrywide and Norwest mortgage companies and savings banks such as Great Western and Home Savings.

California, one of the largest states in the U.S., has a population of more than twenty-nine million. It is also the most ethnically diverse state. The business sectors include manufacturing of both durable and nondurable goods, services, retail and government. The state's economic recovery has been slower in Southern California, except Riverside-San Bernardino and Orange counties. All are showing slow but steady growth in all sectors. The Central Valley is showing steady economic improvement also. The Bay area is the region of greatest growth fueled primarily by high technology and its related products and services. The table at the end of this section provides basic demographic information about the assessment areas receiving a comprehensive analysis.

California presents opportunities for growth for consumers and businesses. State strengths include access to the Pacific Rim's growing economies and its position as the capital of the U.S. entertainment industry. The personal computer industry and related networking and software

industries are expanding statewide. State weaknesses include the high costs of doing business in the state and a lack of affordable housing. Local governments also have constraints on their taxing authority.

During the review period, residential prices have declined as have permits for new housing. Mortgage competition continues to be stiff. Since 1990, competition for CRA-related loans has grown with savings banks and mortgage companies making aggressive entrances into the market. Countrywide Mortgage has become a competitor in this market as have several savings banks that previously focused on upper-income borrowers.

Small business credit needs continue to climb throughout the state, both in large and small communities. There continues to be a need for very small loans and borrowers want a simplified application and approval process. The trend is toward demand notes without the need for borrowers to sign new documents each year.

Bank of America Community Development Bank (BACDB) originates most affordable housing and government guaranteed loans. Affordable multifamily housing loans made to nonprofit sponsors is a specialty of BACDB. The focus has been to generate units that meet the needs of low- and very low-income families in both urban and rural parts of the state. BACDB is now the largest lender in California in the affordable housing arena. In addition, BACDB makes government guaranteed small business loans including SBA guaranteed loans, State of California guaranteed loans and Capital Access loans.

Besides its affordable housing and government guaranteed loans, BACDB provides residential home improvement loans through the Property Improvement Programs with municipalities and other public agencies throughout the state. The programs provide an affordable source of funds to LMI communities, using such government funding options as Community Development Block Grants and redevelopment agency funds.

BANTSA offers a wide spectrum of loan products and services to the whole state. Various divisions and affiliates including the NCAG, BAMG, BLD and BACDB have offered products that are helping meet the credit needs of Californians. These include B•A•S•I•C, NA, ABC and SBA loan programs. It also partnered with Pacific Gas and Electric to pioneer an Energy Savings Loan program. The program enhances the use of both B•A•S•I•C and home improvement loan funds for energy efficient upgrades to a borrower's home. These loans are unsecured with an interest rate comparable to residential mortgage financing. PG&E made these loans available throughout its market, but only advertised the program in the San Joaquin Valley.

BANTSA provides deposit and related services through a network of branches, in-store branches, ATMs, telephone banking services (Bankers on Call), direct mail, and computer banking services. They offer these products and services in a variety of languages and often tailor them to meet the needs of special communities, such as the disabled. Many products and services are available around the clock, seven days a week. They have trained and given incentives to sales staffs to promote customer service when and where it is convenient and appropriate.

BANTSA has divided the state of California into thirty assessment areas. These areas include the state's twenty-five MSAs, several of which have populations of one million or more. Areas that were a major focus, based on population, are the Bay area and the greater Los Angeles area, which includes the Los Angeles/Long Beach, Orange and Riverside MSAs. The bank divided the rural areas as follows: The Northern California Rural Area, the Eastern California Rural Area, San Benito County, Kings County and Imperial County. BANTSA defines the whole state as its service area.

We made several community contact calls and used data collected on previous contacts to gain insight to the needs of the assessment areas. We also used the information to learn how they perceive BANTSA at meeting those needs. In general, community groups and the bank have identified affordable housing and small business lending as the most pressing needs in California.

We evaluated BANTSA's performance in the Merced and Redding MSAs and the assessment areas of Eastern California, Kings and San Beneto Counties, for consistency with the bank's performance in the other areas. We found that the bank's performance under the three tests in these areas is commensurate to its performance in the other areas.

CONCLUSION HIGHLIGHTS

- **BANTSA's lending performance is very strong and is supported by large volumes of residential mortgages and small business loans; a high volume of community development lending that has resulted in many low- and very low-income housing units; and an exceedingly strong level of loans to LMI residential and consumer borrowers.**

- **Investment performance has been responsive to the community development needs of the state, mostly affordable housing, and some investments reflect innovation and complexity. The volume of investments is very strong based on the size of the bank.**

- **Delivery systems are very accessible throughout the state with good penetration into LMI areas. Community development services in aggregate reflect a good response to community needs.**

ASSESSMENT AREA DEMOGRAPHIC CHARACTERISTICS

State: California Assessment Area:	Population (000s)	Census Tracts	Owner Occupied Housing (000s)	Small Businesses	Unemploy-ment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)					Distribution of Owner-occupied Housing (OO) & Small Businesses (SB)				
								CT / F	Low %#	Mod %#	Mid %#	Upper %#	OO / SB	Low %#	Mod %#	Mid %#	Upper %#
Bakersfield # 680	543	109	108	13,444	11.4%	$37,700	$82756	CT	4%	29%	34%	32%	OO	1%	24%	33%	42%
								F	22	17	20	40	SB	10	27	26	36
Chico #1620	182	37	44	5,400	8.1	$34,200	95,332	CT	0	22	60	19	OO	0	15	67	18
								F	20	19	22	29	SB	0	25	55	20
Fresno #2840	756	148	138	16,764	12.5	35,600	85,538	CT	4	25	43	24	OO	2	17	48	33
								F	23	17	20	40	SB	6	24	45	24
Los Angeles/Long Beach # 4480	8,863	1,652	1,441	305,624	6.9	47,800	246,158	CT	9	23	33	34	OO	2	14	35	49
								F	23	17	20	41	SB	10	20	33	37
Modesto #5170	371	98	76	8,307	13.5	41,000	124,127	CT	1	15	42	15	OO	0	14	58	28
								F	21	17	21	40	SB	1	22	57	19
Oakland #5775	2,083	482	458	59,009	4.5	60,100	219,631	CT	11	20	39	25	OO	4	13	47	36
								F	20	17	24	39	SB	13	17	43	27
Orange County # 5945	2,411	484	497	104,148	3.3	63,200	257,224	CT	3	24	44	28	OO	1	17	45	37
								F	19	19	24	39	SB	5	20	41	22
Riverside/San Bernardino # 6780	2,589	298	565	59,278	7.0	44,800	133,026	CT	4	28	46	22	OO	1	17	51	31
								F	21	17	23	40	SB	2	27	45	26
Sacramento #6920	1,340	275	302	42,157	5.6	$48,400	$138,312	CT	6	21	48	24	OO	2	13	53	32
								F	20	18	23	39	SB	6	22	49	24

ASSESSMENT AREA DEMOGRAPHIC CHARACTERISTICS

State: California Assessment Area:	Population (000s)	Census Tracts	Owner Occupied Housing (000s)	Small Businesses	Unemploy-ment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)					Distribution of Owner-occupied Housing (OO) & Small Businesses (SB)				
								CT / F	Low %#	Mod %#	Mid %#	Upper %#	OO / SB	Low %#	Mod %#	Mid %#	Upper %#
Salinas #7120	356	72	57	12,423	7.2	$45,600	$206912	CT	3	19	47	26	OO	0	12	45	42
								F	19	18	24	39	SB	8	19	39	34
San Diego # 7320	2,498	445	478	68,734	4.4	48,600	198,212	CT	6	22	43	26	OO	2	13	49	36
								F	20	19	22	39	SB	4	25	45	27
San Francisco #7360	1,604	361	310	65,713	3.5	64,400	324,200	CT	7	18	40	32	OO	1	12	47	40
								F	20	18	23	39	SB	15	19	38	27
San Jose #7400	1,498	385	307	40,002	3.1	70,200	295,613	CT	3	15	41	18	OO	1	14	57	28
								F	19	19	24	39	SB	6	24	50	20
San Luis Obispo # 7460	217	34	48	8,309	5.0	43,800	219,600	CT	0	12	68	12	OO	0	7	82	11
								F	18	19	25	39	SB	0	11	80	9
Santa Barbara # 7480	370	82	71	12,057	4.1	49,300	256,263	CT	1	28	35	33	OO	0	16	41	43
								F	20	18	23	40	SB	1	44	28	28
Santa Cruz #7485	230	80	50	7,895	9.2	55,200	256,716	CT	0	13	29	15	OO	0	13	56	32
								F	0	23	53	24	SB	0	21	56	23
Santa Rosa #7500	388	60	94	14,075	3.8	51,300	205,922	CT	0	13	70	15	OO	0	7	73	20
								F	17	19	25	38	SB	0	15	71	14
Stockton #8120	481	114	91	10,385	10.8	42,600	124,043	CT	4	25	40	26	OO	1	21	48	31
								F	22	17	21	40	SB	8	23	43	26

ASSESSMENT AREA DEMOGRAPHIC CHARACTERISTICS

State: California Assessment Area:	Population (000s)	Census Tracts	Owner Occupied Housing (000s)	Small Businesses	Unemploy-ment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)						Distribution of Owner-occupied Housing (OO) & Small Businesses (SB)				
								CT / F	Low %#	Mod %#	Mid %#	Upper %#		OO / SB	Low %#	Mod %#	Mid %#	Upper %#
Vallejo #8720	451	94	98	11,200	6.1	51,800	160,847	CT	2	19	55	20		OO	1	10	62	28
								F	18	18	26	38		SB	4	17	62	17
Ventura # 8735	669	130	142	17,784	5.9	$61,100	253,753	CT	3	30	45	22		OO	1	21	48	31
								F	18	19	25	38		SB	4	31	46	19
Visalia #8780	312	54	59	7,626	16.0	32,100	75,935	CT	0	26	48	24		OO	0	20	48	32
								F	22	18	20	41		SB	0	19	52	29
Yolo #9270	141	31	26	3,274	6.9	48,200	146,171	CT	7	26	36	32		OO	0	24	39	38
								F	4	27	35	34		SB	1	35	44	20
Yuba #9340	123	26	24	2,758	15.2	34,100	79,492	CT	0	23	54	23		OO	0	20	51	29
								F	0	30	49	21		SB	0	26	55	20
Northern California	560	131	141	22,370	4.0	25,315	97,073	CT	1	19	62	15		OO	0	15	67	18
								F	0	17	67	16		SB	0	21	64	15
Imperial County	109	29	19	2,151	24.5	35,400	71,265	CT	3	52	17	28		OO	4	54	14	28
								F	29	18	19	33		SB	2	54	16	28
Total State	29,760	5,858	5,775	942,455	6.2	51,328	210,075	CT	6	22	41	27		OO	2	15	47	37
								F	21	18	22	40		SB	7	22	42	28

Conclusions with Respect to Performance Tests in California:

LENDING TEST

BANTSA was the top residential originator in the State with a market share exceeding 7%, almost double its nearest competitor. In 1996, this includes all residential loan originators reporting under HMDA. For this period the bank was the number three small business lender with a 16% market share. During the review period, BANTSA's total originations of more than 691 thousand loans exceeded $19 billion. In addition, the bank made 120 community development loans for more than $261 million. They made loans in essentially all geographies and to retail customers of different income levels and business customers of different sizes.

Geographic Distribution:

Residential lending: BANTSA's geographic distribution of loan originations reflects reasonable penetration throughout the assessment area, slightly below both market and demographic patterns. Overall distribution during the review period, is consistent with the bank's performance in 1996. The bank has done an adequate job of making loans in LMI geographies. Geographically, the bank has a slightly lower concentration of loans in LMI areas though it ranks as the number one LMI lender by the total number of loans made. It has a 6% market share for both LMI geographies versus its overall market share of 7%. Looking at the bank's total residential originations, they made 13% in LMI geographies. This compares favorably to the market average of 14%. Statewide 17% of all owner-occupied units are in LMI geographies.

Small Business Lending: BANTSA's distribution of the number of its small business loans is consistent with the market demographics. In 1996, the bank made 27% of its loans in LMI areas compared with the state's small business demographics of 29% in LMI areas. However, the bank performed better than the market lenders. The market distribution of small business loans for 1996, was at 26%. The bank's year-to-date 1997 performance approximates the level it achieved in 1996.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the assessment area. The bank has done an adequate job of making loans in LMI census tracts. It made 26% of its consumer loans in these geographies. This is slightly below the state's demographics where 28% of all tracts are LMI.

Borrower Distribution:

Residential lending: BANTSA has done an excellent job in making loans to LMI borrowers. Overall distribution during the review period, is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 12% market share for

low-income applicants is significantly higher than its overall market share. Loans to moderate-income borrowers are also higher than its market share at 8% versus its overall rate of 7%. As a percentage of total residential loans, BANTSA made more than 7% and 14% of its loans to LMI borrowers, respectively. This significantly exceeds the market's average of 4% to low-income borrowers and matches the market's average of 14% to moderate-income borrowers. This analysis and the accompanying tables demonstrate how effectively the bank has responded toward meeting the needs of the most economically disadvantaged individuals in this assessment area.

Small Business Lending: BANTSA has done a very good job of helping meet the needs of the market in providing small loans to businesses and has done a good job of making loans to different size businesses. Almost 92% of all business loans were less than $100 thousand in size. In addition, 77% of all small business originations have gone to businesses with less than $1 million in annual revenues.

Consumer Lending: BANTSA has done an excellent job of making loans to LMI individuals. As a percentage of total consumer originations, more than 44% have been made to LMI borrowers. This exceeds the 39% of total LMI families in the MSA. Overall the bank has performed exceptionally well in responding to the needs of the low-income borrowers in that 27% of all consumer loans have gone to this group versus the market demographics of 21%.

Community Development Lending Activities: BANTSA's community development activities are very strong as the bank originated 120 loans totaling $261 million, mostly for affordable housing. The ninety-two affordable housing projects provided 4,839 low-income and another 768 moderate-income housing units, helping to meet one of the more critical needs within the State. In addition, BANTSA has made twenty-eight economic development loans through the federal government's SBA program.

Special Programs:

Bank of America Community Development Bank (BACDB) has been a national leader in the creation of innovative, flexible and complex solutions to the housing needs of low-income individuals and families. BACDB has used various lending strategies including construction and permanent loans, lines of credit and bond issues to meet the needs of low-and moderate-income individuals. BACDB has also been a leader in providing preservation loans for the refinancing of HUD properties to for profit and nonprofit owners that maintain the affordability of the projects.

BACDB strives to insure that $2 of every $3 in a project is targeted toward low-income beneficiaries. During the last two years that goal has been difficult to achieve as public support, in the form of low income housing tax credits, has declined. BACDB has created an innovative, complex and flexible financing tool in the utilization of tax-free bonds that

incorporate loans, guarantees and investments utilizing the bank's community development corporation (CDC).

BACDB works with municipalities, redevelopment agencies and other public entities to provide improvement loans for homes. Loans are often targeted at low-income census tracts and low-income census borrowers. BACDB is the leading bank provider of this service in the State. During the review period, it made 159 loans under this program. The program offers flexible financing tailored to fit each community's needs. Examples of flexibility include the program associated with the Los Angeles Housing Department for repair of damage created by the Northridge earthquake; the State Water Resource Board's loan program for the elimination of pollution in the Santa Cruz and Lake Tahoe areas; and the State Department of Insurance's earthquake retrofit program for Los Angeles and Humboldt counties. Each of these programs is unique and structured to meet and solve separate issues and problems. The programs utilize loans, guaranties and subsidies as a means of providing loans to homeowners who are unlikely to obtain financing without these unique products.

The mainstay of the Home Improvement Loan Programs is the FHA Title I Home Improvement Loans. BANTSA offers the Title I loans to borrowers at reduced fees and rates based on subsidies provided by public agencies, often utilizing community development block grant funds or redevelopment agency funds. BACDB has instituted a pilot with six Neighborhood Housing Services Programs (NHS) in California, New Mexico and Arizona. The NHS programs are marketing and generating the loan applicants and then provide inspection services during the construction and improvement portions of the loans. Public agencies often complain of an inability to market loans and of a lack of staff to provide inspections. This new partnership provides an innovative means of meeting these needs.

INVESTMENT TEST

BANTSA's level of investments is very strong and it demonstrates good responsiveness to community needs. Investments totaled $181 million. In addition to the grants and contributions made by BANTSA and through the BankAmerica Foundation, investments are made through the Bank of America Community Development Corporation (CDC). The CDC focuses on investments in the areas of affordable housing and economic development. The economic development investments are primarily targeted at venture capital firms that invest in women and minority owned businesses. The CDC also houses the tax-free bond guarantees and investments. BAC books Transactions with a risk factor that is greater than that acceptable to the bank, but with community benefit associated with them in the CDC.

BACDB also made more than $1 million in loan concessions including interest, loan fees and other fees during the review period. The concessions resulted in the loan sponsors

being able to offer properties to low- and very low-income families. Several of the loans on single family projects were extended for the express purpose of reaching low-income borrowers versus moderate- or middle-income borrowers. While these funds are not added to the bank's investments, they add to the complexity of the transactions and make the projects affordable to these borrowers.

BANTSA views grants and contributions to community groups as another means to support community development. Grants have been made to groups that have a statewide presence to improve the community development infrastructure in areas that do not have nonprofit or governmental support. This is especially the case in the rural areas of California where few on-site community-based affordable housing or economic development organizations exist. Ethnic trade organizations and chambers are economic development organizations that support the small businesses within these communities.

In 1989, as part of a legal settlement, BANTSA established the Bank of America Consumer Education Fund. The Fund is administered by the San Francisco Foundation and annually provides grants for consumer education to nonprofits statewide, on a competitive basis. The fund, totaling $2.5 million was committed for nine years. An outside advisory committee reviews the requests, selects the grantees and monitors the progress of the nonprofits.

BankAmerica Foundation has provided statewide support to a number of nonprofit community development advocates and service providers. A partial list includes Local Initiatives Support Corporation (LISC) for urban and rural programs, Habitats for Humanity Programs, Neighborhood Housing Services Programs (Neighborworks), Rural California Housing Corporation, California Business Incubation Network, California Community Economic Development Corporation, Housing California, Rural Community Assistance Corporation, Greenlining Institute, California Reinvestment Committee, Corporation for Supportive Housing, CAMEO, National Center for American Indian Enterprise Development, Global Green, National Housing and Community Development Law Project, California Coalition for Rural Housing, Townspeople, National Center for Youth Law and the California Housing Partnership.

Regionally, BankAmerica Foundation has supported several other nonprofits including the Nonprofit Housing Association of Northern California, the Northern California Community Loan Fund, the Southern California Association of Nonprofit Housing and the Nonprofit Federation (San Diego). All of the groups, with the exception of the Northern California Community Loan Fund are membership organizations for affordable housing groups throughout the state.

BANTSA funded a grant to the National Trust for Historic Preservation to support the Community Partners Program. This is an initiative that provides technical assistance and loans to community-based organizations in LMI areas that have historical significance.

The Trust also operates in several of other states where BANTSA has a retail bank presence.

SERVICE TEST

BANTSA's statewide performance is strong. Of note is the outstanding level of community development services provided by senior management in the State. The bank's branches are reasonably distributed among census tracts of various income levels. We found no evidence that bank management avoids LMI census tracts in the branch system. Please see the table entitled "Aggregate Assessment Areas - Service Test" for actual branch distribution statistics.

From January 1, 1995 to June 30, 1997, BANTSA closed 63 branches in California. During the same period, the bank opened 31 branches. Only five branch closures were located in a low-income census tracts while ten branch closures were in moderate-income census tracts. The bank does a thorough job evaluating prospective branch closures. Bank management considers the volume of a branch's traffic/transactions, distance to another branch and profitability. They may also seek community input, but this input is only sought after the closure is announced. All of the branches closed in LMI geographies were reasonably close (less than a mile) to another branch. In some cases, the receiving branch was also in a moderate-income tract. During the review period, only one of the 31 branches opened was in a LMI census tract. The bank's distribution of branches was not adversely impacted by the branch closures.

Bank management has established branch hours which are competitive and allow reasonable access. We found no evidence that branches in LMI areas have comparably fewer hours or services. Hours of branch operation vary according to location. Most traditional branches are open between 9:00 A.M. and 6:00 P.M., Monday through Thursday, 9:00 A.M. to 7:00 P.M. on Fridays, and 9:00 A.M. to 2:00 P.M. on Saturdays. Some rural and urban branches close earlier or are not open on Saturdays. These deviations are based on customer demand and competitive factors. Staffed branches in Lucky's stores are generally open between 9:00 A.M. to 7:00 P.M. Monday through Friday, 9:00 A.M. to 4:00 P.M. on Saturdays, and 10:00 A.M. to 4:00 P.M. on Sunday.

BANTSA has established a sizable network of alternative delivery systems available throughout the assessment areas. The bank has several alternative delivery systems for retail banking services including: an extensive network of ATMs, PC Banking, a 24 hour Help line, Loan-by-Phone, and Bank-by-Mail. In addition, the bank provides services for the hearing impaired. The network of ATMs and other alternative delivery systems is as prevalent and generally accessible to customers living in LMI tracts as those living in middle- and upper-income census tracts. Management has some ATMs open shorter hours due to public safety concerns. The bank purports that 70% of its customers' transactions are completed outside a branch, using an alternative delivery system.

BANTSA has provided a wide range of services addressing community development needs including affordable housing, education, and economic development. Numerous employees are involved in community service activities at the local, regional and state levels. Listed below are the bank's community development services that cover multiple assessment areas in California:

- Executivie Vice President Donald Mullane is a Board Member for the Enterprise Social Investment Corporation. The corporation invests in community development projects and tax credit projects throughout the country. In California, the corporation has a project in East Palo Alto.

- Senio Vice President Jim Wagele is Chairman of the Rural Advisory Committee of the Local Initiatives Support Corporation. This national committee of LISC focuses on the planning and implementation of community development activities that will benefit rural low-income communities.

- California CRA Officer Susan Howard is a Trustee and member of the "Community Partners and Preservation Committee for the National Trust for Historic Preservation." This organization works to preserve historic communities throughout the country. The committee focuses on the preservation of inner-city low-income communities. Furthermore, it is responsible for the Trust's Main Street Program and the Inner-City Ventures Loan Fund. The committee has worked on several projects in low-income neighborhoods throughout California. **This is an innovative program**.

- California CRA Officer Susan Howard is a Board Member for the California Community Economic Development Association (CCEDA). CCEDA is a statewide membership organization for economic development community development corporations and community banking organizations. It provides training and technical assistance and serves as an advocate on legislative issues relating to community economic development.

BANTSA has a number of innovative programs and relationships in the state. Examples include:

The Bank of America Community Access Initiative. BANTSA, in an effort to address the concerns of community groups and residents of low- and moderate-income areas has established an initiative in partnership with MCI and Netscape, to provide hardware, software and grants to six non-profits throughout the state as a means of moving the affected communities into the twenty-first century age of technology. A consultant was hired to assist in the process. The non-profits will have access to Bank of America home banking technology and the Internet.

Building on Neighborhood Strategies Program (BONS). BACDB has begun a new initiative to provide measurable and physical impact on targeted communities in several states. The communities in California are Escondido, Sacramento, Los Angeles and Oakland. The program will coordinate BankAmerica programs and products with public and private sector partners to execute comprehensive community development in the targeted neighborhoods.

Several innovative housing developments have been financed by BACDB throughout the state including Nueva Vista in Mecca, sponsored by the Coachella Valley Housing Coalition; the Park Village Apartments in Stockton, sponsored by the Rural California Housing Corporation; the Mercado Apartments in San Diego, sponsored by the MAAC Project; and Washington Court in Mar Vista, sponsored by the Venice Community Housing Corporation. All of these projects are innovative and incorporate housing with other components such as child care, health care or other community services.

Bakersfield MSA #680

Description of Institution's Operations in Bakersfield:

The Bakersfield MSA is comprised of Kern County. It is a primarily rural MSA with the City of Bakersfield representing the largest urban area.

BANTSA is the largest commercial bank in Kern County. Its branches have operated since 1922 serving the businesses and consumers of the area. The bank has 18 offices and 20 ATMs in twelve communities in the MSA.

The need for affordable housing is a major issue in the MSA. However, there are also barriers to new construction of affordable housing. One major barrier is the lack of affordable housing developers in the area. Most new construction is for market projects. One of the few affordable projects in the Bakersfield area is a development sponsored by Catholic Charities in the unincorporated area of Southeast Bakersfield. Small business loans, both guaranteed and unguaranteed, also present opportunities for banks.

Conclusions with Respect to Performance Tests in Bakersfield

BANTSA demonstrated strong lending patterns addressing community needs, excellent geographical distribution, and good community development activities supporting low-income housing.

The high volume of residential lending to low-income borrowers' reflects excellent responsiveness and penetration.

Investment activities adequately support the assessment area.

BANTSA's delivery systems are very accessible to all portions of the assessment area but community development services are weak.

LENDING TEST

BANTSA is a major residential lender in the Bakersfield MSA with a 6% market share, ranking near the top of all loan originators for all HMDA reporters in 1996. The bank made 1,133 residential loans for more than $59 million during the review period. In addition, the bank was the number three small business loan originator in 1996 with a 15% market share. Total originations for the review period exceeded $174 million. Loans have been made in essentially all geographies and to retail customers of different income levels and business customers of different sizes. Community development loan activities have provided low-income affordable housing units that support one of the areas major needs.

Geographic Distribution:

Residential lending: BANTSA's geographic distribution of loan originations reflects good penetration throughout the Bakersfield MSA, consistent with the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done an excellent job in making loans in LMI geographies. On a geographic basis, the bank has a higher concentration of loans in LMI geographies. Its low-income market share is 6% and its moderate-income market share is 9%. The bank made more than 33% of its loans in LMI geographies. This significantly exceeds the market average of 20%. It also exceeds the 25% of owner-occupied units located in LMI geographies.

Small Business Lending: BANTSA's distribution of small business loans is fairly consistent with the market demographics and it has exceeded other lenders performance. In addition, its overall market share of loans in LMI geographies at 16.6% exceeds its overall market share of 15.3%. The bank made 6% of its loans in low-income census tracts and 28% of its loans in moderate-income geographies. This compares to small business demographics where 10% and 27% of small businesses are in LMI areas, respectively. In addition, the market's distribution of small business loans for 1996, were at 8% and 22%, respectively. BANTSA's year-to-date 1997 performance matches its 1996 levels.

Consumer Lending: Consumer originations reflect strong penetration throughout the assessment area. The bank has done an excellent job in making loans in LMI census tracts and has a high concentration of loans in LMI geographies. As a percentage of total consumer loans, over 39% have been made in LMI geographies. This significantly exceeds the 33% total of LMI census tracts.

Borrower Distribution:

Residential lending: BANTSA has done an excellent job in making loans to LMI borrowers. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 12% is more than double its overall market share. Its lending to moderate-income borrowers is slightly higher than its market share at 6%. The bank made 12% and 18% to LMI individuals, respectively. This significantly exceeds the market averages of 5% and 17%, respectively. The bank has performed particularly well at helping meet the needs of the low-income borrowers.

Small Business Lending: BANTSA made 82% of its small business originations to businesses with less than $1 million in annual revenues. In addition, 88% of the loans were less than $100 thousand in size.

Consumer Lending: The bank has done a good job of making loans to LMI individuals. As a percentage of total consumer originations, over 38% have been made to LMI borrowers. This compares to 39% of total LMI families in the MSA. Except for home equity lending, all consumer products have a similar distribution. For home equity originations only 19% were made to LMI individuals.

Community Development Lending Activities: BANTSA made four loans totaling $6.3 million for affordable housing. The projects provided 352 LMI units, helping to meet one of the more critical needs within the assessment area.

INVESTMENT TEST

Investments total $6 million and consist of four community development grants totaling $35 thousand and three affordable housing tax credits for almost $7 million. The bank's level of investment provides a strong responsiveness to community economic development needs. The investments are part of complex transactions that have multiple layers of financing and involve significant efforts by the bank.

SERVICE TEST

BANTSA's performance in the Bakersfield assessment area is strong. Delivery systems are readily accessible to all portions of this MSA. The percentage of branches in low-income census tracts is three times greater than market demographics. In moderate-income census tracts, branches match market demographics.

Changes in branch locations generally have not adversely affected the accessibility of its delivery systems. BANTSA closed two branches. One of these was in a moderate-income census tract and the other was in a middle-income census tract.

BANTSA has participated in a limited level of community development services in this MSA. The bank needs to improve in this area. Branch manager of the Shafter branch serves as vice-chairperson of the Shafter Community Development Agency.

Chico MSA #1620

Description of Institution's Operations in Chico:

This MSA is in the northern Sacramento Valley and consists of Butte, Glenn and Tehama Counties. The area is primarily rural and virtually surrounded by national parks. Chico, in Butte County, is the largest city in the MSA.

BANTSA is one of the largest banks in the Chico MSA. It has 6 offices, 22 ATMs and a regional commercial banking office in eight cities throughout the three counties. The bank has operated in the area since 1922.

The Chico MSA presents lending opportunities in all consumer categories. However, the most pressing needs are for affordable housing and home improvement loans in the city of Chico. More than 67% of the housing units in Chico are rentals. This phenomenon is a result of student housing needs at Chico State University. The median price of a single family dwelling is too high for low-income households to afford. But, the need to update public infrastructure is a barrier to the development of new affordable housing in the city.

Conclusions with Respect to Performance Tests in Chico:

The geographic distribution of BANTSA's loans is reasonable.

BANTSA did a good job responding to the overall credit needs of LMI people in th e assessment area.

Investment activities adequately support the needs of the assessment area.

BANTSA's delivery systems provide good access to all portions of the assessment area, but the bank has provided limited community development services.

LENDING TEST

In 1996, BANTSA was the leading originator of residential loans in this MSA with a 15% overall market share. In addition, the bank was the number four small business lender with a 13% market share. During the entire review period the bank made 840 residential loans totaling $45 million. Total originations for the review period exceeded $96 million.

Geographic Distribution:

Residential Lending: BANTSA's geographic distribution of loan originations within thi s MSA is reasonable. Our analysis is based on 1996 market share data. In that year , BANTSA was the leading residential lender to LMI census tracts with a 13% market share.

However, the bank's proportional lending to LMI census tracts was lower than the market average. Specifically, the bank made 12% of residential loans in LMI census tracts compared to the market average of 14%. Both of these figures do not compare favorably to the 15% of owner-occupied houses which are located in LMI census tracts. As a point of clarification, the Chico MSA does not contain any low-income census tracts. All LMI statistics reflect lending in moderate-income census tracts.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable and consistent with market demographics. During the review period, the bank made 25% of small business loans within LMI census tracts. This exactly matches demographic information which shows 25% of small business are located in LMI census tracts. In contrast, the market average for small business loans in LMI census tracts was only 18% in 1996.

Consumer Lending: The geographic distribution of consumer loans is reasonable. During the review period, the bank made 22% of consumer loans in LMI census tracts. Comparatively, 22% of census tracts were designated LMI.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. In 1996, the bank was the market leader with a 27% market share of loans to low-income borrowers. The bank also was the leading lender to moderate-income borrowers with a 19% market share. Furthermore, the bank out performed the market by lending 23% of its residential loans to LMI borrowers. The market average was only 15%. However, these figures do not compare favorably to the 39% of the population designated LMI.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, 86% of the bank's small business loans were less than $100 thousand. In addition, the bank's average small business loan was only $77 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is reasonable. During the review period, 36% of the bank's consumer loans were made to LMI borrowers. Comparatively, 39% of the population is designated LMI.

Community Development Lending Activities: BANTSA's community development lending is reasonable. The bank made two community development loans totaling $2 million. The proceeds from both of these loans were used to provide fifty-six units of affordable housing within the assessment area.

INVESTMENT TEST

BANTSA's investment activities demonstrate adequate responsiveness to community needs. The bank provided $20 thousand in qualifying grants within the assessment area during the review period. These grants were provided to two community groups to support affordable housing initiatives. In addition, the bank had a $1.4 million qualifying investment in the California Equity Fund. The funds were targeted to finance an affordable housing project in Chico. The investments are not complex or innovative. However, they were targeted to meet a pressing need within the community.

SERVICE TEST

BANTSA's performance in the MSA is good. Delivery systems are readily accessible to all portions of this MSA. The MSA only contains six branches. However, two of them are located in moderate-income census tracts. This exceeds the proportion of LMI census tracts located in the MSA. The other two branches are located in middle-income census tracts. No branches were opened or closed in the Chico MSA during the review period.

BANTSA has performed limited community development services in this MSA. A Branch Manager serves on the formation committee to establish the Gridley Business Improvement District. Another Branch Manager serves on the City of Clovis's Economic Development Committee to develop a plan to provide affordable housing.

Fresno MSA #2840

Description of Institution's Operations in Fresno:

This MSA is located in central San Joaquin Valley. The surrounding cities and unincorporated areas are heavily involved in agriculture, and rely on the collection of services provided by the City of Fresno. The City is the county's demographic and economic development center. It serves as a regional hub for retail, government, medical and many other services provided to its residents.

BANTSA has had a presence in the Fresno MSA since 1916. It has 27 offices and 56 ATMs in the MSA.

The MSA's unemployment rate and cost of housing have risen, while the economy that has not risen. A recent housing boom in the outskirts of the City of Fresno has increased the number of units in the housing market, but the need for affordable housing persists.

Conclusions with Respect to Performance Tests in Fresno:

BANTSA's lending activity exhibits good responsiveness to the assessment areas credit needs, in particular to low-income individuals seeking residential loans.

Overall loan distribution, both geographically and to borrowers of different income levels, has been good.

Investment volumes are moderate-but have been responsive to community development needs.

BANTSA's delivery systems are very accessible to all portions of the assessment area and are supported by strong community development services.

LENDING TEST

BANTSA is a top residential lender in this MSA with an 8% market share, ranking near the top of all loan originators for all HMDA reporters in 1996. During the review period, it made 1,984 residential loans for more than $126 million. The bank is also a major small business lender, ranking number two in 1996 with a 18.6% market share. Its total originations for the review period exceeded $379 million. BANTSA made loans in essentially all geographies and to consumers of different income levels and businesses of different sizes.

Geographic Distribution:

Residential lending: BANTSA's geographic distribution of loan originations reflects good penetration throughout this MSA and consistent with the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996 . The bank has done a good job of making loans in LMI geographies. Geographically, the bank has a strong concentration of loans in LMI areas. Its low-income market share is 7% and its moderate-income market share is 8%. BANTSA made 17% of its residential loans in LMI geographies. This is comparable to the market average. However, it is slightly less than the 19% of owner-occupied units located in LMI census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is reasonable as it is slightly below market demographics but even with the market average. For 1996, the bank and the market average had 26% of its loans located in LMI census tracts . Market demographics show that 31% of all small businesses are in LMI geographies.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the assessment area. The bank has under performed market demographics in making loans in LMI census tracts. As a percentage of total consumer loans, 20% have been made in LMI geographies. This is below market demographics of the 29% LMI census tracts.

Borrower Distribution:

Residential lending: BANTSA has done an excellent job making loans to LMI borrowers. In 1996, the bank's market share of loans to low-income borrowers was 14%, significantly exceeds its overall market share of 8%. Its market share of loans to moderate-income borrowers at 9% was also much higher than its overall market share. The bank made 8% and 16% of its loans to LMI individuals, respectively. This significantly exceeds the market average of loans to low-income borrowers of 4% and is comparable with the market average of loans to moderate-income borrowers. As seen from these numbers the bank has performed particularly well at meeting the needs of low-income borrowers.

Small Business Lending: During the review period, 73% of the bank's small business originations went to businesses with less than $1 million in annual revenues. In addition, 83% of its loans were less than $100 thousand in size.

Consumer Lending: The bank did a good job making loans to LMI individuals. It made 43% of its consumer originations to LMI borrowers. This compares favorably with the 40% of total LMI families in the MSA.

Community Development Lending Activities: BANTSA made one loan totaling $ 4 million for affordable housing. This project provided 248 low-income housing units, helping to meet one of the more critical needs within the assessment area.

INVESTMENT TEST

BANTSA's investments total $3.9 million, all but $47 thousand were made prior to 1996. The investments consist of seven community development grants and three housing investment tax credits totaling $47 thousand and $3.8 million, respectively. The level of investment is adequate as they provide an appropriate responsiveness to community economic development needs. These investments are neither complex nor innovative.

SERVICE TEST

BANTSA's performance in the Fresno assessment area is very strong. Delivery systems are readily accessible to all portions of this MSA. The percentage of branches in moderate-income tracts slightly exceeds census tract distribution. Low-income census tract distribution approximates market demographics. Changes in branch locations have not adversely affected the accessibility of the bank's delivery systems. The one branch closure was in a middle-income census tract.

The bank provides community development services at a reasonably high performance level. Managers in four branches (West Fresno, Sanger, Cedar & Shields and Shaw Westgate) are actively involved in community development services. These managers are supporting small business expansion through serving on the boards of the Valley Small Business Association and the Sanger Chamber of Commerce. These managers also provide financial education in several schools throughout the MSA and serve on the Commission on the Future of Education in Fresno County. Bank staff also conduct targeted weekly training for moderate-income employees of Zacky Farms.

Los Angeles/Long Beach MSA #4480

Description of Institution's Operations in Los Angeles/Long Beach:

The Los Angeles/Long Beach MSA comprises the County of Los Angeles. The area includes the city of Los Angeles which is the largest city in the state. The estimated total population of the county represents almost one half of the state's population. The county's geography encompasses the coastline, the desert and urban areas to the east and south.

BANTSA is the largest bank in the area. It employs in excess of 15 thousand people in the county on a full and part time basis. Its presence in the area, which began in 1913, includes a tele-servicing center, major administrative buildings, a proof center, residential loan centers, regional commercial banking offices, and retail bank district and regional administrative offices. In addition, it has 249 traditional branches, 10 in-store offices and 1,104 ATMs in locations throughout the MSA.

Los Angeles was a high growth area until the late 1980's when defense spending cuts and other federal decisions caused a reduction in aerospace and defense manufacturing resulting in major reductions in jobs. The loss of jobs led to property defaults and foreclosures and the subsequent loss in value of real estate county wide. More than 300 firms employing 53 thousand people have left the Los Angeles area since 1990. Overall, an estimated 300 thousand jobs have been lost. Many of the businesses cited the high costs of operating in the state, coupled with other states concessions, as reasons for relocation.

Los Angeles then experienced several major disasters during the 1990's. The Civil Disturbances of 1992 resulted in loss of businesses serving the lower income areas of the city, of which 50% have yet to reopen, thus resulting in the permanent loss of jobs for many residents. The federal government announced the closure of several military bases and facilities, once again affecting jobs and property values. However, by far the most destructive disaster was the 1994 Northridge earthquake in which more than 4,700 homes were damaged. Many residents and businesses have not yet recovered from the quake. Real estate values in parts of Los Angeles County have declined an average of 30%.

Despite the disasters, Los Angeles is slowly on the rise. The area is a major industrial center, and despite a decline during the last three years, remains a base for the aerospace and defense industries. It also has the most profitable port in the country followed closely by the adjacent port of Long Beach. The MSA remains the capital of the motion picture and television industries, and has added telecommunications equipment, software production and women's apparel to the list of industries providing jobs for residents.

Affordable housing is a critical need in Los Angeles County. Rents increased 132% between 1980 and 1990. Many low-income families have been reduced to living in

garages often at exorbitant rates. The County Community Development Commission operates the Housing Authority. Almost three thousand units of public housing and other units are under its management. There is a waiting list of more than 19 thousand households for public housing. The CDC has also issued 17 thousand HUD vouchers. A voucher waiting list if maintained for another 123 thousand households.

Conclusions with Respect to Performance Tests in Los Angeles:

- **BANTSA's lending activity exhibits good responsiveness to the MSA's credit needs, in particular to LMI individuals seeking residential and consumer loans.**
- **Strong community development loan activities have provided numerous affordable housing units that support one of the MSA's major needs.**
- **Overall loan distribution, both geographically and to borrowers of different income levels, has been good.**
- **Investment volumes are very good and have been responsive to community development needs.**
- **BANTSA's delivery systems are accessible to all portions of the MSA and are supported by extremely strong community development services.**

LENDING TEST

BANTSA was the top residential lender in the Los Angeles-Long Beach MSA with more than a 6% market share. It is also a major small business lender with an 18% market share. This includes all loan originators for HMDA and Small Business CRA reportable loans in 1996. The bank is a strong community development lender with 37 loans totaling almost $43 million. Total originations for the review period exceeded $4.4 billion. Loans have been made in essentially all geographies and to retail customers of different income levels and business customers of different sizes.

Geographic Distribution:

Residential lending: BANTSA geographic distribution of loan originations reflects reasonable penetration throughout the assessment area, slightly below both market and demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done an adequate job of making loans in LMI geographies. Geographically in 1996, the bank had a slightly lower concentration of loans in LMI census tracts even though it was the number three lender in low-income tracts and the number one lender in moderate-income tracts. Its low-income market share was 4% and its moderate-income market share was 5%. This compares to the bank's overall

market share of more than 6%. BANTSA made 13% of its residential loans in LMI geographies. This does not compare favorably to the market average of 17% which is also the same level of owner-occupied units in LMI census tracts.

Small Business Lending: BANTSA's small business lending distribution is good. The distribution of the number of the bank's small business loans is above both the market demographics and the market average. In 1996 the bank had 29% of its loans located in LMI census tracts versus market small business demographics of 28% while the market average, excluding BANTSA was 26%. The bank's performance in 1997 approximates its level for 1996.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the assessment area. The bank has done an adequate job of making loans in LMI census tracts. As a percentage of total consumer loans, 25% were made in LMI geographies. This is below market demographics wherein 32% of all census tracts are LMI.

Borrower Distribution:

Residential lending: BANTSA has done an excellent job in making loans to LMI borrowers. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 11% is significantly higher than its overall market share. Loans to moderate-income borrowers are also higher than its market share at 7%. The bank made 6% and 13% of its loans to LMI individuals, respectively. This significantly exceeds the market average of loans to low-income borrowers of 3% and slightly exceeds the market average of loans to moderate-income borrowers of 12%. This analysis and the loan tables at the end of the state section show how effectively the bank has responded in helping meet the needs of the most economically disadvantaged individuals in this MSA.

Small Business Lending: BANTSA has done a good job in making small loans to small businesses. Eighty-two percent of all small business originations have gone to businesses with less than $1 million in annual revenues. In addition, 75% of the loans were less than $100 thousand in size.

Consumer Lending: The bank has done a very good job of making loans to LMI individuals. As a percentage of total consumer originations, more than 47% have been made to LMI borrowers. This exceeds the 40% of total LMI families in the MSA. Again the bank has performed exceptionally well in responding to the needs of the low-income borrowers in that 27% of all consumer loans have gone to this group versus the market demographics of 23%.

Community Development Lending Activities: BANTSA's community development activities are strong as it made thirty-seven loans exceeding $32 million, mostly for

affordable housing. The affordable housing projects provided 1,047 low-income housing units, helping to meet one of the more critical needs within the assessment area. In addition, the bank made six economic development loans through the SBA program for $10.4 million.

INVESTMENT TEST

Investments total $64.4 million. Approximately $56 million of the total investments were made prior to 1996. The investments consist of 58 community development grants totaling $526 thousand and 62 affordable housing tax credits for almost $64 million BANTSA's level of investment is very strong and demonstrates a good responsiveness to community economic development needs. The nature of several affordable housing investments is complex since they are a part of multiple financing layers and involve significant efforts by the bank.

SERVICE TEST

BANTSA's overall performance in the Los Angeles assessment area is very strong. Of note is the outstanding level of community development services provided by senior management in this assessment area.

The bank's delivery systems are reasonably accessible to all portions of the assessment area. While the percentage of branches in low-income areas approximates census tract distribution, there is a disparity in the percentage of branches in moderate-income tracts. Changes in branch locations have not improved this disparity but generally have not adversely impacted the overall accessibility of the bank's delivery systems. There have been five closures in low-income tracts and two closures in moderate-income tracts. Two in-store branches are located in moderate-income tracts. BANTSA has no in-store branches in low-income areas.

Bank personnel provided an outstanding level of community development services in this MSA. Examples of these services include: Branch managers and staff in San Pedro have provided technical assistance to the Chamber of Commerce in planning the annual small business expo and worked with the YMCA to assist with a capital campaign to increase daycare and elderly services. The manager of Highland Park branch serves on the board of Esperanza Community Housing Corporation. Staff at the Inland Valley branch is on an organizing committee helping to form a development bank to provide loans to unbankable and startup businesses. Managers in the Norwalk, Santa Fe Springs and San Pedro branches provided financial education to students, seniors and social security recipients. The manager of the Van Nuys branch works with a network of Hispanic small business owners in LMI areas. The manager from the Wilshire Center branch serves on the Board of Directors of the Korean Youth Community Center, a leading nonprofit organization that provides extensive services to the surrounding community.

Donald Mullane serves on several boards in the Los Angeles MSA covering a range of needs. Mr. Mullane serves as chairman of the Southern California Business Development Corporation. The group is a small business development loan fund formed by a consortium of banks in Los Angeles for loans to small businesses in a low-income area bounded by downtown and South Central Los Angeles. He also serves as Vice Chairman of the Los Angeles Blue Ribbon Committee on Slum Housing. This committee was formed to assess the needs and solutions for blighted properties in low-income areas of Los Angeles. He serves as a board member for Skid Row Housing Trust and the Associated Property Management Company.

Susan Howard, CRA Officer - California Region, also serves on a variety of boards in the Los Angeles region. She is Board Chair for the Coalition for Women's Economic Development, a microloan fund and technical assistance program. She also serves as a member of the Loan Committee of the Los Angeles Local Development Corporation. The committee approves loans to businesses that do not qualify for standard bank financing. In addition, she is a member of the Funders Committee of the Los Angeles Collaborative for Community Development. The Collaborative is a committee of private funds administered by the Los Angeles office of LISC to provide operating support to community development corporations developing affordable housing in Los Angeles. She also addresses affordable housing needs as a Board Advisor for Pasadena Neighborhood Housing Services.

Especially noteworthy is BANTSA's participation in the Academy of Finance in Los Angeles. Ruth Hannan, Vice President and Danielle Campos, Corporate Education Officer serves on the Academy of Finance Advisory Board in the Los Angeles School District. The Academy provides work-based training for LMI students in the LA school district. The bank is a long-time supporter of the Fochet Learning Center, one of the training programs sponsored by the Academy. Fochet is located in South Central Los Angeles, a low-income community.

Modesto MSA #5170

Description of Institution's Operations in Modesto:

The Modesto MSA is comprised of Stanislaus County. It is located in the northern San Joaquin Valley area of the state.

BANTSA is one of the largest banks in the area. The bank has nine branches and 29 ATMs in the cities of Ceres, Modesto, Oakdale and Turlock. The Bank has had a presence in the MSA since 1917.

The need for small business loans, home improvement loans, and residential loans present the major lending opportunities in the county. The improvement of the older single family housing stock is a countywide priority.

Conclusions with Respect to Performance Tests in Modesto:

BANTSA's geographic lending pattern and responsiveness to community development needs is reasonable.

BANTSA's response to the credit needs of low-and moderate-income people is good.

Investment activities in the MSA were nominal.

BANTSA's delivery systems are readily accessible to all portions of the assessment area, but community development services are limited.

LENDING TEST

BANTSA was the fourth ranked residential and small business lender in the Modesto MSA during the review period. The bank's origination of residential loans corresponded to a 4.7% overall market share. Their small business market share amounted to 10%. Total originations for the review period exceeded $118 million.

Geographic Distribution:

Residential Lending: BANTSA geographic distribution of loan originations within the Modesto MSA is reasonable. Our analysis is based on 1996 market share data. In that year, 13% of the bank's residential loans were made in LMI census tracts. This lending pattern exactly matches the market average, but falls slightly below the 16% of assessment area census tracts which are designated LMI. The bank's residential lending pattern more closely matches the 14% of owner-occupied homes which are located in LMI census tracts.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable. In 1996, the bank made 18% of its small business loans in LMI census tracts. The bank's lending pattern falls below demographic information which shows 23% of small business are located in LMI census tracts. At the same time, the market average for small business loans in LMI census tracts was 20%.

Consumer Lending: The bank's geographic distribution of consumer loans is reasonable. During the review period, it made 16% of its consumer loans in LMI census tracts. Comparatively, this matches the 16% of the census tracts that are designated LMI. The average consumer loan in the assessment area was slightly over $6 thousand.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. The bank was the market leader in 1996 with an 11% market share of residential loans to low-income borrowers. It ranked second in residential loans to moderate-income borrowers with a market share of 6%. The bank also out performed the market average for residential lending to LMI borrowers. BANTSA made 9% of residential loans to low-income borrowers and 23% were made to moderate-income borrowers. The market average figures were 4% and 17%, respectively. However, these figures do not compare favorably to the 38% of the population designated LMI.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, 91% of the bank's small business loans were less than $100 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 42% of the consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

Community Development Lending Activities: BANTSA's community development lending is reasonable. The bank made three community development loans exceeding $4 million. The proceeds from these loans were used to provide 48 low-income housing units, a major need within the assessment area.

INVESTMENT TEST

BANTSA's investment activities in the Modesto MSA were nominal. The bank made two grants totaling $6 thousand during the review period. They were provided to community groups which promote economic development. This is an identified need in the area.

SERVICE TEST

BANTSA's performance in the Modesto assessment area is reasonable. Delivery systems are readily accessible to all portions of the MSA. The MSA contains nine branches, four of which are located in moderate-income census tracts. This substantially exceeds the 16% of all census tracts which are located in LMI census tracts. No branches were opened or closed in the Modesto MSA during the review period.

The bank has performed only one community development service in the Modesto MSA. A Branch Manager serves on the Economic Development Committee for the City of Modesto. This committee reviews business loan applications for applicants in low-income census tracts.

Oakland MSA #5775

Description of Institution's Operations in Oakland:

The Oakland MSA is comprised of Alameda and Contra Costa counties. It is located across the bay from San Francisco and is known as the East Bay area. The area is diverse and is comprised of both urban and suburban geographies.

BANTSA is one of the largest banks in the MSA. It has 77 branches and 292 ATMs in over thirty cities.

Opportunities in single family housing, consumer loans and small business loans abound in the area. Affordable housing needs are a major issue in Alameda County and is critical in Oakland. Only 42% of the population of the MSA can afford to own a home. In addition, a lack of viable affordable housing projects has produced fierce competition between financial institutions and nonprofit groups.

Conclusions with Respect to Performance Tests in Oakland:

The geographic distribution of BANTSA's residential loans was good.

BANTSA did a good job lending to LMI people, but community development lending was nominal due to activities conducted by BACDB.

BANTSA made a significant level of community development investments.

BANTSA's delivery systems are readily accessible to all portions of the MSA, and the level of community development services is reasonable.

LENDING TEST

In 1996, BANTSA was the leading residential lender in the MSA with an overall market share of 10%. For this same period the bank was the number two small loan originator. Over the entire review period the bank made 10,121 residential loans totaling $1.4 billion. Its total originations for the review period exceeded $2 billion.

Geographic Distribution:

Residential Lending: BANTSA's geographic distribution of loan originations in the MSA is good. Our market analysis is based on 1996 data. In that year, the bank ranked first in residential lending to LMI census tracts. BANTSA made 12% of its residential loans in LMI census tracts. This lending pattern was close to the market average, but falls below the 31% of census tracts which are designated LMI. The bank's residential lending pattern

more closely matches the 17% of owner-occupied homes which are located in LMI census tracts.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable. During the review period, the bank made 23% of small business loans within LMI census tracts. The bank's lending statistics fall below demographic information which shows 30% of small businesses are located in LMI census tracts. However, their performance approximates the market average which was 24% in 1996.

Consumer Lending: The geographic distribution of consumer loans is reasonable. During the review period, the bank made 26% of consumer loans in LMI census tracts. Comparatively, 31% of census tracts were designated LMI. The average consumer loan in the assessment area was slightly over $8 thousand.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making home loans to LMI borrowers. The bank was the market leader in 1996 with a 12% market share of residential loans to low-income borrowers and a 9% market share to moderate-income borrowers. The bank also outperformed the market average for residential lending to LMI borrowers. Low-income borrowers received 7% of the bank's residential loans. An additional 14% of residential loans were made to moderate-income borrowers. The market average figures were 5% and 15%, respectively. However, these figures do not compare favorably to the 38% of the population designated LMI.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, 91% of the bank's small business loans were less than $100 thousand. In addition, the bank's average small business loan was only $64 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 42% of the consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

Community Development Lending Activities: BANTSA did not make any community development loans in this assessment area as these activities are provided through the bank's affiliate BACDB.

INVESTMENT TEST

BANTSA made a significant level of qualified community development grants and investments in the Oakland MSA. Furthermore, the targeting of investments towards affordable housing demonstrates a strong response to a community problem. The bank

made forty grants to community groups which totaled $298 thousand. The grants were made to promote both affordable housing and economic development in mostly low-income census tracts. In addition, the bank had qualifying low income housing tax credits with outstanding balances of more than $15 million. These tax credits are associated with nineteen different affordable housing projects in mostly low-income census tracts. In addition, the bank purchased a $2 million bond as part of the Merrill Community Capital Fund. This is part of a complex multi-layer affordable housing project. Lastly, the bank owned a qualifying Public Housing Authority Bond with a book value of $319 thousand.

SERVICE TEST

BANTSA's performance in the Oakland assessment area is reasonable. Delivery systems are readily accessible to all portions of the MSA. The distribution of the bank's seventy-seven branches is slightly under demographic census tract statistics. Specifically, 8% of the branches are in low-income census tracts and 18% are in moderate-income census tracts. Comparatively, demographic information revealed that 11% and 21% of the census tracts were designated LMI, respectively.

The bank closed four branches in the Oakland MSA during the review period. Although three of these branches were located in moderate-income census tracts, the overall accessibility to branch services was not significantly affected. In each case, the branches were consolidated into another branch less than one mile away. Two of the branches were consolidated into branches which were also in moderate-income census tracts. Bank management conducted an analysis of each branch and based the closures on business concerns. The other branch which closed was located in an upper-income census tract.

The level of community development services is reasonable. A bank officer serves as Board Chairman of the Alameda County Private Industry Council. The council funds job training for low-income and hard to serve county residents. Another officer is Treasurer of the Downtown Berkeley Association. This organization helps to redevelop downtown Berkeley, which includes LMI areas. The bank's CRA Officer serves on the Board for the Easy Bay Asian Local Development Corporation and Oakland Sharing the Vision. Both of these groups promote economic development and affordable housing in LMI census tracts in Oakland. The CRA Officer also serves on a steering committee for the Community Economic Development Support Collaborative. This group provides funding and technical assistance for nonprofit CDC's that provide job training and employment for low-income residents in communities throughout San Francisco and the East Bay.

Orange County MSA #5945

Description of Institution's Operations in Orange County:

Orange County is the second most populated county in Southern California and the fifth most populated county in the country. It is located east of Los Angeles County, northeast of San Diego County and west of Riverside and San Bernardino Counties. The county is primarily suburban in nature with several large cities and limited rural areas in its eastern portion. The El Toro (Camp Pendleton) Marine Base makes up most of the southern part of the county.

BANTSA is the largest bank in the county. It has 91 branch offices and 338 ATMs in thirty-four cities. The BANTSA has had a presence in Orange County since 1925.

Orange County achieved notoriety by filing for bankruptcy in December 1994. The bankruptcy has resulted in the loss and elimination of many services to low-income residents. Many county residents work in nearby Los Angeles County. The MSA is a center for retail and service industries. Housing is still a viable industry within the MSA with more than ten thousand building permits issued during 1996, 47% were for multi-family projects. The county wide affordability factor for home ownership is 42%. In 1995, the MSA was the third most expensive housing market in the country.

LMI households have a high housing cost burden as they pay more than 30% of their household income to cover their primary housing expense. In fact, 51% of the households within the county are experiencing some type of housing problem. The need for home improvement is an issue in 50% of the very low- and low-income owner-occupied households.

Orange County does not have a public housing program. Rental assistance is provided by the county's Housing and Redevelopment Function. Approximately 6,600 households are assisted by this program. There are substantial barriers to the construction or preservation of affordable housing. Barriers include land use and design restrictions, zoning regulations and opposition by local officials or residents. The county seeks to counter the barriers by educating residents about affordable housing and through incentives, such as density bonuses in developments.

Conclusions with Respect to Performance Tests in Orange County:

- **BANTSA's lending activity exhibits adequate responsiveness to the MSA's credit needs, in particular to LMI individuals seeking residential and consumer loans.**

- **BANTSA's community development lending has provided low-income affordable housing units that support one of the MSA's major needs.**

- **BANTSA's geographic loan distributions for all products reflect weak penetration in LMI geographies.**

- **BANTSA's investment volumes are very weak.**

- **BANTSA's delivery systems are reasonably accessible to all portions of the MSA, but the bank has not provided any community development services.**

LENDING TEST

BANTSA is the top residential lender in the MSA with an 8% market share, of all loan originators for all HMDA reporters in 1996. For this same period the bank was the number four small business lender with a 16% market share. During the review period, the bank made 7,628 residential loans for more than $1.2 billion and total originations period exceeded $2 billion. The bank has made loans throughout the entire market area.

Geographic Distribution:

Residential lending: BANTSA's geographic distribution of loan originations reflects weak penetration in the MSA's LMI census tracts. The bank's overall distribution during the review period is consistent with its performance in 1996. Geographically, the bank has a low concentration of loans in LMI geographies. In 1996, its market share in low-income tracts is 3% and its market share in moderate-income tracts is 5%. The bank made only 8% of its residential loans in LMI geographies. This is significantly below the market average of 14%. It is also less than the 18% of owner-occupied units located in LMI census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is slightly below market statistics but is considered reasonable. In 1996, the bank had 28% of its loans in LMI census tracts while the market was at 30%. In addition, 33% of small businesses are in LMI geographies. The bank's 1997 year-to-date performance decreased slightly with its LMI lending now at 26%.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the assessment area. The bank has under performed market demographics in making loans in LMI census tracts. It made 18% of its consumer loans in LMI geographies. This is below market demographics of the 27% LMI census tracts.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI individuals. Its overall distribution during the review period is consistent with the bank's performance in

1996. The bank's market share of loans to low-income borrowers at 10% significantly exceeds its overall market share of 8%. Further, its lending to moderate-income borrowers is comparable to its overall market share. The bank made more than 7% and 14% of its residential loans to LMI individuals, respectively. This exceeds the market average distribution to low-income borrowers of 5%, but falls below the market average distribution to moderate-income borrowers of 17%. As seen from these numbers, the bank has performed particularly well at responding to the credit needs of the low-income individuals.

Small Business Lending: BANTSA made 77% of its small business originations went to businesses with less than $1 million in annual revenues. In addition, 93% of the loans were less than $100 thousand in size.

Consumer Lending: The bank has done a very good job of making loans to LMI borrowers. It made 48% of its consumer originations to LMI borrowers. This compares favorably with the 38% LMI families in the MSA. Again the bank performed exceptionally well in responding to the credit needs of low-income individuals as 33% of its consumer loans went to this group versus the market demographics of 19%.

Community Development Lending Activities: BANTSA made four loans totaling $5.4 million for affordable housing. These projects provided 184 low-income and 25 moderate-income housing units, helping to meet one of the more critical needs within the MSA. In addition the bank made five economic development loans through the SBA 504 program for $8 million.

INVESTMENT TEST

BANTSA's investments total $9,500 and consist of five community development grants. This level of investment reflects nominal responsiveness to community economic development needs.

SERVICE TEST

BANTSA's service performance in the MSA is weak. Delivery systems are reasonably accessible to essentially all portions of this MSA. Branches in low-income census tracts slightly exceed market demographics. However, the bank is 25% below the market demographics in moderate-income census tracts, 18% versus 24%. Changes in branch locations have generally not adversely affected the accessibility of the bank's delivery systems. BANTSA closed one branch in a middle-income tract serving a moderate-income client base. The bank did not provide any community development services in this MSA.

Riverside/San Bernardino MSA #6780

Description of Institution's Operations in Riverside/San Bernardino:

The Riverside MSA consists of Riverside and San Bernardino Counties. It is surrounded by the Los Angeles, Orange and San Diego MSAs, the Eastern California Rural Area, Imperial County and the state of Arizona. The Riverside and San Bernardino urban areas dominate the MSA. San Bernardino County has the largest land area of any county in the continental U.S. with an area of 20,000 square miles. The area includes inland valleys, the San Gabriel Mountains and the Mojave Desert.

BANTSA has had a presence in the area since 1923. It operates 69 branches, 296 ATMs and other offices and employment centers in forty-five cities throughout the MSA.

The MSA was seriously impacted by the recession of the early 1990's. The area, once a popular location for people seeking to escape Los Angeles County, has been slow to recover. The MSA has a 57% affordability factor for home ownership. As with other parts of the State base closures and restructuring have adversely impacted the MSA's economy.

San Bernardino's low-income population faces serious housing challenges. Even with the decline in house prices and an 18% vacancy factor in the county, many low-income households are unable to afford housing. The county's Housing Authority owns and manages two thousand units on 12 sites. There are more than 1,800 applicants on the waiting list for public housing, a two to three year wait. More than 2,400 low-income households receive assistance through the Section 8 Rental Assistance Program.

Conclusions with Respect to Performance Tests in Riverside/San Bernardino:

- **BANTSA's lending activity exhibits good responsiveness to the MSA's credit needs, in particular to low-income individuals seeking residential loans.**

- **The bank's good level of community development lending has produced a number of low-income affordable housing units that support one of the MSA's major needs.**

- **BANTSA's loan distribution, both geographically and to borrowers of different income levels, has been good.**

- **The bank's volume of investments is good and has been responsive to community housing development needs.**

- **BANTSA's delivery systems are reasonably accessible to all portions of the MSA but community development services have been provided on a limited basis.**

LENDING TEST

BANTSA is one of the top residential lenders in the MSA with a 4% market share. This includes all loan originators for HMDA reportable loans in 1996. For this same period the bank was a major small business lender with a 12% market share. During the review period, the bank made 4,777 residential loans for more than $362 million while total originations exceeded $858 million.

Geographic Distribution:

Residential lending: BANTSA's geographic distribution of loan originations reflects a reasonable penetration throughout the MSA. The bank's overall distribution during the review period is consistent with its performance in 1996. It has done a good job of making loans in LMI geographies. Geographically, the bank lending distribution in low-income areas is slightly lower than market demographics which is offset by its higher concentration of loans in moderate-income areas. The bank's market share in low-income tracts was 2% and its market share in moderate-income tracts was 6%. Its combined market share to LMI areas of 5% compares favorably to its total market share of 4%.

Small Business Lending: In 1996, BANTSA was generally in line with the market distribution of small business loans in LMI census tracts. Both the market and the bank had 23% of their loans in LMI census tracts. However, the distribution was below the market demographics as 29% of small businesses were in LMI census tracts. The bank's year-to-date 1997 performance matched the levels it achieved in 1996.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the MSA. The bank has done an adequate job of making loans in LMI census tracts. It made 18% of its consumer loans in LMI geographies. This is below market demographics as 32% are LMI census tracts.

Borrower Distribution:

Residential lending: BANTSA has done an excellent job in making loans to LMI borrowers. The bank's overall distribution during the review period is consistent with its performance in 1996. The bank's market share of loans to low-income borrowers at 9% is significantly higher than its overall market share of 4%. Its market share of loans to moderate-income borrowers of 5% is also higher than its overall market share. As a percentage of total residential loans, more than 12% and 17% have been made to LMI individuals, respectively. This significantly exceeds the market average to low-income borrowers of 5% and slightly exceeds the market average to moderate-income borrowers of 16%. This shows how effectively the bank has responded toward meeting the credit needs of the most economically disadvantaged individuals in this assessment area.

Small Business Lending: BANTSA made 80% of its small business loans to businesses with less than $1 million in annual revenues. In addition, 89% of the loans were less than $100 thousand in size.

Consumer Lending: The bank has done a good job of making loans to LMI individuals. It made 41% of its total consumer originations to LMI borrowers. This exceeds the 38% of LMI families in the MSA.

Community Development Lending Activities: BANTSA made six loans totaling $14.8 million for affordable housing and another three community development loans for $5 million through SBA programs. The affordable housing projects provided 502 low-income housing units, helping to meet one of the more critical needs within the assessment area. In addition, the projects produced ninety-five moderate-income units.

INVESTMENT TEST

BANTSA's investments total $17.6 million, of which $6.7 million were made prior to 1996. They consist of nine community development grants for $58 thousand, five investment tax credits totaling $7.6 million and two complex/innovative bond financing transactions for $10 million. These last two transactions involve affordable housing and are parts of multi-layer financing projects that took several years and the bank's initiative to pull together. The level of investments is very strong and provides a good response to community economic development needs.

SERVICE TEST

BANTSA's performance in this MSA is adequate. Bank branches in LMI census tracts are slightly below market demographics. Changes in branch locations have generally not adversely affected the accessibility of the bank's delivery systems. A total of ten branches were closed in this MSA, two of which were in moderate-income census tracts.

Community development services bank personnel participate in are very limited. The manager of the Indio branch serves as co-chair of the organizing committee for the Inland Empire Lender's CDC.

Sacramento MSA #6920

Description of Institution's Operations in Sacramento:

This MSA is located in the northern Central Valley. It is comprised of Sacramento, Placer and El Dorado Counties stretching to the Nevada border. The area is a balance between small cities and the city of Sacramento.

BANTSA is one of the largest banks in the area. It has operated in the area since 1921. It has 47 branch offices and 181 ATMS in twenty-two communities. The bank also operates regional facilities in the MSA including a consumer loan center, a check processing center and a commercial banking office.

The need for affordable housing and home improvement loans are important issues in the MSA. This is especially true in Sacramento, where an abundance of existing housing stock could be converted into affordable units. Lending opportunities also exist in all consumer and small business categories.

Conclusions with Respect to Performance Tests in Sacramento:

- **BANTSA's geographic distribution of loans is reasonable.**
- **BANTSA did a good job responding to community development needs and to the specific credit needs of LMI people.**
- **BANTSA provided a significant level of community development grants and investments.**
- **Delivery systems are readily accessible and bank management actively provided community development services.**

LENDING TEST

BANTSA was a leading residential originator in the Sacramento MSA during 1996, which corresponded to a 5.4% overall market share. In addition, the bank was a major small business lender over this same period with a 14% market share. For the entire review period the bank made 3,662 residential loans totaling $284 million. Total originations for the review period exceeded $600 million.

Geographic Distribution:

Residential Lending: BANTSA geographic distribution of loan originations within the MSA is reasonable. Our analysis is based on 1996 market data. In that year, the bank ranked

fifth and third in residential lending to LMI census tracts, respectively. BANTSA made 12% of its residential loans in LMI census tracts. This lending pattern matches the market average, but falls below the 27% LMI designated census tracts. The bank's residential lending pattern more closely matches the 15% of owner-occupied homes, which are in LMI census tracts.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable. During the review period, the bank made 22% of small business loans within LMI census tracts. This lending statistic compares closely to the market average for small business loans in LMI census tracts which was 24% in 1996. Market demographics reflect that 28% of small businesses were located in LMI census tracts.

Consumer Lending: The geographic distribution of consumer loans is reasonable. During the review period, the bank made 17% of consumer loans in LMI census tracts. Comparatively, 27% of census tracts were designated LMI. The average consumer loan in the assessment area was slightly over $8 thousand.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. In 1996, the bank was the market leader with a 10% market share of residential loans to low-income borrowers. The bank ranked third in residential loans to moderate-income borrowers with a 6% market share. It also outperformed the market average for residential lending to LMI borrowers. BANTSA made 10% of its residential loans to low-income borrowers and 19% of its loans to moderate-income borrowers. The market average figures were 5% and 16%, respectively. The bank's production figures compare relatively favorably to the population designated LMI.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, the bank made 91% of its small business loans less than $100 thousand. In addition, the bank's average small business loan was only $65 thousand.

Consumer Lending: The bank's record of consumer lending to LMI borrowers is good. During the review period, 41% of the consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

Community Development Lending Activities: BANTSA did not make any community development loans in this assessment area as these activities are provided through the bank's affiliate BACDB.

INVESTMENT TEST

BANTSA made a significant level of qualified community development grants and investments in the MSA. Furthermore, the targeting of investments towards affordable housing demonstrates a strong response to a pressing community problem. The bank made twenty-three grants to community groups which totaled $203 thousand. The grants were made to promote both affordable housing and economic development in LMI census tracts. In addition, the bank had two qualifying low-income housing tax credits with outstanding balances of over $7 million. The tax credits support affordable housing in Sacramento and Lincoln. The project in Lincoln is part of a very complex multi-layer financing deal. Lastly, the bank owned six qualifying Public Housing Authority bonds with a book value of $841 thousand.

SERVICE TEST

BANTSA's performance in the Sacramento assessment area is good. Delivery systems are readily accessible to all portions of the MSA. The MSA contains forty-seven branches, with 4% in low-income census tracts. An additional 15% of the branches are in moderate-income census tracts. These percentages fall slightly below the demographic statistics of 6% and 21%, respectively.

Branch openings and closings did not have a negative impact on LMI census tracts. During the review period, the bank closed six branches in the MSA, five were in middle-income census tracts and one was in an upper-income census tract. The bank opened two branches in upper-income census tracts and one in a middle-income census tract.

BANTSA has actively provided community development services in the Sacramento MSA. These services have promoted education, economic redevelopment and affordable housing. For example, a bank officer serves on an advisory committee to the City of Folsom's Redevelopment Agency to promote affordable housing. Another officer serves on the Greater Sacramento Round table which promotes redevelopment issues. The same officer works with the Sacramento Housing and Redevelopment Agency to promote affordable housing. Other officers have made presentations at the Vencil Brown School and at Natomas School to help educate youth about money and banking. Both schools are located in an LMI area. Other bank officers serve on neighborhood groups in Sacramento's LMI areas to promote affordable housing and economic revitalization.

Salinas MSA #7120

Description of Institution's Operations in Salinas:

The Salinas MSA is comprised of Monterey County. The area contains scenic coastline and expands into agricultural areas. It contains the small cities of Salinas, Monterey and Carmel.

BANTSA is the largest commercial bank in Monterey County. It has ten branches and 33 ATMs in nine cities. The bank has operated in Monterey County since 1921.

The need for affordable housing is a problem throughout the county. This includes rehabilitation of existing housing stock. A lack of land is cited as the foremost barrier to affordable housing as preservation of agricultural land is a priority. However, the cities of Monterey and Salinas are exploring alternatives that will eliminate or mitigate the barriers.

Conclusions with Respect to Performance Tests in Salinas:

- **BANTSA's geographic lending distribution and responsiveness to LMI borrowers are good.**
- **BANTSA made a significant level of community development grants and investments.**
- **Delivery systems are reasonable, however, BANTSA did not provide any community development services.**

LENDING TEST

BANTSA was the leading residential lender in the Salinas MSA during 1996 with a 13% overall market share. The bank is also a major small business lender with an 8% market share for this same time period. During the entire review period the bank made 1,518 residential loans totaling $194 million. Total originations for the review period exceeded $272 million.

Geographic Distribution:

Residential Lending: BANTSA geographic distribution of loan originations within the Salinas MSA is good. Our analysis is based on 1996 market share data. In that year, the bank ranked first in residential lending to moderate-income census tracts with 18% of the market. The bank also made 18% of the residential loans in moderate-income census tracts. This lending pattern exceeds the 13% market average of lending in moderate-income census tracts. However, the bank falls slightly below the 22% of census tracts

which are designated LMI. The bank's residential lending pattern exceeds the 12% of owner-occupied homes which are located in LMI census tracts. Only two of the MSA's census tracts are low-income. No loans were made in these two tracts by residential reporting institutions.

Small Business Lending: The geographic distribution of BANTSA's small business loans is good. During the review period, the bank made 26% of small business loans within LMI census tracts. This lending statistic compares favorably to demographics which showed 27% of small businesses were located in LMI census tracts. The market average for small business loans in LMI census tracts was also 27% for 1996.

Consumer Lending: The geographic distribution of consumer loans is good. During the review period, the bank made 27% of consumer loans in LMI census tracts. Comparatively, 22% of census tracts were designated LMI. The average consumer loan in the assessment area was $9 thousand.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. The bank was the market leader in 1996 with an 18% market share of residential loans to low-income borrowers. The bank also ranked first in residential loans to moderate-income borrowers with a 17% market share. The bank outperformed the market average for residential lending to LMI borrowers. BANTSA made 4% of its residential loans to low-income borrower census tracts and 13% were made to moderate-income borrowers. The market average figures were 3% and 9%, respectively. The bank's production figures do not compare favorably to the 37% of the population designated LMI.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, 88% of the bank's small business loans were under $100 thousand. In addition, the bank's average small business loan was only $74 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 42% of the consumer loans were made to LMI borrowers. Comparatively, 37% of the population is designated LMI.

Community Development Lending Activities: BANTSA did not make any community development loans in the Salinas MSA during the review period.

INVESTMENT TEST

BANTSA made a significant level of investments in the MSA. Specifically, the bank owned two low income housing tax credits totaling $3.7 million. This is a large investment in

relation to the demographic make-up of the assessment area. In addition to the tax credits, the bank made three grants to two groups in Salinas. The grants totaled $2 thousand and promoted affordable housing and economic development. The level of investment provides reasonable responsiveness to community economic development needs.

SERVICE TEST

BANTSA's performance in the Salinas assessment area is reasonable. Delivery systems are readily accessible to all portions of the MSA. The bank has ten branches in the assessment area. One branch is located in a low-income census tract and four are in moderate-income census tracts. This is double the demographic breakdown of census tract income levels within the MSA. The bank closed one branch in the MSA during the review period. This branch was located in an upper-income census tract. The bank did not provide or participate in any community development services in the MSA.

San Diego MSA #7320

Description of Institution's Operations in San Diego:

This MSA consists of San Diego County. The county is primarily urban and suburban, but has some rural areas in its northern sections. The major urban area of the county is the city of San Diego. There are several other smaller cities including La Mesa, Escondido, Oceanside, Chula Vista, National City, La Jolla, Ramona, and El Cajon.

San Diego is the sixth largest city in the country. The area has one eighth of the population of the state. It is a center for education and research with both public and private colleges and universities within the city. San Diego's economic base previously relied on defense and military spending. The area now has a more diverse economic base including a growing biotechnology industry, international trade, high tech manufacturing, professional services and tourism.

The city of San Diego has provided public funding for home ownership programs targeted toward low-income homebuyers. Also, the establishment of the San Diego Housing Trust Fund made support available for several low-income housing developers in the area. The affordable housing industry in the area experienced a "mini-boom" during the mid 1990's. Rents in the city are actually affordable and have not kept pace with either inflation or the increases in housing prices.

There are opportunities for loans in all of the consumer and small business areas. Competition is especially stiff for affordable housing loans and SBA Guaranteed loans.

BANTSA is the largest bank in the area. It has had a presence in San Diego since 1922. It serves the MSA with 76 branches and 274 ATMs.

Conclusions with Respect to Performance Tests in San Diego:

- **BANTSA's lending activity exhibits good responsiveness to the MSA's credit needs, in particular to LMI individuals seeking residential loans.**

- **Strong community development loan activities have produced a number of LMI affordable housing units that support one of the MSA's major needs.**

- **Investment volumes are good and have been responsive to community housing development needs.**

- **BANTSA's delivery systems are reasonably accessible to all portions of the MSA but community development services have been provided on a limited basis.**

LENDING TEST

In 1996, BANTSA was the top residential lender in the MSA with a 6% market share. This includes all loan originators reporting under HMDA. During this same time, the bank was the number two small business lender with an 18% market share. Its total originations for the review period exceeded $1.4 billion.

Geographic Distribution:

Residential lending: BANTSA geographic distribution of loan originations reflects good penetration throughout the MSA, consistent with the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done a good job of making loans in LMI geographies. Geographically, the bank has a good representation of loans in LMI geographies. In 1996, its market share of loans in low-income areas was 8% and its market share of loans in moderate-income areas was 6%. The bank made 13% of its residential loans in LMI geographies which is the same as the market average. However, it is slightly less than the 15% of owner-occupied units in LMI census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is good and consistent with the market demographics and market originations. The bank made 25% of its loans in LMI census tracts. This compares favorably to the MSA's small business demographics of 29% in LMI areas. In addition, in 1996, the market distribution of small business loans in LMI areas was at 24%.

Borrower Distribution:

Residential Lending: BANTSA has done an excellent job making loans to LMI borrowers. The bank's overall distribution during the review period is consistent with its performance in 1996. During that time, the bank's market share of loans to low-income borrowers was 13%, significantly higher than its overall market share of 6%. Its market share of loans to moderate-income borrowers at 8% was also higher than its overall market share. The bank made 8% and 13% of its residential loans to LMI individuals, respectively. This significantly exceeds the market average to low-income borrowers of 3% and slightly exceeds the market average to moderate-income borrowers of 12%. This shows how effectively the bank has responded toward helping meet the credit needs of the most economically disadvantaged individuals in this MSA.

Small Business Lending: BANTSA has been effective in making loans to small businesses and in particular making small loans. During the review period, the bank made 82% of its all small business loans to businesses with less than $1 million in annual revenues. In addition, 95% of its loans were less than $100 thousand in size.

Consumer Lending: The bank has done a good job of making loans to LMI individuals. As a percentage of total consumer originations, 43% have been made to LMI borrowers. This exceeds the 39% of total LMI families in the MSA. Again the bank has performed exceptionally well in responding to the needs of the low-income borrowers in that 27% of all consumer loans have gone to this group versus the market demographics of 20%.

Community Development Lending Activities: BANTSA made eleven loans totaling $19 million for affordable housing. The projects provided 638 low-income and another 30 moderate-income housing units, helping to meet one of the more critical needs within the assessment area. In addition, the bank made two economic development loans for $3.2 million through the federal government's SBA program.

INVESTMENT TEST

BANTSA's investments total almost $14 million, of which $12.8 million were made prior to 1996. They include 19 community development grants for $159 thousand and ten investment tax credits for $13 million. In addition, the bank has an $800 thousand investment in an affordable housing project that is part of a large and complex multi-financing deal. The level of investment provides good responsiveness to community economic development needs.

SERVICE TEST

BANTSA's performance in the MSA is very strong. The bank has an excellent distribution of branches throughout the assessment area. Branches in LMI areas exceed market demographics by more than 15%. Changes in branch locations have not adversely affected accessibility. A total of six branches were closed, one was in a moderate-income census tract and five were in middle-income census tracts. The bank also opened a new branch in a moderate-income census tract, ten branches in middle-income census tracts and one branch in an upper-income census tract.

The MSA is considered the Retail Bank's "incubator." It is the area where various products and services are piloted first. The in-store bank model was first marketed in the MSA.

The bank provides an adequate level of community development services in the MSA. The manager of the Sorrento Valley branch serves on the Financial Budgeting committee of a local church. Staff from the branch at 42nd and El Cajon provide services to the San Diego Home Loan Counseling Service. Staff from the 2nd and Peach Street branches serve on the San Diego County Economic Development Council.

BANTSA has attempted to improve access for welfare recipients by running a pilot program. It launched a partnership with the County of San Diego to make Versatel checking accounts available to AFDC recipients. There is no charge for the accounts and

new customers receive training at the branch where they elect to open the account. The intent of the pilot is to encourage low-income people to use banks rather than check cashing services and to reduce non-customer traffic in branches.

San Francisco MSA #7360

Description of Institution's Operations in San Francisco:

This MSA is comprised of Marin, San Francisco and San Mateo counties. It is located in the north central part of the state. Much of the MSA is located along the Californi a coastline. The area is primarily urban and suburban in nature. The largest city in the area is San Francisco.

BANTSA is headquartered in San Francisco and is the dominant financial institution in the MSA. In addition to branches, the bank has several administrative offices and divisions located in all three counties. The bank has operated in San Francisco since its inception in 1904 as the Bank of Italy. It serves the MSA with 81 branch offices and 307 ATMs.

The MSA presents lending opportunities to meet consumer, small business, and housing needs. The San Francisco MSA is the most expensive area in the country to live. I n addition, only 9.3% of the population can afford to own homes. As most of the MSA is built out, new housing developments are primarily in-fill projects. This presents a particula r challenge to financial institutions, governmental and nonprofit groups operating in th e MSA.

Conclusions with Respect to Performance Tests in San Francisco:

- **BANTSA's geographic lending distribution is good.**
- **BANTSA has a good record of lending to LMI people and addressing community development needs.**
- **BANTSA made a significant level of qualified community development grants and investments.**
- **Delivery systems are readily accessible, but BANTSA has provided a nominal level of community development services.**

LENDING TEST

In 1996, BANTSA was the leading residential lender in the MSA with a 17% overall market share. For this same time period the bank was the number two small business lender with an 18% market share. During the review period, the bank made 10,689 residential loans totaling $2.2 billion. Total originations for the review period approximated $3 billion.

Geographic Distribution:

Residential Lending: BANTSA's geographic distribution of loan originations within the MSA is good. In 1996, the bank was the number one residential lender in the market and in LMI census tracts with a 15% and 13% market share, respectively. The bank made 1% of its residential loans in low-income census tracts and 11% in moderate-income census tracts. This is close to market averages of 1% and 12%, respectively. The bank's residential lending pattern approximates the 13% of owner-occupied homes which are in LMI census tracts.

Small Business Lending: BANTSA's geographic distribution of small business loans is good. During the review period, the bank made 36% of small business loans within LMI census tracts. This lending statistic exceeds market demographics which showed 29% of small businesses were located in LMI census tracts. In addition, the market average for small business loans in LMI census tracts was 33% in 1996.

Consumer Lending: The geographic distribution of consumer loans is good. During the review period, the bank made 25% of its consumer loans in LMI census tracts. Comparatively, 25% of census tracts were designated LMI. The average consumer loan in the assessment area was $9 thousand.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. The bank was the market leader in 1996 with a 21% market share of residential loans to low-income borrowers. The bank also ranked first in residential loans to moderate-income borrowers with a 18% market share. The bank outperformed the market average for residential lending to LMI borrowers. It made 5% of its residential loans to low-income borrowers and 12% were made to moderate-income borrowers. The market average figures were 4% and 11%, respectively. The bank's production figures do not compare favorably to the 38% of the population designated LMI.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, 88% of the bank's small business loans were under $100 thousand. In addition, the bank's average small business loan was only $79 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 44% of the bank's consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

Community Development Lending Activities: BANTSA made seven community development loans in the San Francisco MSA during the review period. These seven loans totaled $12 million and provided funding for affordable housing projects and economic development. A total of 150 LMI affordable housing units were produced,

providing one of the more critical needs within the assessment area.

INVESTMENT TEST

BANTSA made a significant level of qualified community development grants and investments in the MSA. Furthermore, the targeting of investments towards affordable housing demonstrates a strong response to a significant community problem. The bank made sixty-five grants to community groups totaling $618 thousand. The grants were made to promote both affordable housing and economic development in many LMI census tracts. In addition, the bank had fifteen qualifying low income housing tax credits with outstanding balances of nearly $19 million. These tax credits are associated with different affordable housing projects throughout the MSA. Lastly, the bank owned eleven qualifying Public Housing Authority bonds with an aggregate book value of $1.8 million.

SERVICE TEST

BANTSA's performance in the MSA is good. Its delivery systems are readily accessible to all portions of the MSA. The bank has eighty-one branches in this MSA, 10% are in low-income census tracts and 20% are in a moderate-income census tracts. Both figures exceed the MSA's demographic profile for LMI census tracts of 6% and 18%, respectively.

Branch closures did not have a negative impact on LMI census tracts. During the review period, the bank closed four branches in the MSA. Two were in middle-income census tracts and two were in upper-income census tracts.

BANTSA performed only one community development service in the MSA. A bank officer participates as Treasurer and board member of the Downtown San Mateo Association. This organization promotes economic redevelopment in downtown San Mateo. In addition, to this community development service, bank officers also participate in some regional and national community development programs which benefit parts of this MSA. These programs were mentioned under the California Service Test performance.

San Jose MSA #7400

Description of Institution's Operations in San Jose:

The San Jose MSA is comprised of Santa Clara County, which is located fifty miles south of San Francisco. It is home of Silicon Valley and is one of the highest income areas in the country. The city of San Jose is the largest urban area in the MSA.

BANTSA is the largest commercial bank in the MSA. In addition to a widespread branch network, the bank has a residential loan center and other offices in the county. The bank has been in the county since 1909. It serves the MSA with 52 branch offices and 204 ATMs.

Loans for housing and small businesses are the most pressing needs in the community. The lack of affordable housing has forced many individuals employed in Silicon Valley to move to adjoining counties. The county has several developers active in building affordable housing.

Conclusions with Respect to Performance Tests in San Jose:

- **BANTSA's geographic lending distribution is reasonable.**
- **BANTSA has done an excellent job lending to LMI individuals and providing community development loans.**
- **BANTSA made a reasonable level of qualified community development grants and investments.**
- **Delivery systems are accessible to all portions of the MSA, and bank management has provided a high level of community development services.**

LENDING TEST

BANTSA was the leading residential lender in the San Jose MSA during 1996, with a 12% overall market share. In addition, the bank was a major small business lender with a 16% market share over the same time period. The bank made 8,962 residential loans totaling $1.6 billion during the entire review period. Total originations for the review period exceeded $2.2 billion.

Geographic Distribution:

Residential Lending: BANTSA geographic distribution of loan originations within the San Jose MSA is reasonable. Our analysis is based on 1996 market share data. In that year,

the bank ranked first in residential lending to both LMI census tracts with 13% and 10% of the market, respectively. The bank made 1% of residential loans in low-income census tracts and 10% in moderate-income census tracts. This is close to market averages. LMI census tracts comprise 3% and 15% of the MSA, respectively. The bank's residential lending pattern falls below the 15% of owner-occupied homes which are located in LMI census tracts.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable. During the review period, the bank made 26% of small business loans within LMI census tracts. This lending statistic is slightly under demographic information which showed 29% of small businesses were located in LMI census tracts. The market average for small business loans in LMI census tracts was 32% in 1996.

Consumer Lending: The geographic distribution of consumer loans is good. During the review period, the bank made 24% of consumer loans in LMI census tracts. Comparatively, 18% of census tracts were designated LMI. The average consumer loan in the assessment area was $10 thousand.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. The bank was the market leader in 1996 with a 13% market share of residential loans to low-income borrowers. The bank also ranked first in residential loans to moderate-income borrowers with a 10% market share. The bank outperformed the market average for residential lending to LMI borrowers. It made 6% of its residential loans to low-income borrowers and 14% to moderate-income borrowers. The market average figures were 4% and 15%, respectively.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, it made 90% of its small business loans under $100 thousand. In addition, the bank's average small business loan was only $71 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 43% of the consumer loans were made to LMI borrowers. Comparatively, 38% of the population is designated LMI.

Community Development Lending Activities: BANTSA made ten community development loans in the MSA during the review period. These loans totaled $26 million and promoted affordable housing projects and economic development. These projects produced 260 LMI affordable housing units, helping meet one of this MSA's critical needs.

INVESTMENT TEST

BANTSA made a reasonable level of qualified community development grants and investments in the MSA. Furthermore, the targeting of investments toward affordable housing demonstrates a focused response to a significant community problem. The bank made eleven grants to community groups which totaled $87,500. The grants were made to promote both affordable housing and economic development throughout the assessment area. In addition, it has three investments with outstanding balances of $5.3 million. Two of the three projects are part of multi-layer financing deals that took several years and initiative on the part of the bank to pull together. All three projects support LMI affordable housing, a key need in this area.

SERVICE TEST

BANTSA's performance in the MSA is excellent. Its delivery systems are readily accessible to all portions of the MSA. The bank has fifty-three branches in the MSA, with 8% in low-income census tracts and 15% in middle-income census tracts. These figures exceed MSA demographic statistics which list low-income census tracts at 3% and moderate-income census tracts at 15%.

Branch closures did not have a significant negative impact on LMI census tracts. The bank closed two branches in the MSA during the review period. One branch was located in a middle-income census tract and the other was in a moderate-income census tract. The closed branch in the moderate-income tract was located in Campbell. It was consolidated into an existing branch less than a mile away.

Bank officers provided a high level of community development services within the MSA. These services promoted economic development, affordable housing, and financial education to LMI people throughout the MSA. For example, a bank officer is Treasurer of the East Side Hispanic Chamber of Commerce. This group promotes economic development in East San Jose, which is a LMI area. Another officer serves on the board of Growth and Opportunities, Inc. This organization promotes affordable housing and other loans to low-income people. Two other officers worked with the Hispanic Chamber of Commerce's "Bridge 97 conference" which educated LMI people regarding financial planning and lending. Lastly, an officer provides ongoing technical assistance to the Center to Develop Women Entrepreneurs. Many of Center's clients are LMI.

San Luis Obispo-Atascadero-Paso Robles (SLO) MSA #7460

Description of Institution's Operations in SLO:

This MSA is comprised of San Luis Obispo County. The area's two largest cities are San Luis Obispo and Paso Robles. There are several smaller cities including Atascadero, Grover Beach and Pismo Beach. The county has experienced steady growth. It is dominated by the state university and agriculture in the surrounding cities and rural areas.

BANTSA has a moderate presence in San Luis Obispo County. It has eight branches and 28 ATMs in nine cities. The bank has operated in the county since 1921.

The area is unique in that it has few low-income census tracts. Many of the low-income county residents are farm workers. Housing costs are an issue here as in other parts of the state. The population has grown steadily since 1980, and housing costs have increased accordingly. However, the recession of the early 1990's has had a profound impact on housing prices in the area. Development in the area continues with market rate projects, as well as low-income projects sponsored by a large local nonprofit developer. Despite the reduction in housing prices, home ownership still remains beyond the reach of most low-income county residents. The county has targeted downpayment assistance as one of its major areas of usage for HUD funds.

Housing opportunities for renters are available primarily through the Section 8 Rental Assistance Program. More than 1,600 residences are covered by Section 8 certificates with a waiting list of over 1,400 names. In contrast, the county has only 169 public housing units, with an extremely low vacancy factor. Impact fees on new developments remain the greatest impediments to new affordable housing development in the county.

BANTSA while having a moderate presence in the area, has found that lending opportunities exist in all consumer, business, and housing related loan categories.

Conclusions with Respect to Performance Tests in SLO:

- **BANTSA's lending activity exhibits adequate responsiveness to the MSA's credit needs, in particular to low-income individuals seeking residential and consumer loans.**

- **Overall loan distribution, while weak geographically, has been strong to borrowers of different income levels.**

- **BANTSA has not provided any investments in this area, but demand is nominal.**

- **BANTSA's delivery systems are accessible to all portions of the MSA but community development services have been weak.**

LENDING TEST

BANTSA is a major residential lender in the MSA with a 5% market share, ranking near the top of all loan originators for all HMDA reporters in 1996. For this same time period the bank had a 9% market share of all small business loan originations. The bank made 488 residential loans for more than $43 million during the review period. Total originations for the review period almost totaled $92 million.

Geographic Distribution:

Residential lending: BANTSA's geographic distribution of loan originations reflects reasonable penetration throughout the MSA, consistent with the demographic patterns. As shown in the state demographic profile this MSA has no low-income census tracts. Overall distribution during the review period, is consistent with the bank's performance in 1996. The bank has done an adequate job in making loans in moderate-income geographies achieving a market share of 4% versus their overall share of 5%. As a percentage of total residential loans, 5% have been made in moderate-income geographies. This is below the market average of 7%. It also is below the 7% of owner-occupied units located in moderate-income census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is below both the market demographics and average market performance. The bank had 6% of its loans originated in moderate-income geographies. This compares to small business demographics of 11%. In addition, the market distribution of small business loans in moderate-income census tracts for 1996, excluding BANTSA, was 10%.

Consumer Lending: Consumer originations also reflect weak penetration in the moderate-income geographies in this assessment area. Only 7% of all consumer loans have been originated in moderate-income geographies versus the 12% total of moderate-income census tracts.

Borrower Distribution:

Residential lending: BANTSA has done a good job in making loans to LMI individuals. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 10% is double its overall market share. Loans to moderate-income borrowers is slightly higher than its market share at 8%. As a percentage of total residential loans, 5% and 17% have been made to LMI individuals, respectively. This significantly exceeds the market averages, excluding BANTSA, of 3% and 11%, respectively. The bank has performed particularly well at meeting the needs of the low-income borrowers.

Small Business Lending: BANTSA has been effective in making loans to small businesses and in particular making loans of small dollar amounts. The bank made 89% of its small business loans to businesses with less than $1 million in annual revenues. In addition , 93% of the small business loans were less than $100 thousand in size.

Consumer Lending: The bank has done a very good job of making loans to LMI individuals. As a percentage of total consumer originations, 46% have been made to LMI borrowers. This compares to the 37% of total LMI families in the MSA.

Community Development Lending Activities: BANTSA made four loans totaling $6.3 million for affordable housing. The projects provided 352 low-income housing units , helping to meet one of the more critical needs within the assessment area.

INVESTMENT TEST

BANTSA did not make any investments in this assessment area. This level of investment appears weak and indicates a weak response to community economic development needs.

SERVICE TEST

BANTSA has provided service at an adequate level in this assessment area. The bank's delivery systems are reasonably distributed throughout the assessment area. This MSA does not contain any low-income census tracts and only 12% of the tracts are moderate. The bank slightly exceeds market with 13% of its branches located in moderate-income census tracts. The one branch closure occurred in a middle income census tract. There have been no community development services reported in this MSA.

Santa Barbara MSA #7480

Description of Institution's Operations in Santa Barbara:

The Santa Barbara MSA is located along the central coast of California. Land use is widely diverse, ranging from scenic seaports to rich agricultural soil to parcels of arid land. The City of Santa Barbara is the commercial, financial, and governmental center of the County.

BANTSA has a strong presence in the MSA. It has been operating the MSA since 1921. It serves the MSA with ten branch offices and 46 ATMs.

Due to the declining industries of aerospace and defense, the MSA has lost several thousand jobs. Economic conditions have resulted in the cut back of various levels of government services. These cutbacks in employment have led to a decline in property values, foreclosures and forced sales of homes. The households tend to be concentrated in certain areas of Santa Barbara, primarily the downtown area, and the Eastside and Westside areas. Since 1995, there has been a rise in business volume and property values are beginning to stabilize.

The City of Santa Barbara is one of the most expensive places to live in the United States. While home ownership costs have decreased, they continue to be out of reach for most households. Thus, affordable housing is a key MSA need.

Conclusions with Respect to Performance Tests in Santa Barbara:

- **BANTSA's lending activity exhibits adequate responsiveness to the MSA's credit needs.**
- **The bank's overall loan distribution, while weak geographically, has been good to borrowers and businesses.**
- **BANTSA has had no investment activity in this MSA.**
- **BANTSA's delivery systems are very accessible to all portions of the MSA but community development services have been weak.**

LENDING TEST

BANTSA is a major residential lender in the Santa Barbara MSA with an 8% market share, ranking near the top of all loan originators for all HMDA reporters in 1996. The bank is also a major small business lender with a 10% market share over this same period. The

bank made 957 residential loans for more than $176 million during the review period. Total originations for the review period totaled more than $241 million.

Geographic Distribution:

Residential lending: BANTSA geographic distribution of loan originations reflects reasonable penetration throughout the assessment area, consistent with the demographic patterns. As shown in the state demographic profile this MSA has only one low-income census tract. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done an adequate job in making loans in LMI geographies. LMI market share is 7% versus their overall share of 8%. As a percentage of total residential loans, 14% have been made in LMI geographies. This is below the market average, excluding BANTSA, of 16%, which is also the same percent of owner-occupied units located in LMI census tracts.

Small Business Lending: BANTSA's distribution of its small business loans is below both the market demographics and average market performance. The bank has 38% of its loans in LMI geographies. This compares to small business demographics of 44%. In addition, the market distribution of small business loans in LMI census tracts for 1996, excluding BANTSA, was 42%.

Consumer Lending: Consumer originations reflect strong penetration in LMI geographies in this assessment area. Almost 24% of all consumer loans have been originated in LMI geographies versus the 16% total of LMI census tracts.

Borrower Distribution:

Residential lending: BANTSA has done a good job in making loans to LMI individuals. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has performed particularly well at meeting the needs of the low-income borrowers. The bank's market share of loans to low-income borrowers at 13% is significantly more than its overall market share of 8%. Loans to moderate-income borrowers is the same as its market share at 8%. As a percentage of total residential loans, 7% and 14% have been made to LMI individuals, respectively. This compares to the market averages, excluding BANTSA, of 5% and 14%, respectively.

Small Business Lending: BANTSA has been effective in making loans to small businesses and in particular making loans of small dollar amounts. The bank made 84% of its small business originations to businesses with less than $1 million in annual revenues. In addition, 93% of the loans were less than $100 thousand in size.

Consumer Lending: The bank has done an excellent job of making loans to LMI individuals. As a percentage of total consumer originations, 54% have been made to LMI

individuals. This compares to the 38% of total LMI families in the MSA. In particular, the bank has performed exceptionally well in responding to the needs of the low-income borrowers in that 39% of all consumer loans have gone to this group versus the market demographics of 20%.

Community Development Lending Activities: BANTSA did not make any community development loans during the review period.

INVESTMENT TEST

BANTSA's made one community development grant for $5 thousand. The level of investment appears weak and indicates weak responsiveness to community economic development needs.

SERVICE TEST

BANTSA's performance in the Santa Barbara assessment area is good. The bank's delivery systems are accessible to essentially all portions the assessment area. Although BANTSA does not have any branches in low-income census tracts (only 1% of the total tracts are identified as low-income) 40% of its branches are in moderate-income areas while only 28% of the census tracts are moderate-income. There have been no branch closures.

Community development services are provided on a limited basis. The manager in the Goleta branch serves on the Board of Directors of a low-income housing organization.

Stockton MSA # 7500

Description of Institution's Operations in Stockton:

This MSA is located in the central San Joaquin Valley. The area is rural, but is rapidl y urbanizing as growth continues. Stockton is the largest population center in the county. BANTSA is one of the largest banks in the area, operating there since 1917. It serves the MSA with thirteen branch offices and 43 ATMs.

Affordable housing is a pressing need in the county. Wages and salaries have not kept pace with population growth resulting in a large population of residents unable to afford a home. However, several barriers exist which exacerbate the problem. These include zoning laws, low-growth ordinances and insufficient infrastructure.

Conclusions with Respect to Performance Tests in Stockton:

- **BANTSA's overall geographic lending distribution is good.**
- **BANTSA did a good job lending to LMI borrowers and addressing community development lending needs.**
- **BANTSA made a significant level of qualified community development investments.**
- **Delivery systems are readily accessible to all portions of the MSA, but BANTSA did not provide any community development services.**

LENDING TEST

BANTSA ranked sixth in residential lender in the MSA during 1996, with a 3.71% overall market share. In addition, the bank is a major small business lender with a 14% marke t share over this same time period. During the review period, the bank made 642 residential loans totaling $48 million. Of significance were the seven community development loans for $11 million. Total originations for the review period exceeded $131 million.

Geographic Distribution:

Residential Lending: BANTSA's geographic distribution of loan originations in the MSA is good. In 1996, the bank ranked fifth in residential lending to low-income census tracts with 7% of the market. Additionally, the bank ranked sixth in residential lending t o moderate-income census tracts with 5% of the market. The bank exceeded the market by making 2% of its residential loans in low-income census tracts and 24% in moderate - income census tracts. Comparatively, market information showed lenders made 1% o f

their loans in low-income census tracts and 19% in moderate-income census tracts. The bank's residential lending pattern also exceeded demographic information regarding the distribution of owner-occupied housing. MSA statistics indicate that 1% of owner-occupied housing is located in low-income census tracts and 21% is located in moderate-income census tracts.

Small Business Lending: BANTSA's geographic distribution of small business loans is good. During the review period, the bank made 31% of its small business loans in LMI census tracts. This lending statistic matches both market demographics and aggregate market originations.

Consumer Lending: BANTSA's geographic distribution of consumer loans is good. During the review period, the bank made 32% of its consumer loans in LMI census tracts. Comparatively, 30% of census tracts were designated LMI.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. The bank was a leader in 1996 with a 7% market share of residential loans to low-income borrowers. The bank ranked third in residential loans to moderate-income borrowers with a 5% market share. The bank outperformed the market average for residential lending to LMI borrowers. BANTSA made 8% of its residential loans to low-income borrowers and 21% to moderate-income borrowers. The comparative market average figures were 4% and 14%, respectively. Comparatively the demographic data shows that 39% of the population is LMI.

Small Business Lending: BANTSA has done a good job lending to a variety of small businesses. During the review period, 92% of the bank's small business loans were under $100 thousand. In addition, the bank's average small business loan was only $56 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 47% of the bank's consumer loans were made to LMI borrowers. Comparatively, 39% of the population is designated LMI.

Community Development Lending Activities: BANTSA made seven community development loans totaling $11 million in the MSA during the review period. These loans benefited affordable housing projects, producing 493 affordable housing units and meeting a critical need of the area.

INVESTMENT TEST

BANTSA made a significant level of qualified community development grants and investments in the MSA. It made seven grants to community groups totaling $58 thousand. The grants helped promote both affordable housing and economic development. The bank also has a qualifying low income housing tax credit with a balance of $2 million. This tax credit is associated with an LMI affordable housing project in Stockton.

SERVICE TEST

BANTSA's performance in the MSA area is reasonable. Delivery systems are readily accessible to all portions of the MSA. The bank has thirteen branches with 15% in low-income census tracts. This compares favorably with the MSA demographics which shows that 4% of census tracts are low-income. However, the demographics also show 25% of census tracts are moderate-income. Comparatively, only 8% of the bank's branches are in moderate-income census tracts. The bank did not close any branches in the MSA during the review period. In addition, the bank did not perform any community development services within the MSA.

Vallejo-Fairfield MSA #8720

Description of Institution's Operations in Vallejo-Fairfield:

This MSA is comprised of the counties of Solano and Napa. Located 50 miles northeast of San Francisco, the area is both suburban and rural. It is also home of the largest wine growing area in the state. The MSA contains three major cities: Vallejo, Fairfield and Napa.

BANTSA is the largest bank in the area. It operates sixteen branches and 56 ATMs in seven communities in Solano county and in three communities in Napa County. The bank has had a presence in the area since 1917.

Residential housing and small business sectors represent lending opportunities for banks in the MSA. The need for affordable housing is also a major issue in both counties. This includes multi-family construction and home improvement. Several nonprofit housing developers operate in the area. However, projects have been restricted by slow growth ordinances in the city of Napa. In addition, the city of Vallejo has been hard hit by the closure of the Mare Island Naval Shipyard. The negative economic impact has strained the ability of local government to assist in affordable housing projects.

Conclusions with Respect to Performance Tests in Vallejo:

- **BANTSA's geographic lending distribution is reasonable.**
- **BANTSA has done a good job lending to LMI individuals.**
- **BANTSA provided a significant level of qualifying community development grants and investments.**
- **The bank's delivery systems are readily accessible to all portions of the MSA, but it provided limited community development services.**

LENDING TEST

BANTSA ranked second in residential lending in the MSA during 1996, with a 6% overall market share. The bank is also a major small business lender with a 14% market share of all originations for this same time period. During the review period, the bank made 1,180 residential loans totaling $105 million. Total originations for the review period exceeded $203 million.

Geographic Distribution:

Residential Lending: BANTSA geographic distribution of loan originations within the MSA is reasonable. In 1996, the bank ranked second in residential lending to moderate-income census tracts with 6% of the market. The bank made 8% of residential loans in moderate-income census tracts, which matches the market average. However, this figure is below the 19% of MSA census tracts designated moderate-income. The bank's distribution more closely matches the 11% of owner-occupied homes located in LMI census tracts. Only 2% of the MSA's census tracts are low-income. Lending by the bank and its peers in these tracts is nominal.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable. In 1996 the bank made 15% of small business loans within LMI census tracts. This lending statistic falls below demographic information which showed that 21% of small businesses were located in LMI census tracts. However, the bank compares favorably with the overall market average in 1996 of 17%.

Consumer Lending: The geographic distribution of consumer loans is reasonable. During the review period, the bank made 13% of consumer loans in LMI census tracts. Comparatively, 21% of census tracts were designated LMI. The average consumer loan in the assessment area was $8 thousand.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. In 1996, the bank ranked first with a 13% market share of residential loans to low-income borrowers. The bank ranked second in residential loans to moderate-income borrowers with a 6% market share. The bank also outperformed the market average for residential lending to LMI borrowers. BANTSA made 8% of its residential loans to low-income borrowers and 15% were made to moderate-income borrowers. The comparative market average figures were 4% and 15%, respectively. The bank's production figures do not compare favorably to the 36% of the population designated LMI.

Small Business Lending: BANTSA did a good job lending to a variety of small businesses. During the review period, 88% of the bank's small business loans were under $100 thousand. In addition, the bank's average small business loan was only $69 thousand.

Consumer Lending: The bank's consumer lending to LMI borrowers is good. During the review period, 42% of the consumer loans were made to LMI borrowers. Comparatively, 36% of the population is designated LMI.

Community Development Lending Activities: BANTSA made one community development loan in the MSA during the review period. This loan for $140 thousand was used to fund an affordable housing project.

INVESTMENT TEST

BANTSA made a significant level of qualified community development grants and investments. The bank made five grants to community groups totaling $23 thousand. The grants were made to promote both affordable housing and economic development. In addition, the bank had a qualifying low income housing tax credit with a balance of $6.5 million. This tax credit is associated with an affordable housing project in St. Helena, helping to meet a major need in the area.

SERVICE TEST

BANTSA's performance in the MSA is reasonable. Delivery systems are readily accessible to all portions of the MSA. The bank has fifteen branches with 13% located in low-income census tracts and 19% in moderate-income census tracts. This distribution compares favorably to demographic statistics which list low-income census tracts at 2% and moderate-income census tracts at 19% of MSA totals. Only one branch was closed in the MSA during the review period. This branch was located in a middle-income census tract.

The bank provided limited community development services in this MSA. However, a bank officer serves on the Napa Valley Economic Development Corporation's loan committee. This organization makes small business loans to "non-bankable" individuals.

Ventura MSA #8735

Description of Institution's Operations in Ventura:

This MSA is comprised of Ventura County and is located north of Los Angeles along the coast. It has two major cities, Ventura and Oxnard and several small cities and suburban areas. The MSA also has fertile farmland located inland that is the home of many of the state's major citrus groves.

BANTSA is one of the largest banks in the area. It has operated there since 1918. The bank has 26 branches and 76 ATMs in twelve cities throughout the county.

Oxnard is the largest city in the MSA. The area has become one of the preferred locations to relocate from Los Angeles County, especially in the southern communities of Westlake Village and Thousand Oaks. The economy has experienced a decline as the result of the recession that affected the state in the early 1990's. Employment is centered in wholesale and retail trade, manufacturing, government and agriculture.

In 1996, the county issued 2,350 housing permits. None of the permits were for multi-family projects. More than 50% of the county's housing are single family units. Affordable housing is a need throughout the area. The county's two main cities have different approaches to meeting the needs of low-income renters. Ventura does not offer any public housing, while Oxnard provides support through its Housing Authority. Oxnard manages 780 units of public housing, 150 of which are for seniors. It also subsidizes 58 mobile home spaces through the Section 8 Rental Assistance Program. Both cities include housing rehabilitation in their HUD strategies.

Opportunities exist in all lending categories, especially small business loans and affordable housing. Affordable multi-family opportunities are limited by the number of nonprofits developers and local government support in the area.

Conclusions with Respect to Performance Tests in Ventura:

- **BANTSA's lending activity exhibits adequate responsiveness to the MSA's credit needs, in particular LMI individuals seeking residential and consumer loans.**

- **BANTSA has provided a reasonable level of investments in this area.**

- **BANTSA's delivery systems are accessible to all portions of the assessment area but community development services have been weak.**

LENDING TEST

BANTSA is a top residential lender in the MSA with a 6% market share, ranking near the top of all HMDA reporters in 1996. In addition, the bank is a major small business lender with a 17% market share for the same time period. During the review period, the bank made 1,659 residential loans for more than $253 million and total originations exceeded $400 million.

Geographic Distribution:

Residential lending: BANTSA's geographic distribution of loan originations shows a good penetration throughout the MSA and is consistent with the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done a reasonable job of making loans in LMI geographies. Its low-income market share is 4% and its moderate-income share is 5%. As a percentage of total residential loans, 17% were made in LMI geographies. This is slightly below the market average of 18%. It is also below the 21% of owner-occupied units located in LMI census tracts.

Small Business Lending: BANTSA's small business lending distribution is reasonable. The distribution of the number of the bank's small business loans in LMI census tracts at 26% approximates market origination statistics but is slightly below market demographics.

Consumer Lending: Consumer originations reflect reasonable penetration throughout the MSA, and slightly exceeds the market demographics for LMI census tracts. As a percentage of total consumer loans, 23% were made in LMI geographies versus the market demographics of 22%.

Borrower Distribution:

Residential lending: BANTSA did an excellent job of making loans to LMI borrowers. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's 11% market share of loans to low-income borrowers significantly exceeds its overall market share of 6%. Its share of moderate-income borrowers matches its overall market share. As a percentage of residential loans, more than 10% and 16% were made to LMI individuals, respectively. This significantly exceeds the market average of 5% to low-income borrowers and compares favorable with the market average of 17% to moderate-income borrowers. As seen from these numbers the bank has performed particularly well at meeting the needs of low-income borrowers.

Small Business Lending: BANTSA has been effective in making loans to small businesses and in particular, making loans of small dollar amounts. The bank made 80% of its small

business loans to businesses with less than $1 million in annual revenues. In addition , 95% of the loans were less than $100 thousand in size.

Consumer Lending: The bank has done a good job of making loans to LMI individuals . As a percentage of total consumer originations, 45% have been made to LMI borrowers. This compares very favorably with the 37% of total LMI families in the MSA.

Community Development Lending Activities: During the review period, BANTSA did not make any community development loans in the MSA.

INVESTMENT TEST

BANTSA's investments total $807 thousand and consist of three community development grants and one investment tax credit. The level of investment is adequate and is responsive to community economic development needs. The nature of the investments do not appear to be complex or innovative.

SERVICE TEST

Service test performance in this assessment area is weak. No significant disparities exist between the percentage of branches to census tracts in this MSA. There was one branch closure, located in an upper-income census tract. There have been no community development services delivered in this MSA.

Visalia-Tulare-Porterville MSA #8780

Description of Institution's Operations in Visalia-Tulare-Porterville:

This MSA is located in the heart of the San Joaquin Valley, midway between Los Angeles and San Francisco. Visalia is the county seat of Tulare County and is clearly the most populous city in the MSA.

BANTSA has had a presence in the MSA since 1921. It serves the MSA with ten branch offices and 20 ATMs.

Most of the small towns and cities in this MSA survive on the low tax-base of the residents. Many of them fall in the very low-, low-, and moderate-income levels. The primary cities in the MSA, Visalia, Tulare and Porterville, have diversified their labor markets to fuel the local economies. Many cities in the MSA are experiencing growth due to the conversion of agricultural land for housing. Population in this MSA is expected to double by 2010.

Housing affordability and the diversified economy have lured many people to various parts of the San Joaquin Valley. This has correspondingly increased the population, demand for housing and subsequently priced-out the local residents. Unemployment levels and the level of persons on welfare have remained well above the national and state averages.

It is difficult for most families to afford a home as a large part of the population is well below the median family income. The housing stock in the MSA emulates the changes that have occurred statewide as the number of single family homes has decreased. However, multi-family units and mobile homes have increased 11% and 18%, respectively.

Conclusions with Respect to Performance Tests in Visalia-Tulare-Porterville:

- **BANTSA's lending activity exhibits good responsiveness to the MSA's credit needs, in particular to LMI individuals seeking residential loans.**

- **Overall loan distribution, both geographically and to borrowers of different income levels, has been good and in some cases excellent.**

- **Investment volumes are good and have been responsive to community development needs.**

- **BANTSA's delivery systems are accessible to all portions of the MSA but community development services have been provided on a limited basis.**

LENDING TEST

BANTSA is a major residential lender in this MSA with a 6% market share, ranking near the top of all HMDA reporters in 1996. Also, the bank is a major small business lender with an 11% market share over this same period. During the review period, the bank made 668 residential loans for more than $33 million and total originations of almost $120 million.

Geographic Distribution:

Residential lending: BANTSA's geographic distribution of loan originations reflects reasonable penetration throughout the MSA and is consistent with the demographic patterns. As shown in the state demographic profile this MSA has no low-income census tracts. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done a good job in making loans in moderate-income geographies. Its moderate-income market share is 7% versus its overall share of 6%. As a percentage of total residential loans, 22% were made in moderate-income geographies. This exceeds the market average of 20%. The bank's performance also exceeds the 20% of owner-occupied units located in moderate-income census tracts.

Small Business Lending: BANTSA's small business lending distribution is very good. Its distribution of small business loans exceeds both the market demographics and the 1996 average market performance. The bank originated 21% of its loans in moderate-income geographies. This compares to small business demographics of 19%. In addition, the market distribution of small business loans in moderate-income census tracts for 1996, was only 16%.

Consumer Lending: Consumer originations reflect weak penetration in the moderate-income geographies in this assessment area. Only 7% of all consumer loans have been originated in moderate-income geographies versus the 12% total of moderate-income census tracts.

Borrower Distribution:

Residential lending: BANTSA has done an excellent job in making loans to LMI individuals. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 17% is more than double its overall market share. Loans to moderate-income borrowers is slightly higher than its market share at 7%. As a percentage of total residential loans, 9% and 16% have been made to LMI individuals, respectively. This significantly exceeds the market averages, excluding BANTSA, of 3% and 13%, respectively. The bank has performed particularly well at meeting the needs of low-income individuals.

Small Business Lending: BANTSA has performed reasonably well in making loans to small businesses and in making loans of small dollar amounts. It made 64% of all small business originations to businesses with less than $1 million in annual revenues. In addition, 75% of the loans were less than $100 thousand in size.

Consumer Lending: The bank has done a reasonable job of making loans to LMI individuals. As a percentage of total consumer originations, 39% have been made to LMI individuals. This compares to the 40% of total LMI families in the MSA.

Community Development Lending Activities: BANTSA made one loan totaling $59 thousand for affordable housing. The project provided ten low-income housing units, helping to meet one of the more critical needs within the assessment area. In addition, the bank made one economic development loan for $1.4 million through the federal government's SBA program. Overall community development efforts enhance the bank's lending performance.

INVESTMENT TEST

BANTSA's investments total $2.9 million, of which $2.8 million were made prior to 1996. They consist of seven community development grants and two investment tax credits totaling $79 thousand and $2.8 million respectively. The level of investment appears reasonable and provides an adequate response to community economic development needs. The nature of the investments does not appear to be complex or innovative.

SERVICE TEST

BANTSA's performance in this assessment area is strong. This MSA does not contain any low-income census tracts. Moderate-income tracts make up 26% of all tracts. BANTSA has 44% of its branches in moderate-income areas. There were no changes in branch locations and thus the accessibility of delivery systems has not been adversely affected.

Community contacts revealed that BANTSA has been increasing its visibility and looking for opportunities. Community development services are provided at an adequate level. The manager of the Tulare branch serves on the Tulare Community Housing Resources Board. Board members are responsible for implementing a down payment assistance program for affordable single family housing with the city of Tulare.

Northern California Assessment Area

Description of Institution's Operations in Northern California:

This Assessment Area stretches up the coast from north of the Santa Rosa MSA to the Oregon border. The area is rural and sparsely populated. Twenty-five cities are located in the assessment area including Mount Shasta, Grass Valley, Ukiah, Arcata, Willits and Susanville. BANTSA has branches in the counties of Mendocino, Lassen, Lake, Del Norte, Plumas, Modoc, Humboldt, Trinity, Shasta, Colusa and Nevada. The bank has operated in the area since 1925. It serves the area with 31 branch offices and 47 ATMs.

Many parts of the assessment area are economically depressed and present lending opportunities in all categories. The area has few low-income housing developers and local governments do not have sufficient resources to support projects.

Conclusions with Respect to Performance Tests in Northern California:

- **BANTSA's geographic lending pattern and responsiveness to community development needs are reasonable.**
- **BANTSA has done a good job meeting the residential and consumer lending needs of LMI people.**
- **Investment activities were reasonable.**
- **Delivery systems are readily accessible to all portions of the assessment area, and BANTSA has provided a high level of community development services.**

LENDING TEST

During the review period, BANTSA made 2,385 residential loans totaling $131 million. The bank had a 23% market share of all residential loans originated in 1996. Total originations for the review period exceeded $223 million.

Geographic Distribution:

Residential Lending: BANTSA's geographic distribution of loan originations within the assessment area is reasonable. The bank made 11% of all its residential loans in LMI Block Numbering Areas (BNA). While this is well below the 20% of the area BNAs designated as LMI, it more closely matches the 15% of owner-occupied homes that are in LMI BNAs.

Small Business Lending: BANTSA's geographic distribution of small business loans is reasonable. During the review period, the bank made 12% of small business loans within LMI BNA's. In comparison, demographic information showed that 21% of small businesses were located in LMI BNA's.

Consumer Lending: The geographic distribution of consumer loans is reasonable. During the review period, the bank made 11% of consumer loans in LMI BNA's. Comparatively, 20% of BNA's were designated LMI.

Borrower Distribution:

Residential Lending: BANTSA has done a good job making loans to LMI borrowers. The bank made 19% of its residential loans to low-income borrowers during the review period. An additional 13% of these loans were made to moderate-income borrowers. Demographic information revealed that LMI individuals make up only 17% of the entire area's population.

Small Business Lending: BANTSA has done a reasonable job lending to a variety of small businesses. During the review period, 65% of the bank's small business loans were under $100 thousand. The bank's average loan size of $155 thousand was effected by 19% of its loans.

Consumer Lending: The bank's consumer lending to LMI borrowers is excellent. During the review period, 30% of the bank's consumer loans were made to LMI borrowers. Comparatively, 17% of the population was designated LMI.

Community Development Lending Activities: BANTSA made one community development loan in the assessment area during the review period. This loan totaled $252 thousand and benefited LMI affordable housing.

INVESTMENT TEST

BANTSA's investment activities in the area were adequate. The bank made grants totaling $28 thousand during the review period. The grants were to seven different community groups that operate in different parts of the area. The funds were designated for both economic development and affordable housing initiatives. These rural areas are often served by the larger statewide community groups and initiatives.

SERVICE TEST

BANTSA's performance in the assessment area is good. Delivery systems are readily accessible to all portions of the assessment area. Of the bank's thirty-one branches in the area, none are in low-income BNA's and 26% are in moderate-income BNA's. In

comparison, demographic information shows that 1% of the BNA's are low-income and 19% are moderate-income. No branches were opened or closed during the review period.

BANTSA conducted a solid level of community development services in this area. These services promoted affordable housing, economic development, and education. For example, a branch manager serves on the Glenn County Community Development Block Grant Loan Committee. The committee funds loans to low-income individuals for housing rehabilitation. Another officer conducted training classes in money and banking for disadvantaged youth through the Humboldt County Department of Social Services. The youths were from LMI areas. To further promote education, an officer provides technical assistance to Healthy Start. This organization is a job referral center for LMI people. Lastly, a branch manager is a board member for the City of Eureka's Economic Development Department. This organization focuses on LMI areas.

Imperial County Assessment Area

Description of Institution's Operations in Imperial County:

The county is located in the southeastern portion of the state. It borders on the state of Arizona, Riverside and San Diego Counties and the country of Mexico. The area is primarily rural, and has some of the most fertile farmland in the country. Agriculture is the major industry.

BANTSA has a limited presence in the area when compared to its presence in other parts of the state. It has two branches and six ATMs in Calexico and El Centro. The bank has had a presence in the county since 1925.

The overall population is limited as it is in the other non-MSA areas of the state. There is a substantial low-income population resulting from the farm workers, many of whom travel and work between the U.S. and Mexico. Opportunities exist in all lending categories, with an emphasis on small business and small and large farm loans.

Conclusions with Respect to Performance Tests in Imperial County:

- **BANTSA's lending activity exhibits good responsiveness to the assessment areas credit needs, in particular to LMI individuals seeking residential.**

- **Investment activity has been weak in this assessment area, but demand nor availability is very strong.**

- **BANTSA's delivery systems are reasonably accessible to all portions of the assessment area but community development services have been provided on a limited basis.**

LENDING TEST

BANTSA is one of the top ten residential lenders in this assessment area, with a 4 % market share, for all HMDA reporters in 1996. The bank made 85 residential loans for more than $4 million during the review period. However, the bank is a limited participant in the small business market having only made 36 small business loans totaling almost $17 million. It made 1,348 consumer loans totaling over $6 million. All originations for the review period almost totaled $27 million.

Geographic Distribution:

Residential lending: BANTSA geographic distribution of loan originations reflects reasonable penetration throughout the Imperial County assessment area, consistent with

the demographic patterns. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank has done a good job in making loans in LMI geographies. Its low-income market share is 3% while its moderate-income market share is 5%. As a percentage of total residential loans, 45% were made in LMI geographies. This exceeds the market average of 39%. However, the performance is below the percent of owner-occupied units located in LMI BNAs.

Small Business Lending: BANTSA's small business lending distribution while appearing weak is largely impacted by the very small number of loans made. The distribution of the number of the bank's small business loans is significantly below the market demographics and average market performance. The bank originated 19% of its loans in LMI geographies. This compares to small business demographics of 56%. In addition, the market distribution of small business loans in LMI BNAs for 1996, was 58%.

Consumer Lending: Consumer originations reflect strong penetration in the assessment area's LMI geographies. The bank made more than 59% of its consumer loans in LMI BNAs versus the 55% total of LMI BNAs.

Borrower Distribution:

Residential lending: BANTSA has done an excellent job in making loans to LMI individuals. Overall distribution during the review period is consistent with the bank's performance in 1996. The bank's market share of loans to low-income borrowers at 13% is more than triple its overall market share. Loans to moderate-income borrowers is slightly higher than its market share at 5%. As a percentage of total residential loans, 10% have been made to low-income individuals which significantly exceeds the market average, excluding BANTSA, of 2%. The bank is in line with the market in lending to moderate-income individuals. As seen from these numbers, the bank has performed particularly well at meeting the needs of the low-income borrowers.

Small Business Lending: BANTSA has not been effective in making loans to small businesses or in making loans of small dollar amounts but as noted above is impacted by the low volume of lending. It made less than 50% of its small business originations to businesses with less than $1 million in annual revenues. In addition, only 11% of the loans were less than $100 thousand in size.

Consumer Lending: BANTSA has done a good job of making loans to LMI individuals. As a percentage of total consumer originations, 51% have been made to LMI individuals. This compares to the 48% of total LMI families in the MSA.

Community Development Lending Activities: BANTSA made one loan for $264 thousand for affordable housing. The project provided fifty-two low-income housing units, helping to meet one of the more critical needs within the assessment area.

INVESTMENT TEST

BANTSA's made one community development grant for $5 thousand. This level of investment is minimal and indicates a weak response to community economic development needs.

SERVICE TEST

BANTSA's performance in this assessment area is reasonable. While branches are positioned to serve LMI individuals, the bank has not participated in any additional community development services in the area. Both of the bank's branches are located in moderate-income BNAs. It closed one branch located in a middle-income BNA. Changes in branch locations have not adversely affected accessibility.

AGGREGATE RESIDENTIAL LENDING										
State: CALIFORNIA Assessment Area:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
Bakersfield # 680	25%	40%	34%	29%	5.39%	9.10%	7.31%	1,133	59,200	$52
Chico #1620	15	15	11	21	14.61	13.09	20.79	840	45,100	54
Fresno #2840	19	40	17	22	7.83	7.97	10.43	1,984	126,500	64
Los Angeles/LB # 4480	17	40	13	19	6.31	4.94	7.92	15,194	2,435,100	160
Merced #4940	12	18	17	27	7.81	16.89	11.96	393	21,900	56
Modesto #5170	15	38	14	31	4.73	5.41	7.27	672	47,200	70
Oakland #5775	17	38	12	20	9.93	8.57	9.92	10,121	1,417,300	140
Orange County # 5945	18	38	8	21	7.81	4.42	7.74	7,628	1,272,100	167
Redding #6690	9	3	8	22	13.87	12.66	19.08	703	42,400	60
Riverside/SB # 6780	18	38	17	30	4.15	5.31	5.97	4,777	362,000	76
Sacramento #6920	15	38	11	28	5.40	5.15	7.10	3,662	284,300	78
Salinas #7120	13	37	18	16	13.37	17.70	17.44	1,518	193,900	128
San Diego # 7320	15	39	12	23	5.84	5.99	9.00	5,844	859,200	147
San Francisco #7360	13	38	12	17	16.70	14.36	18.26	10,689	2,179,900	204
San Jose #7400	15	37	11	19	11.88	10.02	12.10	8,962	1,626,400	181
San Luis Obispo # 7460	7	37	5	21	5.39	3.70	71.00	488	43,300	89
Santa Barbara # 7480	16	38	14	21	8.23	6.86	9.28	957	176,000	184
Santa Cruz #7485	13	23	11	16	10.17	11.42	11.50	1,062	144,000	136

AGGREGATE RESIDENTIAL LENDING										
State: CALIFORNIA Assessment Area:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
Santa Rosa #7500	7	36	5	19	6.13	3.54	7.65	1,167	120,800	104
Stockton #8120	22	39	25	30	3.71	4.69	5.76	642	47,800	74
Vallejo #8720	10	36	8	24	6.19	5.88	7.62	1,180	105,000	89
Ventura # 8735	22	37	16	26	5.86	5.17	7.08	1,659	253,500	153
Visalia #8780	20	40	24	24	5.98	6.56	8.96	668	33,100	50
Yolo #9270	24	31	16	26	6.16	4.95	8.14	325	22,000	68
Yuba #9340	20	30	19	19	12.92	14.41	15.70	428	20,500	48
Eastern California	3	34	2	16	18.34	15.87	25.57	664	35,700	54
Northern California	15	17	11	19	23.40	23.41	32.63	2,385	131,000	55
Imperial County	58	48	43	22	3.87	5.06	6.63	85	4,000	47
Kings County	27	43	26	32	4.30	9.29	8.59	111	5,000	45
San Benito County	0	0	0	10	4.67	NA	11.63	79	5,900	75
Total	17%	39%	13%	21%	7.37%	6.62%	8.81%	86,020	12,120,100	$141
LMI Parity**						-672	2,167			
% Of Total Bank Lending						0.8%	2.5%	59%	71%	
Total Bank Lending								146,005	$16,951,400	$116

(*) 1996 HMDA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: CALIFORNIA Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	$ (000s)	Avg. Loan (000s)
Bakersfield # 680	40%	33%	38%	39%	7,037	$44,310	$6
Chico #1620	39	22	36	15	3,047	24,420	8
Fresno #2840	40	29	43	24	14,247	84,170	6
Los Angeles/LB # 4480	40	32	47	30	166,740	963,790	6
Merced #4940	18	10	48	16	2,438	14,620	6
Modesto #5170	38	16	42	21	5,498	35,330	6
Oakland #5775	38	31	42	26	44,948	377,930	8
Orange County # 5945	38	27	48	26	51,935	399,450	8
Redding #6690	13	14	31	9	2,388	21,990	9
Riverside/SB # 6780	38	32	41	18	39,907	270,580	7
Sacramento #6920	38	27	41	17	21,624	180,470	8
Salinas #7120	37	22	42	27	6,116	54,360	9
San Diego # 7320	39	27	43	25	37,027	289,860	8
San Francisco #7360	38	24	44	25	42,049	391,690	9
San Jose #7400	37	18	43	24	33,110	318,760	10
San Luis Obispo # 7460	37	12	46	8	4,041	32,710	8
Santa Barbara # 7480	38	29	53	35	6,179	41,560	7
Santa Cruz #7485	23	13	43	25	4,385	36,150	8
Santa Rosa #7500	36	13	37	7	5,538	58,350	11
Stockton #8120	39	30	47	32	7,025	41,450	6
Vallejo #8720	36	21	42	13	7,443	56,220	8
Ventura # 8735	37	33	45	29	11,567	85,370	7
Visalia #8780	40	26	39	26	3,848	23,590	6
Yolo #9270	31	32	59	20	3,043	17,760	6
Yuba #9340	30	23	33	24	1,610	12,200	8
Eastern California	48	5	25	6	1,880	19,820	11
Northern California	17	20	30	11	7,387	73,750	10

AGGREGATE CONSUMER LENDING							
State: CALIFORNIA Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	$ (000s)	Avg. Loan (000s)
Imperial County	34	55	51	69	1,348	6,340	5
Kings County	43	39	38	22	1,012	6,130	6
San Benito County	25	0	30	0	553	4,340	8
Total State	21%	27%	44%	26%	544,970	$3,987,470	$7
% of Total Bank					62%	51%	
Total Bank					877,912	$7,758,000	$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: CALIFORNIA Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	$(000s)	Avg. Loan (000s)	#	$ (000s)
Bakersfield # 680	39%	37%	15.03	16.62	16	795	$64,680	$81	4	$6,300
Chico #1620	25	25	13.45	20.87	19	310	23,760	77	2	1,500
Fresno #2840	31	26	18.56	18.16	(6)	1,726	164,320	95	1	4,100
Los Angeles # 4480	31	30	18.01	20.56	497	19,987	1,056,820	53	37	42,800
Merced #4940	26	23	16.74	17.63	2	370	33,400	90	0	0
Modesto #5170	23	18	10.07	9.19	(5)	509	32,040	63	3	4,300
Oakland #5775	30	23	18.62	17.81	(33)	4,687	264,920	57	0	0
Orange # 5945	36	28	16.30	15.16	(91)	6,390	358,070	56	9	13,500
Redding #6690	18	12	12.19	13.02	2	235	15,150	64	1	1,200
Riverside/SB # 6780	29	23	16.05	15.97	(3)	3,798	210,090	55	9	19,800
Sacramento #6920	28	22	14.04	11.79	(56)	2,394	143,450	60	0	0
Salinas #7120	27	26	8.35	7.98	(3)	330	24,350	74	0	0
San Diego # 7320	31	27	18.09	18.81	33	5,264	240,650	46	13	22,510
San Francisco #7360	29	36	18.17	19.42	82	5,222	410,090	79	7	11,900
San Jose #7400	29	26	15.50	12.92	(112)	3,297	232,080	70	10	26,300
San Luis Obispo # 7460	12	5	8.95	6.06	(6)	295	15,760	53	0	0
Santa Barbara # 7480	50	38	10.41	10.05	(5)	466	24,150	52	0	0
Santa Cruz #7485	21	17	14.09	14.13	0	376	21,890	58	1	3,200
Santa Rosa #7500	15	10	9.01	5.84	(18)	525	38,920	74	1	1,400
Stockton #8120	31	31	7.68	7.90	3	534	30,060	56	7	11,000
Vallejo #8720	21	14	13.55	12.58	(5)	599	41,630	69	1	100
Ventura # 8735	38	27	17.13	16.42	(10)	1,301	61,300	47	2	2,400
Visalia #8780	17	21	11.01	13.91	11	447	63,340	142	2	1,500
Yolo #9270	36	35	14.18	14.72	2	188	19,530	104	2	4,200
Yuba #9340	26	14	9.84	7.65	(4)	145	10,930	75	0	0
Eastern California	56	4	NA	NA	NA	26	2,180	84	1	200
Northern California	21	12	NA	NA	NA	113	17,550	155	1	300

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: CALIFORNIA Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	$(000s)	Avg. Loan (000s)	#	$ (000s)
Imperial County	6	19	14.68	11.79	(7)	36	16,700	464	0	0
Kings County	37	8	11.78	8.44	(5)	39	18,110	464	1	2,700
San Benito County	0	0	11.52	NA	NA	3	1,600	533	0	0
Statewide									5	80,300
Total State	29	27	16.33	16.91	298	60,407	$3,657,520	$61	120	$261,510
% of Total Bank					0.3%	69%	65%		45%	56%
Total Bank						87,225	$5,620,300	$64	266	$467,424

(*) 1996 CRA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): CALIFORNIA Assessment Areas:	Affordable Housing and Economic Development			Contributions and Grants			Total Investments		
	#	% # ST	$ (000)	#	% # ST	$ (000)	#	% # ST	$ (000s)
Bakersfield # 680	3	2%	$6,973	4	1%	$35	7	2%	$7,008
Chico #1620	1	1	1,395	2	1	20	3	1	1,415
Fresno #2840	3	2	3,849	7	2	47	10	2	3,896
Los Angeles # 4480	62	36	63,880	58	20	526	120	26	64,406
Merced #4940	11	6	209	4	1	20	15	3	229
Modesto #5170	0	0	0	2	1	6	2	0	6
Oakland #5775	21	12	15,239	35	12	313	56	12	15,552
Orange County # 5945	0	0	0	5	2	10	5	1	10
Redding #6690	0	0	0	0	0	0	0	0	0
Riverside/SB # 6780	7	4	17,600	9	3	58	16	3	17,658
Sacramento #6920	8	5	7,917	17	6	159	25	5	8,076
Salinas #7120	2	1	3,658	3	1	2	5	1	3,660
San Diego # 7320	11	6	13,884	19	7	159	30	7	14,043
San Francisco #7360	26	15	20,622	65	22	618	91	20	21,240
San Jose #7400	3	2	5,272	11	4	88	14	3	5,360
San Luis Obispo # 7460	0	0	0	0	0	0	0	0	0
Santa Barbara # 7480	0	0	0	0	0	0	0	0	0
Santa Cruz #7485	1	1	40	5	2	23	6	1	63
Santa Rosa #7500	5	3	4,757	8	3	55	13	3	4,812
Stockton #8120	1	1	1,907	7	2	58	8	2	1,965
Vallejo #8720	1	1	6,477	5	2	23	6	1	6,500
Ventura # 8735	1	1	786	3	1	21	4	1	807
Visalia #8780	2	1	2,805	7	2	79	9	2	2,884
Yolo #9270	0	0	0	4	1	27	4	1	27
Yuba #9340	0	0	0	2	1	9	2	0	9
Eastern California	0	0	0	0	0	0	0	0	0

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): CALIFORNIA Assessment Areas:	Affordable Housing and Economic Development			Contributions and Grants			Total Investments		
	#	% # ST	$ (000)	#	% # ST	$ (000)	#	% # ST	$ (000s)
Northern California	0	0	0	7	2	28	7	2	28
Imperial County	0	0	0	1	0	1	1	0	1
Kings County	0	0	0	0	0	0	0	0	0
San Benito County	0	0	0	0	0	0	0	0	0
Statewide	2	1%	4,000	0	0%	0	2	0%	4,000
Total State (ST)	171		181,270	290		2,384	461		$183,654
% of Total Bank	53%		45%	33%		29%	38%		45%
Total Bank	325		$398,484	877		$8,171	1,202		$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: CALIFORNIA Assessment Areas:	#				$ Deposits (millions) 06/30/97	% ST	% # of Branches				% # of ATMs			
	Branch Offices	In store Offices	ATMs	Offices % ST			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
Bakersfield # 680	16	2	20	2%	$726	1%	11%	33%	33%	22%	0%	16%	21%	63%
Chico # 1620	6	0	22	1%	341	1	0	33	67	0	0	46	27	27
Fresno #2840	26	1	56	3%	1,440	2	4	30	48	19	4	28	26	32
Los Angeles # 4480	249	10	1,104	26%	20,119	32	8	18	32	41	6	18	34	37
Merced #4940	5	2	13	1%	260	0	0	29	71	0	0	27	46	0
Modesto # 5170	8	1	29	1%	412	1	0	44	33	22	0	38	41	21
Oakland # 5775	68	9	292	8%	4,781	8	8	18	51	23	7	22	49	21
Orange County # 5945	82	9	338	9%	5,043	8	3	18	52	25	2	22	41	18
Redding # 6690	4	0	17	0%	272	0	0	25	75	0	0	35	41	0
Riverside/SB # 6780	61	8	296	7%	3,643	6	1	23	55	20	3	23	47	16
Sacramento # 6920	41	6	181	5%	2,347	4	4	15	55	26	4	16	54	21
Salinas # 7120	9	1	33	1%	475	1	10	40	30	20	9	30	30	21
San Diego # 7320	62	14	274	8%	3,908	6	4	25	49	22	4	27	45	15
San Francisco # 7360	79	2	307	8%	7,083	11	10	20	43	26	12	23	35	21
San Jose # 7400	45	7	204	5%	4,222	7	8	15	56	21	10	13	56	16
San Luis Obispo # 7460	8	0	28	1%	440	1	0	13	75	13	0	14	64	14
Santa Barbara # 7480	10	0	46	1%	580	1	0	40	40	20	0	35	33	20
Santa Cruz # 7485	7	1	30	1%	378	1	0	25	50	25	0	30	50	20
Santa Rosa #7500	10	2	39	1%	624	1	0	8	92	0	0	10	82	0
Stockton # 8120	11	2	43	1%	623	1	15	8	54	23	12	9	37	42
Vallejo # 8720	13	3	56	2%	720	1	13	19	63	6	14	13	36	11

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: CALIFORNIA Assessment Areas:	#				$ Deposits (millions) 06/30/97	% ST	% # of Branches				% # of ATMs			
	Branch Offices	In store Offices	ATMs	Offices % ST			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
Ventura # 8735	25	1	76	3%	1,192	2	4	27	46	23	3	21	51	16
Visalia #8780	9	1	20	1%	494	1	0	40	40	20	0	25	45	25
Yolo # 9270	4	1	18	1%	288	0	0	20	60	20	0	17	28	50
Yuba City # 9340	2	0	10	0%	187	0	0	0	100	0	0	10	90	0
Eastern California	10	0	17	1%	384	1	0	10	80	10	0	12	53	6
Northern California	31	0	47	3%	1,120	2	0	26	68	7	0	26	62	6
Imperial County	2	0	6	0%	258	0	0	100	0	0	0	12	53	6
Kings County	2	0	5	0%	97	0	0	50	0	50	0	60	40	0
San Benito County	1	1	4	0%	48	0	0	0	50	50	0	50	50	0
Total State (ST)	906	84	3,631	100%	$62,505	100%	6%	21%	46%	26%	5	20	41	10
% of Total Bank	60%	45%	65%	14%	56%									
Total Bank	1,500	187	5,565		$111,413									

IDAHO

IDAHO STATE RATING

CRA Rating for Idaho: Satisfactory

The lending test is rated: Low Satisfactory
The investment test is rated: High Satisfactory
The service test is rated: High Satisfactory

Description of Institution's Operations in Idaho

In 1990, BAC entered Idaho's retail banking market when it purchased assets and liabilities of the former Benjamin Franklin Savings and Loan. BANTSA is a full service bank and ranks as the fifth largest commercial bank in the state. It serves the state with 22 branch offices and 45 ATMs. The loans BANTSA originated in this state during the review period, accounted for .8% of its total number and .6% of its total dollar volume. Further, the state accounts for .2% of the bank's domestic deposits. This ranks the state's market size number ten out of the ten states and two Multistate MSAs evaluated.

Primary competitors include U.S. Bank, First Security Bank, Key Bank, Wells Fargo Bank, Washington Federal Savings and Loan, and Home Federal Savings and Loan. The Idaho Housing and Finance Association is a quasi-state agency that competes with private lenders by funding most affordable housing projects in the state.

Historically the Idaho economy has been centered in natural resources and agriculture. The economy is becoming more diverse with rapid growth in technology, retail, services, and tourism industries. Idaho's population has grown 18% between 1990 and 1996.

Affordable housing creation and rehabilitation financing are the primary credit needs in the state. Flexible financing for first-time homebuyers and LMI borrowers is also a key credit need for Idaho. Relative to other states, there is less state funding and as a result less community development organizations to mitigate affordability issues.

Community groups contacted in Idaho areas have confirmed that there are limited investment opportunities. This need for affordable housing in Idaho and the limited presence of community development organizations was corroborated by five community organizations contacted in the Boise MSA area. The 1995 Consolidated Plan for Idaho published by HUD says affordable housing is a key concern statewide.

ASSESSMENT AREA PROFILE: IDAHO							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	808,117	100%		18%	19%	24%	39%
Median Income($)			$40,600				
Census Tracts	208	100		1	14	63	21
Unemployment Rate -May 31, 1997	4.7%						
Owner-occupied Housing (#)	203,298	100		0	12	64	24
Median Housing Value ($)			$62,637				
Small Businesses	20,711	100%		4%	20%	57%	19%

Conclusions with Respect to Performance Tests in Idaho

- **Overall lending performance is reasonable.**
- **The performance in community development lending is adequate.**
- **BANTSA made significant grants to promote affordable housing and small businesses and showed a good responsiveness to the credit and community development needs of affordable housing.**
- **BANTSA also provides a high level of community development services.**

LENDING TEST

Geographic Distribution:

BANTSA has adequate geographic distribution of credit, with loan penetration in all but a few census tracts. The distributions among census tracts by income were generally lower at the LMI level for residential and consumer lending. In 1996, its residential market share was 2.7%, yet it had only a 1.9% LMI share. Also, its proportion of residential LMI lending at 8% was below the market's 11% average. The distribution of its small business loans was better, although slightly below the population demographics in the LMI tracts.

Although overall BANTSA has shown a good geographic penetration of credit, the distribution to low-income census tracts is only adequate. The Boise MSA is the only assessment area that includes low-income geographies.

Borrower Distribution:

BANTSA's lending patterns shows a generally weak distribution to borrowers of different incomes and businesses of different sizes. For 1996, 22% of the bank's residential lending went to LMI persons, their population representation was 37%. The market average was 27%. A disproportionate performance also occurred in consumer lending. These trends continued in the six months of 1997.

In 1996, the bank made 2.3% of its residential loans to low-income borrowers, as opposed to aggregate market of 5.8%. During the review period, this performance doubled, but was well below the respective population representation.

Community Development Lending Activities: During the assessment period, BANTSA funded eight affordable housing loans totaling $4.5 million. It also funded fifty-five loans totaling $49 thousand through the Pocatello Neighborhood Housing Services. These loans went to individuals for downpayment assistance and housing rehabilitation

The institution uses flexible lending practices in helping serve its assessment area's credit needs. It developed lending programs for affordable housing rehabilitation and for assistance to LMI homebuyers. These programs offer below market rates, downpayment assistance, and in some cases, no origination fees. Statewide, they have offered these programs through the Idaho Mortgage Revenue Bond Program, the BA Homebuyers Assistance Grant Program and the Home of Your Own organization. In the Boise MSA area, they have offered these programs through the Boise and Nampa Neighborhood Housing Services, the Boise City and Ada County Housing Authority, and the Idaho Migrant Council Housing Preservation Program. In the Pocatello MSA, they offered these programs through the Pocatello Neighborhood Service's Single Family Home Ownership, Rehabilitation, and Downpayment Assistance programs and the City of Pocatello Neighborhood Improvement Program. In the North Idaho area, they offer a flexible lending program through the Silver Valley Economic Development Corporation's Low Income Home Ownership Rehab Program. The bank also promotes small business lending by providing a much simplified application process for credit less than $50 thousand.

The bank's lending performance in Pocatello, Lemhi County, and North Idaho assessment areas are consistent with the bank's performance in the Boise and the South Idaho assessment area.

INVESTMENT TEST

BANTSA made an affordable housing investment totaling $45 thousand and twenty grants totaling $108 thousand. This level is adequate given the limited availability of community development opportunities. They made a $50 thousand grant to a nonprofit organization

as seed money to develop a downpayment assistance program. Other grants supported various nonprofit organizations that promote affordable housing and small businesses.

Investment performance in the Pocatello MSA, Lemhi County, and North Idaho areas is consistent with the institution's performance in the Boise MSA and the South Idaho assessment area. Performance in Lemhi County is below the bank's performance for the state; however, does not have a material impact the bank's performance in the state.

SERVICE TEST

BANTSA provides a good level of community development services to the area. Through our contacts with community development organizations, we found the bank is well regarded and considered responsive to these groups. Among the organizations assisted statewide are the Idaho Community Reinvestment Corporation, the Idaho Housing & Finance Association, the Idaho Housing Coalition, the Idaho State Council on Developmental Disabilities (Home of Your Own Program), Mercy Housing Idaho and the Idaho Small Business Development Center. These organizations promote affordable housing construction/financing, and loans to small businesses. Additionally, in the Boise and Pocatello MSA areas, the bank assisted the Boise, Nampa, and Pocatello Neighborhood Housing Services, The Turning Point, Cities of Boise and Pocatello, Hays Shelter Home, and Idaho-Oregon Planning and Development Association. In the South Idaho area, the bank donated financial expertise to the Ketchum Affordable Housing Commission. In the North Idaho area, the bank has assisted Consumer Credit Counseling, Continuum of Care, Habitat for Humanity, Post Falls Urban Renewal Agency, and the Silver Valley Economic Development Corporation.

Delivery systems are reasonably accessible within the area, and services offered do not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals. The bank offers alternative delivery systems to increase the accessability of banking products. These include Loan-by-Phone for consumer and home loans statewide, computer banking, 24-hour customer service, offsite ATM's, and in-store branches.

The bank's service performance in the North Idaho area is consistent with the institution's overall state performance. Performance in the Pocatello MSA and Lemhi County areas is below the bank's performance for the state; however, they do not have a material impact the bank's performance in the state.

Boise MSA # 1080

Description of Institution's Operations in Boise

This MSA consists of Ada and Canyon counties, in the southwestern part of the state. BANTSA has four branches in Boise and one in Nampa. The MSA has one of the strongest economies in the nation with virtually full employment. Population growth from 1990 to 1996 was 26%. In Ada County, the primary industries are services, manufacturing, and retail. In Canyon County, agriculture still dominates 84% of the available land. As with the rest of the state, the more rural areas of Canyon County have higher unemployment and lower per capita income than the more urban areas. The Boise MSA is consistent with the state as a whole regarding credit needs.

ASSESSMENT AREA PROFILE: BOISE MSA #1080							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	295,851	37%		17%	20%	24%	39%
Median Income($)			$43,000				
Census Tracts	66	32		5	18	55	20
Unemployment Rate -May 31, 1997	3.1%						
Owner-occupied Housing (#)	75,031	37		1	15	56	28
Median Housing Value ($)			$64,709				
Small Businesses	8,224	40%		11%	16%	55%	18%

Conclusions with Respect to Performance Tests in Boise

LENDING TEST

- BANTSA's lending performance is adequate overall.
- The geographic distribution of loans by income was generally low for residential and consumer loans, particularly in LMI areas.
- Penetration among retail customers of different income levels both in residential and consumer lending was adequate.
- The response to highly disadvantaged income persons/geographies was low.

- BANTSA shows a good performance with community development lending and the use of flexible lending practices.

Geographic Distribution:

BANTSA's geographic distribution of credit in the Boise MSA occurred in all but a few census tracts. During the review period, the geographic dispersion of residential and consumer lending is generally below area demographic data for LMI areas, and consequently higher in the middle and upper geographies. In 1996, its residential lending to LMI tracts to total residential loans was 9% versus the market of 13%. The bank's overall market share was the same as its share of the LMI market. The distribution of its small business loans however, was very good.

Borrower Distribution:

BANTSA's lending patterns show a reasonable distribution to borrowers of different incomes and businesses of different sizes. During the review period, the percentage of loans to LMI borrowers was 27% for residential loans and 23% for consumer loans versus their population representation of 37%. In small business lending, 28% went to LMI areas versus its 27% respective population in that area (data was not available on distribution by revenue size).

The bank's lending level is low in addressing low-income persons. In its 1996 residential lending, only 5% went to low-income persons versus its 17% population. During the review period, BANTSA's business loan originations showed excellent penetration in low-income tracts as its percentage nearly doubled the percentage of small businesses in those areas. However, consumer lending to low-income persons is low as it represented 9% against a population representation of 17% in these areas.

Community Development Lending Activities: BANTSA funded two affordable housing projects totaling $162,000 in the Boise MSA.

The institution uses flexible lending practices in serving its assessment area's credit needs. It has developed lending programs for affordable housing rehabilitation and for assistance to LMI homebuyers. These programs offer below market rates, downpayment assistance, and in some cases no origination fees. In the Boise MSA area, they have offered these programs through the Boise and Nampa Neighborhood Housing Services, the Boise City and Ada County Housing Authority, and the Idaho Migrant Council Housing Preservation Program. The bank also promotes small business lending by providing a simplified application process for credit less than $50,000.

INVESTMENT TEST

BANTSA's performance under the investment test is adequate. Its level of community development grants and investments reflect a reasonable degree of responsiveness to the community's needs of affordable housing. This conclusion takes into account the limited community development groups and opportunities available in Idaho, as previously discussed. Idaho in general, has relatively few nonprofit partners, state funding, and local bond issuances available as bank investments. The bank has been responsive in using grants promoting affordable housing instead of investments in the area. It made three statewide grants totaling $58 thousand. A $50 thousand grant exhibited responsiveness and initiative in helping meet the credit needs of the community. They made this grant to a nonprofit organization as seed money to develop a downpayment assistance program.

SERVICE TEST

Performance under the service test is good. This is based on the high level of community development services provided and reasonably assessable delivery systems to essentially all areas. The services offered do not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals. Also, its opening and closing of branches have not adversely affected the accessibility of its delivery systems.

In the Boise area, the bank donated financial expertise to several organizations to promote affordable housing construction and financing and small business lending. Among these are the Boise and Nampa Neighborhood Housing Services, The Turning Point, City of Boise, Hays Shelter Home, and Idaho-Oregon Planning and Development Association. Among the organizations assisted statewide are the Idaho Community Reinvestment Corporation, Idaho Housing & Finance Association, the Idaho Housing Coalition, and the Idaho Small Business Development Center.

SOUTH IDAHO ASSESSMENT AREA

Description of Institution's Operations in South Idaho

This assessment area is comprised of Payette, Gem, Boise (separate from Boise MSA), Elmore, Gooding, Twin Falls, Jerome, Blaine, Bingham, and Bonneville counties. The bank has six traditional branches and one in-store office. Two branches each in Twin Falls and Blaine counties. Five counties do not have a branch office, but are included in the assessment area based on lending patterns. This assessment area covers a geographically and economically diverse region. The area is experiencing population growth and has a strong economy with low unemployment.

The retail, services, and manufacturing industries are strong throughout the area, with agriculture driving the economy in Gooding, Jerome, and Twin Falls counties. Construction, real estate, and finance industries are dominant in Blaine County and the military is the primary employer in Elmore County. Agriculture has seen a diminishing role, even in those counties where it is the primary industry. Blaine is the only county in the area with per capita income that exceeds the national average. The South Idaho assessment area is consistent with the state as a whole regarding credit needs.

ASSESSMENT AREA PROFILE: SOUTH IDAHO							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	256,685	32%		17%	19%	23%	40%
Median Income($)			$37,300				
Census Tracts	63	30		0	14	65	21
Unemployment Rate -May 31, 1997	3.8%						
Owner-occupied Housing (#)	62,565	30		0	9	68	23
Median Housing Value ($)			$65,761				
Small Businesses	6,046	29%		0%	16%	58%	27%

Conclusions with Respect to Performance Tests in South Idaho

LENDING TEST

Geographic Distribution:

BANTSA has shown a good geographic distribution of credit in the South Idaho area, with loans in all but a few census tracts. The bank's residential and consumer loans were

reasonably dispersed between census tracts and they were consistent with the income demographics for those areas. Both home equity and small business loans were only about a third of the demographic profile for moderate-income geographies. In 1996, the bank's overall residential market share 2.2% and with a 2.5% share of loans to LMI areas. Its residential portfolio distribution of loans in LMI areas was 11% exceeding the distribution of owner-occupied housing in LMI areas of 9%.

Borrower Distribution:

BANTSA's lending patterns show a weak distribution to borrowers of different incomes. For residential and consumer loans, the bank's percentage to LMI persons was 21%, while the population representation was 37%. Accordingly, the lending to middle- and upper-income persons was disproportionately higher.

The bank shows a weak record of serving the credit needs of low-income individuals. In 1996, it originated 2.2% of its residential loans to low-income borrowers' versus a 5% aggregate market average.

Community Development Lending Activities: During the assessment period, BANTSA funded three affordable housing projects totaling $1.2 million in this area, two projects included construction and permanent financing components. This is a significant level given the limited number of projects and the competition between institutions to fund them.

The institution uses flexible lending practices to serve the assessment area's credit needs. It has developed lending programs for affordable housing rehabilitation and assistance to LMI homebuyers. These programs offer below market rates, downpayment assistance, and in some cases, no origination fees. Statewide, they have offered these programs through the Idaho Mortgage Revenue Bond Program, the BA Homebuyers Assistance Grant Program and the Home of Your Own organizations. The bank also promotes small business lending by providing a simplified application process for credit less than $50,000.

INVESTMENT TEST

BANTSA's performance is adequate. This conclusion is based on the absence of targeted investments to the South Idaho assessment area. However, the bank has shown involvement in community development initiatives statewide.

SERVICE TEST

BANTSA's performance under the service test is adequate:

- BANTSA provides adequate community development services to the area.

- Delivery systems are reasonably accessible and services offered do not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals.

- The opening and closing of branches have not adversely affected the accessibility of its delivery systems.

In the South Idaho area, the bank donated financial expertise to the Ketchum Affordable Housing Commission to promote affordable housing construction and financing which is the primary credit need. Among the organizations assisted statewide, are the Idah o Community Reinvestment Corporation, Idaho Housing & Finance Association, the Idaho Housing Coalition, and the Idaho Small Business Development Center.

IDAHO AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: IDAHO Assessment Area:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
BOISE # 1080	16%	37%	8%	27%	.71%	.56%	.60%	394	$26,400	$67
POCATELLO # 6340	15	37	2	13	1.94	1.09	1.67	61	2,800	46
LEMHI COUNTY	39	48	19	22	7.58	5.71	3.13	32	2,100	66
NORTH IDAHO AREA	8	37	5	19	6.30	4.67	6.66	526	26,000	49
SOUTH IDAHO AREA	9	37	11	21	2.23	2.52	1.67	267	17,200	64
Total State	12%	37%	8%	22%	2.10%	1.30%	1.44%	1,280	$74,500	$58
% of Total Bank						0.0%	0.0%	1%	0%	
Total Bank								146,055	$16,951,400	$116
LMI Parity**						(10)	(12)			

(*) 1996 HMDA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING by Income Level of Borrower							
State: IDAHO Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	$ (000s)	Avg. Loan (000s)
BOISE # 1080	37%	23%	23%	12%	3,000	$35,700	$11
POCATELLO # 6340	37	5	5	8	281	1,300	$4
LEMHI COUNTY	48	33	10	18	63	600	10
NORTH IDAHO AREA	37	9	19	8	2,660	27,100	10
SOUTH IDAHO AREA	37	15	22	14	1,289	18,200	$14
Total State	37%	17%	21%	11%	7,293	$82,900	$11
% of Total Bank					1%	1%	
Total Bank					877,912	$7,758,000	$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: IDAHO Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	$ (000s)	Avg. Loan (000s)	#	$ (000s)
BOISE #1080	27%	28%	2.01%	1.78%	(4)	157	$19,600	$125	2	$162
POCATELLO #6340	39	20	1.74	0.00	(2)	10	300	30	0	0
LEMHI COUNTY	78	20	NA	NA	NA	5	300	60	0	0
NORTH IDAHO AREA	24	20	NA	NA	NA	142	10,900	77	3	3,208
SOUTH IDAHO AREA	16	6	NA	NA	NA	69	4,900	71	3	1,170
Total State	24%	21%	1.59%	1.32%	(6)	383	$36,000	$94	8	$4,540
% of Total Bank					0.0%	0%	1%		3%	1%
Total Bank						87,225	$5,620,300	$64	266	$467,424

(*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than $1 million

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST.									
State (ST): IDAHO Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	$ (000s)	#	% # ST	$ (000)	#	% # ST	$ (000)
BOISE # 1080	1	0%	$45	10	50%	$20	11	43%	$65
POCATELLO # 6340	0	0	0	3	0	8	3	0	8
LEMHI COUNTY	0	0	0	0	0	0	0	0	0
NORTH IDAHO	0	0	0	4	20	23	4	0	23
SOUTH IDAHO	0	0	0	0	0	0	0	0	0
STATEWIDE	0	100	0	3	15%	58	3	29%	58
Total State (ST)	1		$45	20		$108	21		$153
% of Total Bank	0%		0%	2%		1%	2%		0%
Total Bank	325		$398,484	877		$8,171	1,202		$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: IDAHO Assessment Areas:	#				$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
BOISE # 1080	5	0	8	20%	$38	20%	40	0	60	0	25	0	63	13
POCATELLO # 6340	1	0	5	3%	8	4	0	0	100	0	0	20	80	0
LEMHI COUNTY	1	0	1	4%	10	5	0	100	0	0	0	100	0	0
NORTH IDAHO	8	0	19	43%	75	40	0	38	62	0	0	26	68	5
SOUTH IDAHO	6	1	12	30%	56	30	0	14	71	14	0	8	50	42
Total State	21	1	45	100%	$187	100%	9%	23%	64%	5%	4%	20%	62%	13%
% of Total Bank	1.4%	0.5%	0.8%	1.3%	0.2%									
Total Bank	1,500	187	5,565		$111,413									

ILLINOIS

ILLINOIS STATE RATING

CRA Rating for Illinois: Satisfactory

The lending test is rated: Low Satisfactory
The investment test is rated: High Satisfactory
The service test is rated: Low Satisfactory

Description of Institution's Operations in Illinois

In 1994, BAC entered the Cook County market through its acquisition of Continental Bank and operates under the name Bank of America Illinois (BAI). BAI was the fifth largest bank in Cook County. BAI's four largest competitors are supported by larger branch networks. On July 1, 1997, BAC consolidated BAI's charter into BANTSA's charter. BANTSA management requested that we included BAI in our assessment of its performance.

BAI operates from one location in Chicago. Its business strategy is to focus on middle-market businesses (mid-sized businesses with revenues between $10 million and $250 million) and wholesale funding. BAI's affiliate, BA-FSB, is the bank's originator of residential mortgages. Before October 1996, the BAMG of BA-FSB did not have an office in Cook County, instead soliciting mortgage loan clients through local realtors. BAI Community Development Corporation (BAICDC), a subsidiary of BAI, purchases community development investments for the bank. BAICDC also provides financial services and technical assistance to small, women- and minority-owned businesses, developers of affordable housing, and nonprofit organizations throughout Cook County.

The bank's assessment area includes all of Cook County, including the City of Chicago where its only office is located. This is the only assessment area it identified in the state. Cook County is home to more than five million people. The City of Chicago is the nation's third largest city. Close to 50% of the population lives in middle-income census tracts. The assessment area does not arbitrarily exclude any LMI areas or reflect illegal discrimination. Approximately 45% of the housing stock within the area is of rental property.

Most residents work in the services industry (30%), retail trade (17%), and manufacturing (17%). Major employers are in commercial air transportation, communications, electronics, health care, insurance, petroleum, and retailing.

Conclusions with Respect to Performance Tests in Illinois

BANTSA's overall CRA performance in Illinois is satisfactory. The bank's residential and consumer lending distribution patterns were disproportionate and below market averages

compared to the area's demographics. Its provides retail services as an accommodation to its wholesale clients. However, BAI performed well with its volume of community development loans, investments, and services. These activities sufficiently supplement BAI's nominal residential and consumer lending performance and limited delivery channel.

LENDING TEST

- **BAI's residential and consumer lending levels reflect weak responsiveness to the assessment area's credit needs, particularly in LMI census tracts and to LMI borrowers.**

- **BAI's geographic distribution of small business lending compares favorably to the area's distribution of businesses.**

- **During the review period, BAI demonstrated a strong commitment to community development lending.**

BAI's residential and consumer loans are a nominal component of the bank's lending. It only originates consumer credit products through BAC's Midwest Retail Division or BankAmerica Mortgage. Further, the bank's lending volumes and distribution are generally consistent with its business strategy, and limitations imposed by the absence of a retail delivery system.

Geographic Distribution:

The bank's lending data for 1996 and the first half of 1997 show a disproportionate low number of residential mortgage loans to borrowers residing in LMI census tracts when compared with the population distribution of the assessment area. Also, the distribution of residential loans among borrowers of different income levels is disproportionately low when compared with the population demographics. Residential loans were concentrated in middle- and upper-income census tracts and to middle- and upper-income borrowers. Other consumer loan products show favorable distribution among borrowers of different incomes and different census tract levels. We did not analyze BANTSA geographic distribution of small business loans since the volume of small business lending is insignificant.

Residential Lending: BAI's residential lending levels reflect weak responsiveness to assessment area credit needs, particularly in low-income census tracts and to low-income borrowers when compared with other lenders. BAI's 1996 lending data reported under the Home Mortgage Disclosure Act (HMDA), shows an unfavorable distribution of home purchase and refinance loans to low-income borrowers and areas when compared with other lenders. BAI is not a major mortgage lender in the assessment area as its residential lending activity represented less than 1% of all reported loans.

During the review period, BAMG originated 1,514 residential loans. Its residential loans distribution in LMI census tracts did not compare favorably with the performance of the market as a whole or to area demographics. Low-income census tracts only contain 4% of the area's owner-occupied housing units and thus helps to explain the low distribution of residential loans in those areas.

BAI's small business lending is provided through BANTSA. While its volume of small business loans was too small to provide meaningful analysis, its lending activity did provide a reasonable portion of its loans to businesses in LMI areas. Generally, BAI does not target small businesses for loans. Rather, it focuses on middle-market businesses consistent with its strategy.

Borrower Distribution:

Residential loans to LMI borrowers represented 2% and 11% of total loans, respectively, compared with 10% and 23% for all lenders. The majority of BANTSA's residential mortgages were made to upper-income borrowers and borrowers residing in upper-income census tracts. However, the distribution of these loans to low-income census tracts and low-income people improved slightly in 1997.

The volume of BANTSA's consumer loans is nominal and consistent with the bank's limited delivery systems. Therefore, consumer loan lending data did not provide for a meaningful analysis.

Community Development Lending Activities: BAI's strong community development efforts helped compensate for its weak residential and consumer loan distribution to LMI areas. The Chicago area has many community development lending opportunities. During the review period, BAI provided more than $28 million in community development loans for affordable housing ($11 million for 493 housing units), community services ($5 million), and local businesses that have created employment for a significant number of LMI individuals ($12 million). In addition, BANTSA originated two community development loans under the SBA 504 Program totaling more than $4 million. The SBA 504 Program promotes economic development through job creation and retention.

BAI has been responsive to the community development needs of the assessment area, particularly in northern Chicago. In supplementing the bank's lack of branches, it maintains relationships with other community development financial institutions in the area to deliver retail and community development credit and services to the community. Other significant relationships BAI has created that support LMI neighborhoods include Woodlawn Preservation and Investment Corp., Illinois Facilities Fund (IFF), Neighborhood Housing Services of Chicago (NHS), Shorebank Corp., West Humboldt Park/Orr School Network Initiative, and leading Chicago's $100 million Empowerment Zone Initiative.

Since 1987, BAICDC has provided a $40 million revolving loan fund to NHS for the Chicago Home Improvement Program (CHIP) that provides low interest-rate home improvement loans from $2,500 to $50,000 to homeowners. The program originates an average of 500 loans aggregating over $6 million annually.

INVESTMENT TEST

- **BAI has maintained an excellent level of qualified community development investments and grants and occasionally takes a leadership position with facilities that private investors have not routinely provided.**

- **The number and dollar amount of qualified investments is reasonable given BAI's size and investment opportunities available in the assessment area.**

BAI has exhibited excellent responsiveness to credit and community economic development needs through investments and grants. It has 38 investments totaling $65.37 million. While these investments were not innovative or complex, the bank has accomplished innovative lending and investments through grants and/or loans to the Chicago Home Improvement Program, Homebuyer's Assistance Grant Program, and other community development financial institutions. Those institutions provide loans or products that are generally innovative and help meet the credit needs within the community.

BAI community development investments are purchased through BAICDC. Most of those eligible investments benefit the assessment area and target LMI individuals or areas. As of June 19, 1997, BAI had over $5 million invested in 15 Chicago Public Housing bonds and over $1 million invested in seven Cook County Public Housing bonds. The bank's equity investments include $49 million in 12 affordable housing securities and almost $10 million in three other community development investments, including $8 million in commitments created during the review period. Of the $49 million in affordable housing securities, BAICDC maintains a $40 million revolving commitment to the Community Investment Corporation (CIC) by purchasing mortgage-collateralized trust notes. CIC provides below-market rate financing to acquire and rehabilitate affordable multi-family housing. BAICDC has purchased more than $32 million in notes and has approximately $17 million outstanding. BAI is the second largest bank investor in CIC.

The bank's 155 qualified grants totaled almost $3 million. BAI distributed an additional $390,000 in grants to organizations from the $515,000 Bank Enterprise Award it received from the U.S. Department of Treasury.

SERVICE TEST

- **BANTSA has been responsive to community development service opportunities in the assessment area and often takes a leadership role.**

The bank is accessible to only limited portions of the assessment area due to its single location. BAI provided limited retail services through its private banking division. BAI's limited delivery systems are consistent with its business strategy to target middle-market businesses and acquire funding through wholesale means. However, BA-FSB and its subsidiaries provide retail banking products and alternative delivery systems. During the review period, BAI did not open or close any branches in the assessment area.

BANTSA provides a high level of community development service through board affiliations (financial oversight, strategic planning, or project fund raising). During the review period, management logged more than five thousand hours with 46 community development affiliations and has provided more than eleven hundred hours of technical assistance to other organizations. BANTSA has provided technical assistance to the Orr School Network, West Humboldt Park Family and Community Development Council, Illinois Facilities Fund, Neighborhood Housing Services, and Social Compact. Its innovative community development services include its ongoing commitment to the comprehensive West Humboldt Park Initiative (Orr School Network).

ASSESSMENT AREA PROFILE: COOK COUNTY							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	5,105	100%		25%	19%	23%	34%
Median Income($)			$55,800				
Census Tracts	1,352	100		20	25	36	18
Unemployment Rate - May 31, 1997	4.7%						
Owner-occupied Housing (#)	1,042,793	100		4	17	50	28
Median Housing Value ($)			$123,735				
Small Businesses	107,182	100%		7%	18%	40%	34%

LENDING TEST: COOK COUNTY								
Loan Type	#	% of Bank	$ (million)	CT / B	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Residential	1,514	1%	$287	CT	1%	6%	33%	60%
				B	3	13	21	64
Consumer - Automobile	330	0	5	CT	8	19	49	24
				B	25	39	21	15
Consumer - Home Equity	252	0	10	CT	1	8	41	50
				B	7	16	25	52
Consumer - Other	207	1	1	CT	6	30	49	15
				B	35	37	12	16
Consumer - Credit Card	8,282	1	50	CT	5	22	49	24
				B*	4	3	2	2
Small Business	114	1	38	CT	9%	18%	33%	36%
Community Development	17	7%	28					
Total Lending	10,716		$420					

(CT) Income Level of Census Tracts
(B) Income Level of Borrower
* Distribution does not add to 100% due to unclassified or unavailable data.

INVESTMENT TEST: COOK COUNTY							
Investment Type	#	% of Bank	$ (000s)	Low %	Moderate %	Middle %	Upper %
Affordable Housing & Economic Dev.	32	10%	$65,861				
Contributions/Grants	155	18	2,970				
Total Investments	187	16%	$68,831				

SERVICE TEST: COOK COUNTY							
Service Type	#	% of Bank	$ (million)	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices	1	0%		0	0	0	100%
Deposits			$6,160				
In-Store Offices	0	0		0	0	0	0
ATMs	0	0%		0	0	0	0

NEVADA

NEVADA STATE RATING

CRA Rating for Nevada [2]: **Satisfactory**

The lending test is rated: **Low Satisfactory**
The investment test is rated: **High Satisfactory**
The service test is rated: **Low Satisfactory**

Description of Institution's Operations in Nevada

The Nevada assessment areas include the Reno MSA and the state's non-metropolitan statewide area referred to as Rural Nevada. Rural Nevada consists of eleven rural counties: Carson City, Churchill, Douglas, Elko, Humboldt, Lander, Lincoln, Lyon, Mineral, Storey, and White Pine. The combined area is dominated by mountain ranges, deserts, and a large proportion of Federal land. Both areas have experienced strong population growth since 1990, which is expected to continue.

BANTSA entered the retail banking market in these assessment areas with the acquisition of Nevada First Thrift (in the Reno MSA) in 1989 and Valley Bank of Nevada (statewide) in 1992. Further expansion occurred in the Reno MSA with the acquisition of Frontier Savings in 1990. These branches were divested after the completion of the merger with Security Pacific Bank in 1992. BANTSA's main competitors are Wells Fargo Bank, U S Bank, and Norwest Bank. In residential lending, it also competes with mortgage companies such as Norwest Mortgage, Weyerhaeuser Mortgage, and InterWest Mortgage. It serves the state with 35 branch offices and 85 ATMs. The loans BANTSA originated in this state during the review period, accounted for 1.1% of its total number and 1.4% of its total dollar volume. Further, the state accounts for .9% of the bank's domestic deposits. This ranks the state's market size number seven out of the ten states and two Multistate MSAs evaluated.

Employment opportunities are strong. HUD reports jobs are growing more quickly than the population. The major industries are hotels and gaming, government, retail trade, construction, transportation and utilities, finance and real estate, manufacturing, mining, and agriculture. The strength of the economy is driven by the growth of tourism, as well as by the migration and creation of businesses of many types.

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[2] For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

The significant increase in population compounds the need for additional affordable housing. The supply of housing units consists of 62% single family structures (versus 41% in LMI census tracts and BNAs), 19% in multifamily structures (33% in LMI), and 19% in manufactured homes (26% in LMI). HUD reports that median home purchase prices and median contract rental rates have been increasing more rapidly than median income, while vacancy rates have declined. The type of housing unit varies in each county, although manufactured home occupancy is higher in the rural counties. The majority of new housing units developed in the rural counties since 1980 were manufactured homes, which are more affordable for the large influx of retirees and more flexible for the mining industry. HUD reports other rural housing needs include the reduction of overcrowded households, improvement of plumbing and other structural inadequacies, and improved weatherization. In both assessment areas, there are also a wide variety of homeless needs based on income and health considerations. Continued growth of small business loans is another identified credit need and opportunity.

STATE PROFILE: NEVADA							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	435,366	100%		18%	19%	25%	38%
Median Income($)			$50,779				
Census Tracts	136	100		2	25	40	15
Unemployment Rate	N/A						
Owner-occupied Housing (#)	100,050	100		0	18	57	25
Median Housing Value ($)			$107,302				
Small Businesses	14,171	100%		0%	33%	53%	14%

Conclusions with Respect to Performance Tests in Nevada

LENDING TEST

- **BANTSA has an adequate market position in residential lending, but a weak penetration of LMI geographies and an adequate penetration of LMI borrowers.**
- **BANTSA showed a good responsiveness to the need for small business borrowers.**
- **Finally, BANTSA is responsive to community development lending, but has certain geographic and legislative constraints.**

Residential Lending: BANTSA's level of residential lending reflects adequate responsiveness to Nevada's credit needs. However, the bank's distribution of these loans in the review period is heavily concentrated among middle and upper income geographies (92%) and borrowers (77%). BANTSA geographic distribution reflects weak penetration of LMI geographies in Nevada. The bank made no loans in low-income census tracts and BNAs, however, there is limited opportunity because of the small number of owner-occupied units. BANTSA's loans in moderate-income census tracts and BNAs is well below the proportion of owner-occupied units. However, the distribution of borrowers reflects adequate penetration among borrowers of different income levels.

In addition to its broadly used array of products, BANTSA makes loans under the "Hope 3 Mortgage Loan" program in conjunction with the Reno Housing Authority. These loans are extended to low-income borrowers. Also, the bank's "Enhanced Neighborhood Advantage" loan program has flexible characteristics and is used for LMI borrowers in Reno.

Consumer Lending: Consumer lending levels indicate good responsiveness to Nevada's credit needs. The ratio of the total number of loans to the number of families is 7%. The geographic distribution of loans reflects weak penetration of LMI geographies in the assessment area. The bank made no home equity loans in low-income census tracts and BNAs, however, there is limited opportunity based on the low number of owner-occupied units in these areas. BANTSA's home equity loans in moderate-income census tracts and BNAs is well below the proportion of owner-occupied units. The bank also made no automobile or other consumer loans in low-income census tracts and BNAs. However, the distribution of borrowers reflects good penetration among retail customers of different income levels. The bank's distribution of loans for automobile and other consumer needs to LMI borrowers substantially exceeded the proportion of LMI families in the state. Its home equity loans are concentrated in middle- and upper-income areas, where property appreciation has been the greatest.

Small Business Lending: BANTSA's level of small business lending shows good responsiveness to Nevada's business credit needs. The bank originated loans to approximately 9% of the small businesses in the state. The geographic distribution of these loans reflects excellent penetration in the combined assessment areas. BANTSA's small business loans in LMI areas substantially exceed the distribution of businesses in those areas. While 50% of the bank's small business loans were extended to businesses of unknown revenue level, 39% were made to businesses with revenues less than $1 million. BANTSA exhibited an excellent responsiveness to micro-lending needs in the market area, with 85% of its small business loans in amounts of $100 thousand or less.

Community Development Lending Activities: BANTSA's community development lending levels reflect a good responsiveness to the state's credit needs. Community

development lending in the rural marketplace is limited by the small number of developers of affordable housing, as well as legislative constraints limiting access to public land for the development of affordable housing. The bank provided a $2 million construction loan and a $2 million permanent loan on a 48-unit affordable housing apartment complex. It also provided a $1 million construction loan on a 30-unit affordable housing complex, and a $2 million development and construction loan on a 32-unit affordable housing apartment complex. The bank supplemented these flexible community development loans with low-income housing tax credits as part of the permanent financing package. It also provided leadership in committing to the construction financing and enlisting and coordinating the facilities of government and nonprofit parties to the total financing package.

INVESTMENT TEST

BANTSA has a significant level of qualified community development investments, two of which are complex. The bank is the sole investor in $2 million of low-income housing tax credits for two projects described in the Lending Test. In addition, the bank has invested $8 million in general obligation bonds issued by two housing and redevelopment agencies with jurisdiction limited to the Reno MSA.

Through these investments and various qualified grants, BANTSA showed a good response to credit and community development needs for an assessment area of this size. In addition to the grants targeted for the Reno MSA and Rural Nevada, BANTSA made $15 thousand in grants to groups with statewide constituencies, 89% of which were for economic development. Of BANTSA's total grants for the state, 51% was used to promote and facilitate affordable housing, and 34% was extended for community services. Examples of beneficiaries of these grants include the Neil Road Family Services Consortium, the Glenn Duncan Family Focus Center, Truckee Meadows Habitat for Humanity, the Affordable Housing Resource Council, the Rural Nevada Development Corporation, Citizens for Affordable Housing, the Community Services Agency, and the Economic Development Authority of Western Nevada.

SERVICE TEST

BANTSA has provided a good level of community development services for a state this large. Its delivery systems are reasonably accessible, considering the geographic limits in the rural counties. Services do not vary in a way that inconvenience certain portions of the assessment area, particularly LMI geographies or individuals. Management sets Saturday hours using an analysis of demand.

Through its officers and employees, the bank has extended significant financial and technical expertise to promote affordable housing, neighborhood revitalization, and small business lending to and through various organizations. Examples of these organizations are Children's Cabinet, Reno Housing Authority, Rural Nevada Development Corporation,

Churchill Economic Development Agency, and the Tri-County Development Authority. Its leadership role was highly evident in the service it provides to groups like the Community Services Agency & Development Corporation and the Affordable Housing Resourc e Council.

During the review period, the bank opened seven and closed seven branches. Of the new offices, four are in upper-income areas, and three are in middle-income areas. Two closed branches were in moderate-income areas. None of the bank's branches are in low-income census tracts. These branch actions did not have an adverse impact on LMI areas.

RENO MSA # 6720

Description of Institution's Operation in the Reno MSA

This MSA contains Washoe County in the northwest corner of Nevada. Its principal cities are Reno, Sparks, and Virginia City. This MSA and Las Vegas Multistate MSA are the only MSAs in Nevada, and contain the primary concentrations of population. BANTSA serves the MSA with 18 branch offices and 54 ATMs.

According to HUD, job growth is exceeding the population growth. The major industries are hotels and gaming, government, retail trade, construction, transportation and utilities, finance and real estate, manufacturing, mining, and agriculture. The strength of the economy is driven by the growth of tourism, as well as by the migration and creation of businesses of many types.

The significant increase in population compounds the need for additional affordable housing. According to HUD, median home purchase prices and median contract rental rates have been increasing more rapidly than median income, while vacancy rates have declined. Continued growth of small business loans is another identified credit need and opportunity.

ASSESSMENT AREA PROFILE: RENO MSA # 6720							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	254,667	58%		17%	19%	25%	38%
Median Income($)			$52,500				
Census Tracts	58	43		2	22	36	22
Unemployment Rate- May 31, 1997	3.7%						
Owner-occupied Housing (#)	55,421	55		0	18	47	35
Median Housing Value ($)			$117,350				
Small Businesses	8,470	60%		0%	45%	38%	17%

Conclusions with Respect to Performance Tests in the Reno MSA

LENDING TEST

- **BANTSA has a good market position in residential lending, but a weak penetration of LMI geographies.**

- **BANTSA has shown an excellent responsiveness to the need for small businesses.**

- **BANTSA is responsive to community development lending needs, and provides leadership.**

Geographic Distribution:

BANTSA's level of residential lending reflects adequate responsiveness to assessment area credit needs. However, the bank's distribution of these loans in the review period is heavily concentrated among middle and upper income geographies (93%) and borrowers (77%). BANTSA geographic distribution reflects weak penetration of LMI geographies in the assessment area. While the bank made 7% of its residential loans in these areas, 18% of the owner-occupied housing stock is in these areas.

BANTSA's level of small business lending shows excellent responsiveness to assessment area's credit needs. The geographic distribution of these loans reflects good penetration throughout the assessment area, closely matching the distribution of the businesses.

Borrower Distribution:

BANTSA's distribution of residential borrowers reflects a less favorable penetration of LMI borrowers. Its 1996 overall residential market share substantially exceeded its share of loans to LMI borrowers.

Consumer lending levels indicate good responsiveness to assessment area credit needs. BANTSA's distribution of borrowers reflects good penetration among retail customers of different income levels. The bank's distribution of loans to LMI borrowers substantially exceeded the proportions of LMI families for automobile and other consumer loans, and was slightly below the family proportion for credit cards.

Over 50% of BANTSA's small business loans were extended to businesses of unknown revenue level, and 38% were made to businesses with revenues less than $1 million. The bank showed an excellent responsiveness to micro-lending needs in the market area, with 86% of its small business loans in amounts of $100 thousand or less. The bank makes extensive use of innovative and flexible lending practices to serve assessment area credit needs. The main product is the ABC Business Banking Loan, which uses a streamlined application process with credit scoring.

Community Development Lending Activities: BANTSA's community development lending levels reflect good responsiveness to assessment area credit needs. Its community development activities were conducted in a marketplace with a limited number of developers of affordable housing, as well as legislative constraints that limit the access

to public land for the development of affordable housing. The bank provided a $2 million construction loan and a $2 million permanent loan on a 48-unit affordable housing apartment complex. It also provided a $1 million construction loan on a 30-unit affordable housing complex. These are flexible community development loans with the bank's use of low-income housing tax credits as part of the permanent financing package. The bank provided leadership in committing to the construction financing and enlisting and coordinating the facilities of government and nonprofit parties to the total financing.

INVESTMENT TEST

BANTSA has a significant level of qualified community development investments, two of which are complex. The bank is the sole investor in $2 million of low-income housing tax credits for two projects described under the Lending Test. In addition, the bank has invested $8 million in general obligation bonds issued by two housing and redevelopment agencies with jurisdiction limited to this MSA.

Through these investments and various qualified grants, BANTSA showed a good response to credit and community development needs for the MSA. Of BANTSA's $60 thousand in grants, 60% was extended for community services and 34% was used to promote and facilitate affordable housing. Examples of grant beneficiaries include the Neil Road Family Services Consortium, the Glenn Duncan Family Focus Center, Truckee Meadows Habitat for Humanity, and the Affordable Housing Resource Council.

SERVICE TEST

BANTSA has provided a relatively high level of community development services and in several occasions played a leadership role. Its delivery systems are reasonably accessible. Services do not vary in a way that inconveniences certain portions of the MSA, particularly LMI geographies or individuals. Management sets Saturday hours based on their analysis of demand.

Through its officers and employees, BANTSA has extended significant financial and technical expertise to promote affordable housing, neighborhood revitalization, and small business lending to and through various organizations. Examples of these organizations are Children's Cabinet and the Reno Housing Authority. Its leadership role was highly evident in the service it provides to groups like the Community Services Agency & Development Corporation.

During the review period, the bank opened four and closed four branches. Of the new offices, three are in upper-income areas, and one is in a middle-income area. One closed branch was in a moderate-income area. These actions did not have an adverse impact on LMI geographies.

RURAL NEVADA ASSESSMENT AREA

Description of Institution's Operation in Rural Nevada

This assessment area consists of eleven rural counties: Carson City, Churchill, Douglas, Elko, Humboldt, Lander, Lincoln, Lyon, Mineral, Storey, and White Pine. The assessment area includes most of the northern, central, and eastern portions of the state, and is dominated by mountain ranges, deserts, and a large proportion of Federal land. Its principal cities are Carson City in the west, Winnemucca, Battle Mountain, and Elko in the north, and Ely in the east. BANTSA serves the area with 17 branch offices and 31 ATMs.

A combined unemployment rate for the assessment area is not available. The primary industries are mining and agriculture, government, construction, transportation and utilities, and some manufacturing.

Affordable housing for the elderly and temporary housing for the mining industry are the primary lending needs and opportunities. The highest concentration of renters is in Carson City, Esmeralda, and Pershing Counties. The highest concentration of owner-occupied units is in Lincoln, Lyon, Storey, and White Pine Counties. The type of housing unit varies in each county, although manufactured home occupancy is higher in the rural counties. The majority of new housing units developed since 1980 were manufactured homes, which are more affordable for the large influx of retirees and more flexible for the mining industry. According to HUD, other housing needs include the reduction of overcrowded households, improvement of plumbing and other structural inadequacies, and improved weatherization.

ASSESSMENT AREA PROFILE: RURAL NEVADA							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	180,699	42%		19%	19%	26%	37%
Median Income($)			$49,500				
Census Tracts	78	57		1	27	42	10
Unemployment Rate	NRA						
Owner-occupied Housing (#)	44,629	45		1	17	70	13
Median Housing Value ($)			$92,796				
Small Businesses	5,701	40%		0%	15%	74%	11%

Conclusions with Respect to the Performance Tests in Rural Nevada

LENDING TEST

- **BANTSA has a good market position in residential lending, and an adequate penetration of LMI geographies and borrowers.**

- **BANTSA's volume and geographic distribution of small business loans is good, and its level of micro-lending is excellent.**

- **BANTSA is responsive to community development lending needs, and provides leadership.**

Residential Lending: BANTSA's level of residential lending reflects an adequate responsiveness to area's credit needs when the bank's overall 1996 market share of 10% and the total market's 13% penetration of owner-occupied units are considered. Its geographic distribution of these loans is marginally below the distribution of LMI geographies. Similarly, the distribution of borrowers reflects the same slight shortfall when the bank's loans to LMI borrowers are compared to the area's demographics.

In comparison to other lenders in 1996, BANTSA market share in LMI geographies marginally exceeded its overall residential lending market share. Conversely, its share of loans to LMI borrowers marginally trailed its overall residential lending market share. The bank uses innovative and flexible lending practices to help meet the area's credit needs. These practices use a variety of residential lending programs with flexible underwriting, down payment, and pricing characteristics.

Consumer Lending: BANTSA's consumer lending levels reflect a good responsiveness to the area's credit needs. The geographic distribution of loans reflects weak penetration of LMI geographies in the assessment area. However, the distribution of borrowers reflects adequate penetration among retail customers of different income levels. The bank's distribution of consumer loans to LMI borrowers nearly matched the proportion of LMI families in the area. BANTSA has a few products with reduced credit guidelines for low-income and disabled individuals. The bank uses these products in many of its assessment areas.

Small Business Lending: BANTSA's level of small business lending shows an adequate response to area's credit needs. The geographic distribution of these loans nearly matches the distribution of small businesses in LMI areas. Further, a substantial majority of the loans were made to businesses with less than $1 million in annual revenues, when the revenue of the company was known. BANTSA has also been responsive to small business micro-lending needs, with 84% of its small business loans in amounts of $100 thousand or less. The bank makes extensive use of innovative and flexible lending

practices to help serve the area's small business credit needs. The main product is the ABC Business Banking Loan, which uses a streamlined application process with credit scoring.

Community Development Lending Activities: Community development lending levels reflect good responsiveness to area credit needs. The bank provided a $2 million development and construction loan on a 32-unit affordable housing apartment complex. Management provided leadership in committing to the construction financing while enlisting and coordinating the facilities of government and nonprofit parties to the total financing. This loan was made in a rural market, that is supported by a limited number of developers of affordable housing, as well as legislative constraints which limit the access to public land for the development of affordable housing.

INVESTMENT TEST

BANTSA's qualified grants provide an adequate response to community development needs, when geographical constraints are considered. While, BANTSA has no direct community investments in this area, because of the wide dispersion of the population over a large geographic area, it used grants to promote and facilitate affordable housing. Examples of the beneficiaries include the Rural Nevada Development Corporation, Citizens for Affordable Housing, and the Community Services Agency.

SERVICE TEST

BANTSA has provided a good level of community development services for an assessment area this large. On several occasions, the bank played a leadership role. Its delivery systems are reasonably accessible, although the geographic size is more limiting to access than in an urban area. Services do not vary in a way that inconveniences certain portions of the assessment area, particularly LMI geographies or individuals. Saturday hours are based on an analysis of demand.

During the review period, the bank opened three and closed three branches. Of the new offices, one is in an upper-income area, and two are in middle-income areas. One closed branch was in a moderate-income area.

Through its officers and employees, BANTSA has extended significant financial and technical expertise to promote affordable housing, neighborhood revitalization, and small business lending to and through various organizations. Examples of these organizations are the Rural Nevada Development Corporation, Churchill Economic Development Agency, and the Tri-County Development Authority. Its leadership role was highly evident in the service it provides to groups like the Affordable Housing Resource Council, and the Community Services Agency & Development Corporation.

NEVADA AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: NEVADA Assessment Area:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
RENO # 6720	18%	36 %	7%	23%	10.06%	4.40%	8.15%	1,770	$149,000	$84
Rural Nevada	18	37	10	23	12.97	14.63	11.41	861	51,600	60
Total State	25%	37	8%	23%	11.06%	6.74%	9.11%	2,631	$200,600	$76
% of Total Bank						0.0%	0.0%	2%	1%	
Total Bank								146,055	$16,951,400	$116
LMI Parity**						(62)	(26)			

(*) 1996 HMDA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: NEVADA Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	$ (000s)	Avg. Loan (000s)
RENO # 6720	36%	24%	38%	22%	5,532	$77,900	$14
Rural Nevada	37	28	34	11	2,870	39,000	14
Total State	37%	27%	37%	18%	8,402	$116,900	14
% of Total Bank					1%	2%	
Total Bank					877,912	7,758,000	$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: NEVADA Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	$ (000s)	Avg. Loan (000s)	#	$ (000s)
RENO # 6720	45%	47%	20.06%	22.90%	19	1,226	$96,900	$79	3	$4,973
Rural Nevada	15	13	9.06	5.60	(8)	392	25,200	64	1	1,562
Total State	33%	39%	15.73%	18.49%	11	1,618	$122,100	$75	4	$6,535
% of Total Bank					0.0%	2%	2%		2%	1%
Total Bank						87,225	$5,620,300	$64	266	$467,424

(*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than $1 million
(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): NEVADA Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	$ (000s)	#	% # ST	$ (000s)	#	% # ST	$ (000s)
RENO # 6720	7	100%	$9,546	10	50%	$60	17	63%	$9,606
Rural Nevada	0	0	0	4	20	33	4	15	33
State-wide	0	0%	0	6	30%	42	6	22%	42
Total State	7		$9,546	20		$134	27		$9,680
% of Total Bank	2%		2%	2%		2%	2%		2%
Total Bank	325		$398,484	877		$8,171	1,202		$406,759

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: NEVADA Assessment Areas:	#				$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
RENO # 6720	15	3	54	49%	$645	63%	0%	27%	40%	33%	0%	28%	39%	33%
Rural Nevada	15	2	31	49	387	38	0	12	71	18	0	26	55	19
Total State	30	5	85	100%	$1,032	100%	0%	17%	54%	29%	0%	27%	45%	28%
% of Total Bank	2.0%	2.7%	1.5%	2.1%	0.9%									
Total Bank	1,500	187	5,565		$111,413									

NEW MEXICO

NEW MEXICO STATE RATING

CRA Rating for New Mexico: Satisfactory

The lending test is rated: Low Satisfactory
The investment test is rated: Low Satisfactory
The service test is rated: High Satisfactory

Description of Institution's Operations in New Mexico

Bank of America New Mexico was formed in 1991, when BAC purchased deposits and assets of ABQ Federal Savings Bank and Sandia Federal Savings Association from the Resolution Trust Corporation. BANTSA is now the fourth largest commercial bank in the state. On January 1, 1997, the state charters of Arizona, Nevada and New Mexico were consolidated into BANTSA's charter. BANTSA serves the state with 41 branch offices and 102 ATMs. The loans BANTSA originated in this state during the review period, accounted for 1.4% of its total number and 1.3% of its total dollar volume. Further, the state accounts for .2% of the bank's domestic deposits. This ranks the state's market size number eight out of the ten states and two Multistate MSAs evaluated.

The state economy, which experienced boom-like conditions during 1993-1995, has stabilized. Reflecting the slower pace of economic growth, the state's unemployment rate rose from 6.3% in 1995 to 6.9% in 1996 and showed improvement in the first quarter of 1997 at 6.2%. Government offices are the leading employer in the state. New Mexico ranks 47th in the nation in per capita income. In spite the state's economic growth over the past five years, high poverty rates and low per capita income remains a major problem. High-tech manufacturing plants continue to expand and create more jobs in the local economy. The state continues to attract new industry, such as Internet and computer firms, credit card processing and a manufactured housing plant.

There are twenty-eight Native American reservations entirely or partially in the state boundaries the majority are designated LMI areas. The population living on these lands is 6% of the state total.

BANTSA offers a full range of credit products which include several very flexible programs for housing, business, and consumer loans. In 1997, the bank began to offer the HUD 184 Native American Home Loan Program. Under this program, HUD will provide a 100% guarantee on loans to tribal members and designated tribal housing authorities.

In early 1997, BANTSA developed its Small State Initiative to address specific needs of the lesser populated states, including New Mexico. The bank recognizes its low market share in these states. This initiative is dedicated to consider the needs and opportunities in these states when developing products/programs and allocating resources.

BANTSA has designated five assessment areas that include the most densely populated areas of the state. The areas are based on the MSAs and the rural counties in which the bank has branches. The areas include: the Albuquerque MSA, Las Cruces MSA, Santa Fe MSA, the Southern Region assessment area, and the Northwestern Region assessment area. We focused primarily on the bank's performance in the Albuquerque MSA, Northwestern and Southern Assessment Areas based on their population level. We assessed the bank's CRA activities in the Las Cruces and Santa Fe MSAs for consistency.

We performed three community contact calls in New Mexico, two housing related and one small business loan related, during the examination to gain further insight to the needs of the community and how the bank was perceived in meeting those needs. The contacts and the New Mexico BANTSA Community Redevelopment Advisory Committee have identified affordable housing and small business lending as the most pressing needs in the state.

ASSESSMENT AREA PROFILE: NEW MEXICO							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	1,239,421	100%		22 %	17%	21%	41%
Median Income($)			$44,400				
Census Tracts	290	100		5	28	40	26
Unemployment Rate -May 31, 1997	6.2%						
Owner-occupied Housing (#)	294,570	59		3	22	44	31
Median Housing Value ($)			$73,039				
Small Businesses	32,152	100%		2%	31%	41%	26%

Conclusions with Respect to Performance Tests in New Mexico

- **BANTSA's lending performance during the review period is an adequate response to the credit needs of the state with the following results:**

  - **Residential lending performance showed low distribution levels to LMI census tracts and families.**
  - **BANTSA's small business lending performance showed a good geographic distribution of loans, of which a vast majority are small loans made to businesses with $1 million or less in annual revenues.**

- **Consumer lending performance showed distribution of loans exceeding the demographics of LMI families.**

- **BANTSA's volume of investments are a good response to the community development needs of the state.**

- **BANTSA's delivery systems are accessible to limited portions of the state, however, the bank's level of community development services showed a good response to community needs and local employee participation in their communities.**

LENDING TEST

The demographic distributions and community contacts showed that LMI applicants are scattered among the census tracts, therefore, the applicant distribution analysis better illustrated BANTSA's performance in the state.

Residential Lending: The geographic and applicant distribution of lending is below the demographic distribution of LMI census tracts and families. Distribution in LMI census tracts and lending to LMI applicants is below the average for peer banks' lending activity.

Small Business Lending: BANTSA showed a good geographic distribution of loans when compared to the demographics of businesses within LMI census tracts. The percentage of lending was well below the opportunities in the MSA (2.3% of the small businesses reported in the MSA receiving a loan from BANTSA). The bank showed an excellent distribution of lending to businesses of different sizes by making a majority (84.3%) of its loans to businesses with annual revenues of $1 million or less. They also showed an excellent concentration of loans for $100,000 or less at 91% of business loans made in New Mexico.

Consumer Lending: The percent of lending exceeds the percent of families at LMI levels showing a good response to consumer applicants in the state.

Community Development Lending Activities: During the review period, BANTSA made two community development loans in the Southern New Mexico assessment area. It also originated loans with Small Business Administration guarantees, which are included in the small business loan numbers above. This shows an adequate response to the communities need for affordable housing and small business loans to start-up and low-income businesses. Although there are several Indian reservations entirely or partially within the state boundaries, community development lending in these areas has not been addressed by the bank during this review period.

INVESTMENT TEST

During the review period, BANTSA participated in the community through three Public Housing bond investments in Santa Fe and 33 grants and contributions. The grants and contributions supported various nonprofit organizations providing a variety of services (e.g., home ownership counseling, small business technical assistance, and economic development programs). While only less than 1% of the bank's deposits came from New Mexico, more than 1% of the loans, .1% of investments, and almost 3% of grants and contributions (by dollar volume) were made to organizations within the state.

SERVICE TEST

BANTSA serves the state with:

29 full service standalone branches,
12 in-store branches which are open seven days a week,
102 bilingual automatic teller machines, and
24-hour telephone bilingual customer service and telemarketing.

The bank's branches are adequately distributed throughout different income levels of geography. Business hours are normal for local full service branches. The "in-store" branches are open seven days a week with extended hours, none of which are in LMI census tracts.

The bank has a comprehensive opening and closing policy. Of the nine branches closed during the review period only one was in a moderate-income area.

During the review period, bank employees were involved and supported their communities in 31 different qualified community development services. These activities were in support of various programs which include home owner counseling, financial services education, small business technical financial education and providing financial advice to nonprofit organizations.

Assessment Area's Evaluated for Consistency of Performance

The Santa Fe MSA has the highest median income and median housing value in the state and the lowest portion of the population. There are no low-income census tracts identified in the MSA. Approximately 50% of the total employment base is in the wholesale, retail and service sectors, mainly based upon tourism. The government employs 36% of the labor force.

The Lending Test, Investment Test and Service Test performance is consistent with the overall state performance:

Mortgage and consumer lending is low compared to the demographics of LMI census tracts and families. Small business lending meets the demographics of small businesses in the MSA.
BANTSA's investments show a good response to community development needs with affordable housing bonds and grants and contributions totaling 80% of the dollars invested by the bank in New Mexico.
BANTSA shows an adequate level of service to the area with 12% of the states delivery systems and 16% of the qualified Community development services.

The Las Cruces MSA has 11% of the state's population. Retail trade and the service sector employ more than 40% of the labor force and the government employing another 38%. The MSA has the state's highest unemployment rate in a metropolitan area.

The Lending Test, Investment Test and Service Test performance is consistent with the overall state performance:

Mortgage and consumer lending is low compared to the demographics of LMI census tracts and families. Small business lending is slightly below the demographics of small businesses located in the MSA.
BANTSA's investments show an adequate response to community development needs considering there is little opportunity in the MSA.
BANTSA shows an adequate level of service to the area with 5% of the states delivery systems and 6% of the qualified community development services.

ALBUQUERQUE MSA # 0200

Description of Institution's Operations in Albuquerque

This MSA encompasses Bernalillo, Sandoval and Valencia Counties and is the largest MSA in the state. The City of Albuquerque is the financial and industrial hub of the state. It is the state's center for commerce, finance, communications, transportation and medical facilities. Further, its diverse economic base includes education, research and development, and government.

The 1997 outlook for the economy is moderate at best, with employment and income growth significantly below the rates recently enjoyed the last few years. The 1996 unemployment rate is 5.3% and in the first half of 1997 fell to 4.1%. The fastest growing sectors of the economy are business services and construction with manufacturing and trade also exhibiting strong growth.

The top major employers include Albuquerque Public Schools, Sandia National Laboratories, Kirtland Air Force Base and the University of New Mexico. The MSA has attracted new businesses such as Intel, Motorola and Sumitomo. Several companies have moved their telemarketing services and customer services operations to the MSA.

The City of Albuquerque has a pro-business climate; it offers several sophisticated industrial parks. New Mexico and the City of Albuquerque have various incentives programs that provide financial assistance to the private business sector for new business development, business expansion and business relocation.

There are eight Native American reservations in the MSA and a part of six more reservations are in the MSA's boundaries. The majority are designated LMI census tracts.

BANTSA serves the MSA with fifteen full service standalone branches, eleven in-store branches in major supermarkets that are open seven days a week and 68 ATMs. The bank offers a full range of credit products which include several very flexible programs for housing, business and consumer loans. In the first half of 1997, the bank offered the HUD 184 Native American Home Loan Program. Under this program, HUD will provide a 100% guarantee on loans to tribal members and designated tribal housing authorities. Most of the Indian Reservations are located in LMI census tracts.

Community nonprofit leaders and the New Mexico BANTSA Community Redevelopment Advisory Committee have identified affordable housing and small business lending as the most pressing needs in the MSA.

ASSESSMENT AREA PROFILE: ALBUQUERQUE MSA # 0200							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	589,131	48%		21%	17%	22%	40%
Median Income($)			$41,400				
Census Tracts	138	48		4	25	40	28
Unemployment Rate -May 31, 1997	4.1%						
Owner-occupied Housing (#)	142,641	39		2	21	45	33
Median Housing Value ($)			$82,643				
Small Businesses	18,006	56%		3%	33%	38%	26%

Conclusions with Respect to Performance Tests in Albuquerque

- **BANTSA's lending performance during the review period is an adequate response to the credit needs of the MSA.**
- **BANTSA's investments in the MSA are limited.**
- **BANTSA's community development services show a good participation by the local employees in their communities.**

LENDING TEST

BANTSA's overall lending performance in the MSA has been an adequate response to the area's credit needs considering the following specific performance records:

Residential lending performance is considered to be an adequate response to housing needs with low distribution levels to LMI census tracts or families.

BANTSA's small business lending performance is an adequate geographic distribution of loans, of which a majority are small loans made to businesses with $1 million or less in annual revenue.

Consumer lending performance is a good response to the credit needs of the community with distribution of loans meeting or exceeding the demographics of LMI families.

Residential Lending: BANTSA's geographic and applicant distribution of lending is well below the demographic distribution of LMI census tracts and families. The bank ranks third in market share overall, but again is below the average market distribution in LMI census tracts and lending to LMI families.

Small Business Lending: BANTSA showed an adequate geographic distribution of loans when compared to the demographics of businesses within LMI census tracts. The bank showed an excellent distribution of lending to businesses of different sizes by making 87% of its loans to businesses with annual revenues of $1 million or less. They also showed an excellent response to the need for small loans ($100,000 or less) as 92% of the bank's small business loans were this size.

Consumer Lending: The percent of lending meets or exceeds the percent of families in LMI levels showing a good response to consumer applicants in the MSA. The volume of lending showed a reasonable level by comparison.

Community Development Lending Activities: BANTSA did not make any community development loans within this MSA during this review period except Small Business Administration guaranteed lending which are included in the aggregate small business loan numbers. While management has worked on financial packages for several projects, the bank has not been successful in consummating the transactions.

INVESTMENT TEST

BANTSA participated in the community through 14 contributions and grants totaling over $86 thousand. These have been to support various nonprofit organizations providing a variety of services (e.g. home ownership counseling, small business technical assistance, and economic development programs).

SERVICE TEST

BANTSA's branches are adequately distributed throughout the area. Local full service branches maintain regular business hours. The "in-store" branches are open seven days a week with extended hours, none of which are located in LMI census tracts.

The bank has a comprehensive opening and closing policy. Of the nine branches closed during the review period only one was in a moderate-income area.

Bank employees are involved and support their communities in fifteen different qualified community development services during the review period. They participated in various programs which include home owner counseling, financial services education, small business technical financial education and providing financial advice to nonprofit organizations.

NORTHWESTERN NEW MEXICO ASSESSMENT AREA

Description of Institution's Operations in Northwestern New Mexico

This area includes Cibola, McKinley, Rio Arriba, San Juan, and Socorro counties in the northwestern portion of New Mexico. The largest city in the assessment area is Farmington. There are four Indian reservations entirely within and five partially within the assessment area, the Navajo Nation is the largest.

The types of industry in this area include ranching, farming and petroleum refineries. Small business opportunities are mainly in the service sector.

The majority of the housing stock are older homes and many people reside in mobile homes. There is a limited supply of affordable housing in the Northwest Region. This is due to a lack of infrastructure, public funds and a capacity to develop affordable housing.

BANTSA offers a full range of credit products which include several very flexible programs for housing, business and consumer loans. Its six branches maintain regular business hours and the twelve ATMs are open twenty-four hours a day.

The New Mexico BANTSA Community Redevelopment Advisory Committee has identified affordable housing and small business lending as the most pressing needs in the area. There were no community contacts available in this assessment area.

ASSESSMENT AREA PROFILE: NORTHWESTERN NEW MEXICO							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	225,214	18%		28%	16%	17%	39%
Median Income($)			$30,600				
Census Tracts	55	19		13	33	36	16
Unemployment Rate - May 31, 1997	NRA						
Owner-occupied Housing (#)	50,477	15		15	20	42	23
Median Housing Value ($)			$47,036				
Small Businesses	3,484	11%		1%	8%	60%	31%

NRA Not readily available

Conclusions with Respect to Performance Tests in Northwestern New Mexico

- **Lending performance during the review period is an adequate response to the credit needs of the area.**

- **Investments are an adequate response to the community development needs of the area.**

- **Delivery systems are accessible to limited portions of the area. Community Development service show a good participation by the local employees in their communities.**

LENDING TEST

BANTSA's overall lending performance in this assessment area over the review period has been an adequate response to the areas credit needs considering the following specific performance records:

BANTSA's residential lending performance has not kept pace with local lenders, nor does it compare favorably to the assessment area's demographics.

BANTSA's small business lending performance is a good response to the needs of the area.

Residential Lending: The bank's geographic and applicant distribution of residential lending is well below the demographic distribution of LMI census tracts and families. The bank has a nominal share of the mortgage market in this area.

Small Business Lending: BANTSA showed a good geographic distribution of loans in moderate-income census tracts. The percentage of lending was well below the opportunities in the area. The bank showed a good distribution of lending to businesses of different sizes by making a substantial majority of its loans to businesses with annual revenues of $1 million or less. They also showed an excellent response to the need for small loans ($100,000 or less) as 96% of the bank's small business loans were this size.

Community Development Lending Activities: BANTSA did not make any community development loans in the area.

INVESTMENT TEST

During the review period, BANTSA made three qualified community development investments totaling $10 thousand in the area. This was a minimal response to the area's

need for community development, however, it is mitigated by the limited opportunities available in the area.

SERVICE TEST

BANTSA serves the area with six full service branches in middle and upper - income census tracts and 12 automatic teller machines located in moderate, middle and upper - income census tracts. The branches maintain regular business hours and the ATMs are open 24 hours a day. The bank has a comprehensive opening and closing policy. No branches were closed or opened during the review period.

Bank employees show reasonable involvement with their community with eight qualified community development service activity during the review period, which is 24% of the state's total qualified services.

SOUTHERN NEW MEXICO ASSESSMENT AREA

Description of Institution's Operations in Southern New Mexico

This assessment area encompasses Chaves, Curry, Lea, and Roosevelt Counties in the southeastern corner of the state. There are eight Native American reservations in th e assessment area. The majority are designated LMI census tracts. The major industries in the assessment area are petroleum, service and government.

BANTSA offers a full range of credit products which include several very flexible programs for housing, business and consumer loans. It serves the area with three branch office s and four ATMs. The New Mexico BANTSA Community Redevelopment Advisor y Committee has identified affordable housing and small business lending as the mos t pressing needs in area. There were no community contacts available in this area.

ASSESSMENT AREA PROFILE: SOUTHERN NEW MEXICO							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	172,523	14%		20%	15%	20%	45%
Median Income($)			$30,600				
Census Tracts	43	15		2	26	49	23
Unemployment Rate - May 31, 1997	NRA						
Owner-occupied Housing (#)	41,380	11		0	19	44	37
Median Housing Value ($)			$43,487				
Small Businesses	4,134	13%		6%	32%	36%	26%

NRA Not readily available

Conclusions with Respect to Performance Tests in Southern New Mexico

- **BANTSA's lending performance during the review period is an adequate response to the credit needs of the assessment area.**
- **BANTSA's lack of investments in the area is a reflection of limited community development opportunity.**
- **BANTSA's delivery systems are accessible to limited portions of the area.**
- **BANTSA employees have had limited participation in community development services.**

LENDING TEST

BANTSA's residential lending performance does not compare favorably to area demographics. However, the distribution of its small business lending in LMI areas substantially exceeds area demographics.

Residential Lending: The bank's geographic and applicant distribution of lending is well below the demographics of LMI census tracts and families. There were no loans made in low-income census tracts and low levels to low-income families. Lending levels to moderate-income census tracts and borrowers were well below the demographics of the area. The bank has only a nominal share of the residential lending market in this area.

Small Business Lending: BANTSA showed a good geographic distribution of loans in moderate-income census tracts. Further, the bank showed a good distribution of lending to businesses of different sizes by making a substantial majority of its loans to businesses with annual revenues of $1 million or less when the revenue size of the business was known. They also made a significant portion of loans for $100,000 or less.

Community Development Lending Activities: BANTSA made two qualifying loans in the area. This accounted for all of the bank's community development lending in the state. The bank's loans provided an excellent response to the communities need for affordable housing.

INVESTMENT TEST

BANTSA did not make any qualified community development investment in this area. Management has made limited attempts to identify investment opportunity. However, the bank's lack of investment is somewhat mitigated by its community development lending.

SERVICE TEST

BANTSA's delivery system is a reasonable distribution considering the demographics of the area. The branches maintain regular business hours and the ATMs are open 24 hours a day. The bank did not open or close any branches during the review period.

Bank employees show little CRA-related involvement in their community with only one qualified community development service activity identified during the review period.

NEW MEXICO AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: NEW MEXICO Assessment Area:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
Albuquerque # 0200	23%	38%	14%	22%	4.83%	3.72%	4.21%	1,869	$116,300	$62
Las Cruces # 4100	32	40	14	12	1.57	0.81	0.58	93	4,800	52
Santa Fe # 7490	26	39	16	20	2.70	1.99	1.94	275	29,900	109
Northwestern New Mexico	35	44	10	12	6.83	3.72	2.70	276	14,200	51
Southern New Mexico	19	35	14	18	4.56	4.58	4.01	106	5,200	49
Total State	25%	39%	14%	20%	3.77%	2.93%	3.16%	2,619	$170,400	$65
% of Total Bank						0.1%	0.1%	2%	1%	
Total Bank								146,055	$16,951,400	$116
LMI Parity**						(82)	(123)			

(*) 1996 HMDA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: NEW MEXICO Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	$ (000s)	Avg. Loan (000s)
ALBUQUERQUE # 0200	38%	30%	46%	19%	8,400	$112,700	$13
LAS CRUCES # 4100	40	35	44	14	488	4,700	10
SANTA FE # 7490	39	29	54	21	1,207	16,800	14
Northwestern New Mexico	44	46	23	14	970	12,000	12
Southern New Mexico	35	28	30	17	511	6,000	12
Total State	39%	33%	43%	19%	11,576	$152,200	$13
% of Total Bank					1%	2%	
Total Bank					877,912	$7,758,000	$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: NEW MEXICO Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	$ (000s)	Avg. Loan (000s)	#	$ (000s)
ALBUQUERQUE # 0200	36%	25%	7.67%	6.58%	(14)	697	$40,800	$59	0	$0
LAS CRUCES # 4100	39	32	3.32	2.88	(1)	50	3,700	74	0	0
SANTA FE # 7490	45	38	4.37	5.01	2	88	3,000	34	0	0
Northwestern New Mexico	9	0	NA	NA	NA	88	4,600	52	0	0
Southern New Mexico	38	48	NA	NA	(2)	61	13,200	216	2	5,300
Total State	34%	26%	3.87%	3.82%	(15)	984	$65,300	$66	2	$5,300
% of Total Bank					0.0%	1%	12%		1%	1%
Total Bank						87,225	$562,030	$6	266	$467,424

(*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than $1 million

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State: NEW MEXICO Assessment Areas:	Affordable Housing & Economic Development			Contributions/ Grants			Total Investments		
	#	% # State	$ (000)	#	% # State	$ (000)	#	% # State	$ (000s)
ALBUQUERQUE # 0200	0	0%	$0	14	42%	$86	14	39%	$86
LAS CRUCES # 4100	0	0	0	1	3	10	1	3	10
SANTA FE # 7490	3	100	389	3	9	45	6	17	434
Northwestern NM	0	0	0	3	9	10	3	8	10
Southern NM	0	0	0	0	0	0	0	0	0
State-wide	0	0%	0	12	36%	79	12	33%	79
Total State	3		$389	33		$230	36		$619
% of Total Bank	1%		0%	4%		3%	3%		0%
Total Bank	325		$398,484	877		$8,171	1,202		$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: NEW MEXICO Assessment Areas:	#				$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	Full Service ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
ALBUQUERQUE # 0200	15	11	68	63%	$367	64%	0%	20%	53%	27%	0%	19%	41%	40%
LAS CRUCES # 4100	2	0	5	5	24	4	0	50	0	50	0	40	20	40
SANTA FE # 7490	3	1	13	10	49	8	0	33	33	33	0	15	46	38
Northwestern NM	6	0	12	15	91	16	0	0	83	17	0	8	75	17
Southern NM	3	0	4	7	46	8	0	33	0	67	0	25	0	75
Total State	29	12	102	100%	$577	100%	0%	15%	54%	32%	0%	19%	43%	38%
% of Total Bank	1.9%	6.4%	1.8%	2.4%	0.5%									
Total Bank	1,500	187	5,565		$111,413									

NEW YORK

NEW YORK STATE RATING

CRA Rating for New York: Satisfactory

The lending test is rated: Low Satisfactory
The investment test is rated: High Satisfactory
The service test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS:

The New York area is BANTSA's only designated assessment area in the state. The area is comprised of the five-boroughs of Manhattan, Bronx, Queens, Brooklyn, and State Island. The area is mostly urban with a population of over seven million. The economy is largely driven by the financial and government sectors.

BANTSA has historically had a limited, non-retail presence in New York. The bank only has one office located in Manhattan's World Trade Center. From that office, the bank operates a global payments center. This office became part of BANTSA on September 1, 1996. Although the bank does not conduct retail transactions in New York, it receives CRA credit for the residential loans originated by affiliate BA-FSB. The bank has also provided community development investments and services.

The cost of housing in the New York MSA is prohibitive to a large percentage of the population. Therefore, the need for affordable housing is a major issue. Lending opportunities exist for the construction of more multi-family dwellings and manufactured housings. Many nonprofit developers and community groups operate in New York. This provides financial institutions the opportunity to provide community development investments and services. Lastly, the downsizing of major industries may provide more opportunities for small business lending.

Conclusions with Respect to Performance Tests in New York

- **BANTSA demonstrated a reasonable effort to address community credit needs.**
- **Investment activities strongly support community needs.**
- **BANTSA made a reasonable effort to provide community development services.**

LENDING TEST

Conclusions:

BANTSA is credited with originating 1,468 new residential loans during the review period. These loans totaled $224 million. In addition, the bank originated eight small business loans totaling $1 million. The bank did not report any consumer or community development loans.

Geographic Distribution:

BANTSA geographic distribution of residential loans reflects a fair penetration throughout the assessment area. During the review period, the bank made 2% of its residential loans in low-income census tracts and 8% in moderate-income census tracts. These figures do not compare favorably to demographic statistics which show that 14% of census tracts are low-income and 19% are moderate-income. However, the bank's lending pattern compares more favorably with the geographic distribution of owner-occupied housing. Specifically, demographic information revealed that 3% of owner-occupied housing is located in low-income census tracts and 10% is in moderate-income census tracts.

Borrower Distribution:

The bank has done a fair job making loans to LMI borrowers. The bank made 9% of residential loans to low-income borrowers and 13% to moderate-income borrowers. This lending pattern falls short of demographic statistics which reveal 17% of the population is low-income and an additional 22% is moderate-income.

INVESTMENT TEST

BANTSA's investment activities strongly support community needs. The bank provided $173 thousand in qualifying grants within the New York assessment area during the review period. These grants were provided to various community groups to support affordable housing and education programs. In addition, the bank had qualifying low-income housing tax credits with outstanding balances of $4.7 million. Lastly, the bank owned qualifying Public Housing Authority Bonds with a book value of $4.5 million. Overall investments totaled $9.3 million and demonstrate a responsiveness to community economic development needs. The investments are not complex or innovative.

SERVICE TEST

BANTSA's performance in the New York assessment area is fair. Delivery systems are limited, as the bank does not offer traditional retail banking services. However, customers seeking such services are referred to an affiliate or another unit of the bank.

BANTSA has provided limited direct community development services in the New York assessment area. Specifically, the BA Mortgage Group has participated in home buyers seminars and credit counseling in partnership with Neighborhood Housing Services of NY. In addition, several of the bank's officers periodically participate in NHS's home buyer and credit education programs. Bank employees also provide mentoring to low-income youth.

The youth spend time in the bank to learn about basis finance and banking operations . Instruction is provided by bank employees who work with Big Brothers and Sisters of NY.

ASSESSMENT AREA PROFILE: NEW YORK CITY							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	7,322,564	100%		17%	22%	32%	28%
Median Income($)			$37,541				
Census Tracts	2,216	100		14	19	35	29
Unemployment Rate - May 31, 1997	6.2%						
Owner-occupied Housing (#)	808,901	100		3	10	37	51
Median Housing Value ($)			$186,350				
Small Businesses	174,759	100%		7%	17%	25%	51%

LENDING TEST: NEW YORK CITY								
Loan Type	#	% of Bank	$ (million)	CT / B	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Residential	1,468	1%	$224	CT	2%	8%	33%	57%
				B	9	13	17	61
Small Business	8	0	1	CT	0%	13%	13%	75%
Community Development	0	0%	0					
Total Lending	1,476		$225					

(CT) Income level of census tract
(B) Income level of borrower

INVESTMENT TEST: NEW YORK CITY							
Investment Type	#	% of Bank	$ (000s)	Low %	Moderate %	Middle %	Upper %
Affordable Housing & Economic Dev.	24	7%	$9,145				
Contributions/Grants	11	1	173				
Total Investments	35	3%	$9,318				

SERVICE TEST: NEW YORK CITY							
Service Type	#	% of Bank	$ (million)	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices	1	100%		100%	0%	0%	0%
Deposits			$0				
In-Store Offices	0						
ATMs	0						

OREGON

OREGON STATE RATING

CRA Rating for Oregon[3]: Satisfactory

The lending test is rated: High Satisfactory
The investment test is rated: High Satisfactory
The service test is rated: Low Satisfactory

Description of Institution's Operations in Oregon

The State economy is performing well, although some of its rural parts are still suffering from the downsizing of the timber industry. The economy is in transition away from timber and agriculture to manufacturing, technology, services, and retail. Unemployment has been a significant problem due to the transition, but has been declining as the State has been able to attract businesses and diversify its economy. The State still has many areas listed as 'distressed' based on unemployment data.

BANTSA's primary competitors include U.S. Bank, Key Bank, Washington Mutual, Pacific Continental, and Wells Fargo Bank. The bank serves the state with 39 branch offices and 106 ATMs. The loans BANTSA originated in this state during the review period, accounted for 2.4% of its total number and 2% of its total dollar volume. Further, the state accounts for .6% of the bank's domestic deposits. This ranks the state's market size number six out of the ten states and two Multistate MSAs evaluated.

Affordable rental housing is generally scarce throughout the State. This, along with a rising economy have led to housing affordability concerns. In many areas where students and migrant workers are prevalent, there is a scarcity of affordable rental housing as well. Our community contacts in this area confirm that the financing of affordable housing and rental property is a primary credit need. Financing for small businesses to economically stimulate the area is also a need.

[3] For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

ASSESSMENT AREA PROFILE: OREGON							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	1,497,004	100%		19%	19%	24%	39%
Median Income($)			$36,059				
Census Tracts	408	100		1	11	62	15
Unemployment Rate -May 31, 1997	4.1%						
Owner-occupied Housing (#)	370,663	100		0	10	71	19
Median Housing Value ($)			$62,788				
Small Businesses	49,668	100%		3%	15%	69%	13%

Conclusions with Respect to Performance Tests in Oregon

○ **BANTSA's performance under the lending test in Oregon is adequate although certain elements of the bank's performance are stronger. This rating is based on:**

- **a good level of credit originations and strong geographic distribution of credit;**
- **adequate distribution to borrowers of different incomes;**
- **good record of meeting credit needs in the most economically disadvantaged areas;**
- **the origination of community development loans and use of flexible lending practices; and**
- **a reasonable amount of qualified investments to promote affordable housing and small businesses, although rarely in a leadership position.**

LENDING TEST

BANTSA's lending activity is good. During the review period, its loan originations totaled $604 million.

Geographic Distribution:

BANTSA's distribution of loans throughout the state is strong. Its distribution of residential loans closely mirrors the proportion of owner-occupied housing in LMI areas. In 1996, it had a residential market share of 5.18% and a corresponding 5.78% share of loans in LMI tracts. Its portfolio distribution of LMI area loans was 11% compared to the market's distribution at 10%.

The bank's consumer lending distribution is also strong. During the review period, 11% of its loans went to LMI areas which is in proportion to the percentage of LMI areas.

BANTSA's distribution in small business lending was also strong and actually exceeded the demographics for the LMI area.

Borrower Distribution:

BANTSA's lending patterns show a reasonable distribution to borrowers of different incomes and businesses of different sizes. In 1996, the bank held a market share of residential loans to LMI borrowers that was comparable to its overall share of residential loans in the state. And, its dispersion of residential loans to LMI borrowers closely mirrored the market average distribution of 17%.

In consumer lending, the bank made 34% of its loans to LMI persons, a good performance since their population is 38%. However, credit cards and automobile loans were primary factors in the higher levels. In contrast, home equity lending to LMI persons was weak at 11%.

For small business lending, BANTSA shows penetration to businesses of all sizes. Of the business loans under $1 million granted (with revenue data), 84% went to businesses with annual revenues under $1 million. They represent 73% of the small businesses.

BANTSA exhibited an adequate record of serving the credit needs of the most economically disadvantaged persons/areas. The Eugene and Medford MSA areas are the only areas with low-income geographies. In both areas, the bank originated more residential loans than average for the aggregate market, excluding this bank. Their distribution percentage here in residential loans was comparable to the level of owner-occupied housing. In small business lending, the bank booked 4.5% of such loans to low-income tracts when their population percentage is only 2.6%. Consumer lending in these areas was reasonable and in line with area demographics.

The bank's residential lending to LMI persons is weak. In 1996, only 17% of its residential loans went to these borrowers. LMI families makeup 38% of the state's population. Consumer lending to LMI borrowers was adequate at 30%.

Community Development Lending Activities: During the assessment period, BANTSA made a significant level of community development loans. It funded 27 community development related loan facilities totaling $39 million in the state of Oregon. These loans went to benefit LMI individuals or geographies through either affordable housing, or area stabilization/revitalization initiatives.

BANTSA's Neighborhood Advantage program offers flexible underwriting standards to qualifying applicants. The bank also works through the Oregon First Time Homebuyer Program in providing grants for closing costs. It has also funded loans through an

organization that provides permanent affordable housing loans. The bank offers small businesses a simplified application process for credit requests under $50,000. Additionally, in the Salem MSA area, BANTSA offers flexible affordable housing construction financing through its participation in a lending consortium.

Lending performance in the Medford MSA and Southwest Oregon assessment areas is consistent with the institution's overall state performance. Performance in the Central Oregon and Northeast Oregon assessment areas is below that of the state of Oregon; however, it does not affect the rating overall.

INVESTMENT TEST

BANTSA's performance under the investment test in Oregon is adequate. It has made a reasonable amount of grants and investments to promote affordable housing and small businesses, although rarely in a leadership position. It has also shown an adequate responsiveness to credit and community economic development needs through their investment and grant activities. The bank has only occasionally used complex investments to support community development initiatives.

The bank has been responsive, although rarely in a leadership position, by making grants and through tax credit investments that promote affordable housing in Oregon. On a statewide basis, the bank made two grants that funded operating costs to an organization that promotes affordable housing projects. Through our contact with community groups, we learned that the bank is regarded as responsive to the credit needs of their community.

Investment activity exceeded performance in Oregon overall in the Medford MSA and Central Oregon assessment area. In the Medford MSA, it invested $1,580,000 in bonds and $1,062,000 in tax credits to finance affordable housing construction. In the Central Oregon assessment area, it invested $3,635,000 in bonds and $998,582 in tax credits to finance affordable housing construction.

The bank's investment performance in the Northeast Oregon and Southwest Oregon assessment areas is consistent with the institution's overall state performance.

SERVICE TEST

BANTSA's delivery systems are reasonably accessible to essentially all areas. The bank has a good distribution of branches. Additionally, it offers alternative delivery systems to increase the accessability of banking products. These include Loan by Phone for consumer and home loans statewide, computer banking, 24-hour phone customer service, offsite ATM's, and in-store branches. There is no differentiation in bank hours or the availability of services. Branch openings and closures has not adversely affected the accessibility of its delivery systems. One traditional branch was added in the Central assessment area in a middle-income tract.

BANTSA provided a reasonable level of community development services. In the Eugene MSA, it donated financial expertise to the Eugene-Springfield Metropolitan Partnership, an economic development organization that benefits LMI individuals. In the Salem MSA, it gave financial expertise to CONSALL, a bank consortium which finances affordable housing construction, and has conducted seminars for first time home buyers through the Down Payment Assistance Program. In the Northwest assessment area, it gave financial counseling to Clatsop County Housing which provides grants and financing for affordable housing. The bank also gave financial advice to Habitat for Humanity. Counseling has also been provided through a community organization for first time home-buyers.

Service performance in the Medford MSA, Central Oregon, Northeast Oregon, and Southwest Oregon assessment areas is consistent with the institution's overall state performance.

Eugene MSA # 2400

Description of Institution's Operations in Eugene

This MSA consists of Lane County and is located south of Portland in the Center of Oregon. BANTSA serves the MSA with five branches and 20 ATMs. In addition to the bank's branches, it operates a commercial and private banking office in Eugene. The bank's presence in the MSA is limited in comparison with other areas in Oregon and in comparison with other lenders in the Eugene Area.

Overall, the local economy is performing well, although some rural parts of the county are still suffering from the downsizing of the timber industry. The county has secured two major high-tech investments in recent years, which helped with the transition from a timber-dependant economy. As the home to the University of Oregon, Eugene has a large student population. It also has one of the lowest rental housing vacancy rates of any city in the state. Affordable rental housing is particularly scarce. Along with students, the large number of service industry employees working for the University or its subcontractors drive a great part of the demand for affordable housing. Rental housing for all incomes is needed, with a particular need for housing targeting low-income households. Our community contacts in this area agree that affordable housing is a primary credit need.

ASSESSMENT AREA PROFILE: EUGENE MSA #2400							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	282,912	19%		19%	19%	24%	38%
Median Income($)			$36,400				
Census Tracts	82	20		2	15	52	15
Unemployment Rate -May 31, 1997	4.5%						
Owner-occupied Housing (#)	67,387	18		1	14	66	20
Median Housing Value ($)			$61,300				
Small Businesses	9,208	19%		8%	28%	49%	16%

Conclusions with Respect to Performance Tests in Eugene

- **BANTSA has a good level of credit originations and geographic distribution of loans.**

- **BANTSA's lending among consumers of different income levels and businesses of different sizes has been adequate.**

- **BANTSA's investment and grant activity has been adequate, although rarely in a leadership capacity.**

- **BANTSA has provided a reasonable level of community development services.**

LENDING TEST

BANTSA's overall level of lending is strong at $98 million during the review period. The bank's deposit base in the area totaled $78 million. Based on HMDA reporting entities, the bank ranks among the top ten lenders in market share.

Geographic Distribution:

BANTSA's geographic distribution of credit in the MSA was good with loan penetration occurring in all census tracts. By product, the residential loan distribution was proportionate to the level of owner-occupied housing in these tracts. In 1996, the bank's overall market share of residential loans was close to its share of LMI loans. It also slightly outperformed the market average of LMI lending to total lending. Consumer lending was good. Small business loans were in proportion to the areas where such businesses resided.

The bank's record of lending in low-income census tracts is good. In 1996, the aggregate residential market and the bank made comparable portions of their loans in low-income areas. Also BANTSA's overall consumer lending in low-income tracts at 3% exceeded the area's demographics of 2%. The small business loans it made to entities with less than $1 million in revenues was reasonable at 7% in low-income tracts while their population was 8%.

Borrower Distribution:

BANTSA's lending patterns reflect an adequate distribution to borrowers of different incomes. Its lending patterns generally reflect demographic data. There was also a reasonable distribution of lending to businesses of different sizes. Of the business loans extended under $1 million, 81% were made to firms with revenues under $1 million. This was comparable to the population of such businesses in the area.

BANTSA's distribution of all types of lending reflects an adequate responsiveness to the credit needs of low-income borrowers. For residential lending, 1996 aggregate market performance, excluding the bank, to low-income borrowers averaged 3% compared to the bank's 2%. The bank's consumer lending to low-income borrowers is good at 21% compared to the demographic level of 19%. BANTSA's loans to businesses with revenue less than $1 million was good at 81% compared to their population of 77% in the area.

Community Development Lending Activities: BANTSA made a reasonable amount of community development loans by funding three affordable housing projects totaling $168 thousand in the Eugene MSA. The institution used flexible lending practices in order to serve the assessment area's credit needs.

INVESTMENT TEST

BANTSA has been responsive, although not in a leadership position, by making grants through tax credit investments that promote affordable housing in this MSA. The bank made three grants and helped finance two affordable housing projects through tax credit investments.

SERVICE TEST

BANTSA's delivery systems are reasonably accessible to essentially all areas, particularly LMI geographies. It has a good distribution of branches in moderate-income tracts. Additionally, it offers alternative delivery systems to increase access to its products. These include Loan-by-Phone for consumer and home loans statewide, computer banking, 24-hour phone customer service, offsite ATM's, and in-store branches. The bank has not opened or closed any branches.

The bank provided financial expertise to the Eugene-Springfield Metropolitan Partnership, an economic development organization that benefits LMI individuals.

Salem MSA # 7080

Description of Institution's Operations in Salem

This MSA is made up of Marion and Polk counties and is located just south of Portland in the northwestern portion of Oregon. BANTSA serves the MSA with five branches, and eighteen ATMs. It operates full service branches in Dallas, Salem, Willamina, and Woodburn. It also has an in-store branch in Kaiser.

Salem is the state capital and, thus has a high population of state workers. Because of budget reductions, the state has trimmed some of its workforce. The area has seen growing investment in light manufacturing, distribution, and food processing. Home and land prices have risen substantially in the past five years. Marion and Polk counties have a strong agricultural economy. Farmworker housing is still in great demand, although the trend is toward building year-round, rather than seasonal worker housing, as many migrant workers try to settle in the area. As land within the urban growth boundary becomes more scarce in the Portland area, builders and homebuyers are looking to Salem to find affordable properties. Business growth in the Salem area has been strong the past five years. Easy access to Interstate 5 has made it a prime location for distributor facilities. In addition, as in Portland, small businesses are expanding or being created to take advantage of international trade opportunities. Secondary wood products manufacturing businesses are also being created as the primary wood products jobs continue to diminish.

ASSESSMENT AREA PROFILE: SALEM MSA #7080							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	278,024	19%		18%	20%	24%	38%
Median Income($)			$37,800				
Census Tracts	54	13		0	15	50	20
Unemployment Rate -May 31, 1997	4.8%						
Owner-occupied Housing (#)	64,574	17		0	7	71	22
Median Housing Value ($)			$53,700				
Small Businesses	7,760	16%		0%	18%	68%	14%

Conclusions with Respect to Performance Tests in Salem

- **BANTSA's overall lending performance was adequate.**
- **BANTSA's performance in the investment test was weak.**

○ **BANTSA's performance in the service test was adequate.**

LENDING TEST

In 1996, BANTSA's residential lending as reported under HMDA, ranked third in market share. Its overall level of lending with residential, consumer and small business loans during the review period was significant at $103 million.

Geographic Distribution:

BANTSA showed an adequate geographic distribution of credit overall in the MSA with loan penetration occurring in most census tracts. Its residential lending percentages among the census tracts was in close proportion to the level of owner-occupied housing of these areas. In 1996, its market share of LMI lending of 3.9% was below its overall 5.2% market share. In addition, its LMI percentage to total lending was a low 5.3% versus the market average of 7.09%. With the exception of home equity loans, the performance was strong in consumer and small business lending.

Borrower Distribution:

BANTSA's loan distribution to borrowers of different incomes was adequate, although residential loans to LMI persons was weak. The percentage of residential loans to this group was only about half of the group's population percentage. Otherwise, lending patterns generally reflect demographic data. Home equity lending was light to LMI borrowers. The penetration of credit card lending to LMI borrowers was high, slightly exceeding their population percentage representation. The distribution of small business lending to firms of different sizes was also good. Of the business loans made under $1 million, 80% went to businesses with annual revenues under $1 million which was comparable to the respective demographics.

The MSA does not contain any low-income geographies. BANTSA's loan distribution reflects a good overall responsiveness to the credit needs of low-income borrowers. In 1996, its residential lending to low-income borrowers was good at 3% compared to aggregate market lending of 2%. During the review period, the bank's consumer lending to LMI borrowers was also reasonable at 34% versus the demographic level of 37%. During the review period, the bank's lending to businesses with revenue less than $1 million was good as it was comparable to their population representation.

Community Development Lending Activities: BANTSA's community development lending is adequate. It funded three affordable housing projects totaling $1.6 million in the Salem MSA. The institution has used flexible lending practices in serving its assessment area's credit needs. In the Salem MSA area, the bank provided flexible affordable housing construction financing through participation in a lending consortium.

INVESTMENT TEST

BANTSA's investment performance is weak in this MSA. It made no direct investments targeted to Salem community development activities. Part of this is attributable to the scarcity of such opportunities. There were however, two statewide grants totaling $49 thousand which indirectly benefited the area.

SERVICE TEST

BANTSA's performance is adequate. Its delivery systems are reasonably accessable to essentially all areas. During the review period, the bank did not open or close any branches and the services it offers did not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals. Alternative delivery systems are offered to increase the accessability of banking products which include Loan-by-Phone for consumer and home loans, computer banking, 24-hour phone customer service, offsite ATM's, and in-store branches.

BANTSA provided a few community development services. This included the donation of financial expertise to CONSALL, a bank consortium which finances affordable housing construction, and conducted seminars for first time home buyers through the Down Payment Assistance Program.

NORTHWEST OREGON ASSESSMENT AREA

Description of Institution's Operations in Northwest Oregon

This area is comprised of Clatsop, Tillamook, Lincoln, Linn and Benton counties. BANTSA serves the area with six branch offices and eleven ATMs. Many of the area's cities have strong community banks in addition to larger bank branches such as Wells Fargo, U.S. Bank, Key Bank and Washington Mutual.

On the coast, the once dominant commercial and sport fishing industries have shrunk considerably as salmon and other fish species have grown scarce from over fishing, habitat damage and climatic changes. However, the tourism industry continues to grow in most coastal cities, and increasing property values are creating a surge in residential and commercial construction. While this assessment area is home to several large timber, pulp, and paper manufacturing concerns, employment within the forest products industry continues to shrink. The coast is home to a large senior population, while Albany and Corvallis, home of Oregon State University, has a sizeable student and young family population. Hewlitt-Packard has a major facility in Corvallis. The flourishing tourism industry on the coast is fueling creation and expansion of retail trade businesses. There is an active construction industry along the coast, boosted by the tourism industry and increasing residential property values. In the Corvallis and Albany areas, the University and several large manufacturers are spinning off new small business ventures. There is also a growing secondary wood products manufacturing industry throughout the assessment area.

As in most of Oregon, housing prices continue to rise in all these markets, but particularly along the coast. Affordable rental housing is very much in demand by the many service sector workers that are part of the University and tourism. In Corvallis, because of the large student population, rental housing is particularly scarce.

ASSESSMENT AREA PROFILE: NORTHWEST OREGON							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	255,798	17%		17%	17%	22%	43%
Median Income($)			$33,100				
Census Tracts	79	19		0	5	70	19
Unemployment Rate -May 31, 1997	4.5%						
Owner-occupied Housing (#)	62,778	17		0	2	74	24
Median Housing Value ($)			$60,000				
Small Businesses	9,055	18%		0%	9%	78%	13%

Conclusions with Respect to Performance Tests in Northwest Oregon

- **BANTSA's overall level of lending is adequate with a good geographic distribution.**

- **BANTSA's loan distribution to borrowers of different incomes, particularly LMI persons is below demographics.**

- **BANTSA made a significant amount of community development loans.**

- **BANTSA's investment and service activities are adequate.**

LENDING TEST

BANTSA's level of lending is adequate at $85 million for the review period. In 1996, the bank ranked highly among residential loan reporting entities under HMDA.

Geographic Distribution:

BANTSA shows a good geographic distribution of credit in the area. The bank's residential lending proportion to area demographics was nearly identical to the percentage of owner-occupied housing levels within LMI tracts. In 1996, its residential market share of LMI lending was better than its overall market share. It also had the same proportion of lending to LMI areas as did the market average. During the review period, the bank's consumer loan dispersion was also well proportioned to LMI areas. BANTSA's small business loans were reasonably dispersed when compared to small businesses demographics.

Borrower Distribution:

BANTSA's lending patterns show a low distribution to borrowers of different incomes. During the review period, residential lending to LMI persons was a mere 2% when the population representation was 34%. Overall consumer lending was much better, with the exception of home equity loans where 8% of this population were recipients. The distribution of lending to businesses of different sizes is reasonable. Of the small business loans extended, 78% went to firms with annual revenues under $1 million.

The Northwest MSA area does not contain any low-income geographies. The bank's loan distribution to low-income borrowers is marginally adequate. For residential lending in 1996, the market average to low-income borrowers was 3.4% compared to the bank's 2.3% with a similar trend by the bank in 1997. During the review period, certain consumer loan categories did much better. Credit card lending and other consumer loans were nearly proportionate with the population to low-income persons. Automobile and home equity lending to low-income persons was low. Small business lending was good. Of the loans

made, 90% were to businesses with annual revenues under $1 million versus their 79% population.

Community Development Lending Activities: BANTSA made a significant amount of community development loans. It funded six affordable housing related projects totaling $4 million in the area.

INVESTMENT TEST

The bank's performance under the investment test is only adequate. Its responsiveness through investments and grants consisted of four grants totaling $7,500.

SERVICE TEST

BANTSA's performance under the service test is adequate. Its delivery systems are reasonably accessible to essentially all areas, including LMI areas. There have been no opening and closing of branches. And, its services offered do not vary in a way that inconveniences portions of the area, particularly LMI geographies or individuals. The bank offers alternative delivery systems to increase the accessability of banking products. These include Loan by Phone for consumer and home loans statewide, computer banking, 24-hour telephone service, and offsite ATM's.

BANTSA has given financial expertise to the Clatsop County Housing which provides grants and financing for affordable housing. The bank also provided financial advice to the Habitat for Humanity which develops affordable housing. Counseling has also been provided through a community organization for first time home-buyers.

OREGON AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: OREGON Assessment Area:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
EUGENE # 2400	14%	38%	13%	17%	2.57%	2.70%	2.22%	455	$30,100	$66
MEDFORD # 4890	11	38	9	19	4.46	5.76	4.17	387	23,700	61
SALEM # 7080	7	37	5	19	5.17	3.97	5.02	879	46,400	53
Central Oregon	9	35	4	15	39.16	29.85	31.38	654	36,000	55
Northeast Oregon	9	41	17	14	30.63	28.38	24.23	718	38,600	54
Northwest Oregon	2	34	2	12	9.65	10.34	9.22	608	37,900	62
Southwest Oregon	18	42	19	21	20.68	24.28	30.55	741	34,500	47
Total State	10%	38%	10%	17%	5.18%	5.78%	5.80%	4,442	$247,200	$56
% of Total Bank						0.0%	0.0%	3%	1%	
Total Bank								146,055	$16,951,400	$116
LMI Parity**						7	(38)			

(*) 1996 HMDA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: OREGON Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	$ (000s)	Avg. Loan (000s)
EUGENE # 2400	38%	17%	41%	18%	3,680	$47,400	$13
MEDFORD # 4890	38	13	35	10	3,294	40,000	12
SALEM # 7080	37	15	34	7	2,725	37,200	14
Central Oregon	35	12	29	7	3,441	45,200	13
Northeast Oregon	41	8	32	13	1,891	24,000	13
Northwest Oregon	34	5	30	5	2,227	28,900	13
Southwest Oregon	42	14	33	13	3,643	46,200	13
Total State	38%	12%	30%	14%	20,901	$268,900	$13
% of Total Bank					2%	3%	
Total Bank					877,912	$7,758,000	$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: OREGON Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	$ (000s)	Avg. Loan (000s)	#	$ (000s)
EUGENE # 2400	35%	31%	2.05%	3.09%	6	149	$20,300	$136	3	$168
MEDFORD # 4890	24	33	6.59	11.46	8	104	2,500	24	0	0
SALEM # 7080	18	20	2.44	2.47	0	174	18,200	105	3	1,600
Central Oregon	8	3	NA	NA	NA	128	26,000	203	3	2,305
Northeast Oregon	13	31	3.72	6.70	12	121	9,600	79	4	3,672
Northwest Oregon	9	14	NA	NA	NA	133	4,600	35	6	4,019
Southwest Oregon	15	13	NA	NA	NA	167	5,400	32	8	26,742
Total State	18%	20%	4.46%	5.36%	26	976	$86,600	$89	27	$38,506
% of Total Bank					0.0%	1%	2%		10%	8%
Total Bank						87,225	$5,620,300	$64	266	$467,424

(*) 1996 CRA Reporter Market Share Loans to Businesses with Revenues of less than $1 million

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State: OREGON Assessment Areas:	Affordable Housing and Economic Development			Contributions & Grants			Total Investments		
	#	% # ST	$ (000s)	#	% # ST	$ (000s)	#	% # ST	$ (000s)
EUGENE # 2400	2	0%	$441	3	23	$30	5	5	$471
MEDFORD # 4890	2	30	2,642	1	1	1	3	29	2,643
SALEM # 7080	0	0	0	0	0	0	0	0	0
Central Oregon	3	52	4,634	1	11	15	4	51	4,649
Northeast Oregon	3	14	1,226	1	19	25	4	0	1,251
Northwest Oregon	0	0	0	4	6	8	4	0	8
Southwest Oregon	0	0	0	1	2	3	1	0	3
STATEWIDE	0	0	0	2	37	49	2	1	49
Total State (ST)	10		8,943	13		131	23		$9,074
% of Total Bank	3%		2%	1%		2%	2%		2%
Total Bank	325		$398,484	877		$8,171	1,202		$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: OREGON Assessment Areas:	#				$ Deposits (millions) 06/30/97	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	ATMs	Offices % of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
EUGENE # 2400	2	3	20	13%	$59	10%	0%	40%	40%	20%	10%	30%	45%	15%
MEDFORD # 4890	3	0	8	8	65	11	33	0	67	0	13	13	75	0
SALEM # 7080	4	1	18	13	74	12	0	20	80	0	0	11	78	11
Central Oregon	7	0	14	18	82	13	0	0	100	0	0	0	86	14
Northeast Oregon	6	0	11	15	90	15	0	17	83	0	0	9	91	0
Northwest Oregon	6	0	20	15	103	17	0	17	67	17	0	15	80	5
Southwest Oregon	7	0	15	18	144	23	0	14	71	14	0	13	67	20
Total State	35	4	106	100%	$617	100%	3%	15%	74%	8%	3%	14%	73%	10%
% of Total Bank	2.3%	2.1%	1.9%	2.3%	0.6%									
Total Bank	1,500	187	5,565		$111,413									

WASHINGTON

WASHINGTON STATE RATING

CRA Rating for Washington [4]: Outstanding

The lending test is rated: High Satisfactory
The investment test is rated: Outstanding
The service test is rated: Outstanding

Description of Institution's Operations in Washington

BANTSA, doing business as Seafirst, is the largest commercial bank in the state. Its major competitors include U.S. Bank and Key Bank. There are more than 200 national, state and community banks in the state. Many community banks are formidable competitors in local markets. Seafirst also competes with thrifts and credit unions. Washington Mutual leads all financial institutions in residential lending. Seafirst as a mortgage lender, ranks fourth behind Washington Mutual, Norwest, and Countrywide. Seafirst serves the state with 258 branch offices and 850 ATMs. The loans Seafirst originated in this state during the review period, accounted for 16% of the bank's total number and 13.2% of its total dollar volume. Further, the state accounts for 7.4% of the bank's domestic deposits. This ranks the state's market size number two out of the ten states and two Multistate MSAs evaluated.

Washington is listed as the tenth most expensive housing market in the nation. The Seattle and Tacoma MSAs include the state's major population centers and largest number of ethnic minorities. The Tacoma MSA includes "The Hilltop," one of the state's most impoverished neighborhoods. The Yakima MSA is home to the greatest concentration of Spanish-speaking people in Washington. Seafirst has also directed special attention to timber dependent rural communities and Native American reservations.

The state has three federally-designated Enterprise Communities: Seattle and Tacoma, both urban, and lower Yakima County, rural. Many counties became eligible for federal disaster relief funds in 1997, as a result of severe winter storms and flooding. In addition, several counties in Western Washington have been designated as timber-dependent by the state.

Historically the State's economy has been concentrated in aerospace, wood products, and defense. As the economy and population have grown, the predominance of these industries has diminished. But the state has experienced a significant gain in other high wage industries such as software, telecommunications and biomedical research. The state's proximity to the Pacific Rim positions it well for international trade.

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[4] For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Boeing, Microsoft and other smaller manufacturers are major contributors to the expanding economy. Economic forecasts predict rising employment, increasing personal income and an improving housing market. In spite of statewide predictions of a strong economy , certain timber-dependent communities still experience high unemployment and low wages. Most of these communities are located in Seafirst's Western Rural Assessment Area.

Identified credit needs are for residential loans, consumer loans, affordable housing, and small business loans.

ASSESSMENT AREA PROFILE: WASHINGTON							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	4,628,639	100%		18%	19%	25%	38%
Median Income($)			$36,520				
Census Tracts	1,097	100		3	18	59	17
Unemployment Rate -May 31, 1997	4.5%						
Owner-occupied Housing (#)	1,114,842	100		1	12	65	22
Median Housing Value ($)			$102,526				
Small Businesses	127,757	100%		4%	22%	56%	18%

Conclusions with Respect to Performance Tests in Washington

- **Seafirst's lending activity is good as it is the largest volume lender in the state.**
- **Seafirst's loans have penetrated virtually every census tract in the state, however, its residential and small business lending to LMI census tracts was generally below market performance and the demographics of the community.**
- **Seafirst's lending to LMI borrowers was generally above market performance.**
- **Seafirst's investment activity was more than 8% of its community development activity, moreover, because of its underwriting services it was instrumental in placing a large volume of community development investments into the market.**
- **Seafirst has many innovative community development services which affect all of Washington.**

LENDING TEST

In assessing lending performance, we focused on Seafirst's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

Seafirst was the top residential lender statewide in 1996. The majority of their home loans have been for home improvement and refinancing while the rest of the market has been making the majority of such loans for home purchase related activities.

Seafirst's level in consumer lending is good. In 1996, consumer loans totaled 36% of its deposit base with comparable trends noted for the six months of 1997.

For the past four years, Seafirst has been ranked as the state's top small business lender by the Small Business Administration.

Geographic Distribution:

In 1996 the statewide geographic distribution of Seafirst's loans was reasonable. The bank penetrated virtually all census tracts throughout the state. It was one of the top residential lenders in the state. Its share of lending in LMI tracts was below its overall market share. The percent of originations in the LMI tracts to total loans was several percentage points below the industry average statewide. Although the lending performance in some MSAs was very good, in the majority of the MSAs, particularly in Seattle where the bank has the bulk of its loans, the performance was only reasonable.

The bank's distribution of consumer loans showed similar patterns where the bank's percentage of loans in LMI tracts was generally low, and in some MSA's, well below the percentage of the population residing in those tracts.

Small business lending showed similar patterns where the percentage of Seafirst's small business loans in LMI tracts was consistently below its respective population proportion of the census tracts. Overall, trends tended to show a decline in 1997.

Borrower Distribution:

Seafirst's distribution of loans to borrowers of different income levels is good. In 1996, statewide the bank's market share of residential loans to LMI individuals was better than its overall market share. Also, the bank's percent of total loans to LMI borrowers was above the market average. Residential lending levels through 1997, particularly in the Seattle MSA indicate a declining trend toward lending to LMI borrowers, while loans to upper-income borrowers increased. This is mitigated by the rising housing costs and the housing shortage in the Seattle MSA which would affect the availability of houses to the LMI borrowers. The bank's responsiveness in this category is good. Its market share of residential loans to low-income borrowers is several percentage points above its overall market share to all residential borrowers.

The bank's overall record of consumer lending is good. The levels of consumer loans particularly in the Seattle MSA mirror the population at large. Trends indicate lending levels continued through the first half of 1997.

Seafirst's distribution of small business loans is generally good throughout the state. The level of small business loans generally meets or exceeds the demographics of the business population.

Community Development Lending Activities: Seafirst level of community development loans is adequate. It extended 53 loans totaling $44 million throughout the state. Many of these loans involved multiple layers of financing and many different participants at all stages of development. The bank's expertise in complicated financing arrangements and experience in affordable housing was instrumental in completing many of these projects. During the review period, the bank financed projects that brought several hundred new affordable housing units into use. The dollar volume alone does not adequately represent the involvement of time in these projects, many of which require several years from the original proposal to actual funding. This activity represents a substantial commitment of resources to the state's community development needs.

INVESTMENT TEST

Seafirst made twenty-six investments totaling over $45 million throughout the state. Further, it was a major contributor to many studies, programs and organizations that promote affordable housing, economic revitalization or provide needed assistance to LMI persons or geographies. Although its level of grants and contributions is limited in the rural areas, the bank supports many statewide programs that in turn, support these areas. The bank made contributions or grants to 231 organizations totaling $1.2 million dollars. These grants and investments represent a continuing investment in the community both before and during the review period.

The bank showed good responsiveness to the community's development needs. The majority of their related investments are for affordable housing related initiatives, one of the most frequently cited needs throughout the state. In addition to direct investment in community development instruments, the bank also underwrites and packages affordable housing and community development investments for development commissions and housing authorities throughout the state. Although not a qualifying investment, the bank purchased $26 million in Washington State Housing finance Commission Bonds to fund a first time home buyers program. The program was not specifically targeted to LMI persons, however, it provided interest subsidies to first time home buyers many of whom are LMI families. Also, the bank guarantees several bonds that it underwrites although it does not hold them in its portfolio.

The size and type of projects Seafirst underwrites and invests in involve complex financing and development efforts that are not generally encountered in multifamily housing projects.

Usually the bank's investment was coupled with other means of financing provided by the bank.

SERVICE TEST

Seafirst's delivery systems are accessible to essentially all portions of its assessment areas. It has an expansive branch and Automated Teller Machine (ATM) presence. Branches located in grocery stores and certain retail locations provide banking services on Saturday and Sunday. Online banking and telephone banking also serve an increasing share of the market.

Changes in branch locations have not adversely affected the accessibility of its delivery systems. The bank closed fifteen branches and opened six during the review period. The bank received complaints regarding the branch closings in two middle-income census tracts. The bank could not justify operating a full service facility in these areas.

The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. The location of the bank's branches and ATMs correlate with the distribution of census tracts income within the assessment area. In addition, the bank offers 24-hour customer service, computer banking, and Loan-by-Phone accessibility though any telephone to further increase the accessibility of its services.

Community Development Services: Seafirst has many innovative community development services which affect the entire state. Although it is helping to establish innovative community development programs and services statewide, the level of service is generally lower in the rural areas than in the large metropolitan areas. Listed are some of the bank departments that serve to assist its communities in various ways, many of which benefit LMI individuals or geographies.

Seafirst's Environmental Services Department is a support group involved in many aspects of financing including assessing environmental risks, the cost of cleanup, and the impact of liability. The environment team is also involved in efforts to redevelop brown field areas such as the Duwamish River region, an area that has seen years of industrial contamination.

The Language Bank offers interpretive service to serve non-English speaking customers. The customer can access employees who speak fifty-five different languages

Neighborhood Development Officers provide state certified first-time home buyer classes. They also develop partnerships with nonprofit housing organizations and housing authorities.

The BA Northwest Community Service Corporation is a joint effort of Seafirst Bank and Bank of America Community Development Bank, FSB. Together the two affiliates provide

the most comprehensive array of affordable housing and community development products and services in the state. These include construction and permanent financing, bridge financing, tax exempt bond financing, low income housing tax credit investments, Federal Home Loan Bank affordable housing programs and self help single family construction.

Innovative Programs: In addition to many local initiatives and partnerships throughout the state, the following represent a few statewide or special targeted efforts:

- Seafirst's Native American Initiative which is a program that helps build self-sufficiency among Washington state's Native American tribes through financing, credit education, employment and grants. The bank was a founder of the Northwest Regional Native American Chamber of Commerce.

- Minority and Women's Small Business Conference (with SBA). The bank served as a sponsor, and has provided speakers and workshops, for eleven years

- Washington State University NxLeveL Training. The bank provided the funding for and exclusively offers these small business classes for business start-ups and entrepreneurs. Classes are offered in English and Spanish.

- Washington Community Reinvestment Association. The bank served as a founder (5 years ago) of this statewide consortium which provides permanent financing for multi-family rental housing. Since contributions are based on deposits, the bank provides about 40% of the funds as well as organizational leadership.

- Seafirst's Youth Job Program (YJP). The bank's own program which has been replicated statewide and provides employment, mentoring and scholarship assistance to more than 100 young people. The YJP received a U.S. Labor Department EVE Award.

- Other Statewide Partnerships:
  - Washington Association of Community Economic Development (WACED) (economic development)
  - Habitat for Humanity (first-time homeowners)
  - Northwest Minority Supplier Development Council (small business)
  - Washington Housing Trust Fund (affordable housing)
  - Washington Lenders Network (small business)
  - Washington Alliance for Manufacturing (small manufacturers)
  - Washington Low Income Housing Network (affordable housing)
  - Evergreen Community Development (SBA 504 lending)

The bank provides ongoing technical assistance to the community through a variety of seminars and workshops including Financial Management for the Closely Held Business, Agricultural Finance, Investment Seminars, Small Business Summits (with Microsoft), and

the Advanced Technology Trade Forum. The bank also offers its own credit education classes in conjunction with Consumer Credit Counseling in several languages.

In the Yakima MSA, the bank provides major assistance in technical expertise to the Yakima Office of Housing and Community Development. The bank participates in rehabilitation loans (203k and CHIML) with the city's housing office. The bank worked with the city's housing office to offer the "People of Dreams," program which were intensive credit and home ownership classes (in English and Spanish) lasting several weeks; 25% of participants became homeowners.

The bank also serves as an active partner with the City of Yakima (economic development), Hispanic Academic Achievers Program (HAAP) (education/job training), and Hispanic Chamber of Greater Yakima (economic development/small business).

Bellingham MSA # 0860

Description of Institution's Operations in Bellingham

This MSA is comprised of the western Washington county of Whatcom. Bellingham, home of Western Washington University, is the largest city in the region followed by Lynden and Ferndale. Seafirst is among the market leaders in the extension of all banking services within the region. Its major competitors include large commercial banks, such as U.S . Bank, Key Bank and Wells Fargo, as well as a number of thrifts, community banks, and credit unions. Seafirst serves the MSA with eight branch offices and 21 ATMs.

The economy of Whatcom County was historically based on agriculture, fishing, an d timber. Over two-thirds of the land is still classified as wilderness or agricultural areas . Farming and timber production still represent relatively strong and stable industries . However, the trade, services and manufacturing sectors dominate the local economy.

The strength and attractiveness of the county have resulted in a commensurate increase in population, presently concentrated in the northwest corner of the county. Wages and income in Whatcom County are about the mid-point range when ranked with other counties in Washington. In 1995, personal income ranked it sixteenth among the state's 3 9 counties. Identified credit needs are for affordable housing and consumer loans.

ASSESSMENT AREA PROFILE: BELLINGHAM MSA # 0860							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	127780	3		18%	19%	25%	38%
Median Income($)			$43,500				
Census Tracts	27	2		0	22	59	7
Unemployment Rate -May 31, 1997	5.3%						
Owner-occupied Housing (#)	31,237	3		0	11	77	12
Median Housing Value ($)			$85,000				
Small Businesses	4,421	0		0%	27%	67%	7%

Conclusions with Respect to Performance Tests in Bellingham

LENDING TEST

In assessing lending performance, we focused on Seafirst's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

The bank's lending activity in the Bellingham MSA indicates a reasonable responsiveness to the needs of the community. The bank is one of the largest volume residential lenders in the assessment area and is the largest SBA lender statewide. The majority of the bank's home loans are for refinancing and home improvement, however the majority of loans made by other lenders was for home purchase.

Geographic Distribution:

The bank has loans throughout the all the census tracts in the MSA. There are five census tracts with low penetration due in part to its sparse population and/or proximity to the airport. There are no low-income geographies within the MSA.

The bank's distribution of loans by income of the census tracts is reasonable. Its market share of residential loans in LMI census tracts is several percentage points below its overall market share. Its percentage of residential loans in moderate-income census tracts is about 7%, below the industry average of 11%. The percentage of loans in LMI tracts is several percentage points below the percent of owner-occupied housing in those tracts while the penetration into the middle- and upper-income census tracts is at, and above the percent of owner-occupied housing stock in these areas. The index of housing affordability is even with the rest of the state and the poverty and unemployment levels are slightly above.

The overall distribution of consumer loans by income of the census tract is good. Automobile and credit card loans in LMI census tracts are close to or above the actual percent of the population in these tracts while consumer other and home equity were slightly below.

The distribution of the bank's small business loans is below demographics. The bank made small business loans throughout 27 census tracts in the MSA. The geographic distribution of small business lending indicates a percentage volume in low-income census tracts that is well below the percent of small businesses located in these tracts. Although three of the six total moderate-income census tracts are islands or an isolated peninsula with few small businesses, the remaining moderate-income tracts still have 26% of the small business in the MSA.

Borrower Distribution:

The bank's overall distribution of loans to borrowers of different income levels is reasonable. In 1996, the bank's market share of residential loans to LMI borrowers was higher than its overall market share. Loans to LMI borrowers as a percent of the total is several percentage points above industry average. Loans to LMI borrowers as a percent of total loans is above the percent of that population in the MSA. This is in spite of slightly above average poverty and unemployment levels and a low overall affordability index. However, trends in lending to LMI borrowers do not continue through 1997 and negatively affect the assessment of lending.

In 1996, consumer lending patterns indicate a good responsiveness to the needs of LMI borrowers particularly in the automobile and other consumer loan categories. These trends continue through 1997.

The distribution of small business loans is good. Of the loans of $1 million or less, 89% of these loans were made to business with less than $1 million in annual revenues while these businesses represented only 75% of total businesses.

The bank exhibits a good responsiveness to low-income persons and small businesses. Its lending to low-income residential borrowers in 1996 is above the percentage of low-income borrowers in the population at large and well above the industry average. The trend through 1997 is down, but still higher than industry average. Lending levels in other categories still show a good responsiveness to low-income borrowers, but not at the levels shown in residential lending.

Community development Lending Activities: The bank made a reasonable level of community development loans. During the review period, it financed a $900,000 project for the Bellingham housing authority to provide housing for people with incomes of less than 50% of the median income.

INVESTMENT TEST

The bank made an adequate level of community development investments during the review period. One tax credit investment for $288,292 was purchased to provide special needs housing for people with incomes 50% and below the median income. It also made significant tax credit investments of almost $2 million prior to the review period. The current investment represents a continuing commitment to affordable housing in the Bellingham MSA. The level of grants in the MSA is nominal.

The bank's investments in affordable housing indicate a reasonable responsiveness to the affordable housing needs of the MSA. The bank makes good use of tax credit investments to support community development in the Bellingham MSA.

SERVICE TEST

The bank's delivery systems are accessible to all portions of the assessment area except for the sparsely populated Cascade National forest in the eastern part of the MSA and the Lummi Indian reservation in the west. The bank offers 24-hour customer service, computer banking, and Loan-by-Phone accessibility. The institution has not opened, closed or changed location of any branch or ATM during the review period.

The bank's service/business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATMs are generally consistent with the level of census tracts and or populations of that area(s).

Community Development Services: The bank's level of community development service in the MSA is limited to seminars on student loans and financial management for closely held businesses. The bank supports the Bellingham Revolving Loan Fund and the Womencare Shelter (transitional housing). Additionally, the bank supports many statewide organizations that affect the MSA directly.

Richland - Kennewick - Pasco MSA # 6740

Description of Institution's Operations in Richland - Kennewick- Pasco

This MSA is comprised of the eastern Washington counties of Franklin and Benton. Kennewick is the largest city in the region followed by Richland and Pasco. Seafirst serves the MSA with five branch offices and 16 ATMs. In general, the bank is among the market leaders in the extension of banking services within the region. Its main competitors include large commercial banks, such as U.S. Bank, Key Bank and Wells Fargo, as well as a number of thrifts, community banks, and credit unions.

Historically, the Hanford nuclear project has been the driving force behind the region's economic development. The rise and fall of the local economy over the years can be related to Hanford, in particular to its construction projects. This influence continues today. Approximately one quarter of the present workforce is employed by the Department of Energy and its contractors. Companies like Westinghouse-Boeing, Battelle, Lamb Weston and ICF Kaiser are major contributors to the area's economy. Related job gains/losses have had an inordinate impact on the area's economy, due to the higher wages paid to these workers compared to those employed in the agricultural, trade and service sectors.

Agriculture and related industries (i.e. food processing) represent the other major sectors of the economy, again employing over 25% of the workforce. Trade, service, construction, and government sectors are also important and growing sectors of the economy. Along with a good infrastructure of plants and irrigation, the area has ports on the Columbia River with access to the Pacific, as well as an excellent rail system.

The Tri-Cities workforce and its unemployment rates varied considerably over the past two decades, but are now relatively low and stable. Economists predict that the Tri-Cities economy should perform moderately well in the foreseeable future. Agriculture, trade and service sectors constitute a strong and growing presence in the area.

Identified credit needs are for commercial construction loans, small business loans, consumer loans, and affordable housing.

ASSESSMENT AREA PROFILE: RICHLAND-KENNEWICK-PASCO MSA # 6740							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	150,033	3%		21%	17%	23%	38%
Median Income($)			$45,600				
Census Tracts	35	3		0	29	46	23
Unemployment Rate -May 31, 1997	6.4%						
Owner-occupied Housing (#)	33,940	3		0	21	48	31
Median Housing Value ($)			$58,200				
Small Businesses	3,830			0%	33%	48%	19%

Conclusions with Respect to Performance Tests in Richland-Kennewick-Pasco

LENDING TEST

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highl y economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

Seafirst's lending activity in the MSA represents an adequate response to the MSA's credit needs. The bank is one of the major residential lenders in the area and the number one SBA lender statewide in 1996.

Geographic Distribution:

The bank's overall loan distribution to geographies throughout the MSA is good. The MSA has no low-income geographies and 27% of the population resides in moderate-income census tracts. Bank lending has penetrated all census tracts in the area.

The bank's distribution of residential loans is good. It made 19% of its residential loans in moderate-income tracts. Although a greater percent of the population lives in moderate-income tracts, only 21% of owner-occupied housing is located there. Additionally, th e bank's market share percentage of loans to moderate-income tracts is greater than their market share percentage of all tracts. Its percentage of moderate-income area originations to total originations is greater than the industry average. The levels decline slightly i n 1997, however still indicate a good responsiveness.

The bank's geographic distribution of consumer loans to moderate-income census tracts is lower than the percentage of population in that area. The bank's distribution of automobile and credit card loans come close to the actual distribution of the population in moderate-income tracts. In other loan categories, the percentages are below the population in the MSA. The 1997 levels are higher and reflect a reasonable distribution.

Seafirst's small business loan distribution is weak as the majority of the loans are in middle-income tracts. Of these loans, 23% went to moderate-income tracts where 33 % of the businesses are.

Borrower Distribution:

The distribution of loans to borrowers of different income levels is good. In 1996, the bank's market share of residential loans to LMI borrowers was greater than its overall market share of residential loans. Also, the banks percentage of home loans to LMI was several points above the industry average of 24%. However, the percentage of home loans to LMI borrowers was 25% while the actual LMI population was 38%. This is mitigated by a higher than average poverty level of 12% and unemployment level of 6.4%.

Consumer lending distribution is reasonable. All such consumer loan categories are below the actual LMI population, but the level is reasonable given the high poverty and unemployment.

Small business lending is good. 73% of the businesses in the MSA have revenues of less than $1 million. In 1996, the bank made 76% of its business loans to such establishments with annual revenues of less than $1 million with a comparable performance in 1997.

The bank exhibits a good responsiveness to credit and community economic development needs. In 1996, the bank's market share percentage of loans to low-income borrowers was greater than its overall market share. The bank's loans to LMI borrowers as a percent of the total was above the industry average. However, in all bank loan categories including residential, the bank's proportion of total loans to low-income borrowers was less than half of the total low-income population. This is mitigated somewhat by the high poverty level and unemployment levels.

The banks responsiveness to small businesses is good given the percentage of total loans to businesses with revenues of less than $1 million.

Community Development Lending Activities: The bank's level of community development lending is good. During the review period, the bank extended a loan to an affordable housing project for $946,049. The project provided 120 rental units for persons with income below 50% of the median.

INVESTMENT TEST

During the review period, Seafirst made four grants for $43,500 to fund economic development studies, small business education, and a low-income support network.

The bank's contribution to the economic revitalization studies indicate a responsiveness to the needs of the community. However, no investments addressing affordable housing have materialized to date.

SERVICE TEST

Seafirst has four of its five branches centered in the principal cities of Richland, Kennewick, and Pasco with one remaining branch in Connell. Although clustered in the center, the bank's delivery systems are accessible to essentially all portions of the MSA. These branches and ATM's are generally in correlation with the higher level of census tracts and/or population. During the review period, the bank did not open or close any branches.

The bank's service and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATMs are generally consistent with the level of census tracts and/or populations of that area(s).

Community Development Services: The bank's level of community development service is limited. It works with La Clinica, a Hispanic self-help housing program and serves as an active partner with the Tri-Cities Enterprise Association (small business).

Seattle MSA # 7600

Description of Institution's Operations in Seattle

This MSA is comprised of King, Snohomish, and Island Counties. Seattle is the largest city in the region followed by Bellevue, Everett, and Federal Way. Seafirst is among the market leaders in the extension of banking services within the MSA. Its major competitors include Washington Mutual, U.S. Bank, Key Bank and Wells Fargo, and a number of thrifts, community banks, and credit unions. Seafirst serves the MSA with 133 branch offices and 533 ATMs.

The MSA has the largest economy in the state with 40% of the population, 43% of the labor force, 51% of the jobs, and 52% of the manufacturing jobs. The region has the state's highest per capita income, average wage, and median household income. Its economy is also influenced by one of the highest cost of living indexes in the nation. The MSA has a number of economic advantages including a comprehensive job-training and educational infrastructure, location on the I-5 corridor, close proximity to the region's international airport, a highly developed railway and trucking system, and world class, deep-water port facilities. The county's economy is diversified, comprised of retail services, trade, aerospace, manufacturing, high technology, and tourism. The eastern regions of the MSA are dominated by the agriculture, timber and tourism industries. The MSA is home to aerospace and high technology giants Boeing and Microsoft. The Everett Homeport (Navy) in Everett also has a significant impact on the MSA's economy. Employment trends in the MSA have been fairly strong for over a decade. In general, jobs are being created at a pace greater than the corresponding workforce and state averages. Demographic studies show that more women and minorities are entering the workforce.

Identified credit needs include affordable housing, home equity, rehabilitation, small business, consumer, and first-time home buyer classes, multi-lingual marketing materials.

ASSESSMENT AREA PROFILE: SEATTLE MSA # 7600							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	2,033,156	44%		17%	19%	27%	37%
Median Income($)			$55,100				
Census Tracts	439	40		3	17	59	18
Unemployment Rate -May 31, 1997	3.3%						
Owner-occupied Housing (#)	490,086	44		1	12	65	23
Median Housing Value ($)			$127,800				
Small Businesses	64,022	49%		3%	22%	54%	21%

Conclusions with Respect to Performance Tests in Seattle

LENDING TEST

Seafirst's level of lending is good and indicates a responsiveness to the needs of the community. The bank is the leading residential lender in the MSA. It also originated more SBA loans than any other lender in the area. During the review period, the bank made 6,737 small business loans totaling $443 million.

Geographic Distribution:

Residential Lending: The bank's distribution of residential loans adequately penetrates the MSA. It is also one of the highest volume residential lenders in the MSA, however, its market share of loans to LMI geographies is less than its overall market share. The portion of its loans in LMI tracts to total loans (9%) is below industry average(13%). Its percentage of residential loans to total loans in LMI geographies is less than the percentage of persons living in LMI census tracts. Although 12% of the MSA's owner-occupied housing is in LMI tracts, only 10% of the bank's residential loans were made in these tracts. The low level of owner-occupied housing in LMI census tracts mitigates this weakness.

Consumer Lending: The bank's consumer loan patterns indicate a good responsiveness to the assessment area needs. In 1996, with the exception of home equity loans, the distribution of its loans is very close to the actual proportion of people living in LMI census tracts. This distribution continues in the first half of 1997.

Small Business Lending: Seafirst's small business loans are also well distributed throughout the MSA. The bank originated 24% of its small business loans in LMI census tracts while 25% of the small businesses are located in tracts. The trend was consistent in the first half of 1997.

Borrower Distribution:

Residential Lending: Seafirst's distribution of residential loans relative to the demographics of the MSA is adequate. It originated 25% of its loans to LMI borrowers while the respective population within the MSA is about 36%. In 1996, the bank's market share of loans to LMI applicants is greater than its total market share of all residential loans. Additionally, its proportion of loans to LMI individuals is greater than the market average. This trend shifted in the first half of 1997, as a majority of the bank's residential lending was going to upper-income borrowers while the upper-income population represents only 37% of the MSA. The high cost of housing and construction in the Puget Sound area is a contributing factor to the reduced level of lending to LMI borrowers. Also, the bank made eighteen loans totaling $16 million to provide affordable housing throughout the MSA.

Consumer Lending: The bank's record of consumer lending reflects an outstanding commitment to the needs of the borrowers. In the categories of automobile and other consumer loans, the bank's percentage of loans to low-income borrowers exceeds the percent of their population in the MSA. Consumer home equity loan levels are impacted by the low rate of home ownership among low-income people in the MSA.

Small Business Lending: Seafirst's distribution of small business loans is good. In 1996, 80% of the bank's small business loans were to establishments with annual revenues of less than $1 million although these businesses represent only 72% of all businesses in the MSA. The bank's loan trend to small business declined somewhat in 1997 but was still above 72%. Further, the bank's loan size was are very responsive to the needs of small businesses. The average loan size to businesses with annual revenues of less than $1 million is about $35 thousand.

Community Development Lending Activities: Seafirst made a good level of community development loans in the MSA. Affordable housing is identified as a primary need. In 1996, it made fourteen loans for $10 million benefiting projects that provide affordable housing throughout the MSA. In the first half of 1997, the bank's level of community development lending was sustained with four loans of $5.5 million. The bank maintained high levels of community development lending for most of the 1990's, thus establishing a ongoing commitment to affordable housing and community development. In addition, the bank developed an environmental hazard team to provide high level assistance to borrowers in communities where environmental hazards are restricting development. Many of the community development loans involved several different sources of public and private funds and required the expertise of the bank's community development loan staff to make them viable.

INVESTMENT TEST

Seafirst has an substantial level of community development investments and grants. Through its underwriting services the bank often takes a leadership role in packaging and placing these community development investments into the market place. During the review period, the bank made seventeen investments of $21 million. Most of these were for tax credits or housing bonds to finance affordable housing projects in the MSA.

The bank also made 126 grants totaling $915 thousand to fund various community development groups, studies, or centers to assist low-income persons or small business. The grants range in size from $30 for miscellaneous donations to $125 thousand to fund the Small Business Technology Center at the Seattle Chamber of Commerce.

The bank exhibits a strong responsiveness to credit and community development needs. The community development grants and investments indicate a responsiveness to the need for affordable housing and small business education in the MSA.

Community Development Initiatives: The bank made significant use of innovative and complex investments through the underwriting and purchase of many of the housing bonds issued in the state. Several of the investments were made in coordination with other means of financing such as tax credits and conventional loans that were provided by the bank in addition to the investments underwritten and purchased for the bank's portfolio. The bank works with King County Housing Authority, Seattle Housing Authority and the Snohomish Housing Authority in underwriting and packaging bonds for affordable housing. One example of innovation was where the bank guaranteed several affordable housing bonds in case of default. Although only a portion of these bonds were purchased for the bank's portfolio, the bank guaranteed the entire obligation to make the issuance more attractive to other investors and facilitate affordable housing investments in the MSA.

SERVICE TEST

The bank has a total of 133 branches and 533 ATMs throughout the MSA. Its delivery systems are accessible to essentially all portions of the MSA. The location of these branches and ATMs are generally in correlation with the higher level of census tracts and/or population.

During the review period, the bank closed twelve branches and opened six branches. Of the branches closed, five were in moderate-income tracts, five in middle-income tracts, and two in upper-income tracts. Of the branches opened, three were in moderate-income tracts and three were in middle-income tracts. The proportion of branches to tracts remained roughly the same after the closures. No complaints were filed concerning the opening or closing of branches in the MSA.

The bank's service/business hours do not vary in a way that inconvenience certain portions of the MSA, particularly LMI individuals or geographies. Again, the location of the bank's branches and ATMs are generally consistent with the level of census tracts and/or populations of that MSA.

Community Development Services: The bank's level of community development service is extensive throughout the MSA. The bank has a special Minority and Women's Business Center to help meet the needs of small businesses owned by women and minorities. The center provides staff and resources to offer technical assistance, small business customer advice in completing loan applications and in finding alternative funding sources. The bank also provides a Credit Advocate Program for clients who apply for a loan, but will likely be declined. They are offered up to fourteen hours in credit and technical assistance at no cost. After completion the client is free to re-apply at Seafirst or another bank. The bank also offers the Seafirst Resource Center in the economically distressed Central Area of Seattle. This training center is used for first time home buyer classes, credit repair classes and additional small business assistance. It is also made available at no cost to community nonprofit organizations. Seafirst offers many classes to the beginning credit user to help them better understand personal finances, loan application processes, and

small business finances. These classes are offered numerous times during the year throughout the MSA.

Seattle Small Business Lenders Association

Seafirst was a founding member of this consortium, which provides loans to newer, small businesses that do not meet bank underwriting standards. Seafirst worked with a nonprofit, the city, and three other lenders to help form the Business Assistance Center, a clearinghouse for small business training and technical assistance information.

Central Area Expo

Seafirst served as a partner, and only corporate sponsor, with the Central Area Development Association (CADA) and Greater Seattle Chamber of Commerce's Urban Enterprise Center, to launch a community revitalization effort in Seattle's Central Area.

Eagles Auditorium

Seafirst served as the lead bank and coordinator of this project to renovate the Auditorium, located in a rundown section of the city's downtown core, into affordable housing and a theater.

Canterbury Square Mobile Home Park

Seafirst staff directed this complex financing package which enabled senior citizens to purchase their mobile homes as condominiums and save their park from demolition.

Seafirst also serves as an active partner in twenty-four organizations that promote economic development, affordable housing, and stabilization of communities.

Other programs that benefit the entire MSA include:

Credit Advocates (Puget Sound area)

Seafirst's own small business technical assistance program offers free consultations to small businesses whose loan applications have been declined by the bank. After the assistance, small businesses can re-submit their application to Seafirst or another lender.

ACORN (Puget Sound area)

Seafirst worked with the local chapter of this national group to present affordable housing fairs.

Local Initiatives Support Corporation (LISC) (Puget Sound area)

Seafirst has supported this regional chapter of national community development group in affordable housing and economic development.

Seafirst Minority and Women Business Center (Puget sound area)

A Seafirst department that provides loans, with more flexible underwriting, and technical assistance, to small businesses

Spokane MSA # 7840

Description of Institution's Operations in Spokane

This MSA is comprised of the eastern Washington county of Spokane. The city of Spokane is the largest city in the region, followed by Cheney and Medical Lake. Seafirst's major competitors in the MSA include U.S. Bank, Key Bank and Wells Fargo, and a number of thrifts, community banks, and credit unions. Seafirst serves the MSA with fifteen branch offices and 40 ATMs.

The county is the fourth largest in the state and is considered the economic hub of the area traditionally known as the Inland Empire. It currently features a strong and diversified manufacturing sector, dominated by such industries as aerospace, transportation equipment, aluminum products computers, timber, and food processing. The county's wholesale trade and finance sector serves a large agricultural community. Finally a growing retail and services sector round out an economy that is currently performing well.

Identified credit needs are for small business loans, consumer loans, affordable housing and home equity loans.

ASSESSMENT AREA PROFILE: SPOKANE MSA # 7840							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	361364	8%		19%	19%	23%	39%
Median Income($)			$39,900				
Census Tracts	99	9		7	23	52	18
Unemployment Rate -May 31, 1997	4.1%						
Owner-occupied Housing (#)	90,229	8		1	20	55	24
Median Housing Value ($)			$55,400				
Small Businesses	7,673	6%		14%	23%	50%	14%

Conclusions with Respect to Performance Tests in Spokane

LENDING TEST

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

The bank's lending in the MSA represents an adequate response to its credit needs. The bank is one of the major residential lenders in the area and in 1996, was the top SBA lender in the state.

Geographic Distribution:

The bank's overall loan distribution throughout the MSA was adequate. During the review period, home loans made in LMI tracts totaled 16% versus a 21% owner-occupied level in these areas. The performance was stronger in the middle and upper income tracts. In 1996, its share of the market to families in LMI census tracts was below its market share of residential loans to all tracts in 1996.

The distribution of consumer is good, with lending levels in LMI census tracts more closely reflecting the actual demographics of families in these tracts. Lending distribution improves slightly into 1997.

Small business lending distribution is excellent. The bank's percentage of loans to businesses in LMI census tracts exceeds the demographics of those tracts in 1996. The lending levels decline somewhat in 1997, but overall levels remain almost exactly the proportions of the small businesses in LMI census.

Borrower Distribution:

The bank's overall distribution of loans to borrowers of different income levels is relatively weak. In 1996, its market share of residential loans to LMI borrowers was slightly below the bank's share of the entire market. The bank was also slightly below the industry average for originations to LMI income individuals in the MSA. The bank's lending was significantly below the actual percentage of LMI families throughout the MSA. This again is mitigated somewhat by the high poverty level in the Spokane MSA.

The bank's consumer lending is reasonable. The performance improves slightly in its consumer lending with levels closer to actual population demographics but still below.

The bank's lending to small businesses is excellent and exceeds the percentage of small businesses throughout the MSA. The majority of loans to small businesses were to establishments with revenues of less than $1 million.

Community Development Lending Activities: The bank exhibits a reasonable responsiveness to the needs of very low-income individuals given the high poverty rate in the area. The bank's level of community development loans is good. During the review period, the bank financed five loans for $2.8 million to affordable housing projects throughout the MSA. Affordable housing, particularly rental housing is one of the primary needs in the MSA.

INVESTMENT TEST

The levels of community investment are reasonable. In 1996, the bank made an investment in the Catherine Johnson Court project to provide special needs housing and low-income housing in Spokane. The investment involved a tax credit and a loan and provided a significant amount of financing for the project. The bank also contributed substantial funds to several economic development studies that focused on distressed areas in the community. The bank made eleven community development grants for $58 thousand. The bank exhibits a good responsiveness to community development needs through its investments in affordable housing.

The Catherine Johnson Court project required complex financing not usually encountered in multi-family projects. The expertise of the bank personnel involved contributed to the successful completion of the project.

SERVICE TEST

The bank has a total of 15 branches and 40 ATM's throughout the MSA. The bank's delivery systems are accessible to essentially all portions of the MSA. The location of these branches and ATM's are generally in correlation with the higher level of census tracts and population. During the review period, there were no openings or closing of branches.
The bank's service and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATM's are generally consistent with the level of census tracts and or populations of the MSA.

Community Development Services: The bank's level of community development service is good. The bank participates as a lender and advisor to the Spokane Area Small Business Loan Program since it began in 1991. The program provides technical assistance to potential borrowers. The bank is also an active partner with the Spokane Low Income Housing Consortium (affordable housing), Spokane Neighborhood Action Programs (SNAP) (mortgage counseling), Consumer Credit Counseling of Spokane (credit repair). The bank provides technical assistance and expertise to the Spokane Housing Authority in underwriting affordable housing bonds.

Tacoma MSA # 8200

Description of Institution's Operations in Tacoma

This MSA is comprised of Pierce County. Tacoma is the largest populated city in the region. Seafirst is among the market leaders in extending banking services in the region. Its major competitors include U.S. Bank, Key Bank and Wells Fargo, and a number of thrifts, community banks, and credit unions. Seafirst serves the MSA with 23 branch offices and 66 ATMs.

The MSA is one of the major markets in Washington with 10% of the state's population, labor force, and job base. It has a number of economic advantages including a comprehensive job-training and educational infrastructure, location on the I-5 corridor, close proximity to the region's international airport, a highly developed railway and trucking system, and world-class deep-water port facilities. The MSA's economy is very diversified, comprising of retail services, trade, aerospace, manufacturing, high technology, and tourism. It is also the home of a large contingent of U.S. military forces and their families. McChord AFB and Fort Lewis employ a large number of federal civilian employees as well as over 20 thousand active duty armed forces personnel.

Tacoma has not fully participated in the region's economic upturn. Many businesses in the downtown core have closed or relocated in the suburbs. Buildings have fallen into disrepair and the city is dealing with a serious crime problem. In response to these issues, city officials launched a campaign to revitalize the downtown area. Recent successes include the renovation of Union Station and the establishment of a state historical museum. The city's Hilltop neighborhood (with the lowest median income in the state) and Eastside are HUD-designated Enterprise Communities and state designated neighborhood reinvestment areas. Several nonprofit organizations and lending institutions are working with neighborhood groups to secure home ownership for more of the area's residents.

We identified financing of low-income housing, small business instruction, and rehabilitation loans as the primary credit needs in the MSA.

ASSESSMENT AREA PROFILE: TACOMA MSA # 8200							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	586,203	13%		19%	18%	25%	38%
Median Income($)			$44,800				
Census Tracts	112	10		7	16	54	21
Unemployment Rate -May 31, 1997	4.4%						
Owner-occupied Housing (#)	129,544	12		1	9	61	28
Median Housing Value ($)			$79,700				
Small Businesses	13,685	10%		11	13	53	23

Conclusions with Respect to Performance Tests in Tacoma

LENDING TEST

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

Seafirst's lending activity in the MSA represents a good response to the MSA's credit needs. The bank was one of the major residential lenders in the MSA, however, its proportion of home purchase loans was significantly less. The bank was the number one small business lender in the area.

Geographic Distribution:

Seafirst's loans were distributed throughout all census tracts in the assessment area. There were several isolated tracts with no loans, however they were not LMI tracts.

Residential Lending: The bank's distribution of residential loans is reasonable. In 1996. Its market share of residential loans to LMI census tracts was slightly less than its overall market share. The percent of its originations to LMI census tracts was slightly less than the market average, and significantly less than the actual demographics of the MSA. The performance is mitigated by the low level of owner-occupied housing relative to the population in these census tracts. While the bank's lending to LMI census tracts was 8%, the owner-occupied housing in those areas was only about 10%.

Consumer Lending: The bank's distribution of consumer loans is weak and is less, in all categories, than the percentage of families in the LMI census tracts.
Small Business Lending: Its distribution of small business loans is reasonable, but the percent of loans in LMI census tracts is slightly less than the small business demographics.

Borrower Distribution:

Residential Lending: Seafirst's loan distribution to borrowers of different income levels is adequate. In 1996, its overall market share of residential loans is almost equal to its market share of residential loans to LMI borrowers. Although the percentage of the bank's residential lending to low-income persons is well below the actual percentage of that population in the MSA, they have the largest market share of residential loans to low-income applicants. Moreover, its percentage of residential loans to low-income applicants is higher than the market average.

Consumer Lending: The bank's consumer loans to LMI borrowers is less than the percentage of that population in the MSA. The highest percentage of loans to LMI borrowers was automobile loans.

Small Business Lending: Seafirst's distribution of small business loans is good. Of the small business loans the bank reported in 1996, 83% were to businesses with revenues of less than $ 1 million. The number was slightly less in 1997 at 74%, however the actual percentage of businesses with revenues of less than $1 million in the MSA was 75%.

Community Development Lending Activities: The bank's level of community development lending in the MSA is good. During the review period, the bank made seven loans totaling $6 million to finance affordable housing projects throughout the MSA. Affordable housing is an identified need in the MSA.

INVESTMENT TEST

Seafirst's level of community development investment in the MSA is limited to grants and contributions. It made 14 grants totaling $97 thousand. In the years before the review period, the bank made investments totaling $626 thousand.

The bank's investment activity is responsive to the needs of the MSA. The bank's grants provided major funding for the Wood Products Trade Show which promoted small businesses and helps to revitalize the distressed timber industry in the Northwest.

Community Development Initiatives: The bank occasionally finances complex investments to support community development. The bank works with the Tacoma Housing Authority in the underwriting and sale of housing authority bonds.

SERVICE TEST

The bank has twenty-three branches and sixty-six ATMs throughout the MSA. The bank's delivery systems are accessible to essentially all portions of the MSA. The location of these branches and ATMs are generally in correlation with the distribution of LMI census tracts.

During the review period, one branch in a low-income census tract was closed. No complaints were received in connection with the closing. The branches in low-income tracts after the closing reasonably correlate to the distribution of the population at large.

The bank's service and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATMs are generally consistent with the level of census tracts and or populations of that area(s).

Community Development Services: The bank offers extensive community development services throughout the MSA. It provides banking and investment services to the Tacoma Empowerment Consortium (TEC). The TEC is responsible for the implementation of Tacoma's Empowerment Zone for economic revitalization. Bank personnel as well as organization "partnerships" provide small business training and credit education throughout the MSA. Some of these organizations include:

Martin Luther King Housing Development Association (MLKHDA): Seafirst has worked closely with this nonprofit agency which serves the Hilltop area of Tacoma. Seafirst regularly offers first time homebuyer and credit repair classes to MLKHDA clients.

Tacoma Empowerment Consortium (economic development)

Hilltop Homeownership Development Center (affordable housing)

Eastern Washington Assessment Area

Description of Institution's Operations in Eastern Washington

This area is comprised of the sixteen counties as follows, Adams, Asotin, Chelan, Columbia, Douglas, Ferry, Garfield, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille, Stevens, Walla Walla, and Whitman. Walla Walla is largest city in this region.

The bank is among the market leaders in the extension of all banking services within the region. The bank's major competitors include U.S. Bank, Key Bank and Wells Fargo, as well as a number of thrifts, community banks, and credit unions. Seafirst serves the area with 25 branch offices and 53 ATMs.

The economies of the region have been associated with traditional resource base industries. These include agriculture, logging and timber operations, and more recently, aluminum production. While these sectors of the economy are the backbone of the region's prosperity, they are also the major cause for its higher than average unemployment rate. Farming employment is seasonal. The logging and timber industries are highly dependent on the housing market, as well as the demand for wood and paper products. Finally, aluminum production depends on the availability of cheap electricity and is influenced by international metal markets.

Credit needs identified in the area are affordable housing, agricultural loans, manufactured housing, commercial loans and small business loans.

ASSESSMENT AREA PROFILE: EASTERN WASHINGTON							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	373,004	8%		22%	19%	23%	37%
Median Income($)			$35,100				
Census Tracts	114	10		1	24	77	11
Unemployment Rate -May 31, 1997	6.8%						
Owner-occupied Housing (#)	88,723	8		1	17	72	11
Median Housing Value ($)			$58,050				
Small Businesses	10,358	8%		1%	22%	69%	8%

Conclusions with Respect to Performance Tests in Eastern Washington

LENDING TEST

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highly economical disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

The bank's lending activity in the Eastern Rural assessment area indicates an adequate responsiveness to the needs of the community. The bank is one of the largest volume residential lenders in the assessment area and is the largest SBA lender statewide. The majority of the bank's home loans, however, are for refinancing and home improvement whereas the majority of loans made by other lenders was for home purchase, the area's major credit need.

Geographic Distribution:

The bank's overall distribution to geographies throughout its assessment area is adequate. In its 1996 residential lending, their market share to LMI census tracts was below its market share of loans to all census tracts. And, the bank's percentage of loans to LMI tracts as a percent of total loans is 13% versus the industry average of 17%. Looking at the review period, the bank's percentage of loans to LMI tracts is also below the percentage of population, but only slightly below the percentage of owner-occupied houses in these tracts. Similar lending patterns were seen for 1997.

The bank's distribution of consumer loans is good and very closely mirrors the demographics of the assessment area. Individual categories of consumer loans similarly reflect the demographics, although none exceed them. Given the high poverty and unemployment rate, the levels are considered good. The lending patterns through 1997 were similar.

The distribution of small business loans is below demographics. In 1996 and 1997, loans to businesses in LMI census tracts is consistently well below the percentage of small businesses in those tracts.

Borrower Distribution:

The bank's overall distribution of loans to borrowers of different income levels is good. Its market share of residential loans to LMI individuals is slightly better than its share of all loans and it is one of the top lenders to LMI borrowers. Its percentage of LMI borrower loans to total loans is slightly above the industry average of other lenders in the market, albeit the percentage of bank loans to LMI borrowers is almost half the LMI population in the assessment area. The lending levels are similar through the six months of 1997.

In 1996, its market share of residential loans to low-income borrowers versus all borrowers was several percent above the bank's market share to all borrowers. These trends continue through 1997.

The bank's distribution of consumer lending is similar to its residential loans. 1996 lending patterns indicate the percentage of loans to LMI borrowers is almost half the percentage of the population in this group. 1997 lending patterns improve somewhat, but are still well below the percentage of the LMI population at large.

The bank's consumer lending to low-income populations is adequate. Its percentage of consumer loans to low-income borrowers is far below the percentage of this population in the area. This is mitigated somewhat by the diminished repayment capacity of the low-income borrowers throughout the area due to the high poverty and unemployment levels.

The bank's loans to small businesses are good and reflect a distribution similar to the population of businesses at large. During the review period, 88% of the bank's small business loans went to businesses with annual revenues of less than $1 million. Of all the businesses in the assessment area, 77% have revenues of $1 million or less.

The bank's responsiveness to the needs of small businesses is adequate. Although the bank's loans to low-income census tracts are less than the percentage of small businesses in low-income census tracts, this is misleading. There is only one low-income tract in the entire assessment area.

Community Development Lending Activities: The bank made an acceptable level of community development loans in the assessment area. The assessment area comprises 8% of the state's population and is widely dispersed throughout the assessment area. Affordable housing projects in the rural areas are difficult to develop. The bank financed one project for $800 thousand in 1996 and three projects for $1 million in 1997 providing much needed affordable housing and health services.

INVESTMENT TEST

During the review period, the bank did not make any qualified investments in the area. However, it did make 19 grants totaling $28 thousand to various agencies and organizations promoting economic development in distressed areas, and providing assistance to low-income persons and flood victims. The bank made additional grants to several state wide agencies that benefitted the areas directly, however the agencies were not located in the assessment area. See the state analysis for discussion of these contributions.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of its assessment areas. It has an expansive branch and automated teller machine (ATM) presence. The

bank has 24 branches and 53 ATM's throughout the assessment area. There are no branches in low-income census tracts, however there is only one low-income tract. The tract is located in the city of Walla Walla and accessible to other branches and ATMs of the bank. The bank did not open, close or move branches during the assessment period.

The bank's services/business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the location of the bank's branches and ATM's correlate with the distribution of census tracts income within the assessment area. In addition, the bank offers 24 hour customer service, computer banking, and Loan-By Phone accessibility though any telephone to further increase the accessibility of its services.

Community Development Service: The bank works with many organizations throughout the Western region through donations of time and financial expertise.

Wenatchee Community Revitalization Loan Fund
The bank is working with the community to create this small business loan fund

The bank also serves as an active partner with the following organizations:

- Colville Main Street Association (small business)
- North Central Quest (economic development)
- Okanogan County Investment Association (small business startups)
- Lake Chelan Valley Housing Association (affordable housing)
- Walla Walla Area Small Business Loan Fund (small business)

Additionally, the bank contributes financial services to many statewide organizations that impact the region directly.

Western Washington Assessment Area

Description of Institution's Operations in Western Washington

The Western Washington Assessment Area is comprised of the 11 Washington counties of Cowlitz, Clallam, Grays Harbor, Jefferson, Lewis, Mason, Pacific, San Juan, Skagit, Skamania, Klickitat and Wahkaikum. Longview is the largest city in this region. The largest sectors of the economy are timber, manufacturing (primarily wood and paper products), trade and services.

Seafirst is among the market leaders in the extension of all banking services within the region. Its major competitors in the assessment area include U.S. Bank, Key Bank and Wells Fargo, as well as a number of thrifts, community banks, and credit unions. Seafirst serves the area with 24 branch offices and 49 ATMs.

The economies of the region have long been associated with the timber industry. However, restructuring and modernization within the industry in the past decade, coupled with environmental concerns and mandated protection of endangered species have resulted in significant cutbacks in terms of production and employment. Some counties in the region have been designated as "Timber Dependent" by the state and are eligible for special aid. Nonetheless, it remains a major player in the region's economy.

Job losses experienced in the region's traditional resource intensive industries have been significantly offset (on a job-to-job basis) by job creation in the non-manufacturing sector (i.e. trade, services, government). The downside of this trend is that these jobs typically do not pay as well as the jobs they replace, putting a significant damper on the region's wage/salary growth prospects. To mitigate the effects of potential labor shortages, state and local officials are considering tapping underutilized groups, such as older workers, senior citizens, women and ethnic minorities within each county. However, this effort is likely to require academic and vocational programs designed to enhance the education levels and jobs skills of these individuals.

The average unemployment rate in the region in 1995 was 8.6 percent. While low by historical standards, the joblessness rate has always been consistently higher than the state rate, largely due to the cyclical and seasonal nature of the region's major industries. The region lags behind state figures in average annual wage and per capita income. However, the state averages are heavily influenced by the high-tech and aerospace industries of the Puget Sound Region.

Although the region's manufacturing sector continues to be primarily based on lumber, paper and wood products, many counties have made efforts to diversify their economies. For example, many of them have begun to exploit their geographic advantages by encouraging tourism and recreational development. The Columbia River region (Cowlitz, Wahkaikum, Skamania) and the San Juans have proven to be tremendous draws for tourists. Mason County has become the home of a growing community of small

businesses associated with aerospace and defense industries. At the same time, boat and shipbuilding is adding a unique dimension to Jefferson County's job base.

Credit needs identified in the region are for small business loans, affordable housing and rehabilitation loans.

ASSESSMENT AREA PROFILE: WESTERN WASHINGTON							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	457,307	10%		19%	17%	23%	41%
Median Income($)			$35,100				
Census Tracts	159	14		0	13	64	19
Unemployment Rate -May 31, 1997	7.1%						
Owner-occupied Housing (#)	124,657	11		0	8	68	24
Median Housing Value ($)			70,188				
Small Businesses	14,216	11%		0%	15%	67%	18%

Conclusions with Respect to Performance Tests in Western Washington

LENDING TEST

In assessing lending performance, we focused on the bank's lending volume, assessment area concentration, geographic distribution, borrower profile, responsiveness to highl y economically disadvantaged geographies and low-income persons and small businesses, community development lending, and product innovation.

The bank's lending activity in the western rural assessment area indicates an adequate responsiveness to the needs of the community. The bank is one of the top ten larges t volume residential lenders in the assessment area and is the largest SBA lende r statewide. The majority of the bank's home loan are for refinancing and hom e improvement, however the majority of loans made by other lenders was for hom e purchase, a major credit need.

Geographic Distribution:

The bank's overall distribution to geographies throughout its assessment area i s reasonable. The bank's market share of residential loans in LMI census tracts was below its market share of loans to all census tracts. The bank's percentage of loans to LMI tracts as a percent of total loans is 6% versus the market average of 8%. Its percentage of loans

to LMI tracts is below the percentage of the population and below the percentage of owner-occupied houses in these tracts. Similar lending patterns are shown in 1997.

The bank's distribution of consumer loans is reasonable. LMI consumer lending as a percent of total lending is below the percent of the population living in LMI census tracts. Lending patterns in the first half of 1997 show a slight improvement over 1996.

The distribution of small business loans is below demographics. In 1996 and 1997, the percentage of loans to businesses in LMI census tracts was consistently well below the percentage of small businesses in those tracts.

Borrower Distribution:

The bank's distribution of loans to borrowers of different income levels is below demographics. While it is a top ten lender to LMI borrowers, its market share of residential loans to LMI individuals is less than its share of all loans. The bank's percentage of loans to LMI borrower to total loans is below the average of other lenders in the market, and the bank's loans to LMI borrowers is less than half the LMI population in the assessment area. The lending levels decline further in 1997.

In 1996, the bank's market share of residential loans to low-income borrowers was several percent below the bank's market share to all borrowers. The bank's loans to low-income borrowers as a percent of all loans was below the industry average, however relative to the low-income population at large, the percent of the bank's loans to low-income borrowers is far below the actual percentage of low-income borrowers in the MSA population. These trends continue through 1997.

The bank's consumer lending to low-income populations is weak. The percentage of the bank's consumer loans to low-income borrowers is far below the percentage of this population in the MSA. This is mitigated somewhat by the diminished repayment capacity of the low-income borrowers throughout the MSA due to the high poverty and unemployment levels.

The bank's distribution of loans to small businesses is good and reflect a distribution similar to the population of businesses. For example, 80% of the loans went to businesses with annual revenues of less than $1 million. Of all the businesses in the assessment area, 79% have revenues of $1 million or less. The majority of business loans that are less than $1 million in size were extended to businesses with revenues of $1 million or less.

Community Development Lending Activities: The bank's level of community development lending in the area is good. The assessment area comprises 10% of the state's population and is widely dispersed. Affordable housing projects in the rural areas are difficult to develop and finance. The bank financed eight projects totaling $6 million that provided much needed affordable housing in the region.

INVESTMENT TEST

The bank has two bond issues totaling $2.3 million. Funding from these bonds was used to create affordable housing. It purchased additional bonds to finance affordable housing projects in the assessment area, however because of their structure the bank recorded them as loans. During the review period, the bank made twenty-seven grants to various agencies and organizations promoting economic development in distressed areas, providing assistance to low-income persons and flood victims. It made additional grants to several state wide agencies that benefitted the area directly, however the agencies were not located in the assessment area. See the state analysis for discussion of these contributions.

SERVICE TEST

The bank's delivery systems are accessible to essentially all portions of its assessment areas. It has an expansive branch and ATM presence. The bank has twenty-four branches and forty-nine ATMs throughout the assessment area. There are no low-income census tracts in the region.

During the review period, the bank closed one branch in a middle-income census tract. The bank received a small number of complaints on the branch closing. However, it could not justify the operation of a full service facility in this resort area.

The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly LMI individuals or geographies. Again, the location of the bank's branches and ATM's correlate with the distribution of census tracts income within the assessment area. In addition, the bank offers 24 hour customer service, computer banking, and Loan-By Phone accessibility though any telephone to further increase the accessibility of its services.

Community Development Service: The bank works with many organizations throughout the Western region with contributions of time and financial expertise.

<u>Replanting Lives(Western Washington)</u>

Seafirst offered a small business technical assistance program for timber-impacted communities.

<u>Partners for Small Business Lending (Western Washington)</u>

Seafirst co-sponsored a small business technical workshop with Federal Reserve Bank of San Francisco.

<u>Common Ground (Western Washington)</u>

Seafirst worked with this organization on several affordable housing projects

<u>Other Regional Partnerships:</u>

Women Business Owners (Western Washington)
Washington State Hispanic Chamber of Commerce (Western Washington)

Grays Harbor Business Incubator Loan Fund

Seafirst worked to help start this fund and has committed $100 thousand in small business loans.

Seafirst also serves as an active partner with the following organizations:

Aberdeen Neighborhood Housing Services (affordable housing)
Grays Harbor Community College (job re-training)
Grays Harbor Economic Development Council (economic development)

Additionally, the bank contributes financial services to many statewide organizations that impact the region directly.

WASHINGTON AGGREGATE TABLES

AGGREGATE RESIDENTIAL LENDING										
State: WASHINGTON Assessment Area:	Demographics		Lending Distribution		Market Share*			#	$ (000s)	Avg. Loan (000s)
	% Owner Occupied in LMI CTs	% LMI Families	in LMI CTs	to LMI Borrowers	Overall	LMI CTs	LMI Borrower			
BELLINGHAM # 0860	11%	37%	7%	20%	6.24%	4.46%	6.85%	382	$25,100	$66
BREMERTON # 1150	12	36	9	20	7.96%	7.69%	8.01%	831	59,500	72
OLYMPIA # 5910	2	36	2	22	6.34%	5.44%	7.41%	549	31,800	58
RICHLAND # 6740	21	38	19	25	9.58%	10.38%	10.47%	583	34,000	58
SEATTLE # 7600	12	36	10	25	10.23%	7.79%	10.87%	11,282	1,097,900	97
SPOKANE # 7840	21	38	16	21	7.79%	6.36%	7.74%	1,392	85,500	61
TACOMA # 8200	10	38	8	20	6.77%	5.63%	6.75%	1,771	124,200	70
YAKIMA # 9260	26	39	24	18	10.45%	11.35%	12.56%	646	30,700	48
Eastern Washington	12	40	15	16	12.28%	9.74%	12.42%	1,376	76,400	56
Western Washington	8	37	6	13	10.19%	7.54%	10.19%	1,524	87,000	57
Total State	13%	37%	10%	22%	9.19%	7.61%	9.66%	20,336	$1,652,100	$81
% of Total Bank						0.15%	0.18%	14%	10%	
Total Bank								146,055	$16,951,400	$116
LMI Parity**						(222)	267			

(*) 1996 HMDA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE CONSUMER LENDING							
State: WASHINGTON Assessment Areas:	% LMI Population	% LMI CTs	% Loans to LMI Borrowers	% Loans in LMI CTs	#	$ (000s)	Avg. Loan (000s)
BELLINGHAM # 0860	37%	22%	20%	14%	4,026	$42,700	$11
BREMERTON # 1150	36	22	22	14	6,167	70,100	11
OLYMPIA # 5910	36	3	19	3	3,903	42,900	11
RICHLAND # 6740	38	29	18	23	2,527	26,000	10
SEATTLE # 7600	36	20	21	15	93,584	1,058,200	11
SPOKANE # 7840	38	30	17	20	5,847	61,800	11
TACOMA # 8200	38	23	20	13	14,734	172,100	12
YAKIMA # 9260	39	36	13	27	2,796	25,800	9
Eastern Washington	41	22	14	16	5,636	60,500	11
Western Washington	37	13	14	5	8,189	96,800	12
Total State	37%	21%	20%	15%	147,409	$1,656,900	$11
% of Total Bank					17%	21%	
Total Bank					877,912	$7,758,000	$9

AGGREGATE SMALL BUSINESS and COMMUNITY DEVELOPMENT LENDING										
State: WASHINGTON Assessment Areas:	Distribution		Market Share*			Small Business Lending			Community Development	
	% of Small Businesses in LMI CTs	% of Loans in LMI CTs	Overall	LMI	Parity **	#	$ (000s)	Avg. Loan (000s)	#	$ (000s)
BELLINGHAM # 0860	27	14	12.44%	6.99%	(16)	291	$21,700	$75	1	$900
BREMERTON # 1150	21	11	16.38	14.39	(3)	246	10,500	43	5	1,900
OLYMPIA # 5910	7	4	9.17	7.50	(1)	160	9,000	56	5	7,400
RICHLAND # 6740	33	23	7.36	5.22	(8)	194	12,700	65	1	900
SEATTLE # 7600	25	23	23.89	22.24	(50)	6,737	442,600	66	19	20,000
SPOKANE # 7840	37	36	9.34	8.52	(8)	473	36,000	76	5	2,800
TACOMA # 8200	24	20	8.33	7.31	(8)	701	49,900	71	3	4,500
YAKIMA # 9260	37	31	8.71	12.07	11	224	20,600	92	1	500
Eastern Washington	23	12	NA	NA	(35)	436	37,200	85	4	1,900
Western Washington	15	8	NA	NA	NA	584	44,300	76	9	3,140
Total State	26	22	15.00	13.48	(118)	10,046	$684,500	$68	53	$43,940
% of Total Bank					0.1%	12%	12%		20%	9%
Total Bank						87,225	$5,620,300	$64	266	$467,424

(*) 1996 CRA Reporter Market Share

(**) A negative means additional loans needed to achieve parity to overall market share.

AGGREGATE ASSESSMENT AREAS - INVESTMENT TEST									
State (ST): WASHINGTON Assessment Areas:	Affordable Housing and Economic Development			Contributions/ Grants			Total Investments		
	#	% # ST	$ (000s)	#	% # ST	$ (000s)	#	% # ST	$ (000s)
BELLINGHAM # 0860	1	4%	$288	2	1%	$1	3	1%	$289
BREMERTON # 1150	8	31	9,370	2	1	4	10	4	9,374
OLYMPIA # 5910	0	0	0	7	3	20	7	3	20
RICHLAND # 6740	0	0	0	4	2	44	4	2	44
SEATTLE # 7600	11	42	21,619	126	53	915	137	58	22,534
SPOKANE # 7840	1	4	615	11	5	58	12	5	673
TACOMA # 8200	1	4	315	14	6	97	15	6	412
YAKIMA # 9260	2	8	10,900	19	8	61	21	9	10,961
Eastern Washington	0	0	0	19	8	28	19	8	28
Western Washington	2	8	2,373	27	11	61	29	12%	2,434
Statewide	0	0%	0	7	3%	98	7	3%	98
Total State (ST)	26		$45,480	238		$1,385	264		$46,865
% of Total Bank	8%		11%	27%		17%	22%		12%
Total Bank	325		$398,484	877		$8,171	1,202		$406,655

AGGREGATE ASSESSMENT AREAS - SERVICES TEST														
State: WASHINGTON Assessment Areas:	#				$ Deposits (millions)	% of State	% # of Branches				% # of ATMs			
	Branch Offices	In-store Offices	Full Service ATMs	Offices% of State			Low CT	Moderate CT	Middle CT	Upper CT	Low CT	Moderate CT	Middle CT	Upper CT
BELLINGHAM # 0860	6	2	21	3%	$227	3%	0%	17%	83%	0%	0%	24%	76%	0%
BREMERTON # 1150	10	2	25	5	268	3	0	18	80	18	0	8	92	0
OLYMPIA # 5910	3	3	24	2	146	2	0	0	67	33	0	4	79	17
RICHLAND # 6740	5	0	16	2	197	2	0	40	40	20	0	19	38	44
SEATTLE # 7600	116	17	533	52	5,101	62	4	27	51	18	4	26	53	17
SPOKANE # 7840	13	2	40	6	393	5	8	31	54	7	10	38	45	8
TACOMA # 8200	19	4	66	9	598	7	11	16	42	32	11	14	58	18
YAKIMA # 9260	7	0	23	3	164	2	0	29	14	57	9	30	48	13
Eastern Washington	24	1	53	10	556	7	0	25	71	4	0	17	70	13
Western Washington	22	2	49	9	624	8	0	18	77	5	0	12	78	10
Total State	225	33	850	100%	$8,274	100%	3%	22%	59%	16%	4%	23%	57%	16%
% of Total Bank	15.0%	17.6%	15.3%	15.3%	7.4%									
Total Bank	1,500	187	5,565		$111,413									

Las Vegas, Nevada - Mohave, Arizona Multistate MSA

Las Vegas Multistate MSA Rating

CRA Rating for the Las Vegas, Nevada - Mohave, Arizona MSA[5]: Satisfactory.

The lending test is rated: Low Satisfactory
The investment test is rated: Low Satisfactory
The service test is rated: High Satisfactory

Description of Institution's Operations in the Las Vegas, Nevada - Mohave, Arizona Multistate MSA

BANTSA has defined two assessment areas in the Multistate MSA. The Nevada assessment area includes Clark and Nye Counties. Its principal cities are Las Vegas and North Las Vegas. The Nellis Air Force Range and the Toiyabe National Forest dominate Nye County. The Arizona assessment area includes Mohave County. Its principal cities are Bullhead City and Kingman. The population of the Multistate MSA is distributed, 89% in Nevada and 11% in Arizona. The region's surge of employment opportunities and its attractiveness as a retirement community have created strong population growth. The MSA contains four whole Indian Reservations and part of one other reservation.

In 1990, BAC entered the Clark County retail banking market by acquiring Frontier Savings. In 1992, it entered Nye County through the acquisition of Valley Bank of Nevada. They divested these branches after completing the merger with Security Pacific Bank in 1992. Also, in 1990, BAC entered the Mohave County market through the acquisition of MeraBank. In 1997, BAC consolidated its Bank of America Nevada subsidiary into BANTSA. BANTSA's peers are Wells Fargo Bank, U.S. Bank, and Norwest Bank. It also competes with mortgage companies such as Norwest Mortgage, Weyerhaeuser Mortgage, and InterWest Mortgage. BANTSA serves the MSA with 54 branch offices and 192 ATMs. The loans BANTSA originated in this MSA during the review period, accounted for 2.6% of its total number and 2.8% of its total dollar volume. Further, the state accounts for 1.9% of the bank's domestic deposits. This ranks the state's market size number five out of the ten states and two Multistate MSAs evaluated.

The MSA's economy has grown and diversified with the attraction and development of a broader range of businesses. Hotels, gaming, and resorts as a group have grown in total jobs but declined through 1996 in their share of total employment. Other major employment sectors are professional and other services, trade, government, and construction.

[5]This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Las Vegas is a major gaming, convention, and resort destination for domestic and foreign visitors. It has more than 90 thousand hotel rooms, with an additional sixteen thousand under construction or in development. Each new hotel room creates 2.5 jobs.

The significant increase in population compounds the need for the financing of additional affordable housing. HUD reports that median home purchase prices and median contract rental rates have been increasing more rapidly than median income, while vacancy rates have declined. Another identified credit need is small business lending to keep up with the growth of businesses that have migrated to or created in the Multistate MSA.

The bank uses innovative and flexible lending practices to serve the MSA's credit needs. It uses a variety of residential lending programs with flexible underwriting, downpayment, and pricing characteristics. Besides its broad array of products, the bank is the exclusive lender in the City of Henderson's Home Improvement Loan Program. This HUD Title I program is available to LMI borrowers in Henderson. Also, the bank's "Enhanced Neighborhood Advantage" loan program has flexible characteristics for LMI borrowers in Clark County and Pahrump (Nye County).

Conclusions with Respect to Performance Tests in the Las Vegas, Nevada - Mohave, Arizona Multistate MSA

LENDING TEST

- **BANTSA is an active residential lender whose market share of loans in LMI areas is comparable to its share in all areas.**

- **BANTSA has good levels of consumer lending that is widely distributed to borrowers of all income levels.**

- **BANTSA has shown a good responsiveness to the credit needs of small businesses, complemented by good geographic distribution, and an excellent level of micro-lending.**

- **BANTSA has adequately responded to community development lending needs.**

BANTSA's level of residential lending reflects an adequate responsiveness to the MSA's credit needs in a highly competitive market. In 1996, BANTSA and its affiliates originated 5.4% of the markets residential loans as reported under HMDA. This is comparable to its 5.3% share of loans in LMI geographies. However, the bank made very few loans in low-income census tracts. Similarly, the bank's attraction of low-income borrowers does not compare favorably to the MSA's population demographics. The portion of BANTSA's loans in LMI geographies is marginal when compared to the level of owner-occupied housing in those areas.

BANTSA's performance improves when considering the income level of the borrower. Its share of low-income borrowers was 5% and moderate-income borrowers is 4%, ranking it third and fourth, respectively.

Consumer lending levels show adequate responsiveness to the MSA's credit needs. While the bank made only two home equity loans in low-income census tracts, opportunity is limited in these areas based on the low number of owner-occupied units. BANTSA extended 4% of its home equity loans in moderate-income census tracts which is well below the proportion of owner-occupied units in those areas.

The bank also made few automobile or other consumer loans in low-income census tracts. However, the distribution of borrowers reflects good penetration among retail customers of different income levels. The bank's distribution of loans to LMI borrowers substantially exceeded the proportion of LMI families for automobile and other consumer loans, and was slightly below the family proportion for credit cards. The bank uses flexible consumer lending practices to serve assessment area credit needs. It has a limited array of products with reduced credit guidelines for low-income and disabled individuals.

BANTSA's level of small business lending shows excellent responsiveness to the MSA's credit needs. The geographic distribution of these loans reflects good penetration throughout the MSA. The bank's proportions of loan originations are slightly below the distribution rates for businesses in low-, moderate-, and middle-income census tracts. However, it originated 42% of its loans to businesses with revenues less than $1 million. It has excellent responsiveness to micro-lending needs in the MSA, with 83% of its small business loans in amounts of $100 thousand or less. Its performance was strongest in the Nevada part of the MSA, where 85% of the MSA's small businesses are located. The bank makes extensive use of flexible lending practices to serve the MSA's credit needs. BANTSA's main small business product is the ABC Business Banking Loan.

Community Development Lending Activities: BANTSA's community development lending levels reflects an adequate response to the MSA's community development financing needs. The bank originated a construction loan in a marketplace with a limited number of developers of affordable housing, as well as legislative constraints limiting the access to public land for the development of affordable housing. The construction loan supported a 168-unit affordable housing apartment complex. Management also provided leadership in their negotiations for the commitment of the construction financing while enlisting and coordinating government and nonprofit parties participation in the total financing package. The bank also made a $19 million construction and term financing package for an American Indian tribe's development of a resort in an low-income census tract. The project will employ LMI workers.

BANTSA originated loans that are not segregated as direct community development loans, but do have community development benefits. These include a $10 million line of credit for working capital for a subcontractor for the employment of LMI workers at the McCarran

Airport and a $200 thousand line of credit for venture capital supporting a business that will focus its employment on LMI workers.

INVESTMENT TEST

BANTSA has a low level of qualified direct community development investments. The bank has invested $1.5 million in a revenue bond issued by the Nevada Housing Division. It also has a $100 thousand deposit in a credit union that helps localized micro-lending. These investments are not complex in nature.

Through these investments and various qualified grants, BANTSA shows an adequate response to credit and community development needs for this MSA. During the review period, BANTSA made $181 thousand in qualifying grants to 25 recipients. These organizations promote and facilitate affordable housing, neighborhood revitalization, and community services. Examples of these beneficiaries are Housing America, Opportunity Village, Las Vegas Boys & Girls Club, Local Initiatives Support Group, Northern Las Vegas Neighborhood Housing Services, and Habitat for Humanity of Las Vegas.

SERVICE TEST

BANTSA has provided a significant level of community development services for this MSA. Further, its delivery systems are accessible to all segments of the community. These systems do not vary in a way that inconvenience LMI geographies or individuals. Management bases Saturday banking hours on an analysis of customer demand.

Through its officers and employees, the bank has extended significant financial expertise to promote affordable housing, neighborhood revitalization, and small business lending to and through various organizations. Examples of these organizations are the Affordable Housing Resource Council, Nevada Community Enrichment Program, Lighthouse Compassionate Care, HELP of Southern Nevada, and Main Street USA. Its leadership role was highly evident in the service it provides to groups like the Nevada Community Reinvestment Corporation and Nevada Self-Employment Trust.

During the review period, the bank opened five and closed two branches. Of the new offices, four are in upper-income areas, and one is in a low-income area. The closed branches were in upper-income areas. However, the bank's branch network is concentrated in middle- and upper-income census tracts.

MULTISTATE MSA PROFILE: Las Vegas MSA # 4120							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	852,737	NA		19%	19%	23%	39%
Median Income($)			$46,100				
Census Tracts	159	NA		7	22	48	23
Unemployment Rate- May 31, 1997	4.1%						
Owner-occupied Housing (#)	180,309	NA		2	13	48	37
Median Housing Value ($)			$91,051				
Small Businesses	23,853	NA		5%	18%	50%	27%

LENDING TEST: Las Vegas MSA # 4120								
Loan Type	#	% of Bank	$ (million)	CT / B	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Residential	3,660	3%	$325	CT	0%	4%	33%	62%
				B	6	17	23	52
Consumer - Automobile	7,299	5	108	CT	1	10	39	49
				B	17	32	28	22
Consumer - Home Equity	1,912	3	65	CT	0	4	27	69
				B	7	16	25	52
Consumer - Other	2,041	5	17	CT	1	12	36	51
				B	23	23	22	31
Consumer - Credit Card	11,016	2	41	CT	3	8	41	48
				B*	18	14	12	12
Small Business	3,071	4	279	CT	3%	14%	41%	42%
Community Development	3	1%	36					
Total Lending	29,002		$871					

(CT) Income Level of Census Tracts
(B) Income Level of Borrower
(*) Distribution does not add to 100% due to unclassified or unavailable data

INVESTMENT TEST: Las Vegas MSA # 4120							
Investment Type	#	% of Bank	$ (000s)	Low %	Moderate %	Middle %	Upper %
Affordable Housing & Economic Dev.	2	1%	$1,622				
Contributions/Grants	25	3	181				
Total Investments	27	2%	$1,803				

SERVICE TEST: Las Vegas MSA # 4120							
Service Type	#	% of Bank	$ (million)	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices (#)	45	3%		4%	11%	53%	31%
Deposits			$2,072				
In-Store Offices (#)	9	5		11	0	33	56
Bank ATMs - Full Service	192	3%		6%	16%	51%	28%

Portland, Oregon - Vancouver, Washington Multistate MSA

Portland - Vancouver Multistate MSA Rating

CRA Rating for Portland, Oregon - Vancouver, Washington[6]: Outstanding .

The lending test is rated: Outstanding
The investment test is rated: Outstanding
The service test is rated: High Satisfactory

Description of Institution's Operations in the Portland, Oregon - Vancouver, Washington Assessment Area

BANTSA is a full service bank operating in the Portland, Oregon and Vancouver , Washington areas. These areas are a Multistate MSA. The Portland area encompasses the counties of Multnomah, Washington, Clackamas, Columbia, and Yamhill. The Vancouver area encompasses Clark County.

In 1990, the bank entered the Oregon market by purchasing assets and liabilities of the former Benjamin Franklin Savings and Loan from the U.S. Government. Its presence in Vancouver, Washington stems from the bank's purchase of Seattle First National Bank in 1983 and consolidation that began in 1992. Major competitors include U.S. Bank, Key Bank and Wells Fargo. BANTSA serves the MSA with 62 branch offices and 145 ATMs. The loans BANTSA originated in this MSA during the review period, accounted for 3.6% of its total number and 4.5% of its total dollar volume. Further, the state accounts for 1.9% of the bank's domestic deposits. This ranks the state's market size number four out of the ten states and two Multistate MSAs evaluated.

The Portland portion of the MSA has seen strong economic growth since 1990 which was fueled by expansion in the high tech sector, international trade, construction and retail. Population growth has been substantial and is expected to continue. Despite such growth, median wages have tended to remain flat. At the same time, there have been significant increases in housing prices, creating a substantial affordability gap. Housing has been an area of special emphasis. As part of a long term strategy to avoid urban sprawl, the Portland area is trying to increase the number of dwelling units and jobs within the central city. As such, there are opportunities for in-fill development for both rental units and home ownership. In the more rural areas, there is an increasing need for farm worker housing as the population becomes less transient. The area is also seeing strong growth in the small business sector, in part due to the high tech boom. However, because of the large number of start-up companies, venture capital has been an issue of concern.

[6]This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

The Vancouver portion of the MSA, Clark County, is Washington's fastest growing city and is now its fourth largest. The majority of the area's businesses cater to consumers in the form of retail trade, personal services, and government including social and health services. Higher wage earners are typically located in Portland. The area has attracted high tech investments. A number of such companies have established major production facilities in the area. Clark County generally has a smaller share of its workforce in managerial, professional and technical positions, and a higher share in skilled trade and semi-skilled blue collar occupations. For the past decade, Clark County has had one of the most dynamic economies in the state, fueled by a diverse industrial base, inflow of high tech investments, and differing tax structure from Oregon. Major employers include the paper and wood firms, metal processing plants, textiles and high tech companies.

The bank ranks third in deposit size behind U.S. Bank and Wells Fargo. Primary credit needs revolve around the areas of housing, small business and consumer loans. Additional demographic information is shown in the MSA Profile Table.

Conclusions with Respect to Performance Tests in the Portland, Oregon - Vancouver, Washington Assessment Area

- **BANTSA's lending activity in the Portland/Vancouver area represents a good response to the assessment area's credit needs.**
- **BANTSA exhibits an overall good responsiveness to highly disadvantaged income persons and geographies.**
- **BANTSA made a significant level of community development loans, that helped benefit LMI individuals or geographies, occasionally in a leadership capacity.**
- **BANTSA has a substantial level of complex, qualified community development investments.**
- **The institution provides a high level of community development services.**

LENDING TEST

BANTSA's lending activity in this MSA represents a good response to the assessment area's credit needs. During the review period, its origination of home loans, small business and consumer loans totaled more than $1 billion. This dollar level represents 75% of the deposits received from its communities in the assessment area.

In 1996, BANTSA's origination of home loans (loans for home purchase, refinance, or home improvement) ranked it among the top ten lenders in the state. However, its level of home purchase loans, one of the area's primary credit needs, represented only 28% of its home loan originations, compared to 49% by all other lenders in the area.

Geographic Distribution:

BANTSA's overall loan distribution to geographies throughout its assessment areas is good with lending of each product type occurring in most census tracts. In those cases where lending activity was light, the specific geography was generally sparsely populated. There were no conspicuous gaps in lending.

The distribution of home loans by census tracts was nearly identical to the proportion of owner-occupied housing within such tracts. This is a strong indication that the bank's performance is consistent with its market opportunities. Also, in 1996, the bank's market share of home loans in the MSA was consistent with its share of home loans in LMI areas.

The geographic distribution of BANTSA's small business lending is strong. This distribution is in near proportion to the percentage of businesses within those areas. The geographic distribution of consumer loans is adequate. The LMI area loan penetration was lower than the demographic profile representation and higher in middle- and upper-income areas.

Borrower Distribution:

BANTSA's distribution of loans to borrowers of different income levels is good. During the review period, BANTSA's home loans were reasonably distributed among all income categories. The lower proportion of loan originations was to LMI categories, but is mitigated by the relationship of credit approval and minimum income qualifications. In 1996, the bank's market share percentage of home loan originations to LMI applicants was comparable to all other lenders at 20%.

The bank exhibits a good responsiveness to highly disadvantaged geographies and low-income persons. In 1996, the bank generated 8% of the area's home loans and at the same time generated 8% of the originations to low-income applicants. It also made 4% of its loans to low-income borrowers which was comparable to other lenders which made about the same level of their loans to this market segment.

The borrower distribution by income for all consumer loans was good as it was essentially identical to the population distribution of each income category. Consumer lending to low-income applicants was good. Low-income individuals comprise 17% of the bank's consumer loan originations which is in proportion to their population in the assessment area. This performance was influenced by credit card and automobile loans.

BANTSA's distribution of loans to small businesses of different sizes is good. In this MSA, 79% of the bank's loans went to firms with less than $1 million in annual revenues. This distribution is reasonable given the demographic profile of small businesses and their revenue levels.

Community Development Lending Activities: BANTSA made a significant level of

community development loans that helped benefit LMI individuals or geographies. In addition, it took a leadership role to ensure the start-up of a major community development initiative, the Belmont, L.P. During the review period, BANTSA originated 22 community development loans aggregating more than $25 million. Many of these loans benefited LMI individuals in obtaining affordable housing, a major need in this assessment area. BANTSA's lending has also supported the Network for Oregon Affordable Housing (NOAH), a bank consortium.

INVESTMENT TEST

BANTSA has a substantial level of qualified community development investments. During the review period, the bank had 24 qualified community development investments totaling more than $69 million . In each case, the programs went to benefit LMI individuals and/or geographies or small businesses.

The bank exhibits an excellent responsiveness to credit and community economic development needs. It has provided a substantial level of community development loans, particularly to affordable housing related programs which has been a major credit need within the community.

SERVICE TEST

BANTSA's delivery systems are accessible to essentially all portions of its assessment areas. It has an expansive branch and ATM network. With the exception of in-store offices, the geographic distribution of these branches and ATMs correlate closely with the census tract composition by income. There are three counties which do not have a branch presence. These counties combined population is less than 1% of the state's total. In addition, there is no city that is more than eight miles from a branch of the bank. Other delivery channels offered by the bank to increase the accessibility of its services include 24-hour customer service, computer banking, and Loan-By-Phone accessibility.

The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI individuals or geographies. During the review period, a total of six branches were added which affected one moderate, four middle and one upper-income census tract. They did not close any branches.

BANTSA's services and business hours do not vary in a way that inconvenience portions of the MSA, particularly LMI individuals or geographies. Again, the locations of the bank's branches and ATMs correlate with the distribution of census tracts by income within the assessment area. In addition, the bank offers 24-hour customer service, computer banking, and Loan-By-Phone accessibility through any telephone to further increase the accessibility of its services.

The institution provides a high level of community development services. During the review period, financial related services were provided to or through ninetee n

organizations. Management's role in these services included Chairperson, Board Member, Counselor and Instructor. The beneficiaries of these programs were LMI individuals.

ASSESSMENT AREA PROFILE: PORTLAND MULTISTATE MSA # 6440							
Demographic Characteristics	#	% of State	$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	1,515,452	NA		18%	19%	26%	38%
Median Income($)			$44,400				
Census Tracts	353	NA		2	20	58	18
Unemployment Rate -May 31, 1997	3.6%						
Owner-occupied Housing (#)	362,878	NA		1	14	64	22
Median Housing Value ($)			$69,800				
Small Businesses	46,880	NA		1%	22%	59%	17%

LENDING TEST: PORTLAND MULTISTATE MSA # 6440								
Loan Type	#	% of Bank	$ (million)	CT B	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Residential	8,889	6%	$701	CT	1%	13%	55%	32%
				B	4	15	27	53
Consumer - Automobile	10,473	7	163	CT	0	13	67	20
				B	14	23	27	36
Consumer - Home Equity	3,483	6	157	CT	0	10	53	37
				B	3	12	24	62
Consumer - Other	1,356	3	37	CT	1	13	61	26
				B	13	19	19	45
Consumer - Credit Card	12,991	2	47	CT	1	14	60	26
				B	22	16	16	22
Small Business	2,501	3	269	CT	1%	21%	56%	22%
Community Development	22	8%	25					
Total Lending	39,715		$1,400					

(CT) Income Level of Census Tracts
(B) Income Level of Borrower

INVESTMENT TEST: PORTLAND MULTISTATE MSA # 6440							
Investment Type	#	% of Bank	$ (000s)	Low %	Moderate %	Middle %	Upper %
Affordable Housing & Economic Dev.	15	5%	$69,767				
Contributions/Grants	9	1	54				
Total Investments	24	2%	$69,821				

SERVICE TEST: PORTLAND MULTISTATE MSA # 6440							
Service Type	#	% of Bank	$ (million)	Low % #	Moderate % #	Middle % #	Upper % #
Branch Offices	56	3%		2%	23%	62%	13%
Deposits			$1,049				
In-Store Offices	6	3		0	0	83	17
ATMs	145	3%		5%	22%	59%	14%

Appendix A: Scope of Examination

The table that follows identifies the time period covered in this review, affiliate activities that we may have been reviewed, the bank's loan products we considered, and the assessment areas that received comprehensive examination analysis (designated by on-site analysis).

Time Period Reviewed	January 1, 1996 to June 30, 1997	
Financial institution		**Products reviewed**
Bank of America, National Trust & Savings Association (BANTSA) San Francisco, California		Residential, Small Business, Small Farm and Consumer
Affiliates	**Affiliate relationship**	**Products reviewed**
Bank of America, FSB (BA-FSB)	Holding Co. Subsidiary	Mortgage Loans
Bank of America Community Development Bank (BACDB)	Holding Co. Subsidiary	Residential and Small Business
Bank of America, NA (BANA)	Holding Co. Subsidiary	Credit Cards
Bank of America Community Development Corporation (BACDC)	Holding Co. Subsidiary	Low Income Housing Tax Credit Investments
List of Assessment Areas and Type of Examination		
Assessment Area	**Type of Exam**	**Other Information**
Alaska MSA Anchorage #0380 Aleutians West Juneau Kenai Matanuska-Susitna Ketchikan Gateway	 on-site off-site on-site off-site off-site off-site	
Arizona MSA Flagstaff #2620 MSA Phoenix #6200 MSA Tucson #8520 MSA Yuma #9360 Rural Arizona	 off-site on-site on-site off-site on-site	

Assessment Area			Type of Exam	Other Information
California				
MSA	Bakersfield	#0680	on-site	
MSA	Chico	#1620	on-site	
MSA	Fresno	#2840	on-site	
MSA	Los Angeles	#4480	on-site	
MSA	Merced	#4940	off-site	
MSA	Modesto	#5170	on-site	
MSA	Oakland	#5775	on-site	
MSA	Orange County	#5945	on-site	
MSA	Redding	#6690	off-site	
MSA	Riverside-San Bernardino	#6780	on-site	
MSA	Sacramento	#6920	on-site	
MSA	Salinas	#7120	on-site	
MSA	San Diego	#7320	on-site	
MSA	San Francisco	#7360	on-site	
MSA	San Jose	#7400	on-site	
MSA	San Luis Obispo	#7460	on-site	
MSA	Santa Barbara	#7480	on-site	
MSA	Santa Cruz	#7485	off-site	
MSA	Santa Rosa	#7500	on-site	
MSA	Stockton	#8120	on-site	
MSA	Vallejo	#8720	on-site	
MSA	Ventura	#8735	on-site	
MSA	Visalia	#8780	on-site	
MSA	Yolo	#9270	off-site	
MSA	Yuba	#9340	off-site	
	Eastern California		off-site	
	Northern California		on-site	
	Imperial County		on-site	
	Kings County		off-site	
	San Benito County		off-site	
Idaho				
MSA	Boise	#1080	on-site	
MSA	Pocatello	#6340	off-site	
	Northern Idaho		off-site	
	Southern Idaho		on-site	
	Lemhi County		off-site	
Illinois	Cook County		on-site	Bank of America, Illinois, was consolidated into BANTSA on July 1, 1997. Management requested that we include an evaluation of its performance.
Nevada				
MSA	Reno	#6720	on-site	
	Rural Nevada		on-site	
Las Vegas, NV-AZ			on-site	
Multistate MSA		#4120		
	Clark & Nye Counties, NV			
	Mohave County, AZ			

Assessment Area	Type of Exam	Other Information
New Mexico MSA Albuquerque #0200 MSA Las Cruces #4100 MSA Santa Fe #7490 Northwest New Mexico Southern New Mexico	 on-site off-site off-site on-site on-site	
New York - The Five Boroughs (Queens, Bronx, Brooklyn, Manhattan, & Staten Island)	on-site	The scope of examination for New York, encompasses activities for the nine months, coinciding with its consolidation date of October 1, 1996.
Oregon MSA Eugene #2400 MSA Medford #4890 MSA Salem #7080 Central Oregon Northeast Oregon Northwest Oregon Southwest Oregon	 on-site off-site on-site off-site off-site on-site off-site	
Portland, OR-WA Multistate MSA #6440 Clackamas, Columbia, Multnomah, Yamhill and Washington Counties, OR Clark County, WA	on-site	
Washington: MSA Bellingham #0860 MSA Bremerton #1150 MSA Olympia #5910 MSA Richland #6740 MSA Seattle #7600 MSA Spokane #7840 MSA Tacoma #8200 MSA Yakima #9260 Eastern Washington Western Washington	 on-site off-site off-site on-site on-site on-site on-site off-site on-site on-site	

Appendix B: Summary of State and Multistate MSA Ratings

State or multistate MSA name	Lending test rating	Investment test rating	Service test rating	Overall rating state/multistate
Alaska	LS	LS	LS	S
Arizona	LS	HS	HS	S
California	O	HS	HS	O
Idaho	LS	HS	HS	S
Illinois	LS	HS	LS	S
Nevada	LS	HS	LS	S
New Mexico	LS	LS	HS	S
New York	LS	HS	LS	S
Oregon	HS	HS	LS	S
Washington	HS	O	O	O
Las Vegas, NV - Mohave, AZ	LS	LS	HS	S
Portland, OR - Vancouver, WA	O	O	HS	O

Appendix C: Demographic Information

STATE DEMOGRAPHIC CHARACTERISTICS																		
State:	Population (000s)	Census Tracts	Owner-Occupied Housing (000s)	Small Businesses	Unemploy-ment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)					Distribution of Owner-Occupied Housing (OO) & Small Businesses (SB)				
								CT / F	Low %#	Mod %#	Mid %#	Upper %#	OO / SB	Low %#	Mod %#	Mid %#	Upper %#
ALASKA	357	108	72	11,000	4.0%	$53,737	$92,926	CT	5%	15%	50%	24%	OO	2%	9%	54%	36%
								F	19	17	23	41	SB	4	20	52	24
ARIZONA	3,502	757	839	94,737	4.5	43,493	81,110	CT	7	24	39	29	OO	3	20	43	34
								F	20	18	23	39	SB	5	24	39	32
CALIFORNIA	29,760	5,858	5,775	942,455	6.2	51,328	210,075	CT	6	22	41	27	OO	2	15	47	37
								F	21	18	22	40	SB	7	22	42	28
IDAHO	805	206	203	20,711	4.7	40,600	62,637	CT	1	16	62	20	OO	0	12	64	24
								F	18	19	24	39	SB	4	20	57	19
ILLINOIS	5,105	1,352	1,043	107,182	4.7 (05/31/97)	55,800	123,735	CT	20	25	36	18	OO	4	17	50	28
								F	25	19	23	34	SB	7	18	40	34
NEVADA	435	136	100	14,171	NA	50,779	107,302	CT	2	25	40	15	OO	0	18	57	25
								F	18	19	25	38	SB	0	33	53	14
NEW MEXICO	1,239	290	295	32,152	6.2	44,400	73,039	CT	5	28	40	26	OO	3	22	44	31
								F	22	17	21	41	SB	2	31	41	26
NEW YORK	7,323	2,216	809	174,759	6.2 (05/31/97)	37,541	186,350	CT	14	19	35	29	OO	3	10	37	51
								F	17	22	32	28	SB	7	17	25	51
OREGON	1,497	408	371	49,668	4.1	36,059	62,788	CT	1	11	62	15	OO	0	10	71	19
								F	19	19	24	39	SB	3	15	69	13

STATE DEMOGRAPHIC CHARACTERISTICS																		
State:	Population (000s)	Census Tracts	Owner-Occupied Housing (000s)	Small Businesses	Unemploy-ment Rate 06/30/97	Median Income	Median Housing Value	Distribution of Census Tracts (CT) & Families (F)					Distribution of Owner-Occupied Housing (OO) & Small Businesses (SB)				
								CT / F	Low %#	Mod %#	Mid %#	Upper %#	OO / SB	Low %#	Mod %#	Mid %#	Upper %#
WASHINGTON	4,629	1,097	1,115	127,757	4.5	36,520	102,526	CT	3	18	59	17	OO	1	12	65	22
								F	18	19	25	38	SB	4	22	56	18
LAS VEGAS Multistate MSA	853	159	180	24,297	4.1	46,100	91,051	CT	7	22	48	23	OO	2	13	48	39
								F	19	19	23	39	SB	5	18	50	27
PORTLAND Multistate MSA	1,515	353	364	46,880	3.6%	$44,400	$69,800	CT	2	20	58	18	OO	1	14	64	22
								F	18%	19%	26%	38%	SB	1%	22%	59%	17%

Back to Table of Contents

ASSISTANT SECRETARY'S CERTIFICATE OF BANK OF AMERICA, NATIONAL ASSOCIATION

The undersigned, Allison L. Gilliam, an Assistant Secretary of Bank of America, National Association (the "Association"), a national banking association organized and existing under the laws of the United States of America and having its principal place of business in the City of Charlotte, County of Mecklenburg, State of North Carolina, does hereby certify that:

1. The following persons have been duly elected or appointed and have duly qualified as officers of the Association and they hold the office set forth opposite their names:

Name:	Title:
Robert Lucchese	Senior Vice President
Jim Hackett	Senior Vice President

2. The following is a true and complete copy of an excerpt from the Bylaws of said Association, and the same is in full force and effect as of the date hereof.

> **Section 5.2. Execution of Instruments.** All agreements, indentures, mortgages, deeds, conveyances, transfers, contracts, checks, notes, drafts, loan documents, letters of credit, guarantees, master agreements, swap agreements, security and pledge agreements, guarantees of signatures, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, powers of attorney, and other instruments or documents may be signed, executed, acknowledged, verified, attested, delivered or accepted on behalf of the Association by the Chairman of the Board, the Chief Executive Officer, President, any Vice Chairman of the Board, any Division President, any Managing Director, any Principal, any Vice President, any Assistant Vice President, or any individual who is listed on the Association's personnel records in a position equal to any of the aforementioned officer positions, or such other officers, employees or agents as the Board of Directors or any of such designated officers or individuals may direct. The provisions of this Section 5.2 are supplementary to any other provision of these Bylaws and shall not be construed to authorize execution of instruments otherwise dictated by law.

IN WITNESS WHEREOF, I have hereupon set my hand and affixed the seal of said Association this 25th day of February, 2011.

(SEAL)

Allison L. Gilliam

Allison L. Gilliam, Assistant Secretary

Umbrella Agreement for Government Banking Services

This Agreement for Government Banking Services (the "Agreement") is made as of this _____ day of **December**, **2010**, between the **City of Sacramento** (the "Client") and Bank of America, N.A., a national banking association.

WHEREAS, Client previously issued a Request for Proposal ("RFP"), more fully identified as follows, for providing banking services identified in the RFP (the "Services"): **Proposal Specification for Financial Services August 2003**; and

WHEREAS, the Bank was the successful bidder under the RFP, having submitted its bid response proposal dated **August 29, 2003** (the "Bid Response"); and

WHEREAS, the parties thereafter entered into that certain (i) Authorization and Agreement for Treasury Services, dated as of September 15, 2004, and (ii) Agreement for Government Banking Services dated as of September 23, 2004, for the purposes of commencing performance of the Services; and

WHEREAS, the parties wish to enter into this Agreement for the purposes of specifying the term and constituent documents of the agreement between Client and Bank regarding continuation of the performance of the Services;

NOW, THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the parties hereby agree as follows:

1. Integrated Agreement. The entire and integrated agreement between Client and Bank related to the Services shall consist of this Agreement, Bank's Treasury Terms and Conditions booklet (including user documentation and set-up forms), Bank's Bid Response and Client's RFP as modified by the Bid Response. In the event of conflict among any of the preceding documents, such documents shall govern in the following order of precedence: (1) this Agreement, (2) Bank's Treasury Terms and Conditions booklet (including user documentation and set-up forms), (3) the Bid Response and (4) the RFP. The integrated agreement supersedes all prior negotiations, representations, statements and agreements, whether written or oral, regarding the Services.

2. Commencement of Performance. Except as otherwise agreed by the parties, Bank shall begin performing each Service upon execution and delivery of this Agreement, and the authorization for Bank's Treasury Terms and Conditions booklet and set-up forms, as applicable. Bank shall continue to perform such Services during the term of this Agreement.

3. Term. This Agreement is for an initial term of **five** (**5**) years, commencing effective as of **_____, 20_____**. This Agreement may be extended by mutual consent of the parties.

4. Notices. Except as may otherwise be specified in the authorization for Bank's Treasury Terms and Conditions booklet and related set-up forms, as applicable, notices to Client and Bank shall be sent to the addresses set forth below:

Client: **City of Sacramento**
_____
_____
_____

Bank: **Bank of America, N.A**
Documentation Management (CA4.706-04-07)
P.O. Box 27128
Concord, CA 94527-9904

Changes in the respective address above may be made from time to time by any party upon written notice to the other party.

In witness whereof, the parties have executed this Agreement as of the date first written above.

City of Sacramento	**Bank of America, N.A.**
(CLIENT'S LEGAL NAME)	**(BANK NAME)**
By: _____ (Signature)	By: _____ (Signature)
Name: _____ (Print or Type)	Name: _____ (Print or Type)
Title: _____ (Print or Type)	Title: _____ (Print or Type)

Bank of America

Contract for Deposit of Moneys

Back to Table of Contents

BR00001431

This CONTRACT, relating to the deposit of moneys, is made as of the **1st** of **July 2008**, between **Russell Fehr** ("Treasurer") acting in his or her official capacity as **City Treasurer** of **City of the Sacramento, CA** ("Depositor"), and BANK OF AMERICA, N.A. ("Bank"), having a shareholders' equity of One Hundred Eight Billion Four Hundred Eighty Million Two Hundred Eighteen Thousand Dollars $108,480,218,000 on December 31, 2007.

The Treasurer proposes to deposit in the Bank from time to time, moneys in his or her custody in an aggregate amount on deposit at any one time not to exceed the total shareholders' equity of the Bank.

The Government Code of the State of California requires the Treasurer to enter into a contract with Bank setting forth the conditions upon which said moneys are deposited. In the judgment of the Treasurer, this contract is to the public advantage.

The parties agree as follows:

1. This contract cancels and supersedes any previous contracts between the Treasurer and the Bank relating to the method of collateralization of Depositor's deposits.

2. This contract, but not deposits then held hereunder, is subject to termination by the Treasurer or the Bank at any time upon 30 days' written notice. Deposits may be withdrawn in accordance with the agreement of the parties and applicable federal and state statutes, rules and regulations. This contract is subject to modification or termination upon enactment of any statute, rule, or regulation, state or federal, which, in the opinion of the Administrator of Local Agency Security of the State of California ("Administrator"), is inconsistent herewith, including any change relative to the payment of interest upon moneys so deposited by the Treasurer. The Treasurer may withdraw Depositor's deposits from the Bank immediately upon receiving notice from the Administrator that the Bank has failed to pay assessments, fines or penalties assessed by the Administrator. The Treasurer may immediately upon receiving notice from the Administrator withdraw authorization for the placement of securities with the Agent of the Bank in the event that the Agent of the Bank fails to pay fines or penalties assessed by the Administrator.

3. If interest may legally be paid on the account into which the moneys are deposited, then all moneys deposited shall bear interest at a rate agreed upon by the Treasurer and the Bank. In the case of active accounts, interest (at a minimum) shall be computed on the average daily collected balance for the calendar quarter. In the case of inactive accounts, interest shall be computed on a 360-day basis.

4. The Bank shall issue to the Treasurer for each deposit a receipt on a form agreed to by the Bank and the Treasurer, stating the interest to be paid, if any, the duration of the deposit, whether interest is to be paid to the fund which contains the principal on which the interest accrued, and if not the frequency of interest payments, which shall be no less frequent than quarterly, and the terms of withdrawal. Each such deposit receipt is by reference made a part of this contract.

5. The Bank will maintain at all times with the Agent of the Bank as security for Depositor's deposits: (a) eligible securities of the classes described in Government Code Section 53651 (except subdivisions (m) and (p)) having market value at least 10 % in excess of the total amount of deposits secured by those securities, (b) eligible securities of the class described in subdivision (m) of Government Code Section 53651 having a market value at least 50% in excess of the total amount of deposits secured by those securities and (c) eligible securities of the class described in subdivision (p) of Government Code Section 53651 having a market value at least 5% in excess of the total amount of deposits secured by those securities. If the Administrator determines that a security is not qualified to secure public deposits, the Bank will substitute other securities to comply with the requirements of this Paragraph. If the Bank uses eligible securities of the class described in subdivision (m) of Government Code Section 53651, the Bank shall, within 90 days after the close of each calendar year or within a longer period as the Administrator may specify, file with the Administrator a report of an independent certified public accountant regarding compliance with this Article 2 with respect to eligible securities of that class.

6. Eligible securities are those listed in Government Code Section 53651.

7. The Treasurer hereby waives security for that portion of the total amount on deposit which is insured pursuant to Federal Law.

8. The Agent of the Bank, which the Treasurer and the Bank hereby authorize to hold the eligible securities posted, as collateral under this contract is the **BNY Western Trust Company, Los Angeles, California 90017**. The Agent of the Bank has filed with the Administrator an agreement to comply in all respects with all provisions of the Local Agency Deposit Security Law and Local Agency Deposit Security Regulations of the Government Code of the State of California.

9. Authority for placement of securities for safekeeping in accordance with Government Code Section 53659 is hereby granted to the Agent of the Bank, including placement with any Federal Reserve Banks or branches thereof.

10. If the Bank fails to pay all or part of any moneys on deposit of the Depositor which are subject of this contract when ordered to do so in accordance with the terms of withdrawal set forth on the deposit receipt (which is by reference made a part hereof), the Treasurer will immediately notify, in writing, the Administrator. Action of the Administrator in converting the collateral required by Paragraph 5 above for the benefit of the Depositor is governed by Government Code Section 53665.

11. The Bank may add, substitute or withdraw eligible securities being used as security for deposits made hereunder in accordance with Government Code Section 53654, provided the requirements of Paragraph 5 above are met. The Bank shall not interchange classes of security (as defined in Government Code Section 53632.5) without the prior written approval of the Administrator.

12. The Bank shall have and hereby reserves the right to collect the interest on the securities except in cases where the securities are liable to sale or are sold or converted in accordance with the provisions of Government Code Section 53665.

13. The Bank will pay all expenses incurred in transporting eligible securities maintained as collateral for moneys on deposit to and from the Agent of the Bank. The Depositor will pay (or promptly reimburse the Bank for or otherwise compensate the Bank for) all expenses incurred in transporting all moneys deposited with the Bank to and from the Treasurer's office. The Depositor will pay the Bank (or otherwise compensate the Bank for) the fees and charges stated in the Bank's then current Schedule of Charges (unless the Bank and the Treasurer otherwise agree) for handling, collecting and paying all checks, drafts, and other exchange or securities according to the Bank's normal practices.

14. This contract, the parties hereto, and all deposits governed by it, shall be subject in all respects to Title 5, Division 2, Part 1, Chapter 4, Article 2 (commencing with Section 53630) of the Government Code of the State of California, and of all other state and federal laws, statutes, rules and regulations applicable to such deposits, whether now in force or hereafter enacted or promulgated, all of which are by this reference made a part hereof.

15. This contract shall inure to the benefit of and be binding upon the successors and assigns of the parties. This contract shall be governed by and construed in accordance with the laws of the State of California.

16. All written notices, consents, directions, approvals, restrictions, requests, or other communications required or permitted to be delivered hereunder shall be given to the parties hereto, effective upon delivery, at the addresses and in accordance with the means of delivery specified on Schedule A attached hereto, provided either party may change its address for notice purposes or the means by which such notices may be delivered, by delivering written notice of the new address to the other party.

IN WITNESS WHEREOF, the parties have duly executed this contract as of the date and year first above written.

CITY OF THE SACRAMENTO, CA

By_____
Name: Russell Fehr
Title: City Treasurer

BANK OF AMERICA, N.A.

By_____
Name: Dan VanVooren
Title: Vice President

SCHEDULE A

NOTICES

Written notices to the Treasurer shall be deemed to have been properly given when delivered in person, when sent by facsimile or electronic mail, provided an electronic confirmation of error free receipt is received, or when sent by certified or registered United States mail, provided the return receipt is received.

City of Sacramento, CA
Russell Fehr
City Treasurer
915 I Street, 3rd Floor
Sacramento, CA 95814
916-808-5832 Phone
916-808-5755 Fax

Written notices to the Bank shall be deemed to have been properly given when delivered in person, when sent by facsimile or electronic mail, provided an electronic confirmation of error free receipt is received, or when sent by certified or registered United States mail, provided the return receipt is received.

NC1-004-03-06
Bank of America, N.A.
Collateral Management
200 N. College Street
Charlotte, NC 28255-0001
704.387.3755
800.583.6408
800.896-6996 fax
Collateral.Management@bankofamerica.com

MERCHANT AGREEMENT

SECTION 1. INTRODUCTION.

This Merchant Agreement ("**Agreement**") is entered into by and between the Bank of America, N.A. ("**Bank**"), with its principal office in Charlotte, North Carolina, and the customer identified on the Application ("**Merchant**"). The Application, Fee Schedule, Rules, and all Supplements (all as defined below), including all amendments and modifications to them, are made a part of this Agreement, and references to this Agreement will be deemed to include them unless otherwise stated. In this Agreement, the words "**you**" and "**your**" mean the Merchant and the words "**we**", "**our**" and "**us**" refer to Bank.

This Agreement governs processing services regarding credit and debit Card transactions and other services, as those services are further described in this Agreement, any and all subsequent addenda, supplements or schedules to this Agreement (each, a "**Supplement**"), and the Rules, all as elected by you and approved by us (collectively, the "**Services**"). You and we agree to comply with this Agreement. In performing this Agreement, without diminishing our obligations to you, we may use the services of third parties, including, without limitation, our subsidiaries and affiliates.

SECTION 2. CERTAIN DEFINITIONS.

In this Agreement, the following definitions apply:

"**Applicable Law**" means all federal, state and local statutes, ordinances, laws, regulations and executive, administrative and judicial orders applicable to this Agreement, the transactions or other matters contemplated under this Agreement (including, without limitation, the rules and regulations promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury), and all amendments thereto; and with respect to us, also guidance by our financial institution regulators.

"**Application**" means your Merchant Services Application and attachments to it, including, without limitation, the Fee Schedule and Purchase Agreements and other agreements regarding Merchant Equipment, as well as forms submitted by you for additional Locations or Services, and any additions or changes to them from time to time. Any reference to the Fee Schedule includes any pricing information contained in the Application.

"**Authorization**" means the process whereby a Transaction for a specified dollar amount is approved by the Card-Issuer or its approved agents for processing.

"**Bank Software**" means Software licensed to you by us, including any third party Software we sublicense to you.

"**Bank Systems**" means any and all Card-related information reporting, operating and processing systems used by us or our third parties on our behalf, including, without limitation, hardware, Bank Software, related documentation, technical formats and specifications, technical and business information related to inventions, present and future products and product lines, intellectual property, know-how, and any other information that is identified as our systems, whether owned by us or third parties used by us.

"**Business Day**" means Monday through Friday, excluding bank holidays.

"**Card**" means a credit card, debit card, charge card, EBT card, or stored value card bearing the Marks of Visa®, MasterCard®, Discover® Network, or any other Card Organization, as elected by you and approved by us. For avoidance of doubt, Card transactions will also include the use of an account associated with a Card, even if the Cardholder does not present the physical Card during the Transaction and even if the account does not have a physical Card issued for use with the Card account.

"**Cardholder**" means the person to whom a Card has been issued or an individual authorized to use such Card by that person. With respect to EBTs, a Recipient is a Cardholder.

"**Cardholder Data**" means information provided by or about a Cardholder in the course of a Transaction or obtained through the use of a Card, including but not limited to, Cardholder signature, Card account number, Cardholder name, Card validation value or code, PIN, Card expiration date, service code, Card magnetic stripe data and any other similar information, identifying the Cardholder or the related Cardholder's account.

"**Card Issuer**" means the Card Organization or its financial institution member that has provided a Card presented to you by a Cardholder for a Transaction, and in the case of EBT Transactions, the State.

"**Card Organization**" means a card organization, such as Visa U.S.A. Inc. "Visa", MasterCard Worldwide "MasterCard", or DFS Services LLC "Discover Network", that promulgates operating rules and operates an interchange system for exchanging charges and Credit Records. In the case of debit Cards and EBT Cards, "Card Organization" includes Debit Networks and EBT Networks, respectively.

"**Card Organization Rules**" means the rules, regulations, procedures, manuals, releases and specifications of the Card Organizations and related authorities, including without limitation, those of the PCI Security Standards Council, LLC and the National Automated Clearing House Association (including, with respect to EBTs, the Quest Operating Rules).

"**Chargeback**" means the return or adjustment of any Transaction, even without notice to you or without consent from you, in accordance with the Rules. A Chargeback is initiated by a Cardholder or Card Issuer for transmittal to and payment by you under the Rules.

"**Compromised Data Event**" is defined in Section 15.C.

"**Credit Record**" – means the evidence of a refund or price adjustment by you to the related Cardholder's Card account in connection with a Transaction Record, regardless of whether such evidence is in paper, electronic or some other form as more specifically provided in this Agreement, including the Rules.

"**Data Compromise Losses**" is defined in Section 15.C.

"**Debit Network**" means the telecommunications and processing system of a shared electronic funds transfer network.

"**Deposit Account**" means the checking account(s) or other acceptable account(s) you maintain with us or at another depository financial institution acceptable to us, for the credit or debit by us of amounts resulting from settlement of transactions, processing fees, any fines, assessments, penalties, losses or fees assessed by Card Organizations and any other amounts due to us under this Agreement. The Deposit Account is separate from the Reserve Account. On some schedules or other documents supplied by us, the term "settlement account" may be used to refer to the Deposit Account.

"**Devices**" is defined in Section 23.

"**EBT Network**" means a shared electronic funds transfer network that is used by its members to assist government agencies in the distribution of benefits to eligible Recipients, whether such benefits are for the delivery of services or the transfer of funds or information.

"**Electronic Benefits Transfer**" ("**EBT**") means the electronic transfer of government benefit funds to individuals through the use of Card technology with point of sale terminals, as further described in Section 40.

"**Electronic Commerce Transaction** ("**ECT**") means a Transaction that is occurs on the Internet, as further described in Section 39.

"**Fee Schedule**" means the fee schedules provided with this Agreement and all additions or changes we make to them, whether contained in updated versions or in separate communications.
"**Internet-Based Services**" is defined in Section 38.A.

"**License**" is defined in Section 22.B.

"**Location**" means a physical location, internet address, division, processing method or business activity for which (i) you have requested and we have approved the assignment of a unique merchant account number or (ii) we have otherwise determined a unique merchant account number is required and have assigned it.

"**Losses**" means any and all claims, suits, demands, actions, disputes or other proceedings, liabilities, damages, costs and expenses (including reasonable attorneys' and collection and court fees and expenses), assessments, penalties and fines and any and all costs of settlements, suffered, incurred or sustained by a party hereto; our Losses include, but are not limited to, Data Compromise Losses.

"**Marks**" means names, emblems, brands, logos, service marks, trade marks, trade names, tag lines, and other proprietary designations.

"**Merchant Equipment**" means any and all equipment you use in connection with Card authorization, clearing, completing, settling, transmitting or other related processing, including, without limitation, all telecommunication lines and wireless connections and Software (excluding Bank Software), Purchased Equipment and Merchant Systems, point-of-sale terminals, card readers, merchandise and card scanners, printers, PIN pad devices and other hardware, whether owned by you, Merchant Providers or other third parties used by you.

"**Merchant Provider**" means any third party engaged by you to provide services to you involving (i) access to Cardholder Data, transaction data or information related to either Cardholder Data or transaction data or (ii) PIN encryption.

"**Merchant Systems**" means any and all Card acceptance and processing systems used by you (except Bank Systems), including, without limitation, Software (except Bank Software), related documentation, technical formats and specifications, technical and business information related to inventions and present and future products and product lines, intellectual property, know-how, and any other information that is identified as your systems, whether owned by you or Merchant Providers or other third parties used by you.

"**PCI DSS**" means the Data Security Standards adopted by the PCI Security Standards Council, LLC.

"**PIN**" means the Personal Identification Number used by a Cardholder to complete a Card transaction.

"**Pre-Authorized Order**" means any Transaction permitted by this Agreement and the Rules for which a Cardholder provides you advance permission to charge the Cardholder's Card for recurring sales, delayed delivery orders or other preauthorized orders.

"**Purchased Equipment**" means any and all Merchant Equipment sold to you by us; unless otherwise agreed by us in writing, the Application or Purchase Agreement will constitute conclusive evidence of any sale or license.

"**Recipient**" is defined in Section 40.

"**Reserve Account**" means an account established and funded as further described in, and pursuant to, Section 19.

"**Rules**" means the operating rules, manuals, instructions, releases, specifications, and other requirements supplied by us or otherwise made available to you, Card Organization Rules, and all amendments thereto.

"**Services**" is defined in Section 1.

"**Software**" means any and all software, computer programs, related documentation, technology, know how and processes embodied in or provided in connection with Card authorization, clearing, completing, settling, transmitting or other related processing, whether equipment, PC, server or Internet based.

"**State**" means the federal or state government unit providing EBT Benefits.

"**Transaction**" means the act between a Cardholder and you or the Cardholder and us that results in the generation of a Transaction Record, Pre-Authorized Order, Credit Record or Chargeback.

"**Transaction Record**" – means the evidence of a Cardholder's purchase, lease or rental of goods or services from you or other payment to you through the use of a Card (including, without limitation, Pre-Authorized Orders), regardless of whether such evidence is in paper, electronic or other form.

"**Valid Card**" – means a Card that is (a) properly issued according to the applicable specifications of a Card Organization, (b) current, according to any beginning and expiration dates on the Card, (c) signed by the Cardholder and (d) not visibly altered.

SECTION 3. COMPLIANCE WITH RULES AND APPLICABLE LAW.

We or the Card Organizations may supply or otherwise make available to you, including by providing links or directions to web sites accessible to you, Card Organization Rules regarding Card transaction processing, Merchant Equipment or transmission requirements, data security, Chargebacks, and other operational and compliance matters, and we or the Card Organizations may from time to time otherwise advise you of requirements, including, but not limited to, requirements regarding data security, which will constitute part of the Card Organization Rules and your obligations. You must comply with the Rules and Applicable Law, however, with regard to Card Organization Rules, you need only comply with those applicable to Cards. You will review the Rules and Applicable Law from time to time for changes. Card Organization Rules are available on web sites, such as http://www.usa.visa.com/merchants, and http://www.mastercardmerchant.com, as those links may be changed from time to time.

SECTION 4. COOPERATION; PROVIDING YOUR FINANCIAL AND OTHER INFORMATION.

A. Cooperation. We will make the Services operational and available to you through a mutually agreed upon implementation plan. You agree to at all times cooperate with us and provide us with all necessary information and assistance required by us to provide the Services in accordance with the Rules and Applicable Law, including, without limitation, making changes to Merchant Equipment as we require. You will be responsible for (i) use of the Services by you, your employees and agents and Merchant Providers, (ii) your failure to properly access the Services in the manner prescribed by us, and (iii) your failure to supply accurate information regarding the Services. You consent to any extensions of time granted to resolve disputes related to any Transactions. Any voluntary efforts by us to assist you in investigating any matters under this Agreement, including, without limitation, any adjustments or Chargebacks, will not create any obligation to continue such investigation or any future investigation. In no event will either party publicly disparage the other party.

B. Providing Your Financial and Other Information. Upon our request, you will provide us with then-current financial statements, information regarding your ongoing business and other information concerning your business and your compliance with the terms and provisions of this Agreement. Financial statements will be prepared in accordance with U.S. generally accepted accounting principles. We may obtain from third parties financial and credit information relating to you and your individual principal officers or owners, as authorized under the Application. Such information will be used by us in connection with our

determination whether to accept this Agreement and our continuing evaluation of your financial and credit status. Pursuant to Applicable Law, including the USA PATRIOT Act, we are obtaining information and will take necessary action to verify your identity.

SECTION 5. MERCHANT ELECTION OF CARD TYPES AND SERVICES.

A. Card Election. You have elected and we have approved you to accept those Card types and Services designated on the Application. You may change your election of Card types and Services from time to time upon at least sixty (60) days' advance notice to us; we will use our reasonable efforts to accommodate your requests in less than this time but we will not be obligated to do so. At the time of your request for a new Card type or Service, we will communicate to you any fee changes (including any new fees and increased fees) regarding it. You will be deemed to have elected, and to have agreed to all related fee changes for, that new Card type or Service upon your request for an Authorization for a transaction with a Card of that Card type or use of the new Service and those fee changes will first be reflected in your merchant account statements for those transactions or new Service. You will not seek authorization for or submit a transaction of a new Card type until you receive written notice or oral or other notice (e.g., our coordinating a terminal download with you or providing instructions to you for updating non-terminal equipment) from us that you are approved to accept such Card type. Unless otherwise directed by us, you will not seek authorization for or submit a Card transaction of a Card type you desire to discontinue accepting later than the effective date of the notice to us.

B. Transactions Using Other than an Elected and Approved Card. In the event you submit a transaction using a card type not elected by you and approved by us, we may process or reject the transaction in our sole discretion. Any such transaction is subject to the interchange and other fees applicable to like transactions, and you may be subject to fees, assessments or fines, including but not limited to, any reclassification in charges assessed by Card Organizations and any programming and support costs for processing transactions outside the card types elected and approved. Except as may be the case as described in the immediately preceding sentence, you will be liable, obligated and responsible under this Agreement for any such transaction to the same extent as you would if you had elected and we had approved that card type and you will be charged our interchange and processing fees for a non-qualified transaction for that card type.

SECTION 6. MERCHANT DUTY TO HONOR CARDS AND USE OF MARKS.

A. Honoring Cards Generally. You honor a Card by accepting it for payment. You will not engage in any acceptance practice or procedure that discriminates against, or discourages the use of, any particular Card type elected by you and approved by us, in favor of any competing Card brand also elected and approved.

B. Cards Issued by U.S. Card Issuers. For all Cards issued by U.S. Card Issuers, you will honor all Cards within the Card types elected and approved in accordance with this Agreement. For example, if you elect and are approved to accept Visa credit Cards, you will submit payments from Visa-branded credit Card Cardholders without regard to whether the credit Card is a Visa-branded rewards credit Card or Visa-branded business purpose credit Card.

C. Cards Issued by Non-US Card Issuers. You will honor all Cards issued by non-U.S. Card Issuers. For example, even if you elect to limit your acceptance of MasterCard Cards to MasterCard credit Cards, you will accept for processing a MasterCard debit Card issued by a non-U.S. Card issuer.

D. Marks Generally. You and we acknowledge that neither of us will acquire any right, title or interest in or to the Marks of the other party or of any Card Organization or our agents by virtue of this Agreement, without prior written consent; reference to Card Organizations or their Marks under this Section 6.D will not include Discover Network or its Marks, the use of which is governed by the Section 6.E, pursuant to the Card Organization Rules of Discover Network. You will display advertising and promotional materials supplied by us or separately approved in writing by us which inform the public that Cards are accepted for each Card type elected and approved and depict the related Card Organizations' Marks as a part of a display of decals, indoor and outdoor signage, websites, advertising and marketing materials or in other forms that we in advance approve in writing. You will not use the Card Organization Marks in such a way that the public could believe that the products or services offered by you are endorsed, sponsored or guaranteed by us or the Card Organizations. You will not assign to any third party any of the rights to use the Marks of us, our agents or Card Organizations.

Upon termination of this Agreement, the parties will discontinue all reference to and display of the other party's Marks (including Program Marks as defined in Section 6.E), and you also will discontinue all reference to and display of the Marks of the Card Organizations (including Program Marks, except to the extent you are authorized by a new agreement with another party to use some or all of such Card Organization Marks) and the Marks of our agents.

Except as otherwise provided herein, neither party will use the other party's Marks, or use language from which the connection of such Marks may be inferred, in any advertising, written sales promotion, press releases or other publicity matters relating to this Agreement without such party's prior written consent.

E. Discover Network Sublicense Terms: You are prohibited from using the Program Marks, as defined below, other than as expressly authorized in writing by us. Program Marks mean the brands, emblems, trademarks, and/or logos that identify Discover Network Cards, including, without limitation, Diners Club International Cards. Additionally, you shall not use the Program Marks other than to display decals, signage, advertising, and other forms depicting the Program Marks that are provided to you by us pursuant to this Agreement or otherwise approved in advance in writing by us. You may use the Program Marks only to promote the services covered by the Program Marks by using them on decals, indoor and outdoor signs, websites, advertising materials and marketing materials; provided that all such uses by you must be approved in advance by us in writing. You shall not use the Program Marks in such a way that customers could believe that the products or services offered by you are sponsored or guaranteed by the owners of the Program Marks. You recognize that you have no ownership rights in the Program Marks. You shall not assign to any third party any of the rights to use the Program Marks.

SECTION 7. GENERAL REQUIREMENTS AND RESTRICTIONS FOR CARD TRANSACTIONS.

A. Availability of Merchant Equipment. You will comply with the provisions of Section 14 regarding Merchant Equipment, to ensure that, among other things, it will be available for use by the Cardholders.

B. Card Transactions in U.S. Dollars. Unless otherwise agreed in advance and writing by us, you must submit all Card transactions in U.S. dollars.

C. Card Transaction Representations and Warranties. For every Transaction, you represent and warrant that:

(i) the Card Transaction is (a) genuine, (b) arises from a bona fide transaction permissible under the Rules and Applicable Law by the Cardholder directly with you, and is not a form of aggregation, factoring or out of the ordinary course transaction (all as described in Section 7.J), (c) represents a valid obligation between you and the Cardholder for the amount shown on the Transaction Record, Pre-Authorized Order, or Credit Record, and (d) does not involve the use of a Card for any other purpose;

(ii) the Transaction Record is free of any alteration not authorized by the Cardholder;

(iii) the Transaction Record is not subject to any dispute, set-off or counterclaim;

(iv) the Transaction Record is not for a transaction that has been previously submitted for processing;

(v) each statement on the Transaction Record is true, and you have no knowledge of facts that would impair its validity or

collectability, and the Transaction Record is not one that you know or should have known to be either fraudulent or not authorized by the Cardholder;

(vi) you have completed only one Card transaction per sale, or one Card transaction per shipment of goods for which the Cardholder has agreed to partial shipments;

(vii) the Cardholder is an authorized user of the Card;

(viii) you have actually delivered the goods or performed the services or the Cardholder has incurred the obligation in accordance with the Transaction Record;

(ix) the Transaction Record is not the refinancing of a debt of the Cardholder that has been deemed uncollectable, nor for refinancing of a debt of the Cardholder in contravention of the Rules, nor for the collection of a dishonored check;

(x) you have complied with this Agreement and the Rules and Applicable Law;

(xi) the Card is a Valid Card;

(xii) the Transaction Record is not for a transaction previously charged back to you; and

(xiii) you will inform the Cardholder that you are responsible for the Card transaction including the related goods and services and for related customer service, dispute resolution, and performance of the terms and conditions of the transaction.

D. Transaction Records and Credit Records. All Transaction Records and Credit Records must include:

(i) the Cardholder's name and account number (truncated on the Cardholder receipt and elsewhere as required by the Rules and Applicable Law);

(ii) your name and other identifying information required by the Rules and Applicable Law;

(iii) where required by the Rules or Applicable Law, the signature of the Cardholder as it appears on the appropriate space on the Card;

(iv) the date of the transaction;

(v) a description of the merchandise sold, rented, or leased, services rendered or payment made;

(vi) the total cash price of the transaction (including taxes); and

(vii) any other applicable elements required by the Rules and Applicable Law.

E. Merchant to Obtain Authorization. You agree to submit only Card transactions for which you have received an Authorization. Obtaining an Authorization will not ensure payment to you for a Transaction Record. The fact that an Authorization is obtained by you will not affect our right thereafter to revoke Authorization of a Card transaction or to charge back the transaction to you. In no event will the fact that an Authorization is obtained by you be deemed to be our representation or warranty, either express or implied, that the particular Card transaction is in fact a valid, authorized or undisputed transaction entered into by the Cardholder.

F. Accuracy of Data Submitted. You will be responsible for the quality and accuracy of all data provided to us. We may, at our option, return to you for correction before processing any data submitted by you which is incorrect, illegible or otherwise not in proper form. If you do not provide data in accordance with our specified format and schedule, we will use reasonable efforts to reschedule and process the data as promptly as possible, but related expenses incurred by us will be charged to you.

G. No Special Conditions for Accepting Cards. You will not impose any special conditions for accepting a Card except as required or permitted by the Rules and Applicable Law. You will not require a Cardholder to provide any personal information, such as home or business phone number, home or business address or driver's license number, as a condition to honoring Cards, unless permitted by the Rules and Applicable Law.

You will not increase the price of goods or services for a Card transaction or impose any fee for the service of accepting a Card except as allowed by the Rules and Applicable Law. You may charge a convenience or service fee for a card transaction only as permitted by the Rules and Applicable Law. If clearly disclosed to the Cardholder, you may offer a discount from the standard price for payments by cash.

H. Restricted or Prohibited Products and Services. To the extent that your obligations under this Agreement would cause you to violate any Applicable Law, your obligation to comply with such Applicable Law shall prevail. You shall be solely responsible for (i) determining which Applicable Law applies to your activities under this Agreement, and (ii) maintain compliance with all Applicable Law. You further agree to cooperate and provide information requested by us, as we deem necessary to facilitate our compliance with any Applicable Law. You must not use the Services for transactions prohibited by Applicable Law or the Card Organization Rules such as those prohibited for alcoholic beverages, tobacco products, gambling (for example, those prohibited by the Unlawful Gambling Enforcement Act 31 U.S.C. Section 5361, et seq,, as may be amended from time to time), drugs, weapons, adult-content material, or adult web sites, services or entertainment.

I. Payments from Cardholders. You agree that you will not accept or process, any funds representing a Cardholder's payment to a Card Issuer.

J. Prohibition on Aggregating and Factoring and Employee Transactions. You are prohibited from submitting or presenting, and agree not to submit or to present, any authorization requests for Transactions and Transaction Records arising from transactions between (i) you and Cardholders who are your owners, partners, guarantors, officers or employees, other than genuine purchases, leases or rentals of goods or services from you or other payments to you, all in the ordinary course of your business, and (ii) Cardholders and third parties for their goods or services or other payments to them.

SECTION 8. PRESENTMENT OF TRANSACTIONS.

A. Locations. You will provide us with a complete list of all your Locations in the United States and its territories where you desire to accept Cards, with current information for each Location, including, physical address and telephone number(s), mailing address and, if available, fax number(s) and email address(es). You will provide an updated list as changes to any of your Locations or their related information occur.

B. Exclusivity/ Territory. Unless otherwise specifically agreed to in writing by the parties, you will submit to us all Card Transactions that are effected by you for authorization, processing and settlement in the United States and its territories. This Agreement does not cover your transactions at Locations outside the United States and its territories, or otherwise beyond our authority to process.

C. Delivery of Transaction Records and Credit Records. You will electronically deliver to us (or when authorized in writing by us, physically deliver to us) Transaction Records and Credit Records for all Card transactions to be processed and settled under this Agreement, but in no event later than the fifth calendar day or third Business Day (whichever is earlier) after completing each such Transaction Record or Credit Record, except to the extent a longer time is allowed by the Rules, or a shorter time is required, such as for transactions through Debit Networks. Faster delivery times and different authorization and delivery methods may be required by the Card Organizations to qualify for lower rates. You agree to be bound by all Transaction Records and Credit Records we receive in your name; provided, that we may refuse to accept any Transaction Record or Credit Record if we believe in our sole discretion that it is suspicious or fraudulent.

D. Timeframe for Presentment of Card Transactions. Depending upon method of submission, the cut-off times for submission by you to us of Transaction Records are as follows:

(i) Electronic Submission (off-site format). Transaction Records successfully received by us in electronic format on any day no later than 2:00 P.M. local time at the applicable processing center will be processed by us on the same day or if the day of receipt is not a Business Day, processing will occur on the next Business Day.

(ii) Data Capture Submission (terminal FACTS). Transaction Records successfully received by us in data capture format

through FACTS on any day no later than 6:00 A.M. local time at the applicable processing center will be processed by us on the same day, or if the day of receipt is not a Business Day, processing will occur on the next Business Day.

(iii) Any Transaction Records submitted on any day after the applicable cut-off time specified above will be deemed submitted on the next Business Day.

SECTION 9. SETTLEMENT OF TRANSACTION RECORDS AND CREDIT RECORDS.

A. Settlement of Transaction Records. We will settle with you for each Transaction Record acquired and accepted by us under this Agreement after we receive payment for that Transaction Record from the related Card Organization, subject to the terms of this Agreement. Unless we agree in writing otherwise, we will only acquire Transaction Records for Visa, MasterCard and Discover Network Card types (including those of other Card Organizations processed under Visa, MasterCard or Discover Network Card Organization Rules); provided, however, that, if you have been classified by Discover Network as having a Discover Direct Strategic Relationship with Discover Network, we will not acquire your Discover Network transactions and they will be subject to your agreement with Discover Network. You acknowledge and agree that if we have not agreed to or do not acquire transactions for any Card type (i) we have no liability or responsibility whatsoever for the settlement of or disputes regarding those transactions and (ii) you will pursue directly with the related Card Organization all claims and disputes regarding those transactions. You agree to pay us for per item processing, authorization and other fees in the Fee Schedule for any non-acquired transaction services you receive from us.

B. Deposit Account and Its Operation. You will designate on the Application, and maintain, the Deposit Account for the purposes of settling transactions under this Agreement. If the Deposit Account is with us, in the absence of any other written agreement with us, the standard terms and conditions that apply to our deposit accounts of the same type will apply. As amounts become payable to you or to us under this Agreement, we may, unless otherwise agreed, make payments to or receive payments from you by crediting or debiting the Deposit Account without prior notice. If you do not maintain a Deposit Account with us, payments between you and us must be made in a manner satisfactory to us. If you do not maintain sufficient balances in the Deposit Account to cover amounts owing under this Agreement, you must immediately pay all such amounts directly to us, and if you do not do so, at our discretion we may cease processing additional Card transactions until the amounts due are paid.

You acknowledge and agree that transfers to or from the Deposit Account will be made on the basis of account number and bank routing number only. We are not responsible for detecting errors in any Deposit Account information you provide, including the account numbers and routing numbers associated with the Deposit Account, even if any of those numbers do not correspond to the account or bank identified by name. Your obligations and our rights regarding any settlement transfers we make in reliance on the account number(s) and bank routing number(s) for the Deposit Account are not excused in those circumstance, even if you provide us erroneous information.

We will initiate a transfer of settlement funds to you as set forth in Section 9.C. We will not be liable for any delays in receipt of settlement funds or errors in credits or debits to the Deposit Account that are caused by persons other than us, including but not limited to, delays or errors of any Card Organization, any financial institution other than us or any third party.

C. Settlement Amounts and Time for Settlement. All settlements to you for Transaction Records will be based upon gross sales, minus the amounts of Credit Records, adjustments, applicable fees, Chargebacks, and any other amounts then due from you to us, whether netted at settlement or separately debited. All credits to your Deposit Account or other payments to you are provisional and are subject to (i) our final audit and confirmation, (ii) Card Organization Rules and (iii) any other obligations owed by you to us.

Except as otherwise set forth in this Agreement, if we receive your Transaction Records by the applicable cut off time established by us, we will initiate a transfer of applicable settlement funds, after receipt thereof from the Card Organizations, via ACH (or other payment system available from us for these types of transfers) to your Deposit Account. We will generally initiate this transfer by the following Business Day after we process the applicable transactions.

D. Settlement Amounts Subject to Adjustments. This Agreement is a contract whereby we are extending financial accommodations to you within the meaning of Section 365(c) of the Bankruptcy Code. Your right to receive any amounts due or to become due from us or our affiliates, whether or not those amounts are related to this Agreement, is expressly subject and subordinate to Chargeback, setoff, lien, security interest and our rights to withhold settlement funds under this Agreement, without regard to whether such Chargeback, setoff, lien, security interest and the withholding of settlement funds rights are being applied to claims that are liquidated, unliquidated, fixed, contingent, matured or unmatured.

SECTION 10. PAYMENT OF FEES, FINES, ASSESSMENTS, PENALTIES, OTHER CHARGES AND TAXES.

A. Fees and Card Organization Charges. You will pay us, within the times specified by us, all the fees and charges for the services provided hereunder calculated pursuant to the Fee Schedule, which includes fees that are in whole or in part based on (i) fees set by Card Organizations ("**Card Organization Based Fees**"), including, without limitation, interchange fees, and (ii) fees set by other third parties (together with Card Organization Based Fees, "**Third Party Based Fees**"), and (iii) fees that we set. Fees will be charged for all authorizations requests, whether or not approved, all Transaction Records submitted for processing, all Credit Records and all Chargebacks. If a transaction does not qualify for the lowest interchange rate for which it is eligible, then that transaction will be downgraded and processed at a more costly interchange rate for which the transaction qualifies. You will pay retroactive increased interchange fees for any transactions that a Card Organization determines did not qualify for the rates originally used.

B. Card Organization Fines, Assessments and Penalties. In addition, you will pay to us all assessments, fines, penalties, fees (including increased fees), Card issuer reimbursements and similar charges imposed by Card Organizations on us, directly related to your Card transactions or based on your actions or failure to act, including, but not limited to, your non compliance with data security requirements.

C. Payment of Fees and Other Charges. We may debit the Deposit Account, or withhold from funds we owe you under this Agreement, for all amounts you owe us under this Agreement. If the Deposit Account has insufficient funds, we may, without advance notice, withdraw the funds you owe us from the Reserve Account, or any other account you maintain with us or to which you have granted us access. If insufficient funds are available from those sources, you must pay the amount of any deficiency immediately upon demand.

D. Changes in Amount of Fees and New Fees. We may change fees in the Fee Schedule and add new fees by updating it or sending a separate notice. We will provide you with at least 15 days' advance notice of any changes in the Fee Schedule. However, our ability to provide notice of changes to Third Party Based Fees depends on our receipt of timely notice from those parties, and we may not be able to provide you with that much advance notice for those fee changes, and in those instances, changes will become effective on the date specified in the notice. You will be responsible for paying any increased or new fees as of the effective date in our notice, unless you give us your notice of termination of this Agreement, and cease processing Card transactions, within 30 days of our notice.

E. Fees for Supplies and Other Services. In addition to the other payments required in this Agreement, you agree to pay us for any other fees and charges and any special services or handling you request or require not covered in this Agreement. You also agree to pay us for amounts you owe to third parties that we pay, for example, payments for leased or rented Merchant Equipment.

F. Taxes, Installation & De-Installation. You agree to pay any and all sales, use, excise, personal property, stamp, documentary and ad-valorem taxes, license and registration fees, assessment, fines, penalties and similar charges ("**Taxes**") imposed on the Services or the transactions contemplated by this Agreement. You also agree to pay any and all Taxes imposed on the ownership, possession or use of the Merchant Equipment. You authorize us, or our assigns, to increase the amount of your preauthorized payment to reflect any and all increases in all applicable Taxes. You further agree to pay any and all costs associated with the installation and de-installation of Purchased Equipment. You are not responsible for any taxes imposed on us based on our net income.

G. Interest on Unpaid Amounts. In the event you do not pay us for amounts due under this Agreement within 30 days after we have provided you with an invoice or other statement of the amount due, we may, in our discretion, charge you interest at the per annum rate equal to our then current prime rate plus two percent (2%), for such time that the amount and all accrued interest remain outstanding, based on a 360 day year.

SECTION 11. DUTIES REGARDING REVIEW OF INFORMATION AND MERCHANT SYSTEMS.

A. Duty to Review Statements and Report Discrepancies. You must promptly and carefully review, statements and reports provided or made available to you (physically, electronically or otherwise) reflecting Card transaction activity, including, activity in the Deposit Account, Delayed Settlement Account and Reserve Account, whether provided by us or others.

B. Duty to Notify Bank of Discrepancies or Adjustments. If you believe any discrepancies exist or adjustments are needed with respect to any debits or credits effected by us with respect to your Deposit Account, the Reserve Account, Delayed Settlement Account or for any amounts due to or due from you, or if you have any other questions or concerns regarding your Card transactions that are processed and settled by us or regarding any statement or report provided or made available by us (physically, electronically or otherwise), you must notify us in writing (i) within sixty (60) days after such debit or credit is effected, such transaction is processed and settled, or such statement or report is provided, or (ii) such shorter time as is provided in the terms and conditions covering that account. If you fail to notify us within such time frame, we will not be required to investigate the matter or effect any related adjustment, absent any willful misconduct by us. If you notify us after such time period, we may, in our discretion and at your cost, investigate the matter addressed in your notice, but we will not have any liability to effect any related adjustment absent any willful misconduct by us. Any voluntary efforts by us to assist you in investigating such matters will not create any obligation to continue such investigation or any future investigation.

C. Duty Regarding Merchant Systems. You will be responsible for auditing, balancing, verifying and reconciling any out-of-balance condition within the Merchant Systems, and for notifying us of any errors in the foregoing after receipt of the applicable report from us. You will notify us of all incorrect reports or output within two (2) Business Days after receipt of such reports or output.

SECTION 12. CHARGEBACKS.

A. Chargebacks Payable Immediately. You will pay us the amount of each Card transaction that you submitted to us for processing that is charged back to us for any reason permitted by the Card Organization Rules. Each Chargeback to you is immediately due and payable by you.

B. Disputing Chargebacks. You may dispute a Chargeback as provided in the Rules, including any requirements for timely submission. Our obligation to you respecting Chargeback disputes is limited to permissible presentment of your dispute to the appropriate Card Organization. We will not engage in direct collection efforts against Cardholders on your behalf.

C. Chargeback Fees. You will pay us the fees associated with processing Chargebacks as provided in the Fee Schedule, without regard to whether the Chargeback is settled in your favor or the Cardholder's favor. In addition, in the event the percentage of Chargebacks to your merchant account meets or exceeds the percentage considered excessive by the Card Organizations, you will pay us the Excess Chargeback Fee stated in the Fee Schedule. The rate and the method of calculation for what each Card Organization considers excessive may be found in the Card Organization Rules. All fees related to processing Chargebacks, including any Excess Chargeback fees, are immediately due and payable to us upon assessment.

SECTION 13. RETENTION OF RECORDS; RETRIEVAL REQUESTS.

Unless prohibited by the Rules, you will retain, for a period of at least eighteen (18) months from the date of the transaction or such other longer period as may be required by the Rules, legible copies or images (electronically or otherwise) of your Transaction Records, Cardholder consents for Pre-Authorized Orders and Credit Records. Your obligation to retain records does not provide authority for you to retain Card magnetic stripe data.

You will submit to us a legible copy or image of a Transaction Record, Cardholder consent for a Pre-Authorized Order or Credit Record if any Card Issuer requests one. Your deadline for providing to us a legible copy or image of the requested Transaction Record, Cardholder consent for a Pre-Authorized Order or Credit Record is ten (10) days after the date of the Card Issuer's retrieval request, or as specified in the notice from us. You acknowledge that your failure to properly and timely respond to any retrieval request may result in a Chargeback.

SECTION 14. MERCHANT EQUIPMENT.

You will take all reasonable steps necessary to ensure that all Merchant Equipment will be available for use by the Cardholders and to ensure that Merchant Equipment will function in a reliable manner and be programmed, updated, reprogrammed or replaced in compliance with the Rules and Applicable Law; any Software provided by us for these purposes will constitute Bank Software. You agree and covenant with, and represent and warrant to, us that (i) Merchant Equipment is **for business use only**, and not for personal, family or household purposes, (ii) you will prepare the installation site or sites for Merchant Equipment, including but not limited to the power supply circuits and phone lines, in conformance with the manufacturer's and our specifications and technical standards, (iii) you will cause Merchant Equipment to be operated by competent and qualified personnel in accordance with any operating instructions furnished by the manufacturer, (iv) you will not use Merchant Equipment (or permit it to be used) in any manner or for any purpose for which it is not designed or reasonably suited, (v) you will be solely responsible for properly maintaining all Merchant Equipment, and (vi) you will at all times ensure that all point-of-sale Equipment will display, print and report your name, city, state and the transaction date on all transaction receipts.

You are responsible for (a) all costs of Merchant Equipment and other computers, servers and peripherals, including, without limitation, scanners and printers, and supplies for them and (b) any damage to Bank Systems, Bank Software or other consequences caused by your use of Merchant Equipment. If we provide any Bank Software to you for use on Merchant Equipment and you are unable to use the Services due to a problem with that Bank Software, then we will use our commercially reasonable efforts to correct that problem; otherwise, our liability and responsibility to you regarding that Bank Software are limited and subject to the provisions of Section 26.

SECTION 15. INFORMATION SECURITY.

A. Data Protection. You must, and must ensure that Merchant Providers, have proper security measures in place for the protection of Cardholder Data, and comply with the PCI DSS, which may be reflected in the Visa Cardholder Information Security Program ("**CISP**"), the MasterCard Site Data Protection Program ("**SDP**") and Discover

Network's Information and Security Compliance ("**DISC**"), in addition to all other Rules, now or in the future. Additional information regarding the CISP, SDP programs and DISC is available at the Visa web site, www.visa.com/cisp, the MasterCard web site, www.mastercard.com/us/sdp/, Discover Network's web site, www.DiscoverNetwork.com/fraudsecurity/disc.html, and at the PCI DSS web site: http://www.PCISecurityStandards.Org, as those links may be updated by such parties, respectively, from time to time. In addition, when available you must use only services and Merchant Equipment that have been certified as PCI DSS compliant by the Card Organizations. You must have written agreements with Merchant Providers requiring such compliance. You are responsible for demonstrating your and Merchant Providers' compliance with the CISP, SDP, DISC, and PCI DSS programs, and providing us or our designee with reasonable access to your Locations and facilities, and ensuring that Merchant Providers provide reasonable access to their facilities, to verify your and Merchant Providers' ability to prevent security violations.

B. Controls. You must, and must ensure that all Merchant Providers, have, maintain, and use at all times proper controls as specified in the Rules and Applicable Law for secure storage of, limited access to, and rendering unreadable prior to discarding, all records containing Cardholder Data, Card imprints and Cardholder signatures. You must not retain or store magnetic stripe or PIN data after a transaction has been authorized. If you store any electronically captured Cardholder signature, you may reproduce such signature only upon our request.

C. Costs. In addition to your obligations as set forth in Sections 10 and 26, if you or a Merchant Provider (or other third party used by you) are determined by any Card Organization, regardless of any forensic analysis or report, to be the likely source of any loss, disclosure, theft or compromise of Cardholder Data or Card transaction information (together, "**Compromised Data Event**") and regardless of your belief that you have complied with the Rules and Applicable Law or any other security precautions and are not responsible for the Compromised Data Event, you must promptly pay us for all related expenses, claims, assessments, fines, losses, costs, and penalties and Card Issuer reimbursements imposed by the Card Organizations against us (together, "**Data Compromise Losses**").

D. Card Issuer Costs. In addition to your obligations in Sections 10, 15.C, and 26, you must pay us promptly for all expenses and claims made by Card Issuers against us alleging your responsibility for the loss, disclosure, theft or compromise of Cardholder Data or transaction data, apart from any claim procedures administered by the Card Organizations.

E. Compromised Data Event Appeals. If we are allowed under the Card Organization Rules to contest or appeal any claim of a Card Issuer, or any amount assessed by a Card Organization against us, which you are obligated to pay under this Section 15.E, you will be given the opportunity to advise whether you wish us to contest or appeal the claim, assessment, penalty or fine. The decision to contest or appeal will be in our reasonable discretion, and if you ask us to contest or appeal, all related costs will be paid by you. Any amount returned to us as a result of the contest or appeal will be promptly refunded to you.

F. Notice of Data Breach. You will (i) immediately notify us of any suspected, alleged or confirmed Compromised Data Event, regardless of the source, including any from any Merchant Provider, and (ii) engage, at your expense, a certified forensic vendor acceptable to us and the Card Organizations no later than the time required by a Card Organization, which may be no longer than 24 hours following your suspected or actual discovery of that Compromised Data Event. If required by a Card Organization, we will engage a forensic vendor approved by a Card Organization at your expense. You must cooperate with the forensic vendor so that it may immediately conduct an examination of Merchant Equipment, Merchant Systems, and your and Merchant Providers' procedures and records and issue a written report of its findings. You agree that upon your suspected or actual discovery of a Compromised Data Event, you will not alter or destroy any related records. You agree to maintain complete and accurate documentation regarding any modifications made to the records. You will share with us information related to your or any Card Organization's investigation related to any actual or suspected Compromised Data Event (including, but not limited to, forensic reports and systems audits), and we may share that information with Card Organizations.

G. System Scans. Upon notice to you, we or our representatives may conduct remote electronic scans of your systems, similar to those conducted under the PCI DSS, to confirm compliance with the requirements of the PCI DSS and similar requirements of the Card Organizations. You must promptly cooperate with us to facilitate the scans.

H. Increased Fees for Non-Compliance. In addition to any other permitted action, if we determine that you are not in compliance with any of the data security requirements imposed by this Agreement, the fees for authorizing and processing transactions under this Agreement may be increased by 25% (in addition to your obligation to reimburse us for any Data Compromise Losses and Card Issuer Costs) until such time as we are satisfied that you have adequately corrected such noncompliance or you demonstrate that you have adequately corrected the noncompliance as evidenced by an independently produced report of compliance provided in accordance with Card Organization procedures.

SECTION 16. MECHANT'S RESPONSIBILITIES FOR THIRD PARTIES USED BY MERCHANTS.

A. Use of Third Parties. Your use of the services, equipment, Software, systems, materials, supplies or resources of third parties regarding your Card transactions processing, including, without limitation, Merchant Providers and any third party lessors and licensors, will not affect your obligations under this Agreement to us which will apply to the same extent as if you had not used them. We have no liability or responsibility to you or others regarding these third parties, even if we referred them to you. These third parties are your agents, and you are solely responsible for (i) determining whether they can meet your needs and standards, (ii) their actions, inactions and compliance with the terms of this Agreement and Applicable Law and (iii) any and all fees, costs, expenses and other obligations owed to them by you or owed by them to us or to the Card Organizations.

B. Merchant Providers. Before you engage any Merchant Provider, you must provide to us in writing (a) the Merchant Provider's legal name, (b) contact information, and (c) intended function. You covenant with us that you will not use, allow the use of, or provide to any Merchant Provider access to any Cardholder Data, Bank Systems, Bank Software or Services until you receive our approval and, if required, confirmation of our registration of that Merchant Provider with applicable Card Organizations. You must ensure that you and Merchant Providers: (i) comply with the registration process which can involve site inspections, background investigations, provision of financial statements, and any other information required by a Card Organization; (ii) comply with the periodic and other reporting required by a Card Organization; and (iii) comply with this Agreement and Applicable Law, including without limitation, those requiring security of Cardholder Data. You may allow Merchant Providers access to Cardholder Data only for purposes authorized under and in conformance with the Rules and Applicable Law. You are responsible for all our costs and expenses associated with our review, approval, certification (and recertification as may required by the Rules) and registration of any Merchant Providers.

Upon request and reasonable notice, you will provide and will ensure that your Merchant Providers provide to us and our representatives prompt access to your and their facilities and records for the purposes of performing any inspection and copying books or records pertaining to the transactions contemplated under this Agreement. You must have written agreements with Merchant Providers requiring such access.

SECTION 17. TERM AND TERMINATION; DEFAULT; PROVISIONS SURVIVING TERMINATION.

A. Term. This Agreement is binding upon the earlier of (a) its execution by all parties as evidenced by signatures on the Application or (b) the settlement by us of any Card transaction submitted by you to us pursuant to this Agreement. This Agreement continues in effect until

notice by one party to the other of termination as specifically provided in this Agreement. Only one of the following two paragraphs applies to you. For confirmation of which applies to you, consult your Fee Schedule as indicated below. For avoidance of doubt, Sections 17.B through 17.I apply to you whether you are subject to paragraph 17.A(i) or (ii).

(i) If Early Termination Fee in the Service Fee section of the Fee Schedule is blank, completed with "n/a" or some other indication that the fee is $0 or not applicable to you, this Agreement may be terminated by either party upon thirty (30) days' advance written notice to the other of termination.

(ii) If the Early Termination Fee in the Service Fee section of the Fee Schedule is completed with a dollar figure or method of calculation, this paragraph 17.A(ii) applies in its entirety to you and this Agreement is for the initial term and beginning on the Effective Date shown on the Fee Schedule, or if no Effective Date is shown, from the date this Agreement becomes binding under the first paragraph of this Section 17.A. Thereafter, this Agreement will automatically renew for successive thirty (30) day periods. In consideration of your choice of a longer initial Agreement term, you have been given pricing that is overall better than the pricing that would have applied if you had requested and we had agreed to an Agreement subject to paragraph 17A(i) above. If you terminate this Agreement prior to the end of the initial term, you understand and agree that we will suffer substantial injury that is difficult or impossible to accurately determine. In such event, you agree to pay the amount of the Early Termination Fee that appears on the Fee Schedule as a reasonable pre-established liquidated damage. You agree to pay the amount of the Early Termination Fee for each Location at which you accepted Card transactions at any time in the 12 months preceding any such early termination. During the initial term, if you object to any increased or added fee, you may terminate this Agreement without paying the Early Termination Fee if you (a) provide us written notice of your intent to terminate and (b) discontinue processing Card transactions, both within 60 days of the date we provided you notice of the increased or new fee.

B. Termination by Bank for Merchant Default. If any of the following events (each a "**Default**") occurs, we may change the payment or processing terms of this Agreement upon notice to you or terminate this Agreement immediately without advance notice, and exercise all of our other rights and remedies under this Agreement and Applicable Law: (i) a material adverse change in your business or financial condition; (ii) a sale of all or a substantial portion of your assets or a direct or indirect change in control of your business; (iii) a change in your business procedures, Card acceptance practices, products or services as originally disclosed to us, unless we have first approved such change, (iv) any information provided on the Application that was false or misleading, (v) irregular Card sales, excessive Chargebacks, illegal activity, improper Card acceptance practices or any other circumstances which, in our discretion, may increase our potential exposure for Chargebacks or otherwise present a financial or security risk to us; or (vi) a breach or lack of compliance by you in any substantial respect in the performance or observance of any term, provision, covenant, condition, representation, warranty or agreement in this Agreement, or in any other agreement with us or any of our affiliates, including, but not limited to, the non-payment when due of any fees, amounts for Purchased Equipment, and other amounts due to us; (vii) any reasonable belief by us that you are unable or unwilling to comply with the terms of this Agreement or Applicable Law, which noncompliance would constitute a substantial risk to us, (viii) in the event of actual or suspected Compromised Data Event, (ix) there is an overdraft for five (5) consecutive days in the Deposit Account, (x) any guaranty is revoked, (xi) your business name and/or the names of your principals is/are listed on a security/credit alert system, (xii) you have been characterized as "high risk" by one or more Card Organizations for reasons including, but not limited to, fraud, counterfeit transactions, prohibited Card transactions, excessive Chargebacks, highly suspect activity or non-payment of fees, (xiii) you fail to establish or maintain a required Reserve Account; (xiv) at any time a greater than twenty percent (20%) difference exists between the Card transaction volume or average Card transaction amount stated in the Application and your actual Card transaction volume or average Card transaction amount; (xv) you file a voluntary petition or complaint seeking relief under any federal or state bankruptcy or other debt relief statute, an involuntary petition under any federal or state bankruptcy or other debt relief statute is filed against you, you generally become unable to pay your debts or trade obligations as they become due, or you make a general assignment for the benefit of creditors or (xvi) you are disqualified or withdraw from the EBT issuance program(s) indicated on the Application. If an order of relief is entered against you in a case commenced under Title 11 of the United States Code and you are given the right to assume or reject this Agreement, you must do so within sixty (60) days after the entry of such order of relief; if you fail to do so, we may terminate this Agreement immediately upon written notice to you.

C. Termination of Certain Services. Each party may terminate some of the Services, without terminating the Agreement, for the same reasons as that party can terminate this Agreement, and the terminating party will specify the Services being terminated in its notice of termination to the non terminating party.

D. Provisions Surviving Termination. The terms and provisions governing your obligations and liabilities and our rights regarding the following matters will survive termination until all these matters are resolved or settled and all amounts owed to us regarding these matters are fully paid: (i) processing and settlement of Card transactions, Transaction Records and Credit Records, (ii) adjustments, (iii) all amounts due us under this Agreement, (iv) the resolution of any Chargebacks, disputes or other issues involving Card transactions, (v) Compromised Data Events and (vi) all our rights regarding your breach of any of your agreements, representations, warranties, covenants or other obligations under this Agreement. In addition to the above and any terms and provisions which by their terms survive termination, the terms and provisions of Sections 1, 10 through 24, 26 through 29, and 37-40 will survive any termination of this Agreement.

E. Report of Termination to Card Organizations. We will not be liable to you if we report termination of this Agreement to Card Organizations. If we incorrectly report this information, we will file a correction with the relevant Card Organizations immediately upon recognition of the error and request the Card Organizations to correct their files.

F. Deposit Account Closure and Changes. If the Deposit Account is closed, we may terminate this Agreement upon written notice unless you have opened another Deposit Account acceptable to us. You may change the Deposit Account upon our approval, which will not be unreasonably withheld. You may change the Deposit Account in accordance with our procedures in effect at the time of your notice. You agree that accepting notice by telephone or the Internet is commercially reasonable. In the case of telephone initiated requests, we will make reasonable efforts to verify the identity of the caller giving notice of the change or requesting information; however, we will not be liable for any unauthorized change in the Deposit Account or inaccurate Deposit Account information.

SECTION 18. MONITORING CARD ACTIVITY; DELAYED FUNDING OR SUSPENDED SERVICE.

A. We may monitor your daily Card transaction activity and may, upon reasonable grounds, deposit your settlement funds into a non-interest bearing account established and funded pursuant to, and as further described in, Section 19 ("**Delayed Settlement Account**") or we may temporarily suspend processing under this Agreement for your related Locations. Reasonable grounds will include, but not be limited to, the following:

(i) suspicious or unusual transaction activity;

(ii) significant change from information provided by you or patterns established by you, in either case regarding the nature of your business, type of product or service sold, leased or rented, average transaction size, monthly volume or swiped/keyed percentages;

(iii) you do not obtain authorizations for transactions;

(iv) we receive excessive retrieval requests;

(v) excessive Chargebacks; and

(vi) you do not deliver product or render full service on or before the transaction date.

B. If we temporarily delay your settlement or suspend your processing, we will do so for any reasonable period of time required by us to fully investigate your activity and determine whether it presents an unacceptable risk to us.

C. In addition to limits on liability set forth elsewhere in this Agreement, we will not be liable to you for any damages (including, but not limited to, direct damages) that you may suffer as a result of the delay of settlement or suspension of processing, as long as we act in good faith and use our reasonable business judgment.

SECTION 19. RESERVE ACCOUNT AND DELAYED SETTLEMENT ACCOUNT.

A. Establishment of Reserve Account. We may require you to establish and fund a Reserve Account (i) upon execution of this Agreement; (ii) from time to time throughout the term of this Agreement; (iii) upon a Default or Data Compromise Event; or (iv) in connection with any termination of this Agreement. Any such Reserve Account will be held in an account with us and will not be subject to withdrawal by you.

1. Initial Reserve. Before we provide Services to you we may require you to establish a Reserve Account; if we do, it will be funded in the amount of the Initial Reserve Account Balance designated in the Fee Schedule or in other reasonable communication from us.

2. Other Reserve. In connection with termination, a Default or actual or suspected Compromised Data Event, we may also require a Reserve Account to be established and maintained by you or on your behalf with us in an amount equal to:

(i) our reasonable estimate of your aggregate dollar amount of incoming Chargebacks and Credit Records, which may be based on (a) actual volume during the preceding 270 days for Chargebacks and 60 days for Credit Records or (b) nine (9) times your highest monthly dollar volume of incoming Chargebacks and two (2) times your highest monthly aggregate dollar amount of Credit Records, as determined during the most recent twelve-month period; and

(ii) our reasonable estimate of the amount of any goods or services which have not been delivered to Cardholders; and

(iii) our reasonable estimate of all fees charges, assessments, fines and penalties that may be owed to us under this Agreement; and

(iv) our reasonable estimate of all Third Party-Based Fees and amounts owed to other third parties (e.g., lessors of Merchant Equipment); and

(v) our reasonable estimate of Data Compromise Losses and Card Issuer costs, as defined in Section 15.C and described in Section 15.D, in the event of actual or suspected Compromised Data Events; and

(vi) Our reasonable estimate of all other amounts we deem necessary to cover existing or future financial risk to us related to this Agreement.

B. Use of Reserve Account Funds. The requirement to maintain a Reserve Account will not limit our right to debit the Deposit Account or withhold ongoing settlement payments for recoupment for Chargebacks, potential Chargebacks, adjustments, and any other charges due hereunder, including, but not limited to, any Losses, claims, costs, expenses, fines, and assessments. When there are insufficient funds in your Deposit Account or insufficient settlement amounts, funds in the Reserve Account may be used to settle Chargebacks and adjustments (whether arising before, on or after termination), and any other amounts due us. We will return the balance in the Reserve Account to you after we reasonably determine that the risk of Chargebacks and other amounts owed to us has ended (in most circumstances, this will be no more than 270 days after you discontinue processing). We will provide you with an accounting of funds debited from or credited to such Reserve Account. If, at any time, either you do not have a Reserve Account or funds in the Reserve Account are not sufficient to cover the Chargebacks, adjustments, fees and other amounts due us, you agree to promptly pay us the amounts not so covered immediately upon demand.

C. Funding and Maintaining the Reserve Account. Whenever the balance in the Reserve Account is less than the minimum balance required, we may deposit the deficiency into the Reserve Account by reducing the amount of any payment to you required by this Agreement or withdrawing the amount of the deficiency from the Deposit Account and depositing it into the Reserve Account.

D. Establishment and Funding of Delayed Settlement Account. In addition to our rights and remedies contained elsewhere in this Agreement and without need to exercise rights or remedies, we may, immediately without prior notice, and as an alternative or supplement to those rights and remedies, upon the occurrence of a Default or if for reasons described Section 18, delay for any reasonable period of time settlement payments due or to become due to you pursuant to this Agreement. If we take any such action, we will notify you within three (3) Business Days thereafter, stating our reason(s) therefor. To the extent not used to pay us immediately for any amounts due, the amounts withheld will be deposited into a Delayed Settlement Account. The Delayed Settlement Account is separate from the Deposit Account and Reserve Account.

If your funds are delayed by us or we have temporarily suspended processing under this Agreement, such delay or suspension will be for any reasonable period of time required by us. To the extent permitted by the Rules, we will maintain any funds transferred to a Delayed Settlement Account which will be a non-interest bearing account, and may be a commingled account. We will have no liability for any losses, either direct or indirect, which you may attribute to any delaying of settlement of funds or suspension of processing.

E. Master and Sub Accounts. We will hold funds pursuant to this Section 19 in master account(s) with your funds allocated to separate sub accounts.

SECTION 20. GRANT OF SECURITY INTEREST.

To secure your performance of your obligations under this Agreement, you grant us security interests in each transaction and its proceeds, the Deposit Account, the Reserve Account, the Delayed Settlement Account and any other depository, reserve or bank account held by you with us and our affiliates, the Deposit Account at any other financial institution, whether now existing or established in the future, and in the balances and proceeds of all those accounts, any funds due you from us and any of your property held by us and our affiliates. We may enforce these security interests without notice or demand to the extent permitted by the Rules and Applicable Law. The security interests granted under this Agreement will survive the termination of this Agreement until all your obligations are irrevocably paid and performed in full. In addition, your assent to the terms of this Agreement will be considered your agreement to obtain and execute an appropriate control agreement, pursuant to Article 9 of the Uniform Commercial Code, among you, us and any other financial institution, under which agreement we, you and that other financial institution agree to the disposition of funds in the Deposit Account, the Reserve Account, Delayed Settlement Account or any other account or property subject to the security interest in this Agreement without further consent by you, provided that such agreement will not obligate you to pay additional fees to us.

SECTION 21. CONFIDENTIALITY AND AFFILIATE MARKETING.

A. Cardholder Data. In addition to the information security provisions elsewhere in this Agreement, neither you nor we will use, store, disclose, sell or disseminate any Cardholder Data obtained in connection with a Card transaction, except in accordance with the Rules and Applicable Law (e.g., for purposes of authorizing, completing and settling Card transactions and resolving any Chargebacks, retrieval requests or similar issues involving Card transactions). The foregoing will not apply in the instance of a court or governmental request, subpoena or order. We may use any Cardholder Data for purposes associated with our role as a Card Issuer if such Cardholder Data is derived from a Card transaction in which the Card used was issued by us. Further, in accordance with the Rules and Applicable Law, we may participate in sharing Cardholder Data among our affiliates, other financial institutions, regulatory authorities, law enforcement agencies and any other entities authorized by the Rules and Applicable Law. In

addition, we may participate in sharing Cardholder Data with any Card Organization or its designee at the request of that Card Organization.

B. Agreement and Service Related Information. You will keep confidential this Agreement, the Rules and Devices and any other information supplied or made accessible to you by us or our agents and will not disclose any of that information to any third parties; provided, however, that these restrictions do not apply to information: (i) rightfully obtained on a non-confidential basis from a person other than us or our agents, which person was not subject to a duty of confidentiality, (ii) rightfully and independently known by you on a non-confidential basis prior to its disclosure or (iii) generally available to the public other than through any disclosure by or fault of you or your agents.

C. Merchant Information. We will keep confidential, in accordance with Applicable Law and the Rules, any information received by us from you or your agents regarding your use of the Services, including any relationship and transaction information; provided, that we may disclose such information (a) to third parties to the extent necessary to provide the Services, (b) our auditors and attorneys (internal and external) and regulators, and (c) as required or permitted by Applicable Law.

D. Federally Required Affiliate Marketing Notice. YOUR CHOICE TO LIMIT MARKETING. Federal law gives you the right to limit some but not all marketing from all the Bank of America affiliated companies listed below. Federal law also requires us to give you this notice to tell you about your choice to limit marketing from all the Bank of America affiliated companies. You may limit all the Bank of America affiliated companies, such as the banking, loan, credit card, insurance and securities companies, from marketing their products or services to you based upon your personal information that they receive from other Bank of America companies. This information includes your income, your account history and your credit score. Your choice to limit marketing offers from all the Bank of America affiliated companies will apply for at least 5 years from when you tell us your choice. Before your choice to limit marketing expires, you will receive a renewal notice that will allow you to continue to limit marketing offers from all the Bank of America affiliated companies for at least another 5 years. You may tell us your choice to limit marketing offers, and you may tell us the choices for other customers who are joint account holders with you. This limitation will not apply in certain circumstances, such as when you have an account or service relationship with the Bank of America company that is marketing to you. For individuals with business purpose accounts, this limitation will only apply to marketing to individuals and not marketing to a business. **To limit marketing offers, contact us at 1.800.282.2884.** We may amend this list of companies from time to time upon notice to you in the manner described in Section 31.

Banks and Trust Companies:
Bank of America, N.A.

Brokerage and Investments
BACAP Alternative Advisors, Inc.
Bank of America Capital Advisors LLC
Banc of America Finance Services, Inc.
Banc of America Investment Advisors, Inc.
Banc of America Investment Services, Inc.
Banc of America Securities LLC
U.S. Trust Hedge Fund Management, Inc.
UST Securities Corp.
White Ridge Investment Advisors LLC

Credit Card
Bank of America Consumer Card Services, LLC
Bank of America

Fleet Credit Card Services, L.P.

Insurance and Annuities
BA Agency, Inc.
BA Insurance Services, Inc.
Balboa Insurance Company
Balboa Life Insurance Company
Balboa Life Insurance Company of New York
Balboa Warranty Services Corporation
Banc of America Agency, LLC
Banc of America Agency of Nevada, Inc.
Banc of America Agency of Texas, Inc.
Banc of America Insurance Services, Inc., dba in New York: Banc of America Insurance Agency
Countrywide Insurance Services, Inc., dba in New York: CW Insurance Agency
Countrywide Insurance Services of Arizona, Inc.
Directnet Insurance Agency, Inc.
General Fidelity Insurance Company
General Fidelity Life Insurance Company
Meritplan Insurance Company
Newport E & S Insurance Company
Newport Insurance Company

Leasing Companies
BAL Corporate Aviation, LLC
BAL Energy Holding, LLC
BAL Energy Management, LLC
BAL Investment & Advisory, Inc.
BAL Solar I, LLC
BAL Solar II, LLC
BAL Solar III, LLC
Banc of America Leasing & Capital, LLC
Banc of America Public and Institutional Financial Funding, LLC
Banc of America Public Finance Corp.
BAPCC II, LLC
Pydna Corp.

Real Estate
BAC Home Loans Servicing, LP
Countrywide Home Loans, Inc.
Countrywide Home Loans of Minnesota, Inc.
Countrywide Home Loans of Texas, Inc.
Countrywide Home Loans of Tennessee, Inc.
Countrywide Mortgage Ventures, LLC
HomeFocus Services, LLC
HomeFocus Tax Services, LLC
KB Home Mortgage, LLC
Landsafe, Inc.
LandSafe Services, Inc.
LandSafe Credit, Inc.
LandSafe Title of California, Inc.
LandSafe Title of Florida, Inc.
LandSafe Title of Texas, Inc.
LandSafe Title of Washington, Inc.
LandSafe Title of Ohio, Inc.
LandSafe Title of Alabama, Inc.
LandSafe Title of Maryland, Inc.
NationsCredit Financial Services Corporation

SECTION 22. BANK SYSTEMS AND BANK LICENSED PRODUCTS.

A. Bank Systems. If you access any Bank Systems in connection with the Services, you must use a browser that complies with our specifications. We recommend that you have appropriate security measures for Internet or other external network use, including, a proxy server and/or firewalls to control and protect Internet access. You will be responsible for the supervision, management and control of your use of Bank Systems, including without limitation (i) implementing sufficient procedures to satisfy your requirements for the security and accuracy of the input you provide, and (ii) implementing reasonable procedures to verify reports and other output from us within the time frames required by this Agreement. You acknowledge and agree that you do not have any ownership interest or other rights in Bank Systems by reason of this Agreement or your access to them.

B. Bank Licensed Products. This section applies to all Bank Software, Rules (other than Card Organization Rules) and Devices (collectively and individually, the "**Bank Licensed Products**"), including any Bank Licensed Products that may be installed or accessible on or via personal computers, network servers, Merchant Equipment, the Internet, or otherwise (unless we provide to you a separate license agreement for any Bank Licensed Products (including a "click-wrap" license you may obtain from us by downloading from our web sites or network servers)). Subject to the terms of this Agreement, we grant to you, and you accept from us, a personal, nonexclusive and nontransferable license (the "**License**") to use the Bank Licensed Products solely in connection with the Services, including, without limitation, the Internet Based Services. The License will be effective while the Bank Licensed Products are in use by you and until this Agreement or the related Services are terminated, subject to our rights to terminate the License prior to that time. Upon termination of the License, you will cease using, and return or destroy (as we direct), all Bank Licensed Products.

You acknowledge and agree that (i) that the Bank Licensed Products are our sole property and of substantial value to us, and are protected by all copyright, trademark, trade secret, patent and other intellectual property laws of the United States, (ii) you will include (and not alter or obscure) all Marks, copyright, proprietary or confidential notices appearing on the Bank Licensed Products on each copy thereof that you are permitted to make; (iii) you will not sublicense the Bank Licensed Products to third parties; (iv) you will not, and will not allow others to, decompile, disassemble or reverse engineer the Bank Licensed Products or discern the source code regarding any Bank Licensed Products (or attempt any of the foregoing); (v) you will use the Bank Licensed Products only in connection with the Services, and you will not use them for, or on behalf of, third parties or for purposes other than your use of the Services; (vi) you will keep confidential, and will not disclose, transfer or otherwise make available in any form to or for the use or benefit of third parties (except your agents for purposes of your use of the Services only), the Bank Licensed Products; (vii) you will be fully responsible for compliance with all of the terms and conditions of this Section 22.B by your users of the Bank Licensed Products ("**Users**"), including any Users acting through your agents to which you may make the Services and Bank Licensed Products available (to the extent provided above), and (viii) you will not, and will not permit Users or others to, directly or indirectly copy, duplicate, or furnish to third parties (except your agents for the purposes of your use of the Services only) any physical or electronic version of the Bank Licensed Products or any portion thereof.

We may, in our sole discretion, terminate the License with respect to any or all Bank Licensed Products if you breach the terms of this Section 22.B. In addition, you acknowledge that breach of this License by you or your agents or any Users could cause immediate and irreparable harm to us for which money damages could not be sufficient compensation. We will be entitled to injunctive relief for any such breach of any term or provision of this Section 22.B, without proof of actual damages and without the posting of bond or other security. Such remedy will not be deemed to be the exclusive remedy for such breach, but will be in addition to all other remedies available at law or in equity.

SECTION 23. DEVICES AND RELIANCE ON INSTRUCTIONS.

You will access the Services in accordance with this Agreement, the Rules and the procedures, access codes, passwords, encryption or decryption keys or other security devices ("**Devices**") used or assigned in connection therewith, as further described in the Rules. You agree to comply with any additional security that we may implement. We may assume that each inquiry and instruction received in connection with the use of the Services, Bank Systems or Bank Software, in good faith and accompanied by any applicable Devices, is a genuine, valid and authorized inquiry or instruction of yours made by a person authorized to act on your behalf. You will immediately notify us of any actual or suspected compromise of security, including any unauthorized access, use or possession of the Services, Bank Licensed Products or Devices. You will be responsible for any Losses resulting from actions taken by us in accordance with instructions received from unauthorized persons when accompanied by the applicable Devices. In addition, we may rely on and honor, and you are bound by, any communications and instructions received by us, via one of our acceptable communication channels for that type of communication or instruction, in your name from your purported representatives or agents, whether or not authorized, that we believe in good faith to be authentic.

SECTION 24. EXAMINATIONS, AUDITS AND CORRECTIVE ACTION.

A. Bank Rights. We or our designees will have the right, during the term of this Agreement and for one (1) year thereafter, upon reasonable advance written notice and during normal business hours, to conduct a review of the books, records, operations and Merchant Equipment of you, your Merchant Providers and your other third party service providers to determine or to verify your and their compliance with your obligations under this Agreement.

B. Card Organization and Investigation. You will, upon reasonable prior written notice from us and as directed by any Card Organization, permit any person acceptable to that Card Organization to examine and audit the records, operations and systems maintained by you relevant to such Card Organization. The scope, standards and frequency of the examinations and audits will be determined by the Card Organization requesting it. The results, including, but not limited to any written reports of such examinations and audits, must be made available to the Card Organization requesting it and us. All expenses related to such examinations and audits will be paid by you.

C. Remediation. You must promptly take corrective action acceptable to us and the Card Organizations to rectify (i) any failure to comply with this Agreement or any problem identified in any report, examination or audit that could reasonably be expected to have an adverse impact on us, Card Issuers, Card Organizations or Cardholders and (ii) any control deficiencies identified in such report.

D. Regulatory Agencies. Notwithstanding anything to the contrary in Sections 15 and 21, you agree to provide reasonable access to Merchant Systems and your facilities and records and those of Merchant Providers during normal business hours for examination purposes to any state or federal agencies with jurisdiction over us or any Card Organization, upon our prior written request.

SECTION 25. GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS.

A. Bank Representations, Warranties and Covenants. We represent and warrant to, and covenant with, you, as follows: we validly exist, we are in good standing and are free to enter into this Agreement, and we will perform our obligations pursuant to this Agreement in accordance with Applicable Law.

B. Merchant Representations, Warranties and Covenants. In addition to the representations and warranties contained elsewhere in this Agreement, you represent and warrant to, and covenant with, us, as follows: (i) you are validly existing, in good standing and free to enter into this Agreement; (ii) you will perform your obligations pursuant to this Agreement in accordance with the Applicable Law; (iii) each statement made on the Application or other information provided to us in support of this Agreement is true and correct; (iv) there has been no material adverse change in your financial information; (v) you do not do business under a trade name or style not previously disclosed to us; (vi) you have not changed the nature of your business, Card acceptance practices, delivery methods or return policies, or the types of your products or services requiring a different merchant category code under Card Organization Rules, in a way not previously disclosed to us; (vii) you will use the Services only for your own proper business purposes and will not resell, directly or indirectly, any part of the Services to any third party, (viii) you have not filed, nor has any third party filed against you, a bankruptcy petition not previously disclosed to us, (ix) you own and control the Deposit Account, (x) no third party security interest or lien of any type exists regarding the Deposit Account, Reserve Account, Delayed Settlement Account or any Transaction or the proceeds of any of them and (xi) you will not at any time during the term of this Agreement grant or pledge any security interest or lien to any third party without our consent. With the submission of each Transaction Record

and Credit Record you reaffirm all your representations and warranties to, and covenants with, us under this Agreement.

SECTION 26. INDEMNIFICATION; LIMITATION ON LIABILITY.

A. Indemnification by Us. We will indemnify you, and hold you harmless, from and against Losses finally awarded against you or incurred by you as a result of or in connection with the alleged infringement, misappropriation or other violation of patent, copyright or other intellectual property or proprietary right of third parties (**"Third Party IP Claims"**) regarding Bank Software, provided that you promptly inform us in writing (in accordance with Section 31) of the existence and substance of any such Third Party IP Claims, make no admission of liability, do not reach a settlement with any third party, and leave the disposition and/or handling of any claim or case entirely to us or our agents. For that purpose, you will execute such documentation as necessary and will cooperate with us in any defense of any such Third Party IP Claims. Your failure or delay in notifying us of any such Third Party IP Claims will not relieve us from our obligations and liabilities under this Section 26.A, except to the extent that we are adversely affected by such failure or delay. We will have no obligation to indemnify or defend you for any Third Party IP Claims based on (i) use of an altered version of Bank Software, (ii) the combination, operation or use of Bank Software with other products, hardware, or programs, if such infringement would have been avoided without such combination, operation, or use, (iii) your misuse of Bank Software or breach of the License or (iv) a claim alleging infringement of a business process patent. Notwithstanding any provision of this Agreement to the contrary, this Section 26.A will survive termination of this Agreement only with respect to Third Party IP Claims regarding your use of Bank Software while the License was in effect.

B. Indemnification by You. You will indemnify us, and hold us harmless, from and against Losses we suffer or incur or to which we become subject, arising out of (a) your use of the Services or other matters related to this Agreement, (b) our compliance with the instructions of any Card Organization regarding you or your transactions, (c) misuse of any Mark of a Card Organization, (d) effecting transactions with the use of a lost, stolen, counterfeit, or misused Card, (e) failure to follow instructions of a Card Organization, (f) Third Party IP Claims regarding your products, services or processes or those of any third party engaged by you, (g) any breach of any warranty, covenant, duty, obligation or agreement or any misrepresentation under this Agreement or Applicable Law by you, directly or through the actions of or failures to act by any Merchant Provider or other third party you use regarding the Services or (h) your provision of goods and services to Cardholders or the conduct of your business, except to the extent any such Losses are due to our gross negligence or willful misconduct. In addition, you will reimburse us for all reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred by us to enforce and protect our rights under this Agreement in connection with (or in anticipation of) any Default.

C. Limitation on Liability. Notwithstanding any provisions of this Agreement to the contrary, our liability to you under this Agreement will be limited as set forth in this Section 26.C. Our liability to you for (i) any Card transaction will be limited to the amount of our processing fee payable by you for such Card transaction, and the amount of any failure of settlement of funds related thereto if we are obligated to settle it, due to our negligence or willful misconduct in the processing of such Card transaction, and (ii) for any loss or damage arising from or relating to our performance of the Services (outside the scope of the preceding clause (i)), regardless of the form of action, will be limited to direct damages attributable to our gross negligence or willful misconduct. IN NO EVENT WILL WE BE RESPONSIBLE FOR ANY OTHER DAMAGES, INCLUDING, WITHOUT LIMITATION, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR LOST PROFITS, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY THEREOF; PROVIDED, HOWEVER THAT THE FOREGOING SHALL NOT AFFECT OUR OBLIGATIONS TO YOU UNDER SECTION 26.A.

In no event will we have any liability in connection with and will not be responsible for (a) inability to connect to any Bank Systems via the Internet (or other external network) or inability to communicate with us via the Internet resulting from a problem with an Internet service provider or online service provider, Merchant Provider, Merchant Equipment or otherwise, (b) unknown hazards of the Internet (or other external network) use, including, but not limited to, interception of any Cardholder Data, Transaction Records, Credits Records, other information relating to you or your transactions or any application errors in or security breaches of any browser or your firewalls or Merchant Equipment, (c) any data that is lost or destroyed in connection with the use of Bank Software, Bank Systems or Merchant Equipment, or (d) your inability to use Bank Systems or Bank Software due to a mechanical or other failure of Merchant Equipment or your other hard drives, personal computers, software, servers, systems or hardware.

D. The remedies available to you under this Agreement will be your sole and exclusive remedies against us.

SECTION 27. FORCE MAJEURE.

Each party will be excused from performance under this Agreement, except for any payment obligations, for any period and to the extent that it is prevented from performing, in whole or in part, as a result of delays caused by the other party or any war, civil disturbance, terrorism, court order, labor dispute, action of a government unit or Card Organization, third party nonperformance, or failures, fluctuations, or nonavailability of electrical power, heat, light, air conditioning, telecommunications equipment or Merchant Equipment or other causes beyond its reasonable control. Such nonperformance will not be a Default, breach or a ground for termination as long as reasonable means are taken to expeditiously remedy the problem causing such nonperformance.

If providing any of the Services to you violates, or in our reasonable opinion is likely to violate, any Applicable Law or Card Organization Rules, or if we receive instructions from a government unit having authority over your or our business or a Card Organization instructing us to cease providing any or all of the Services or access to any Card Organization, or if you cease operations, then we may, upon oral notice to you, immediately cease providing the affected Services to you, which will not be considered a breach of this Agreement by us.

SECTION 28. DISCLAIMER OF WARRANTIES.

You acknowledge and agree that we provide or make accessible to you the Bank Licensed Products and Bank Systems on an "as is" and "as available" basis and you use them at your sole risk.

We make no warranties or representation whatsoever regarding any web site not under our control which a User may access from our web sites by link or other means. The provision of a link, frame or other means to access any web site not under our control is for the convenience of you and the Users and does not constitute our endorsement, recommendation or acceptance of any responsibility for the content of that site (or the operators of that site).

WE MAKE NO REPRESENTATIONS OR WARRANTIES, EITHER STATUTORY, EXPRESS OR IMPLIED, OF ANY KIND WITH RESPECT TO THE SERVICES, OUR PERFORMANCE OF THE SERVICES, BANK SYSTEMS OR BANK LICENSED PRODUCTS, INCLUDING, WITHOUT LIMITATION, THOSE OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT OF INTELLECTUAL PROPERTY OF ANY KIND, WHICH, WITHOUT LIMITING THE FOREGOING, ARE DISCLAIMED BY US. NO DESCRIPTIONS OR SPECIFICATIONS, WHETHER OR NOT INCORPORATED INTO THIS AGREEMENT, NO PROVISION OF MARKETING OR SALES MATERIALS AND NO STATEMENT MADE BY ANY SALES REPRESENTATIVE IN CONNECTION WITH THE SERVICES UNDER THIS AGREEMENT WILL CONSTITUTE REPRESENTATIONS OR WARRANTIES OF ANY KIND.

SECTION 29. DISPUTE RESOLUTION AND ARBITRATION.

A. Business Resolution. The following procedure will apply to all disputes arising under or relating to this Agreement, except for any instance where a party desires immediate resort to a civil court for injunctive relief to protect intellectual property or confidential information rights provided by this Agreement. Each party will notify the other party hereto in writing of any dispute, describing in detail the Agreement provision(s) at issue, the exact nature of the alleged breach and the dollar amount of the perceived injury, if any. The parties, through representatives authorized to negotiate and bind them with respect to the dispute, will meet telephonically or in person as soon as possible, but no later than five (5) Business Days after delivery of the written notification, to attempt in good faith to resolve the dispute or to agree upon a written corrective action plan.

B. Mediation; Arbitration. Any dispute arising out of or relating to this Agreement that is not resolved through the above resolution process will be referred to mediation, if both parties agree, or to arbitration, if the parties cannot so agree. Respecting mediation, the parties hereto agree to cooperate in good faith to select a mediator, a mediation venue and an expeditious date for the mediation hearing. At the mediation hearing, the parties agree to produce a senior member of their respective management teams, being at least the respective supervisors of the representatives involved in the initial dispute resolution process. It is agreed in advance that the parties and their witnesses need not be physically present at the mediation venue, but may at their option participate telephonically.

If the parties cannot agree to mediation or if the mediation hearing was unsuccessful, then the dispute will be resolved by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("**AAA**"), or its successor, and judgment upon the arbitration award may be entered in any court of competent jurisdiction. Any such arbitration will be conducted in Charlotte, North Carolina or the city nearest thereto having an AAA regional office. Unless otherwise agreed, there will be a single arbitrator. The arbitrator may not make any ruling, finding or award that does not conform to the terms and conditions of this Agreement, and in no event may punitive damages be awarded by the arbitrator. Either party, before or during any arbitration, may apply to a court of competent jurisdiction for a temporary restraining order or preliminary injunction where such relief is necessary to protect its interests pending completion of the arbitration proceedings. Neither party nor the arbitrators may disclose the existence or results of any arbitration hereunder without the prior written consent of both parties.

The parties agree that this Agreement involves interstate commerce and, notwithstanding any choice of law provisions in this Agreement, any arbitration hereunder will be governed by the Federal Arbitration Act (or any successor thereto).

C. Court Jurisdiction. To enforce the terms of this Section 29 or arbitration awards, if arbitration otherwise fails to resolve a dispute under this Agreement or if injunctive or other equitable relief is sought, you and we hereby irrevocably submit to the exclusive jurisdiction of the courts of the State of North Carolina and the United States for the Western District of North Carolina, Charlotte Division, and agree that any legal action or proceeding with respect to this Agreement may be commenced in such courts.

D. Waiver of Jury Trial. To the extent permitted by Applicable Law, you and we waive any right to trial by jury in any action or proceeding regarding any litigation related to this Agreement and agree that any such actions or proceedings will be tried by a judge without a jury.

SECTION 30. CHANGING THIS AGREEMENT.

We may amend this Agreement at any time by sending you notice or making it available to you as provided in Section 31 at least 15 days before the effective date of the amendment, except with respect to increased or new fees, which are governed by Section 10.D. With respect to amendments to Card Organization Rules or Applicable Law, this Agreement will be deemed amended as of the effective date of the related amendment to the same extent necessary to comport with those amendments and we will provide you with as much notice as is practicable under the circumstances. Each amendment becomes effective unless we receive your written notice of your termination of this Agreement no later than the effective date of that amendment. We may amend this Agreement on less than 15 days' prior written notice if we reasonably determine any Rules or Applicable Law require a shorter notice period. Your continued processing on and after the effective date of any amendment change constitutes your consent to that amendment.

SECTION 31. NOTICES.

A. Forms of Notice. Except as otherwise specifically provided, all notices and other communications required or permitted hereunder (other than those involving normal operational matters relating to the processing of Card transactions) will be in writing and sent by mail, courier, electronic mail or fax, if to you at your address appearing on the Application, the address to which your statements are delivered or other address you provide to us for receipt of notices, and if to us at Bank of America, 1231 Durrett Lane, Louisville, Kentucky 40213, Fax (502) 315-2271, Attention: Product Manager, with a copy to Contract Management, and will be deemed given (i) if sent by mail, when received, (ii) if sent by courier, when delivered, and (iii) if sent by e-mail or fax, upon successful transmission thereof.

B. Web Site Notices. In our discretion, we may, as an alternative or in addition, to notices by mail, courier or fax, post notices of changes to this Agreement or Applicable Law on an Internet web site and advise you by electronic mail, statement message or other reasonable communication that such notice has been posted and the address of, and how to access it on, that web site. If we provide a notice by posting on web site, you may also order a paper copy with postage paid by us.

C. Notice Review and Change of Address. You agree to read all notices affecting this Agreement that we send or make available to you. Changes to the address for notification may be made by you or us by notice given to the current address for notices in the manner required by this section.

D. Additional Terms for Notices to Us. Regardless of the form of notice given to us, we will have a reasonable time to act thereon. You are solely responsible for any oral or written instructions you give us.

SECTION 32. SYSTEM TESTING.

We reserve the right to conduct testing of the Merchant Systems for a period of time reasonably necessary for them to meet our, the Merchant Equipment manufacturers', any third party integrators' and the Card Organizations' then-current applicable requirements. Throughout the term of this Agreement, if you change/modify the Merchant Systems for any reason, including but not limited to modifications to accommodate changes in Rules or Applicable Law, you will immediately notify us of such changes/modifications and we will have a reasonable amount of time to conduct certification testing of the Merchant Systems to verify that it meets our, any third party integrator's and the Card Organizations' then-current applicable requirements. The first such standard re-certification will be performed by us at no cost to you; however, subsequent re-certifications will be billed to you at our then-current hourly rate. Notwithstanding anything to the contrary, by conducting implementation or certification testing, we do not guarantee that your transactions will qualify at the lowest possible interchange level. You assume all liability resulting from your failure to notify us of the changes/modifications or your refusal to allow us to conduct the implementation or certification testing.

SECTION 33. SYSTEM ENHANCEMENTS.

If, after the effective date of this Agreement, you request us to perform or provide any system enhancements, custom reports, special files, terminal applications, related service enhancements or new services (collectively, "**System Enhancements**"), and we agree to do so, these System Enhancements will be made in accordance with terms and conditions, including pricing, agreed to by the parties in writing.

SECTION 34. ASSIGNMENT.

You may not assign or transfer this Agreement (or any portion of it, including, without limitation, the License), by operation of law or otherwise, and we are not required to continue this Agreement after your merger, conversion of entity (e.g., from a corporation to a limited liability company) or consolidation, majority stock or substantial asset sale, without our prior written consent, which will not be unreasonably conditioned, withheld, or delayed. You agree to provide us with at least 30 days' prior written notice of your intention to take any of those types of actions. Any purported assignment made or other action taken described in this Section 34 without our prior written consent is void. Except as provided in the following sentence, this Agreement will be binding upon successors and assigns and will inure to the benefit of the parties and their respective permitted successors and assigns. No assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, debtor in possession, sheriff or any other officer of a court, or other person charged with taking custody of a party's assets or business, will have any right to continue or to assume or to assign this Agreement.

SECTION 35. GOVERNING LAW; WAIVER.

A. This Agreement will be governed by the laws respecting national banks and, to the extent not so covered, by the laws of the State of North Carolina without regard to conflicts of law provisions, except that Section 29.B will be governed by the Federal Arbitration Act. If any part of this Agreement is not enforceable, the remaining provisions still remain valid and enforceable. In performing its obligations under this Agreement, each party agrees to comply with Applicable Law and Rules.

B. A waiver by either of the parties of any of the covenants, conditions, or agreements to be performed by the other or any breach thereof will not be construed to be a waiver of any succeeding breach or of any other covenant, condition or agreement contained in this Agreement. No waiver will be effective unless made in writing by the party against whom it is being enforced.

SECTION 36. ENTIRE AGREEMENT.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter, supersedes any previous agreements and understandings and, except as provided in other Sections of this Agreement (or in any Supplements), can be changed only by a written agreement signed by all parties. Except as specifically provided herein, this Agreement will not benefit, or create any right or cause of action on behalf of, any person other than the parties. Throughout this Agreement, where appropriate, singular terms include the plural and the plural includes the singular. Headings are for convenience and reference only and not part of this Agreement.

SECTION 37. PURCHASED EQUIPMENT.

A. Delivery and Payment. This Section 37.A will become effective with respect to any Purchased Equipment as of the first date you are deemed to have accepted such Purchased Equipment. We will deliver Purchased Equipment to the site or sites designated in the Application (or as you otherwise instruct us in writing). You will be deemed to have accepted Purchased Equipment upon delivery thereof. You agree (i) to pay us for Purchased Equipment at the time of purchase in the amount(s), manner and time frame described in the Application, and if not stated therein, in full upon purchase, (ii) to make the site or sites of Purchased Equipment available to us by the shipping date thereof, (iii) not to move Purchased Equipment from the physical address set forth in the Application for any reason or use whatsoever without our prior written consent, and (iv) that any loss, destruction, theft of or damage to the Purchased Equipment that occurs after its delivery will not relieve you from your obligation to pay us the full purchase price payable hereunder. You represent and warrant that you have chosen the Purchased Equipment based on your own analysis and evaluation and expressly disclaim any reliance upon statements or representations made by us or others.

We do not provide wireless communication services. If you are purchasing wireless Purchased Equipment, we will not select the wireless communications carrier for you, we exercise no control over the wireless service carriers, we do not represent that coverage will be available in your area and we will not be responsible for checking coverage or if coverage is lost in your area. If your wireless carrier ceases to provide coverage, your Purchased Equipment might not work with another carrier. You, and not we, are responsible for determining that the wireless Purchased Equipment you select will work with the wireless communications carrier you select and with the services we provide.

B. Right to Recover Purchased Equipment for Non-Payment. In addition to our rights and your obligations set forth elsewhere in this Agreement, upon the occurrence of any Default or your failure to make any payment when due regarding Purchased Equipment for which are paying in installments or otherwise have not paid in full, (a) you will, within five (5) Business Days of our demand, pay us the balance due; if you fail to do so, then you will forfeit all monies paid with respect to that Purchased Equipment and surrender peacefully and deliver up promptly that Purchased Equipment to us, and (b) we may, at our option, require the immediate payment of all remaining amounts due under this Section 37.B and be entitled to reimbursement for any costs of repossession and/or any amount necessary to restore the Purchased Equipment to the same condition in which it was delivered to you, ordinary wear and tear excepted; in either case, you will also be responsible for court costs and reasonable attorney's fees incurred by or on behalf of us, as well as applicable shipping, repair and refurbishing costs.

C. Supplies. Separate charges may apply for supplies for Purchased Equipment which may be sold separately.

D. Prohibition on Liens; Protection of Purchased Equipment. Until we have received full payment of the purchase price of, and all Taxes imposed on, Purchased Equipment (i) you will not directly or indirectly create or permit to exist, and will promptly and at your own expense discharge, any lien, charge or encumbrance on such Purchased Equipment; (ii) you will not alter the Purchased Equipment in any manner whatsoever; (iii) you will maintain the Purchased Equipment at your expense in the same condition in which it was delivered to you, ordinary wear and tear excepted; and (iv) in the event of any loss, theft, damage or destruction of the Purchased Equipment from any cause whatsoever, you will notify us immediately of such condition and we, in our sole discretion, will determine the extent of loss and the cost of repair and/or replacement, and you will bear the entire risk and promptly pay the cost of such repair and/or replacement.

E. Security Interest; Financing Statements. You hereby grant to us a purchase money security interest in each piece of Purchased Equipment for which you are paying in installments or otherwise have not paid in full to remain in effect until paid in full. We will have all rights and remedies of a secured creditor under the Uniform Commercial Code (or similar code) as adopted and then in effect in the State of North Carolina ("**UCC**"). You hereby authorize us, at your expense, to cause this Agreement, the Application or any statement or other instrument in respect to this Agreement showing our interest in the Purchased Equipment, including UCC Financing Statements, to be filed or recorded and refilled and rerecorded and grant us the right to execute your name thereto, and you agree to pay or reimburse us for all related filing, recording or stamp fees or taxes. The security interests granted under this Agreement will survive the termination of this Agreement until all your obligations are irrevocably paid and performed in full.

F. Purchased Equipment Manufacturer Warranties; Disclaimer of Liability and Warranties.
We will take appropriate steps, to the extent permitted, to assign to you any and all warranties provided by the manufacturer of the Purchased Equipment. The exact term, conditions and coverage of each warranty will vary for each component of such Purchased Equipment in accordance with written materials provided to you upon delivery thereof. WE WILL HAVE NO LIABILITY FOR ANY DAMAGES OF ANY KIND WHATSOEVER WITH RESPECT TO THE PURCHASED EQUIPMENT OR YOUR USE, MAINTENANCE OR REPAIR THEREOF.

WE MAKE NO REPRESENTATIONS OR WARRANTIES, EITHER STATUTORY, EXPRESS OR IMPLIED, OF ANY KIND WITH RESPECT TO PURCHASED EQUIPMENT, INCLUDING, WITHOUT LIMITATION,

THOSE OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT OF INTELLECTUAL PROPERTY OF ANY KIND, WHICH, WITHOUT LIMITING THE FOREGOING, ARE DISCLAIMED BY US. NO DESCRIPTIONS OR SPECIFICATIONS, WHETHER OR NOT INCORPORATED INTO THIS AGREEMENT, NO PROVISION OF MARKETING OR SALES MATERIALS AND NO STATEMENT MADE BY ANY SALES REPRESENTATIVE IN CONNECTION WITH THE PURCHASED EQUIPMENT WILL CONSTITUTE REPRESENTATIONS OR WARRANTIES OF ANY KIND.

SECTION 38. ADDITIONAL TERMS FOR INTERNET-BASED SERVICES.

A. Internet-Based Services Generally. We will provide certain Services accessible or provided to you via the Internet, including, but not limited to, reporting, electronic commerce, and Chargeback research, as further described below or in Supplements and in the Rules, that you elect and we approve ("**Internet-Based Services**").

We will provide you with Devices for access by Users. You are responsible for maintaining the confidentiality of all Devices provided to Users. You acknowledge that for certain Internet-Based Services, Users established and registered under your customer level identifier for those Internet-Based Services will be required to agree to the terms of the then-current user agreement for that Internet-Based Service ("**User Agreement**") as each User first accesses it. We may suspend or terminate any User's access to an Internet-Based Service at any time and without prior notice. You will be responsible for each User's compliance with the terms of the User Agreement (including any Users acting through your agents) and therefore agree to be bound by the terms thereof, in addition to this Agreement.

We strive to make the Internet-Based Services available twenty-four hours a day and seven days a week, except for scheduled maintenance on the days and during the times posted on the related web sites; nonetheless, we reserve the right, in our sole discretion, to modify, or suspend or cease providing access to, the Internet-Based Services (or any portions or features thereof) without notice to you.

The terms and provisions of this Agreement will apply to all Internet-Based Services, including, but not limited to the limits on liability, indemnities and License; provided, however, that if the terms and provisions of this Section 38 or any Supplement for an Internet-Based Service directly conflict with the terms and provisions of the rest of this Agreement, then those of Section 38 or that Supplement will control only to the extent of that conflict.

B. Information Reporting. Our information reporting Internet-Based Services allow you to receive reports regarding your merchant account and Locations via the Internet, as further described in the Rules and on the web sites we provide to you for access to these Internet Based Services. If you do not have, or we do not approve you for, web access, you may receive these reports via one of our different delivery methods of e-mail, flat files, facsimile and paper, as agreed upon between you and us. If you agree to receive the reports via e-mail, we will provide the reports in an encrypted format and Devices to decrypt the reports. You will be required to provide us with the appropriate e-mail address. You will also be obligated to de-encrypt the e-mail. If you utilize flat files, you will receive Devices to enable you to receive and decrypt data. For all delivery methods, you agree to timely update us of: (a) any changes in contact, User or other information necessary to deliver the reports to you and (b) any disclosure, loss or improper use of any Devices, if applicable. You represent that the delivery method utilized by you was selected by you and us based on both parties' analysis and evaluation. You assume all liability for the functionality and compatibility of the delivery method as it relates to you.

C. Merchant Explorer®. As we receive retrievals requests, Chargebacks or reversals affecting you (each, an "**Exception**"), we will establish a case for each Exception within the Bank Systems ("**Exception Case**"). We will make available to you the Merchant Explorer Internet-based electronic interface to the Bank Systems ("**Merchant Explorer**") to allow you to view, update and respond to Exception Cases. Merchant Explorer supports up to 20 Users (including your Administrator User ID) under your customer level identifier. You may request a paper copy of any Exception Case, which we will provide to you at our then current rates. Merchant Explorer also allows you to attach documentation to an Exception Case (via upload or fax), generate and receive reports regarding Exceptions activity and trends ("**Reports**") and to request email alerts regarding Exceptions and Reports, all as further described in the materials for Merchant Explorer, including the Merchant Explorer User Guide and Merchant Explorer Quick Reference Guide and other documentation (collectively, the "**Merchant Explorer Materials**") and this Section 38.C. The Merchant Explorer Materials are made a part of this Section 38.C by this reference to them; provided, however, that the terms of this Agreement will control in the event of a direct conflict with the terms of any of the Merchant Explorer Materials.

Users may request, via the System, to receive electronic alerts regarding Exceptions (meeting certain criteria) and Reports ("Alerts") via email as further described in the Merchant Explorer Materials. Alerts will be sent to the email addresses entered into Merchant Explorer. You and related Users are responsible for updating Merchant Explorer for any changes to any such email addresses. You acknowledge and agree that Alerts are provided as a convenience and therefore you may not rely on the receipt or expected receipt of an Alert, or the contents (or lack thereof) of any Alert, to relieve you of any of your obligations or duties under this Agreement regarding Exceptions. We will endeavor to provide Alerts in a timely manner with accurate information; however, we will have no liability or responsibility for (i) failed, delayed or misdirected delivery of any Alert, (ii) the accuracy of the contents of any Alert, (iii) for any actions taken or not taken by you or any third party in reliance on an Alert or (iv) any Alert that is intercepted or received by an unauthorized person.

SECTION 39. ADDITIONAL TERMS FOR ELECTRONIC COMMERCE CARD TRANSACTIONS.

You acknowledge and agree that this Section 39 pertains only to ECTs that arise from a Transactions effected in U. S. dollars. All your ECTs must be in U.S. dollars and will be settled in U.S. dollars. Under the Rules, ECTs are considered non face-to-face Card Transactions. In addition, you must properly identify each ECT in the Transaction Record.

You agree to develop and maintain a point of presence on the Internet at your expense. You must post your consumer data privacy policy and method of transaction security on your web site(s) in accordance with the Rules and Applicable Law. You will, in accordance with the Rules and Applicable Law, (i) install and maintain a working firewall to protect data accessible via the Internet; (ii) keep security patches up to date; (iii) encrypt stored data; (iv) encrypt data sent across networks; (v) use and regularly update anti-virus software; (vi) restrict access to data on a "need to know" basis; (vii) assign a unique ID to each person with computer access to data; (viii) not use vendor-supplied defaults for system passwords and other security parameters; (ix) track access to data by unique ID; (x) regularly test security systems and processes; (xi) maintain a policy that addresses information security for employees and contractors; and (xii) restrict physical access to Cardholder Data.

Your Internet web site must contain (a) a complete description of the goods or services offered, (b) your returned merchandise and refund policy, (c) your customer service contact information, including e-mail address and/or telephone number, (d) transaction currency, (e) export or legal restrictions (if known), (f) your delivery policy and (g) your country of domicile immediately prior to the Cardholder's accessing of payment instructions. In addition, you must disclose, at all points of Cardholder interaction (including any of your supplier or subcontractor Internet web sites and any of your promotional materials and invoices), to the Cardholder that you, and not any of any your suppliers of goods or subcontractors for services, are the merchant of record and responsible for any Card transaction. You must also notify the Cardholder that you are responsible for (i) payment transactions, (ii) products and services, (iii) direct customer service, (iv) dispute resolution, and (v) all terms and conditions of the Transaction. You must display on your Internet web site(s) the Card Organization Marks, wherever you display payment options, in accordance with Sections 6.D and 6.E.

You will be responsible for all costs of connectivity and communication between you, the Internet and us. You agree to utilize SSL (Secure Sockets Layer) or a secure compatible encryption method acceptable to us in providing your ECTs to us for authorization, processing and settlement.

You assume all responsibility for identification of the Cardholder and the validity of the Card information for ECT. You agree that each authorization request will include a request for address verification and a positive response for it. You agree to identify separately any high-risk transactions you submit. The high-risk transactions include, but are not limited to, any under Merchant Category Code 5967 – Direct Marketing – Inbound Telemarketing Merchants.

SECTION 40. ADDITIONAL TERMS FOR ELECTRONIC BENEFITS TRANSACTIONS.

A. EBTs General. If elected by you on the Application, and approved by us, we will provide to you certain Services for the authorization, processing and settlement of Card Transactions submitted to the EBT Networks in connection with the United States Department of Agriculture, Food and Nutrition Services ("**FNS**") food stamp benefits ("**FS Benefits**"), Temporary Assistance to Needed Families ("**TANF**") benefits, other government delivered cash assistance benefits ("**Cash Benefits**") to individual recipients of EBT Benefits ("each, a **Recipient**") using an EBT security card ("**EBT Card**") issued by a state participating in the EBT Benefits ("**State**"), and Recipients of other states not within an EBT program area ("**Other Recipients**"); these Transactions are referred to in this Section 40 as "**EBT Transactions**" and FS Benefits and Cash Benefits are collectively referred to in this Section 40 as "**EBT Benefits**". You agree to accept EBT Cards and EBT Benefits at each of your Locations from Recipients as provided in this Agreement and Applicable Law. If any terms and provisions of this Agreement directly conflict with the terms and provisions of this Section 40, then the terms and provisions of this Section 40 will control only to the extent of that conflict.

You agree to secure and maintain at your own expense all necessary licenses, permits, franchises, or other authorities required to lawfully effect the providing or issuance and distribution of EBT Benefits under this Agreement, including without limitation, any applicable franchise tax certificate and non-governmental contractor's certificate, and covenant with us that you will not accept, honor or issue EBT Benefits at any time during which you are not in compliance with the requirements of Applicable Law and the Rules.

B. EBT Acceptance Requirements and Restrictions. You will provide each Recipient a receipt for each EBT Transaction undertaken by you. You will be solely responsible for your issuance of EBT Benefits other than in accordance with the Rules and Applicable Law. You will provide us, upon execution of this Agreement, with a complete list of all of your Locations where you desire to accept EBT Cards as further described in Section 8.A. You will honor any valid EBT Card properly tendered for use when it is presented with a valid PIN. You will not engage in acceptance practices or procedures that discourage the use of any valid EBT Card. You will not complete any EBT Transaction for which you have not received an Authorization. You will ensure that if a Recipient enters a valid PIN, you will not require another form of identification from that Recipient unless you have grounds to suspect fraud.

You will provide or issue (or both) EBT Benefits to Recipients and Other Recipients in accordance with the Rules and Applicable Law in the amount authorized through Merchant Equipment, upon presentation by Recipient or Other Recipient of an EBT Card and entry of a valid PIN for that person. You agree that in the event of failure of the Merchant Equipment to print EBT Benefit issuance information, as approved and validated as a legitimate EBT Benefit, you will remain responsible for compliance with the Rules applicable to the Authorization of EBT Benefits.

(i) Cash Benefits. If you agree to accept Cash Benefits EBT Transactions, then you agree to maintain adequate cash on hand to provide Cash Benefits to Recipients in the same manner and to the same extent cash is provided to your other customers. You will not require, and will not in any advertising suggest, that any Recipient must purchase goods or services at your facilities as a condition to the issuance or provision of Cash Benefits to such Recipient, unless such condition applies to other customers as well. You will not designate special checkout lanes restricted to use by Recipients, provided that if you designate special checkout lanes for Cards or specific payment methods other than cash, Recipients may be directed to such lanes so long as other customers are directed there as well.

(ii) FS Benefits. If you support the issuance or provision of FS Benefits through manual benefit issuance procedures during the period of time when normal benefit issuance is not possible, then the following limitations will apply to manual issuance or provision of FS Benefits by you:

(a) you must receive an Authorization number for the amount of the purchase via telephone at the time of sale;

(b) specified Recipient, clerk and sales information, including the telephone Authorization number, must be entered properly and legibly on the manual Transaction Record;

(c) the manual Transaction Record must be submitted to the applicable EBT Network for processing within ten (10) calendar days following the date of Authorization or any such earlier period of time specified in the Rules;

(d) except as otherwise specifically provided by the Rules, you will not be reimbursed and will be solely; responsible for any EBT Transaction for which you fail to obtain an Authorization number at the time of sale or otherwise fail to process that EBT Transaction in accordance with the Rules; and

(e) except as otherwise specifically provided by the Rules, you may not "resubmit" a manual Transaction Record for payment if insufficient funds exist at the time that it is presented for processing and payment.

If you provide or issue FS Benefits under this Agreement, you represent and warrant to us that you are a FNS authorized retailer and you are not currently disqualified or withdrawn from redeeming food stamps or otherwise disqualified or withdrawn by FNS.

C. Compliance. You agree to comply with Applicable Law and the Rules governing the acceptance of EBT Benefits by you under this Agreement, including without limitation, laws pertaining to delivery of goods and services to Benefit Recipients and Benefit Recipient confidentiality, and the federal Civil Rights Act of 1964, Rehabilitation Act of 1973, Americans with Disabilities Act of 1990, Clean Air Act, Clean Water Act, Energy Policy and Conservation Act, Immigration Reform and Control Act of 1986, and regulations issued by the Department of Agriculture pertaining to Food Stamp Program regulation. You agree to comply with all additional procedures specified by the State or EBT Networks, regarding lost EBT Cards, forgotten PINs, discrepancies in EBT Benefits authorized and similar matters.

You will not accept any EBT Card for any purpose other than to provide or issue EBT Benefits, including without limitation as security for repayment of any Recipient obligation to you. In the event of any violation of this provision, you will be obligated to reimburse the State for any EBT Benefits unlawfully received by either Recipient or you.
You agree to maintain and preserve all EBT Transaction Records, financial records or documentation arising under this Section 40 during the course of this Agreement and for a period of three (3) years following EBT Benefit provision or issuance, or for such additional period as Applicable Law or the Rules may require. Records involving matters in litigation will be kept for a period of not less than five (5) years following the termination of the litigation. You agree to separately maintain EBT Transaction Records and other related documentation as may be reasonably requested or required by the State or its designated agent and to promptly make such records available for audit upon request by representatives of the State or its designated agents during normal business hours. To assure compliance with this Agreement, any authorized representatives of the State will at all times have the right to enter, during normal business hours, your premises to inspect or evaluate any work performed under this Agreement, or to obtain any other information required to be provided by you or otherwise related to this Agreement.

D. Termination of Authority to Accept EBT Benefits. Your authority to issue EBT Benefits may be suspended or terminated by the State or its agents, in their sole discretion, effective upon delivery of a notice or suspension or termination specifying the reasons for such suspension or termination, in addition to our other rights of termination, we may terminate EBT Services upon notice to you, in the event of (i) any suspension, injunction, cessation, or termination of our ability to provide EBT processing services, or (ii) failure by you, upon not less than thirty (30) days prior written notice, to cure any breach by you of the provisions of this Agreement, including without limitation, your failure to support the issuance of EBT Benefits during your normal business hours consistent with your normal business practices, your failure to comply with EBT Benefit issuance procedures, your impermissible acceptance of an EBT card, or your disqualification or withdrawal of the FS program.

E. Fees for EBT Transactions. We will charge you a fee for each EBT Card transaction as set forth on the Fee Schedule regardless of whether said transaction is approved, declined or determined invalid. You acknowledge that these fees are based upon certain EBT Network, State, gateway and access fees currently in effect and upon certain sponsorship arrangements made by us with an EBT Network for your sponsorship needed to participate in the State's EBT Benefits program and for certain other states not within that EBT Benefit program area, all of which constitute Third Party Based Fees for purposes of Section 10. In addition to our rights to change existing or add new fees to the Fee Schedule as set forth in Section 10.D, you agree that if the State or its designated agents charge or assess an increased or new fee or charge in connection with EBT Transactions then we will have the right to increase the existing fees or add new fees that we charge you for EBTs, and you will be bound by those increases and additions, subject to your right to terminate this Agreement, all as further described in Section 10.D. You agree to pay for all gateway and access fees, EBT Network fees, setup, adjustment or chargeback fees which may be imposed by us, an EBT Network or the State, in accordance with the terms and provisions of Section 10.

F. Multiple States. If you accept EBT Benefits under the programs of more than one State, then the terms and provisions of this Section 40 and the Applicable Law of each State will apply separately with respect to the EBT Benefits administered by that State and the related EBT Card, and EBT Transactions and confidentiality of Cardholder Data, in addition to any applicable Card Organization Rules or other Applicable Law.

SECTION 41. CONTINUING GUARANTY.

A. Definitions. In this Continuing Guaranty ("**Guaranty**"):

"**Agreement**" means collectively, the Merchant Agreement and any other merchant-related agreements between Bank and Merchant, as such agreements are now in effect and as amended, renewed or supplemented from time to time, a copy of which has been provided to Guarantor.

"**Bank**" means Bank of America, N.A.

"**Guarantor**" is each person or business who signed on the Guarantor signature line(s) of the Merchant Services Application or electronically submitted consent to these terms.

"**Merchant**" is the person or business organization named on the Merchant Services Application or who is named in your electronically submitted consent to these terms.

"**Obligations**" are the Obligations of Merchant under the Agreement.

Capitalized terms not otherwise defined in this Guaranty have the meanings ascribed in the Agreement.

B. Guaranty. Merchant has applied for the Services as defined and described in the Agreement. To induce Bank to make Services available to Merchant, the Guarantor hereby unconditionally guarantees payment of, and will pay to the order of Bank on demand, the Obligations of Merchant described below.

1. The Obligations include all obligations Merchant incurs under the Agreement: (a) at any time, past, present or future, (b) voluntarily or involuntarily, (c) directly or indirectly, and (d) individually or together with others.
2. The Obligations include amounts: (i) due or not yet due, (ii) absolute or contingent, (iii) for a determined or undetermined amount, and (iv) for amounts due from Merchant.
3. The Guarantor expressly acknowledges and agrees that Guarantor has received adequate consideration for the execution, delivery and performance of this Guaranty.
4. The Guarantor understands that the maximum amount of the Obligations is related to the Services provided under the Agreement, and may be for an unlimited amount, unless a maximum amount is provided in a separate written agreement between Guarantor and Bank. Guarantor also understands that Bank may from time to time modify the amount or type of Services provided to Merchant, which may increase the Guarantor's obligations under this Guaranty.
5. This Guaranty is unconditional. Bank may require the Guarantor to pay even if Bank does not: (a) proceed against Merchant, any other Guarantor, or any other party, (b) perfect any security interest, (c) proceed against any security, or (d) pursue any other remedy.
6. Bank may release or add Guarantors without releasing any other Guarantor. Bank may require the Guarantor to pay even if a statute of limitations or disability bars recovery from Merchant, or the Obligations are or become otherwise unenforceable. The Guarantor waives the benefit of any statute of limitations that would apply to the Guaranty.
7. The Guarantor's obligations are independent of Merchant's Obligations, and Bank may sue the Guarantor without suing Merchant.

C. Limits of the Guaranty. At any one time, the Guaranty is limited to the Obligations of the Merchant under the Agreement, which may be for amounts without a limit. Bank, however, may permit Merchant to incur Obligations to Bank exceeding the limits of this Guaranty and may apply amounts received from sources other than the Guarantor to the unguaranteed portion of Merchant's Obligations to Bank. This Guaranty is in addition to any other guaranty given by the Guarantor.

D. Bank's Rights.

1. Bank may from time to time, without notice to or demand on the Guarantor: (a) change the interest rate on or renew any other debt of Merchant to Bank, (b) accelerate, compromise or change the repayment period of the Obligations or any other debt of Merchant to Bank, or otherwise change the terms of the Agreement, (c) receive, substitute or release collateral for the Obligations or for any other debt of Merchant to Bank, (d) sell, otherwise dispose of or apply collateral in any order, or (e) assign or sell all or a part of the Obligations and this Guaranty.

2. Bank may, at its option, request periodic financial statements from the Guarantor. The Guarantor will supply these statements promptly upon Bank's request. Bank may assign this Guaranty, in whole or in part, without notice, and Bank and any assignee or purchaser, or any prospective assignee or purchaser of the Obligations, may exchange financial information about the Guarantor with one another in connection with any assignment or purchase transaction. If Merchant is other than a natural person, Bank is not required to investigate the powers of anyone acting on Merchant's behalf.

E. Protecting Bank's Interest.

1. Any amounts Merchant owes the Guarantor now or in the future are subordinated to Merchant's Obligations to Bank. If Bank so requires, the Guarantor, as a trustee for Bank, will collect amounts Merchant owes the Guarantor and pay them to Bank in reduction of the Obligations to Bank, without affecting or reducing this Guaranty.

2. Until the Obligations of Merchant and any other obligations of Merchant to Bank have been paid in full and the Agreement has been terminated, the Guarantor does not have any: (a) right of subrogation, reimbursement, indemnification or contribution arising from the existence or performance of this Guaranty (including, but not limited to, any rights

arising from contract, statute or otherwise), (b) right to enforce a remedy that Bank now has or may later have against Merchant, or (c) right to participate in security now or later held by Bank.

3. The Guarantor does not have any right to any defense based on a claim that the responsibilities of Guarantor under this Guaranty are more burdensome than or exceed the Obligations.

4. The Guarantor is solely responsible for obtaining any financial or other information from Merchant the Guarantor may require. Bank is not required to give the Guarantor any information about Merchant's business operations or financial condition, or any notices or demands to Merchant of any kind, including notices of new or additional Obligations or any other debts that may be incurred by Merchant, notices of default or notice of Bank's acceptance of this Guaranty.

F. Security Interest and Right of Set-Off.

1. To secure all the debts covered by this Guaranty, the Guarantor assigns and grants to Bank a security interest in all of the following property of Guarantor held at Bank and all of its affiliates: (a) money, (b) securities, (c) deposit accounts and their proceeds, and (d) any other property (collectively, "**Guarantor Bank Assets**").

2. If Merchant fails to fulfill any obligation under the Agreement or if any of the Guarantor's obligations to Bank are not fulfilled, Bank may immediately use any Guarantor Bank Assets to reduce the Obligations.

3. Bank also may foreclose on any other collateral as provided in the Uniform Commercial Code and in any security agreements between Bank and Guarantor.

G. Guarantors in Community Property States. In the event Guarantor lives in a community property state and Guarantor is married, Guarantor agrees that he or she is acting on behalf of his or her marital community and that this Guaranty benefits or is expected to benefit the community, and that recourse may be had against the community property and the Guarantor's separate property.

H. Arbitration. Any dispute arising out of or relating to this Agreement that is not resolved by the parties through meetings or party representatives will be referred to mediation, if both parties agree, or to arbitration, if the parties cannot so agree. Respecting mediation, the parties hereto agree to cooperate in good faith to select a mediator, a mediation venue and an expeditious date for the mediation hearing. At the mediation hearing, the parties agree to produce a senior member of their management team. It is agreed in advance that the parties and their witnesses need not be physically present at the mediation venue, but may at their option participate telephonically.

If the parties cannot agree to mediation or if the mediation hearing was unsuccessful, then the dispute will be resolved by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("**AAA**"), or its successor, and judgment upon the arbitration award may be entered in any court of competent jurisdiction. Any such arbitration will be conducted in Charlotte, North Carolina, or the city nearest thereto having an AAA regional office. Unless otherwise agreed, there will be a single arbitrator. The arbitrator may not make any ruling, finding or award that does not conform to the terms and conditions of this Agreement, and in no event may punitive damages be awarded by the arbitrator. Either party, before or during any arbitration, may apply to a court of competent jurisdiction for a temporary restraining order or preliminary injunction where such relief is necessary to protect its interests pending completion of the arbitration proceedings. Neither party nor the arbitrators may disclose the existence or results of any arbitration hereunder without the prior written consent of both parties.

The parties agree that this Agreement involves interstate commerce and, notwithstanding any choice of law provisions in this Agreement, any arbitration hereunder will be governed by the Federal Arbitration Act (or any successor thereto).

I. Waiver of Jury Trial. This Section 41.I is applicable only for Guarantors residing or domiciled in the following states: Arizona, Arkansas, Connecticut, District of Columbia, Florida, Idaho, Iowa, Kansas, Maine, Massachusetts, Michigan, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Virginia and Washington.

By agreeing to binding arbitration, Guarantor and Bank irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any dispute. Furthermore, without intending in any way to limit this agreement to arbitrate, to the extent any dispute is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such dispute. **WHETHER THE DISPUTE IS DECIDED BY ARBITRATION OR BY TRIAL BY A JUDGE, THE PARTIES AGREE AND UNDERSTAND THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW.**

J. Expenses. Guarantor will pay all reasonable attorney fees, including allocated costs of Bank's in-house counsel, court costs and all other expenses Bank incurs in enforcing this Guaranty. The expenses covered by this provision include attorney fees and costs of any arbitration proceedings related to this Guaranty.

K. Revoking this Guaranty. The Guarantor may revoke this Guaranty as to future transactions or activities at any time by written notice to Bank, effective two (2) Business Days after Bank receives the written notice revoking the Guaranty. The Guarantor is obligated for all Obligations relating to services extended by Bank to Merchant before the revocation becomes effective. Any revocation will not affect the Guarantor's obligation for any transactions or activities that preceded the effective time of the revocation, and the Guarantor will remain obligated on all Obligations related to these transactions and activities, even if those Obligations arise or occur before or after such revocation. If this Guaranty is revoked and Bank later must refund or rescind a payment, or transfer an interest in property back to Merchant, relating to Obligations before the revocation, this Guaranty will be reinstated only with respect to that payment or interest.

L. Choice of Law/Venue Enforcing this Guaranty.
This Guaranty will be governed by the laws respecting national banks and to the extent not so covered, by the laws of the State of North Carolina without regard to conflicts of law provisions except that Section 41.H. will be governed by the Federal Arbitration Act. If any part of this Guaranty is not enforceable, the remaining provisions still remain valid and enforceable. In performing its obligations under this Guaranty, each party agrees to comply with all laws and regulations applicable to it. Guarantor hereby irrevocably submits to the exclusive jurisdiction of the courts of the State of North Carolina and the United States for the Western District of North Carolina, Charlotte Division, and agrees that any legal action or proceeding with respect to this Guaranty may be commenced in such courts. Bank may delay or waive exercising or enforcing any of its rights, including its rights of set-off and lien, without losing them. These rights continue until Bank waives them in writing.

Bank of America

Commercial Card Services Amendment to the Terms and Conditions

Back to Table of Contents

This Amendment ("Amendment") is to the Treasury Services Terms and Conditions Booklet or the Cash Management Services Terms and Conditions Booklet previously executed by you (the "Booklet"). Terms used but not defined in this Amendment will have the meanings given to them in the Booklet. The purpose of this Amendment is to describe the terms and conditions under which we will provide you with the Corporate Card Services, as described below. Subject to our specific approval, you may use our Corporate Card Services under the following terms and conditions once you have signed the Authorization and Agreement signature page for the Booklet and this Amendment and completed any set up forms and testing requirements for the services. Except as set forth in this Amendment, the provisions of the Booklet remain in full force and effect.

CORPORATE CARD

Our Corporate Card Services allow you to open Card Accounts for your business purposes, as described below. You may select one or more of the following card programs: purchasing, travel and entertainment, accounts payable, or fleet. Detailed information regarding such Services is available in the applicable User Documentation.

OUR OBLIGATIONS

We will open Card Accounts upon your request which Cardholders or you may use to conduct Transactions for your business. We will assume that all Transactions made on a Card Account are authorized by you until we receive and have had a reasonable period of time to act upon written notice from you that the Cardholder is no longer authorized to use the Card, Convenience Checks or the Card Account.

Upon your request, we may also provide Convenience Checks with respect to your Card Accounts. At your request, we may also establish a Card Account for which we assign only a Card Account number, but we do not issue a Card. If you so request, we will provide to the Cardholder, at the address you or the Cardholder specifies, a monthly billing statement reflecting the Cardholder's use of the relevant Card Account. We may deny authorization of any Transaction if we suspect fraudulent activity or Unauthorized Use or for any other reason. Notwithstanding anything to the contrary in the "Limitations of Liability" section of the Booklet, we will not be liable for any failure to authorize a Transaction.

YOUR OBLIGATIONS

You will use each Card Account solely for your business purposes.

You will pay for each Transaction, regardless of its purpose or whether you signed a sales draft or received a receipt, in addition to our fees and charges.

You represent and warrant to us that each Cardholder is a current employee or agent of your company. You will promptly furnish such financial and other information as we request for the purpose of reviewing your ability to perform your obligations to us. You represent and warrant to us that all such information about your employees, agents or your company is accurate, sufficiently complete to give us accurate knowledge of your financial condition and in compliance with all applicable rules, regulations and laws.

You and each Cardholder will check to ensure that the information embossed on each new Card or printed on each Convenience Check is correct, and you will contact us immediately if there is an error.

CHARGE LIMITS

For each Card program, we will give you one total charge limit for all your Card Accounts. We will also assign an individual charge limit for each Card Account. Upon your request and if approved by us, we may increase the total charge limit or any individual charge limit. We may decrease the total charge limit or any individual charge limit at our discretion. You agree not to incur obligations which would cause the total charge limit for all your Card Accounts to be exceeded. If you do exceed this limit, or if any Cardholder's individual charge limit is exceeded, we may deem the entire balance owing to be immediately due and payable, and/or we may refuse any Transactions on all Card Accounts or the individual Card Account until a payment is made to reduce the balance below the total charge limit or the individual charge limit.

TRANSACTIONS IN OTHER CURRENCIES

If you make a Transaction in a currency other than U.S. dollars, Visa or Mastercard will convert the charge or credit into a U.S. dollar amount. The conversion rate on the processing date may differ from the rate on the date of your Transaction. The exchange rate used by Visa will either be (i) a rate selected by Visa from a range of rates available in wholesale currency markets for the applicable central processing date, which rate may differ from the rate Visa receives, or (ii) the government-mandated rate in effect for the central processing date. MasterCard will use an exchange rate of either (i) a wholesale market rate or (ii) a government-mandated rate. We may add a fee to the U.S. dollar amount of any Transaction that is made in a foreign currency (the "International Transaction Fee"). The International Transaction Fee is set forth in the schedule of charges currently in effect for you. The International Transaction Fee will be shown in the Activity section on your billing statement and aggregated in the Other Fees category in the Summary section of your statement.

DISPUTES WITH MERCHANTS AND SUPPLIERS

We will have no liability for goods or services purchased with, or for a merchant's or supplier's failure to honor purchases made with, a Card Account, Convenience Check or Card. You agree to make a good faith effort to resolve any dispute with a merchant or a supplier arising from a Transaction. In a dispute with a merchant or supplier, we will be subrogated to your rights and each Cardholder's rights against the merchant or supplier, and you will assign and cause the Cardholder to assign to us the right to assert a billing error against the merchant or supplier. You will do, and will cause the Cardholder to do, whatever is necessary to enable us to exercise those rights. We may reverse from any Card Account any Transactions relating to the dispute.

A merchant or supplier may seek prior authorization from us before completing a Transaction. If you advise us in writing that you desire to restrict Transactions to merchants falling within certain categories that we designate in our User Documentation, we will take reasonable steps to prevent authorization of Transactions from other types of merchants. However, we will not be liable to you if any merchant or supplier nonetheless accepts a Card, Convenience Check or Card Account for other types of Transactions, or if authorization for a Transaction is not given.

CONVENIENCE CHECKS

If we provide Convenience Checks with regard to a Card Account, they may not be used to make payment on the Card Account. We may pay a Convenience Check and post its amount to the Card Account regardless of any restriction on payment, including a Convenience Check that is post-dated, that states it is void after a certain date or that states a maximum or

minimum amount for which it may be written. Once paid, Convenience Checks will not be returned to you or the Cardholder.

If you wish to stop payment on a Convenience Check, you must call us at the customer service number shown on your billing statement and provide such information as we request or is required under the relevant User Documentation. We will stop payment if we receive your request on or before the Business Day before the Business Day on which we would otherwise pay the Convenience Check. The date on which we would pay a Convenience Check may be prior to the date it would post to your Card Account. A stop payment order will remain in effect for up to six (6) months.

CARDLESS ACCOUNTS; ACCOUNTS NOT IN NAME OF INDIVIDUAL

We may, at your request, establish a Card Account for which no Card is issued or establish a Card Account with a designation which is not an actual individual, including, without limitation, designation of a vehicle identification number, license number, department name or "Authorized Representative" on the Card Account. Notwithstanding any other term in this Booklet, you agree to be solely responsible for the use of any such Card Account, including, without limitation, any Unauthorized Use, and you agree not to make any claim or request related to any Unauthorized Use of such a Card Account.

PAYMENT OF CARD ACCOUNTS; SECURITY INTEREST

We will provide to the Card Administrator, or any other person you designate in writing to us, a billing statement which will identify each Transaction posted during the billing cycle and the date of the Transaction. The billing statement will also list any applicable fees and charges for the Services. If you have requested a Card Account for travel and entertainment Transactions, we will provide an additional copy of the billing statement covering such use of the relevant Commercial Card to the appropriate Cardholder at the address which you or the Cardholder provides to us.

You will pay to us the total amount shown as due on each billing statement on or before the due date shown on the statement. If you do not make a payment in full by the specified due date, in addition to our other rights, we may assess a late fee and finance charge as set forth in our schedule of fees and charges. You have no right to defer any payment due on any Card Account.

Unless otherwise agreed by us, payments must be made using an ACH service. As specified by you, we may initiate ACH debits to any deposit account at any financial institution. If you arrange for direct payment by Cardholders, such an arrangement will not change your responsibilities under this Booklet, including your obligation for payment.

You grant to us a security interest and contractual right of setoff in and to all deposits now or subsequently maintained with us or any of our affiliates or Subsidiaries. In connection with that grant, you authorize us to enter into a master control agreement with our affiliates authorizing, upon the occurrence and continuance of any default, the disposition of any such deposits to satisfy all liabilities incurred in connection with these Services, without your further consent. The grant of this security interest shall survive termination of these Services.

LOST OR STOLEN CARDS; UNAUTHORIZED USE

In the event of a possible loss, theft or Unauthorized Use of a Card, Convenience Check or Card Account, you will give us notice by telephone or telefax to the numbers set forth in the User Documentation. You agree to give us this notice as soon as practicable but in any event no later than the next Business Day after discovery of the known or suspected loss, theft or Unauthorized Use. If notice as provided in this paragraph is given and you assist us in investigating facts and circumstances relating to the possible loss, theft or Unauthorized Use,

including without limitation obtaining an affidavit or similar written, signed statement from the Cardholder, then you will not be liable for Transactions resulting from the loss, theft and/or Unauthorized Use. If we have issued fewer than ten Card Accounts to you, your liability for Transactions by a person who does not have actual, implied or apparent authority to use the Card or Convenience Check and whose use does not result in a direct or indirect benefit to you will not exceed $50.00 on each Card.

LICENSE TO USE YOUR MARKS

Upon your request, we may place your trademark, tradename, service mark and/or designs ("Company's Marks") on the Cards and collateral materials. You will provide the graphics to us in sufficient time to allow for review and approval by us and, if necessary, the respective card association. You grant to us a non-exclusive license to use, during the term of the Services, Company's Marks on the Cards and on other materials related to the Card Accounts. Your indemnity under the "Protection from Third Parties" section of this Booklet covers any claim that any use of Company's Marks infringes the intellectual property right of any third party.

EXTENSION OF CORPORATE CARD SERVICES TO AFFILIATES

Upon your request and submission of a Participant Account Form, we may approve one or more affiliates of which you are majority owner for participation in the Corporate Card Services. Each participating affiliate will have the same rights and obligations as you except that no separate charge limit will be assigned. Your charge limit will apply to Transactions on all Card Accounts, including those of your participating affiliates.

You may terminate an affiliate's participation by giving us written notice and a reasonable time to act on such notice. If an approved Participant is, or will no longer be, majority-owned by you, you agree to notify us immediately, and we may immediately terminate the Card Accounts of such Participant.

SUPPLEMENTAL GOVERNING LAW AND RESOLUTION OF DISPUTES PROVISIONS

Notwithstanding anything to the contrary in the Governing Law provision in the General Provisions section of the Booklet, the Corporate Card Services are governed by the laws respecting national banking associations and, to the extent not covered by those laws, by the laws of the State of Delaware, without reference to that state's principles of conflicts of law, regardless of where you reside or where a Cardholder uses a Card Account.

Notwithstanding anything to the contrary in the Resolution of Disputes provision in the General Provisions section of this Booklet, you agree to submit to the personal jurisdiction of any state or federal court in Delaware and to binding arbitration in Delaware with respect to disputes regarding the Corporate Card Services.

ADDITIONAL TERMINATION PROVISIONS

We may immediately terminate these Services if there occurs (i) a termination event set forth in the "Termination" section of this Booklet with respect to you, a participating affiliate or a guarantor of obligations under any Card Account, (ii) a change in your ownership, if you are a privately-held entity, in excess of 50% or (iii) any of the following with respect to you, a participating affiliate or a guarantor of obligations under any Card Account:

- the failure to pay or perform any obligation, liability or indebtedness to us or any of our affiliates or subsidiaries, whether under this Booklet or any other agreement, as and when due (whether upon demand, at maturity or by acceleration);

- the failure to pay or perform any other obligation, liability or indebtedness to any other party;
- death (if an individual), resignation or withdrawal of any partner or material owner (of a privately-held entity);
- merger or consolidation with or into another entity;
- the determination by us that any representation or warranty made to any of our affiliates or subsidiaries in any agreement is or was, when it was made, untrue or materially misleading;
- the failure to timely deliver such financial statements, including tax returns, other statements of condition or other information, as we shall request from time to time;
- the entry of a judgment which we deem to be of a material nature;
- the seizure or forfeiture of, or the issuance of any writ of possession, garnishment or attachment, or any turnover order for any property;
- the determination by us that we are insecure for any reason;
- the determination by us that any such person fails to meet credit criteria initially used by us to approve the Card Services; or
- the failure to comply with any law or regulation controlling its operation.

Upon any termination of the Card Services, (i) the entire balance outstanding on all Card Accounts shall, at our option, become immediately due and payable and (ii) you will immediately destroy, and will instruct all Cardholders to immediately destroy, all Cards and Convenience Checks. Your responsibility to pay for all Transactions regarding each Card Account will continue until a reasonable period of time after you notify us to close the Card Account or until you pay for all Transactions entered into before we close the Card Account to future use, whichever occurs later. After termination, you and all Cardholders will not make any new Transactions on any Card Account. If, however, such new Transactions are made, then you will be liable for each of them.

DEFINITIONS

Billing Statement. The official invoice provided to you, Participant and/or Cardholder which identifies each Transaction posted during the billing cycle, the date of each Transaction, the applicable fees and charges, payment amount due and Payment Due Date.

Business Day. Each day on which we are open for business related to the Services.

Card. Each plastic charge card which we issue for your Card Account using a Service.

Card Account. Each MasterCard® or Visa® account which we issue to you or to a Cardholder with respect to a Service, including a Cardless Account.

Card Administrator. One or more individuals designated by you in writing, as our primary contact for the Card Accounts, who is authorized to take actions necessary or appropriate to maintain the Card Accounts, including without limitation designating persons to receive Card Accounts, receiving communications from us related to the Card Accounts, requesting the closure of Card Accounts and otherwise communicating with us with respect to the Card Accounts.

Cardholder. Your employee or any other person who you designate in writing and who we approve to receive a Card. If you or a Cardholder makes a Card Account number or Convenience Check available to another party, that person will also be considered a Cardholder.

Cardless Account. An Account for which we assign only an account number, but no Card is issued.

Cash Advance. Use of a Card Account to obtain cash from a participating financial institution, merchant or Automated Teller Machine, to write a Convenience Check or to obtain items readily convertible into cash, such as money orders, travelers checks, foreign currency, lottery tickets, casino chips and race-track wagers.

Convenience Check. A check which we may provide to you, upon your request, to draw on a Card Account.

Grace Days. The number of days after the Billing Statement closing date within which payment is due.

Guarantor. A person or entity, other than you or a Participant, that agrees to assume responsibility for the obligations of this Agreement, including payment of any amounts owed.

Materials. The Software, user identification codes, passwords, codes, keys, test keys, security devices, embedded algorithms, digital signatures and certificates, other similar devices and information, User Documentation and related documentation we provide to you.

Participant. A Subsidiary, affiliate or division of yours which you designate in writing on a Participant Account Form and which we approve, for us to issue a Card Account with its own account number. A Participant Account Form, upon completion by you and approval by us, will be made a part of this Agreement.

Payment Due Date. The payment due date shown on the Billing Statement, which date shall be the last day of the Grace Days.

Software. Web-based applications accessed via a Website and/or the programs and data files provided by us for use on a computer in connection with the Services.

Subsidiary. Any entity in which more than 50% of the ownership interest is owned, directly or indirectly, by you. The term "Subsidiary" does not include affiliates or other entities in which 50% or less of the ownership interest is owned, directly or indirectly, by you.

Transaction. The purchase or reservation of goods or services or a Cash Advance made or facilitated by use of a Convenience Check or Card Account.

Unauthorized Use. Use of a Card Account, Card or Convenience Check by a person (i) who is not your Cardholder, employee or agent, (ii) who does not have actual, implied or apparent authority to use the Card Account and (iii) whose use does not benefit you directly or indirectly.

User Documentation. Any written information we provide you, including information in electronic format, as amended from time to time, which contains detailed instructions regarding the use of a Service. Current User Documentation is available upon your request.

Website. Any internet website and/or online access channel for use in accessing the Services.

You have caused this Amendment to be executed by your duly authorized officer or representative as of the date set forth below.

Guidelines for completion:

Type of organization:	Who must sign:
corporation	any authorized officer
limited liability company	all members, or any authorized officer*
partnership (general or limited)	any general partner*
limited liability partnership	the managing partner*
sole proprietorship	the sole proprietor
governmental entity	the Treasurer*

* Includes any individual authorized under your charter or organizational or constituent documents. The legal name of any member, managing member, manager or general partner who is signing and who is not an individual must appear in the signature block.

Dated:_____

_____
(ORGANIZATION'S LEGAL NAME)

_____
[Signature]

_____
[Print Name]

_____
[Print Title (include the legal name of any member, managing member, manager or general partner who is signing and who is not an individual)]

_____
[Signature, if two are required by Client]

_____
[Print Name]

_____
[Print Title (include the legal name of any member, managing member, manager or general partner who is signing and who is not an individual)]

Response to City of Sacramento Request for Contract Review

Bank of America Merrill Lynch

Back to Table of Contents

Exhibit 3 - Financial Statements and Ratings

Provide the most recent audited financial statements of the Financial Institution.

As requested, we have included our most recent Annual Report for 2009. We have also included our 2010 bank financial overview along with our most current Standard & Poor's, Moody's and Fitch credit rating below.

Bank Financial Overview

2010 FOURTH-QUARTER PERFORMANCE RESULTS		
In millions, except for per-share data	4Q 2010	4Q 2009
Diluted Earnings Per Share (EPS)	($0.16)	($0.60)
Net Income	($1,244)	($194)
Revenue (fully taxable equivalent basis)	$22,668	$25,413
Net Interest Income (fully taxable-equivalent basis)	$12,709	$11,896
Efficiency Ratio (excludes merger charges)	92.04	64.47
Noninterest Income	$9,959	$13,517
Noninterest Expense	$20,864	$16,385
Ratio of Net Charge-offs to Average Loans & Leases	2.87%	3.71%
Nonperforming Assets as a percentage of Total Loans	3.27%	3.75%

FAST FACTS (DOLLARS IN BILLIONS) AT DECEMBER 31, 2010	
Market capitalization	$134
Avg. Common Shares issued and outstanding (in thousands)	10,085,155
Loans and leases	$940
Deposits	$1,010
Number of FTE employees	286,951
Number of banking centers – domestic	5,856
Number of ATMs - domestic	17,931
Number of active online customers (in millions)	29.3

Response to City of Sacramento Request for Contract Review

Bank of America Merrill Lynch

We have also provided below a link to our annual reports.

http://investor.bankofamerica.com/phoenix.zhtml?c=71595&p=irol-reportsannual

Bank Credit Ratings

Credit Rating Summary

BANK OF AMERICA CORPORATION[1] AS OF DECEMBER 31, 2010			
	Moody's	Standard & Poor's	Fitch
Outlook	Negative	Negative	Rating Watch Negative
Long-Term	A2	A	A+
Short-Term	P-1	A-1	F1+
Subordinated	A3	A-	A
Trust Preferred	Baa3	BB+	BBB-
Preferred Stock	Ba3	BB+	BBB-

BANK OF AMERICA, N.A.[2] AS OF DECEMBER 31, 2010			
	Moody's	Standard & Poor's	Fitch
Outlook	Negative	Negative	Stable
Deposits	Aa3	A+	AA-
Long-Term	Aa3	A+	A+
Short-Term	P-1	A-1	F1+

[1] Ratings are identical for Merrill Lynch & Co.
[2] Ratings are identical for FIA Card Services, N.A.

Back to Table of Contents

December 31, 2009

Bank of America
100 North Tryon Street
Charlotte, NC 28255

Dear Bank of America,

I have a stake in this company too.
What are you doing to move the bank
and the economy forward?

My company needs to maximize returns and minimize risk.
How can Bank of America Merrill Lynch help?

Everything's so complicated.
Can't you make credit card terms simpler?

Is my investment portfolio diversified?

How did the acquisitions of Countrywide and Merrill Lynch change your business?

Can you help me better manage my bills and monthly payments?

When will Bank of America increase its dividend?

What steps are you taking to make sure my financial information is secure?

I'm a small-business owner with plans to expand. Will I be able to get access to capital?

My budget has never been more stretched.
How can you help me?

Is now a good time for me to invest in emerging markets?

Can you help me take my company public?

Times are tough. What is Bank of America doing to help?

My financial situation is sound. How can I qualify for more credit?

How do I save for college and pay my weekly grocery bill at the same time?

Our corporation is ready to expand globally.
Can you advise on international acquisition opportunities?

I want to retire in 10 years. Will I be ready?

Can Bank of America do more for me than my hometown community bank?

I'm in over my head with my mortgage. How can you help?

I don't have time to visit a branch. Can I manage my accounts online?

How can you make my cash flow more productive?

I need a banker who understands my business.
Do you have industry expertise?

How can I protect my wealth for future generations?

We're listening.

We know your financial needs are changing. That's why we're changing too...

To Our Shareholders:

Bank of America serves one in two U.S. households, virtually the entire U.S. Fortune 1000 and clients around the world. We built this company to serve customers and clients wherever and however they choose, and to return value to shareholders. We understand that we play an important role as an engine of growth and a partner for success for millions of individuals, families and businesses of every size.

As we emerge from the economic crisis of the past two years, we also have the opportunity — and the obligation — to address a simple question I often hear: "What is Bank of America doing to make financial services better?"

It's a good question. My answer is, we're working to improve our ability to support the financial health of all those we serve. To provide financial solutions that are clearly explained and easily understood. To take our seat at the table with policy-makers at every level and help create a financial system that supports economic growth and financial stability. And to do all this through a business model that generates attractive returns for you — our shareholders.

Brian T. Moynihan
Chief Executive Officer and President

A Tough Year

2009 was a difficult year by almost every measure. As the largest lender in the United States during the worst recession in 70 years, we knew 2009 would be a stern test — and it was.

For the full year, we reported net income of $6.3 billion — a good overall result given the economic environment. After accounting for preferred dividends and the cost of exiting the federal government's Troubled Asset Relief Program (TARP), we reported a net loss applicable to common shareholders of $2.2 billion, or a loss of $0.29 per diluted share.

TARP, and other actions by public officials, stabilized our financial system, and we're grateful to U.S. taxpayers for making these funds available. We repaid the Treasury the full $45 billion for the TARP preferred stock investment in December. Government support of our company and the industry also carried a heavy cost for our shareholders. In 2009, dividends and fees associated with government support programs reduced our net income available to you, our shareholders, by $9.6 billion.

At the same time, we faced high credit costs in 2009, as provision expense for the year totaled $49 billion. While credit costs will continue to be high in 2010, most credit quality metrics have begun to improve. Net charge-offs fell in the fourth quarter for the first time in more than four years. We think the economy will gain strength through the year, so we expect credit costs to improve.

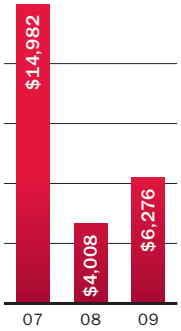
Despite the many challenges we faced in 2009, we came through the worst year for banks in several generations with net income up more than 50% over 2008. We strengthened our capital through a series of actions that increased Tier 1 common capital by $57 billion. And we

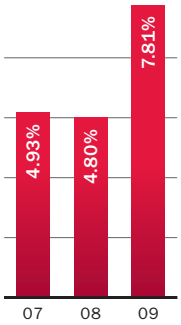
Bank of America is a global leader in client assets, retail deposits, commercial banking, credit cards, home loans and lending.

Bank of America has relationships with

98%

of U.S. Fortune 1000 companies.





"We came through the worst year for banks in several generations with net income up more than 50% over 2008."

We are a leading provider of sales, trading and research services to clients in all major markets.

moved ahead on our merger integrations — LaSalle is complete, Countrywide is close, and the Merrill Lynch transition is progressing on schedule and under budget. Bringing these projects to a successful close is critical as we look forward to putting all of our focus on customer and client satisfaction this year and beyond.

Leadership in a Changing Industry

Early in this crisis, it became clear that consumers across all our markets were frustrated with their banking experience. They wanted clarity, consistency, transparency and simplicity in their financial products and services.

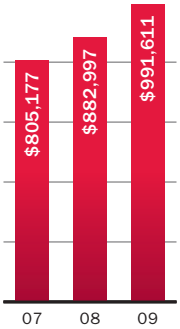
We've responded with Clarity Commitment® documents in our home loans and credit card businesses that explain in plain English the terms of each product or service; with limited and simplified fee structures in our deposits business; and with other changes that make it easier for our customers to manage their finances.

In our capital markets businesses, we're working with policy leaders on reforms for derivatives trading, securitization and other sectors that aim to improve transparency and accountability. We are working to ensure that reforms balance safety and soundness with innovation, and allow us to deliver the products our clients need to run their businesses.

While we have always had a "pay for performance" culture, we have made important changes to our compensation practices to more closely align pay with long-term financial performance and enable the company to recover funds when risks go bad.

We also have adopted an improved approach to risk management. Each year, the management team will recommend, and the board of directors will approve, an aggregate risk appetite for the company that management will then allocate across the lines of business. We've clarified risk management roles and responsibilities. We're putting in place management routines that will foster more open debate on risk-related issues, and we're taking action based on those debates.

Total Deposits
In millions, at year end



Total Assets
In millions, at year end

Total Loans and Leases
In millions, at year end

Before and during the recent crisis, many of our collective business judgments missed the mark. We believe the changes we're making now will put us in a much better position to see and respond to macroeconomic risks in the future.

We are moving ahead and making changes we believe are responsive to our customers' and clients' needs. And we are urging constructive dialogue with policymakers to make sure we'll be able to continue to meet the needs of our clients, while at the same time protecting the future of our industry.

Growing the Right Way

There is nothing more important to our more than 280,000 Bank of America teammates and me than our belief that there's a right way to do business — an approach that balances our responsibilities to all our stakeholders. This belief has guided our efforts as we've worked to help customers, clients and communities ride out the economic storm.

Clearly, the most urgent need has been loan modifications, to help families and businesses manage their monthly cash flow to get through the crisis. We've reported regularly on our efforts to ease the crisis in home foreclosures, and we continue to accelerate our work to match the growing need. We lead the nation in the number of home loans we've modified — nearly 700,000 trial and permanent modifications since January 2008.

Another key area of focus is small- and medium-sized businesses. In 2009, we lent more than $16 billion to these businesses, and we announced in December that we would increase lending to small- and medium-sized businesses by $5 billion in 2010. We also modified more than 60,000 small business card loans. In the current crisis, we believe this is not only the right thing to do, but that it's also good business. A renegotiated loan is better than a defaulted loan — and we believe many of these customers will become loyal advocates for Bank of America as they get back on their feet in the coming years.

Bank of America has more than 18,000 ATMs and award-winning online banking with active users totaling nearly

30m.

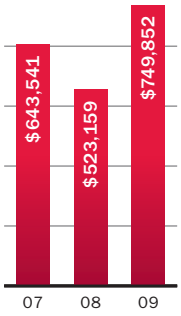
We serve

1 in 2

households in the country.

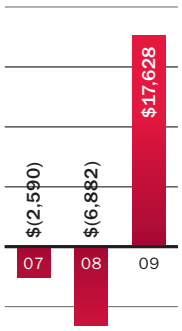
Our retail footprint covers 80% of the U.S. population and we serve 59 million consumer and small-business relationships.

Assets Under Management
In millions, at year end



Investment Banking Income
In millions, full year 2009

Sales and Trading Revenue*
In millions, full year 2009



*Fully taxable-equivalent basis

"Now, it's all about execution — about meeting and exceeding our customers' and clients' expectations every day."

That our company is taking this approach should not surprise anyone who has known or followed us over the years. A healthy sense of "enlightened self-interest" is a cornerstone of our culture, and continues to find life in our 10-year goals for community development ($1.5 trillion) and philanthropy ($2 billion), our industry-leading environmental initiatives and other endeavors.

Our Vision for Bank of America

Our vision for our company is simple. It's Bank of America associates all over the world pulling together to create the right solutions for our customers and clients. It's customers and clients telling us we're the best by bringing us more of their business. It's shareholders investing in our stock because they can see our bright future. It's associates choosing to build their careers here because they believe this is the best place to work. It's community leaders acknowledging that Bank of America is the most important business partner helping to drive success in their communities.

That's what I mean when I talk about the finest financial services company in the world.

We have the best domestic and global franchise in the industry, and capabilities across all our businesses that we believe meet or beat those of our competitors. Now, it's all about execution — about meeting and exceeding our customers' and clients' expectations every day.

Our great challenge is to take this large, diverse company we've built and make it the best in the business at helping customers, clients, shareholders and communities achieve their financial goals. Helping our team meet this challenge by achieving operational excellence on a global scale is the goal I have set for myself as chief executive officer.

I'd like to close by thanking Walter Massey and the board for their confidence in me as I begin my journey as CEO. Most of all, I want to thank our customers, clients and shareholders for your continued confidence in us. We take our responsibilities very seriously, and we are working hard every day to win in the marketplace.

Brian T. Moynihan
President and Chief Executive Officer
March 1, 2010

Walter E. Massey
Chairman of the Board of Directors

To Our Shareholders:

Over the course of the past several years, our company and the global financial system have changed dramatically. Our recent acquisitions, combined with the unexpected depth of the financial crisis, signaled the need for more board members with deep and broad experience in financial management, and familiarity with the financial regulatory environment.

Since April of last year, we have welcomed six new directors. They are:

- Susan S. Bies, former member, board of governors of the Federal Reserve System
- William P. Boardman, retired vice chairman, Banc One Corporation and retired chairman, Visa International, Inc.
- Charles O. Holliday Jr., retired chairman and CEO, E.I. du Pont de Nemours and Co.
- D. Paul Jones Jr., former chairman, CEO and president, Compass Bancshares, Inc.
- Donald E. Powell, former chairman, Federal Deposit Insurance Corporation
- Robert W. Scully, former member, Office of the Chairman, Morgan Stanley

Our newly constituted board immediately set about the work of reassessing the current state of the company's governance processes and controls, and began taking action to strengthen the board's oversight functions. We continue this work today.

We also had a number of members retire from the board last year. Leaving the board were: William Barnet, III; John T. Collins; Gary L. Countryman; Tommy R. Franks; Patricia E. Mitchell; Joseph W. Prueher; O. Temple Sloan, Jr.; Meredith R. Spangler; Robert L. Tillman; and Jackie M. Ward. We appreciate the many contributions of all these individuals over the years, and offer our deep gratitude for their service.

After 40 years of service, including nine years as the company's chief executive officer, Kenneth D. Lewis retired from Bank of America on December 31, 2009, having transformed the company from a U.S.-focused retail and commercial bank to one of the largest and strongest global financial services companies in the world. During his tenure at the company, Lewis led most of the company's businesses, eagerly accepting the toughest assignments and excelling in every role. In his early years as CEO, Lewis focused exclusively on organic growth by pursuing process and operational excellence. He instituted a comprehensive Six Sigma program across the company, raising customer satisfaction scores, reducing errors and lowering costs. As the bank's performance improved, Lewis began expanding the company's markets and capabilities with acquisitions of Fleet (2004), MBNA (2006), U.S. Trust (2007), LaSalle (2007), Countrywide (2008) and Merrill Lynch (2009). Lewis also took every opportunity to extend the bank's national leadership in community development lending, philanthropy, diversity and environmental programs, strongly believing that the bank will only ever be as healthy or successful as the communities that it serves.

In September, Ken Lewis, our company's president and chief executive officer, announced his decision to retire from the company at the end of the year. I think all of us on the board who had the opportunity to work with Ken over the years observed a few things about him.

First, Ken knows the difference between management, the task of day-to-day administration, and leadership, the art of inspiring others to follow — and that both are critical to the success of the company. Second, he is one of the most competitive, focused and disciplined people I'm ever likely to meet. Third, he understands why values are the most important foundation for any business. He lived the company's values every day, and required his teammates to do the same.

Ken helped lead the growth of this company over the course of his 40-year career because he firmly believed that becoming a large company with broad capabilities would enable us to create more value for customers, clients and shareholders. I know he still believes that — and so do I.

On December 16 of last year, the board of directors elected Brian Moynihan to be the company's president and chief executive officer starting January 1. Brian also joined our board of directors at the start of the year. Brian brings to his role a tremendous breadth and depth of experience, having led, at different times, the company's wealth management, corporate and investment banking, and consumer and small-business banking businesses. He is as comfortable on Wall Street as he is on Main Street.

Bank of America represents one of the great business opportunities in history. We have assembled a company of tremendous scale, diversity and capabilities. Our challenge and opportunity is to take advantage of what we have built and make it work even better for customers, clients, shareholders and communities.

I look forward to all we'll accomplish as we pursue this goal.

Walter E. Massey

Walter E. Massey
Chairman of the Board of Directors
March 1, 2010

How are we making banking better?

By being clear and easy to understand.

Managing your money can be hard work, but the right bank can make it easier. That's why Bank of America is committed to providing customers with products and policies that are easy to understand — like our new Clarity Commitment® documents and simplified overdraft policies.

Clarity Commitment® In 2009, we introduced Clarity Commitment documents for home mortgages, home equity loans and credit card agreements. A Clarity Commitment document is a simple, easy-to-read, one-page loan summary that includes important information on payments, interest rates and fees — without a lot of legal terminology — to complement customer loan agreements.

Clear and Simple We know our customers' needs are changing, so we're changing with them. In 2009, we simplified our overdraft policies, limited fees and developed a clear summary of what customers should expect from their Bank of America checking account. We also focused on helping our customers keep better track of their finances by offering multiple balance alert options with our checking and savings accounts, as well as online tools. It's all part of our pledge to deliver simple, predictable and transparent products and services to our customers.

By helping families in tough times.

As America's largest bank, we have a responsibility to help customers who are struggling. That's why Bank of America has stepped up our home loan and credit card modification efforts and outreach programs. We also expanded our home retention staffing to more than 15,000 to help customers who are experiencing difficulty with their home loans.

Home Loan Modifications Since January 2008, we have helped nearly 700,000 customers with permanent and trial loan modifications through our own programs and the Home Affordable Modification Program (HAMP). We've also taken significant steps to contact customers who may be eligible for home loan modifications, including targeted advertising, door-knocking campaigns, and partnerships with nonprofit organizations.

Credit Card Modifications In 2009, Bank of America modified 1.4 million unsecured loans, including credit card loans, for customers struggling to meet their financial obligations. Efforts included lowering interest rates, reducing payments and fees or referring customers to debt management programs.

Deposits Customer Assistance
In 2009, we launched a Customer Assistance Program to help our customers who lost their jobs. Since then, we have helped more than 150,000 customers by lowering fees.

By making every good loan we can.

Access to credit is essential to economic recovery and growth. That's why Bank of America is open for business — helping our customers drive the economy forward. In 2009, Bank of America extended more than $758 billion in credit to consumer and commercial clients, which works out to about $3 billion per business day.

Consumers Bank of America is one of the largest providers of consumer credit in the world, extending more than $430 billion in consumer loans in 2009. These loans, which range from first mortgage and home equity loans to credit card and other consumer unsecured loans, help customers finance their dreams.

Businesses Small businesses are vital to the growth and stability of our economy. We currently have more than $41 billion in outstanding small- and medium-business loans. In 2009, we extended more than $16 billion in credit to small- and medium-business customers and approximately $310 billion to large commercial relationships. For 2010, Bank of America has pledged to increase lending to small- and medium-sized businesses, an engine of job creation in our economy, by $5 billion.

in loans every single business day

By providing advice that helps our clients plan for it all.

Providing clients with comprehensive solutions and sound advice has never been more critical. The combination of **Bank of America**, **U.S. Trust**, and **Merrill Lynch** — which includes one of the largest teams of financial advisors in the industry — enables us to deliver comprehensive wealth management to clients. Whether it's preparing for retirement or other investment goals, we have the capabilities and resources to help our clients plan for all of life's dreams and milestone events.

Banking & Liquidity Management From the safety and security of FDIC-insured offerings, to innovative financing and lending solutions, we provide our clients access to a full spectrum of banking and liquidity management services.

Solutions for Retirement Retirement may be right around the corner or seem farther away than ever. Either way, we'll help clients get there with retirement strategies for all stages of life. And for clients who are business owners, we'll help their employees save for retirement.

Leaving a Legacy We understand that providing wealth for future generations and developing creative strategies for more effective giving are critical to clients. Through highly specialized credit, asset management, and trust and estate planning, we are committed to helping clients create the legacy they've always wanted.

By delivering customized solutions wherever our clients need us.

Whether it's raising capital in Mumbai or hedging currencies in Oslo, the powerful combination of **Bank of America Merrill Lynch** means we can do more for our clients wherever they do business. We understand the challenges our clients face around the world, and we tap the full resources of our company to help them achieve their goals. Our solutions span the complete range of advisory, capital raising, banking, treasury and liquidity, sales and trading, and research capabilities. We serve clients in more than 150 countries worldwide.

Advisory and Capital Raising Our corporate and investment bankers serve clients around the world and across all major industries. We offer customized solutions to help clients realize opportunities and navigate complex market conditions. From mergers and acquisitions to liquidity solutions, from initial public offerings to leveraged loans, from investment-grade bonds to rights issuances, we work with clients to provide strategic advice and access to capital wherever they are located.

Sales, Trading and Risk Management Our global sales and trading professionals are at the center of the world's debt, equity, commodity and foreign exchange markets, providing liquidity, hedging strategies, industry-leading insights, analytics and competitive pricing to more than 11,000 issuer clients and more than 3,500 investor clients across 13 time zones and six continents.

Research Insights and Recommendations Our research analysts provide insightful, objective and decisive research designed to enable clients to make informed investment decisions. More than 725 analysts focus on three main disciplines — equity, credit and macro research — with our equity analysts covering nearly 3,000 companies and more than 20 global industries.

By working hard to keep our communities vibrant.

Strong communities are a cornerstone to economic growth and stability. That's why Bank of America continues to advance the economic and social health of the neighborhoods we serve through strategic community development programs, lending and investing initiatives, support of the arts, philanthropy, volunteerism and environmental commitments. Our deep history of community involvement also supports our long-term business goals.

Community In 2009, we embarked on our 10-year, $2 billion charitable investment goal. During the year we invested $200 million to help meet critical community needs, including more than $20 million through our Neighborhood Excellence Initiative,® which recognizes community leadership and service. Also, associates donated more than 800,000 volunteer hours, contributing their time and expertise to meet critical community needs.

Economic Development In 2009, we initiated our 10-year, $1.5 trillion community development lending and investing goal, providing capital to low- and moderate-income and minority families, businesses and nonprofits to promote neighborhood revitalization. We also partner with community development financial institutions to provide financing and other assistance to businesses unable to qualify for traditional bank financing.

Environment Our 10-year, $20 billion environmental initiative to address climate change began in 2007. Since then, we have delivered more than $5.9 billion in lending, investing, and new products and services, including nearly $900 million in financing for renewable and energy efficiency projects in 2009 alone.

Volunteer
Grand Opening
STUDENT LEADERS

About Bank of America Corporation

Bank of America Corporation (NYSE: BAC) is headquartered in Charlotte, N.C. As of December 31, 2009, we operated in all 50 states, the District of Columbia and more than 40 foreign countries. Through our banking and various nonbanking subsidiaries throughout the United States and in selected international markets, we provide a diversified range of banking and nonbanking financial services and products through six business segments: Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets and Global Wealth & Investment Management. Bank of America is a member of the Dow Jones Industrial Average.

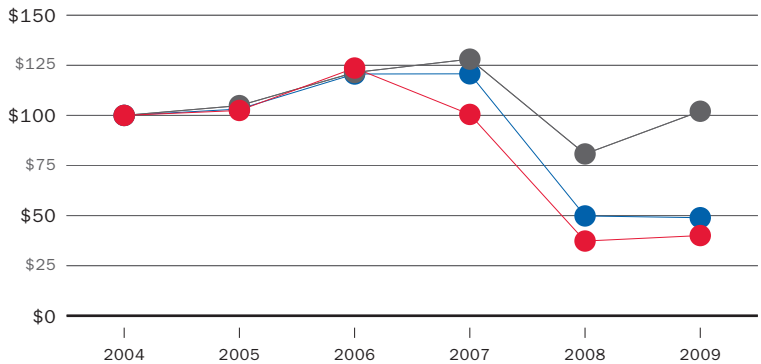
Financial Highlights (dollars in millions, except per share information)

For the year	2009	2008
Revenue net of interest expense[1]	$ 120,944	$ 73,976
Net income	6,276	4,008
Earnings (loss) per common share	(0.29)	0.54
Diluted earnings (loss) per common share	(0.29)	0.54
Dividends paid per common share	0.04	2.24
Return on average assets	0.26%	0.22%
Return on average tangible shareholders' equity	4.18	5.19
Efficiency ratio[1]	55.16	56.14
Average diluted common shares issued and outstanding (in millions)	7,729	4,596

At year end	2009	2008
Total loans and leases	$ 900,128	$ 931,446
Total assets	2,223,299	1,817,943
Total deposits	991,611	882,997
Total shareholders' equity	231,444	177,052
Book value per common share	21.48	27.77
Tangible book value per common share	11.94	10.11
Market price per common share	15.06	14.08
Common shares issued and outstanding (in millions)	8,650	5,017

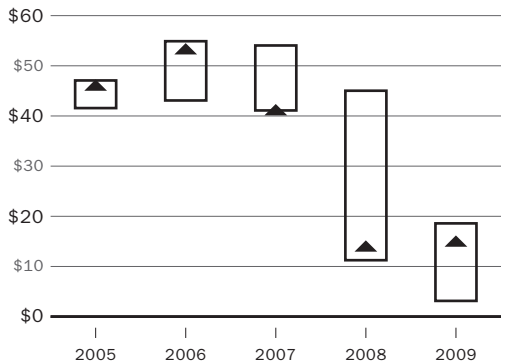
[1] Fully taxable-equivalent basis

Total Cumulative Shareholder Return[2]



	December 31	2004	2005	2006	2007	2008	2009
BAC	BANK OF AMERICA CORPORATION	$100	$102	$124	$100	$37	$40
SPX	S&P 500 INDEX	$100	$105	$121	$128	$81	$102
BKX	KBW BANK INDEX	$100	$103	$121	$121	$50	$49

5-Year Stock Performance

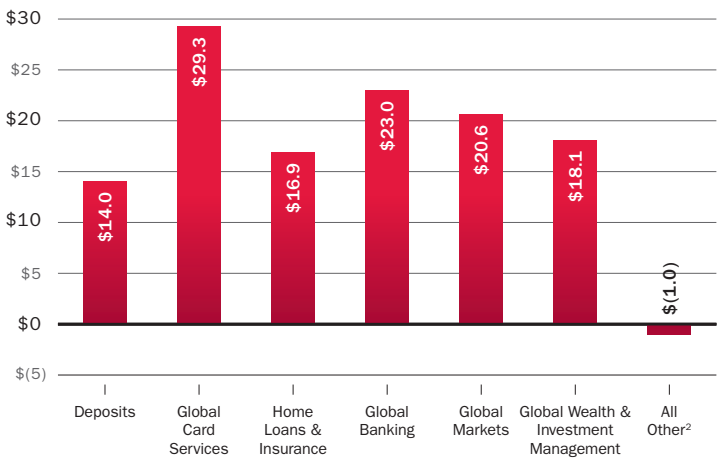


	2005	2006	2007	2008	2009
HIGH	$47.08	$54.90	$54.05	$45.03	$18.59
LOW	41.57	43.09	41.10	11.25	3.14
▲ CLOSE	46.15	53.39	41.26	14.08	15.06

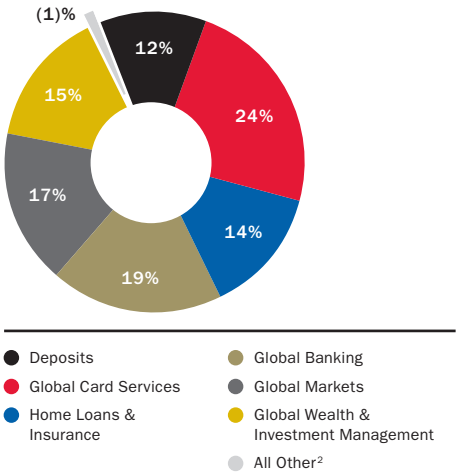
[2] This graph compares the yearly change in the Corporation's total cumulative shareholder return on its common stock with (i) the Standard & Poor's 500 Index and (ii) the KBW Bank Index for the years ended December 31, 2005 through 2009. The graph assumes an initial investment of $100 at the end of 2004 and the reinvestment of all dividends during the years indicated.

2009 Business Segments

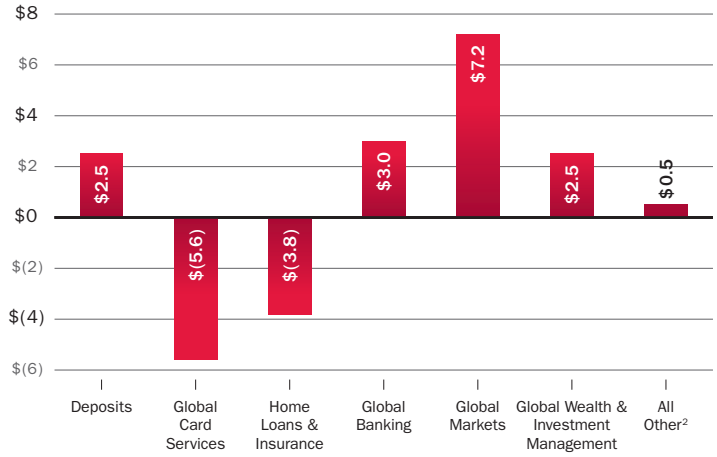
Net Revenue Per Business Segment[1] (dollars in billions)



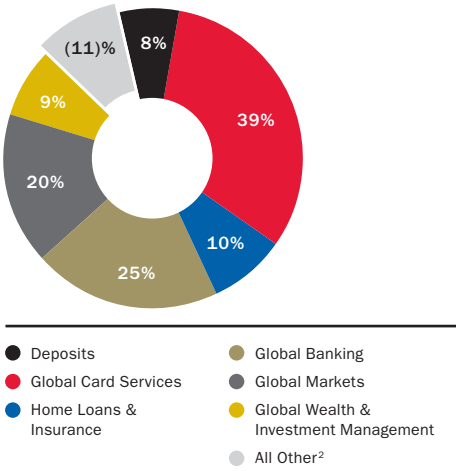
Net Revenue by Business Segment[1]



Net Income (Loss) Per Business Segment (dollars in billions)



Pre-tax, Pre-provision Income by Business Segment[1]



[1] Fully taxable-equivalent basis

[2] All Other consists primarily of equity investments, the residual impact of the allowance for credit losses and the cost allocation processes, merger and restructuring charges, intersegment eliminations, and the results of certain consumer finance, investment management and commercial lending businesses that are being liquidated. All Other also includes the offsetting securitization impact to present Global Card Services on a managed basis. For more information and detailed reconciliation, please refer to the All Other discussion in the 2009 Financial Review.

Deposits includes a full range of products for consumers and small businesses including traditional savings accounts, money market savings accounts, CDs, IRAs, and noninterest- and interest-bearing checking accounts. Deposits results also include student lending and the impact of our Asset and Liability Management activities.

Global Card Services is one of the leading issuers of credit cards in the United States and Europe and provides a broad offering of products to consumers and small businesses, including U.S. consumer and business card, consumer lending, international card and debit card and a variety of co-branded and affinity card products.

Home Loans & Insurance provides an extensive line of consumer real estate products and services including fixed and adjustable rate first-lien mortgage loans for home purchase and refinancing, reverse mortgages, home equity lines of credit and home equity loans. HL&I also offers property, casualty, life, disability and credit insurance.

Global Banking provides a wide range of lending-related products and services, integrated working capital management, treasury solutions and investment banking services. Our clients include multinationals, middle-market and business banking companies, correspondent banks, commercial real estate firms and governments.

Global Markets provides financial products, advisory services, financing, securities clearing, and settlement and custody services globally to institutional clients. We also work with commercial and corporate clients to provide debt and equity underwriting and distribution and risk management products.

Global Wealth & Investment Management provides a wide offering of customized banking, investment and brokerage services to meet the wealth management needs of our individual and institutional customer base. Our primary wealth and investment management businesses are: Merrill Lynch Global Wealth Management; U.S. Trust, Bank of America Private Wealth Management; and Columbia Management.

Our Actions

As one of the world's largest financial institutions, we know our actions can have a meaningful impact on the economy, our communities and families everywhere we do business. So, we have taken significant steps to help promote economic growth, restore trust, and move the bank forward.

Clarity Commitment® Our Clarity Commitment documents have been hailed by customers for helping promote transparency in traditionally complicated financial agreements. These one-page summaries highlight key loan terms in mortgage, home equity and credit card loan agreements, improving clarity and transparency of agreements for our customers.

Credit Card Assistance During 2009, we modified more than 1.4 million consumer and small business unsecured loans, including credit cards, representing more than $13.3 billion in credit.

Financial Literacy In 2009, we enhanced our online tools to provide consumers with guidance on managing their credit, including launching our Facts About Fees Web site; our interactive Home Loan Guide to help customers make informed decisions; our Bankofamerica.com/solutions portal; and Help With My Credit,℠ a Web site in partnership with other financial institutions to assist consumers struggling to make credit card payments.

Helping Customers Save In 2009, we launched the Add It Up® program, currently serving more than one million customers and allowing them to earn cash back on purchases. And, customers have saved more than $3 billion with Keep the Change® since it launched. This program automatically rounds up debit card purchases to the next dollar and transfers the difference from their checking to their savings account.

Lending We continue to make every good loan we can to consumers and businesses. Total credit extended in 2009 exceeded $758 billion.

Small-Business Support In 2009, we extended more than $16 billion in credit to small- and medium-business customers. For 2010, Bank of America has pledged to increase lending to small- and medium-sized businesses by $5 billion.

Home Loan Modifications In the past two years, we have helped nearly 700,000 customers with loan modifications, including modifications made by Countrywide before the acquisition in July 2008. These include permanent and trial modifications as part of the administration's Home Affordable Modification Program (HAMP). In December 2009, we became the first mortgage servicer to surpass 200,000 customers entering HAMP trial modifications — leading the industry with the highest number of active trials and offers extended.

Support of the Arts Reflecting our belief that strong arts institutions provide communities with stability, job opportunities and an improved quality of life, we invested nearly $50 million to support arts and heritage programs worldwide in 2009.

Supporting Green Initiatives We are addressing climate change by helping finance renewable and low-carbon energy solutions in our communities, like the financing we provided for a 929-kilowatt solar power system at Mendocino College's Ukiah campus in California. The system is expected to save the college nearly $15 million in electricity costs over the next 25 years, as well as reduce greenhouse gas emissions.

Community Development Our $1.5 trillion, 10-year community development goal started in 2009, and replaced our previous goal of $750 billion. This initiative, unprecedented in the financial services community, is focused on helping low- and moderate-income and minority families and neighborhoods in the areas of affordable housing, small-business and farm ownership, consumer loans and economic development.

Neighborhood Preservation By partnering with community groups to mitigate the impact foreclosures have on neighborhoods, we participated in nearly 250 outreach events in 32 states, and, since 2008, provided more than $35 million to fund neighborhood stabilization programs, including the Alliance for Stabilizing our Communities, a national coalition to help homeowners in areas hardest hit by foreclosures.

Retirement Planning A leading concern of Americans over age 55 is how they will live in retirement. In 2009, Merrill Lynch Wealth Management launched My Retirement Income™ to help retirees access and use retirement savings to fund their everyday lives as well as special one-time events.

Helping Companies Raise Capital Through our debt and equity underwriting expertise and distribution capabilities, we helped thousands of companies raise more than $347 billion of capital around the world, enabling them to grow their businesses and achieve their goals.

Philanthropic Giving As part of our $200 million philanthropic giving total in 2009, we responded to a dramatic increase in critical community needs, investing more than $8 million in emergency safety net grants to address issues of hunger, housing and more.

Bank of America
2009 Financial Review

Bank of America

Bank of America

Financial Review Contents

	Page
Executive Summary	28
Financial Highlights	32
Balance Sheet Analysis	34
Supplemental Financial Data	37
Business Segment Operations	39
Deposits	40
Global Card Services	41
Home Loans & Insurance	43
Global Banking	45
Global Markets	47
Global Wealth & Investment Management	50
All Other	53
Obligations and Commitments	54
Regulatory Initiatives	55
Managing Risk	56
Strategic Risk Management	59
Liquidity Risk and Capital Management	59
Credit Risk Management	66
Consumer Portfolio Credit Risk Management	66
Commercial Portfolio Credit Risk Management	76
Foreign Portfolio	86
Provision for Credit Losses	88
Allowance for Credit Losses	88
Market Risk Management	91
Trading Risk Management	92
Interest Rate Risk Management for Nontrading Activities	95
Mortgage Banking Risk Management	98
Compliance Risk Management	98
Operational Risk Management	98
ASF Framework	99
Complex Accounting Estimates	100
2008 Compared to 2007	104
Overview	104
Business Segment Operations	105
Statistical Tables	107
Glossary	120

Throughout the MD&A, we use certain acronyms and abbreviations which are defined in the Glossary beginning on page 120.

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

This report may contain, and from time to time our management may make, certain statements that constitute forward-looking statements. Words such as "expects," "anticipates," "believes," "estimates" and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could" are intended to identify such forward-looking statements. These statements are not historical facts, but instead represent the current expectations, plans or forecasts of Bank of America Corporation and its subsidiaries (the Corporation) regarding the Corporation's integration of the Merrill Lynch and Countrywide acquisitions and related cost savings, future results and revenues, credit losses, credit reserves and charge-offs, delinquency trends, nonperforming asset levels, level of preferred dividends, service charges, the closing of the sales of Columbia Management (Columbia) and First Republic Bank, effective tax rate, noninterest expense, impact of changes in fair value of Merrill Lynch structured notes, impact of new accounting guidance regarding consolidation on capital and reserves, mortgage production, the effect of various legal proceedings discussed in "Litigation and Regulatory Matters" in Note 14 – Commitments and Contingencies to the Consolidated Financial Statements and other matters relating to the Corporation and the securities that we may offer from time to time. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Corporation's forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties discussed elsewhere in this report, including under Item 1A. "Risk Factors of this Annual Report on Form 10-K," and in any of the Corporation's other subsequent Securities and Exchange Commission (SEC) filings: negative economic conditions that adversely affect the general economy, housing prices, job market, consumer confidence and spending habits which may affect, among other things, the credit quality of our loan portfolios (the degree of the impact of which is dependent upon the duration and severity of these conditions); the Corporation's modification policies and related results; the level and volatility of the capital markets, interest rates, currency values and other market indices which may affect, among other things, our liquidity and the value of our assets and liabilities and, in turn, our trading and investment portfolios; changes in consumer, investor and counterparty confidence in, and the related impact on, financial markets and institutions; the Corporation's credit ratings and the credit ratings of our securitizations which are important to the Corporation's liquidity, borrowing costs and trading revenues; estimates of fair value of certain of the Corporation's assets and liabilities which could change in value significantly from period to period; legislative and regulatory actions in the United States (including the Electronic Fund Transfer Act, the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 and related regulations) and internationally which may increase the Corporation's costs and adversely affect the Corporation's businesses and economic conditions as a whole; the impact of litigation and regulatory investigations, including costs, expenses, settlements and judgments; various monetary and fiscal policies and regulations of the U.S. and non-U.S. governments; changes in accounting standards, rules and interpretations (including new accounting guidance on consolidation) and the impact on the Corporation's financial statements; increased globalization of the financial services industry and competition with other U.S. and international financial institutions; the Corporation's ability to attract new employees and retain and motivate existing employees; mergers and acquisitions and their integration into the Corporation, including our ability to realize the benefits and cost savings from and limit any unexpected liabilities acquired as a result of the Merrill Lynch acquisition; the Corporation's reputation; 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.

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. Our principal executive offices are located in the Bank of America Corporate Center in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the United States and in certain international markets, we provide a diversified range of banking and nonbanking financial services and products through six business segments*: Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *Global Wealth & Investment Management (GWIM),* with the remaining operations recorded in *All Other*. At December 31, 2009, the Corporation had $2.2 trillion in assets and approximately 284,000 full-time equivalent employees. On January 1, 2009, we acquired Merrill Lynch & Co., Inc. (Merrill Lynch) and as a result we have one of the largest wealth management businesses in the world with approximately 15,000 financial advisors and more than $2.1 trillion in net client assets. Additionally, 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. On July 1, 2008, we acquired Countrywide Financial Corporation (Countrywide) significantly expanding our mortgage origination and servicing capabilities, making us a leading mortgage originator and servicer.

As of December 31, 2009, we currently operate in all 50 states, the District of Columbia and more than 40 foreign countries. In addition, our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S. we serve approximately 59 million consumer and small business relationships with approximately 6,000 banking centers, more than 18,000 ATMs, nationwide call centers, and leading online and mobile banking platforms. We have banking centers in 12 of the 15 fastest growing states and have leadership positions in eight of those states. We offer industry-leading support to approximately four million small business owners.

The following table provides selected consolidated financial data for 2009 and 2008.

Table 1 Selected Financial Data

(Dollars in millions, except per share information)	2009	2008
Income statement		
Revenue, net of interest expense (FTE basis)	$ 120,944	$ 73,976
Net income	6,276	4,008
Diluted earnings (loss) per common share	(0.29)	0.54
Average diluted common shares issued and outstanding (in millions)	7,729	4,596
Dividends paid per common share	$ 0.04	$ 2.24
Performance ratios		
Return on average assets	0.26%	0.22%
Return on average tangible shareholders' equity [1]	4.18	5.19
Efficiency ratio (FTE basis) [1]	55.16	56.14
Balance sheet at year end		
Total loans and leases	$ 900,128	$ 931,446
Total assets	2,223,299	1,817,943
Total deposits	991,611	882,997
Total common shareholders' equity	194,236	139,351
Total shareholders' equity	231,444	177,052
Common shares issued and outstanding (in millions)	8,650	5,017
Asset quality		
Allowance for loan and lease losses	$ 37,200	$ 23,071
Nonperforming loans, leases and foreclosed properties	35,747	18,212
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases	111%	141%
Net charge-offs	$ 33,688	$ 16,231
Net charge-offs as a percentage of average loans and leases outstanding	3.58%	1.79%
Capital ratios		
Tier 1 common	7.81%	4.80%
Tier 1	10.40	9.15
Total	14.66	13.00
Tier 1 leverage	6.91	6.44

[1] Return on average tangible shareholders' equity and the efficiency ratio are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data beginning on page 37.

2009 Economic Environment

2009 was a transition year as the U.S. economy began to stabilize although unemployment continued to rise. Gross Domestic Product, which fell sharply in the first quarter and continued to decline in the second quarter, rebounded in the second half of the year but remained well below its earlier expansion peak level. Consumer spending, which had declined sharply in the second half of 2008, rose modestly in each quarter of 2009 and received a boost from the U.S. government's Cash-for-Clunkers auto subsidies in the third quarter. Consumer spending remained tentative as households saved more and paid down debt. After reaching lows in January, housing activity increased compared to 2008 as home sales and new housing starts rose through the year lifting residential construction. Nevertheless, large inventories of unsold homes and the increase in foreclosures continued to weigh heavily on the housing sector.

Businesses cut production, inventories, employment and capital spending aggressively in response to the financial crisis in late 2008 continuing into 2009. Production and capital spending fell in the first half of the year, inventories declined for the first three quarters and employment declined through the entire year although at a progressively lower rate. U.S. exports increased in the second half of the year reflecting the rebound of certain international economies following the global recession. Despite the modest growth in product demand and output in the second half of the year, job layoffs mounted, and the unemployment rate increased to over 10 percent in the fourth quarter, the highest since the early 1980s. Producing more with fewer workers drove improvement in labor productivity, boosting profits in the second half of the year.

The Board of Governors of the Federal Reserve System (Federal Reserve) lowered the federal funds rate to close to zero percent early in the first quarter and in mid-March announced a program of quantitative easing, in which it purchased U.S. Treasuries, mortgage-backed securities (MBS) and long-term debt of government-sponsored enterprises (GSEs). This program contributed to lower mortgage rates generating an increase in consumer mortgage refinancing which helped homeowners, and along with lower home prices, stimulated activity in the housing market.

In early 2009, the short-term funding markets began to return to normal and the U.S. government began to unwind its alternative liquidity facilities, and loan and asset guarantee programs. By mid-year, order had been restored to most financial market sectors. The stock market fell sharply through mid-March, but rebounded abruptly, triggered in part by the U.S. government's bank stress tests and banks' successful capital raising. The stock market rally through year end retraced some of the losses in household net worth and increased consumer confidence.

Our consumer businesses were affected by the economic factors mentioned above, as our *Deposits* business was negatively impacted by spread compression. *Global Card Services* was affected as reduced consumer spending led to lower revenue and a higher level of bankruptcies led to increased provision for credit losses. *Home Loans & Insurance* benefited from the low interest rate environment and lower home prices, driving higher mortgage production income; however, higher unemployment and falling home values drove increases in the provision for credit losses. In addition, the factors mentioned above negatively impacted growth in the consumer loan portfolio including credit card and real estate.

Global Banking felt the impact of the above economic factors as businesses paid down debt reducing loan balances. In addition, the commercial portfolio within *Global Banking* declined due to further reductions in spending by businesses as they sought to increase liquidity, and the resurgence of capital markets which allowed corporate clients to issue bonds and equity to replace loans as a source of funding. The commercial real estate and commercial – domestic portfolios experienced higher net charge-offs reflecting deterioration across a broad range of industries, property types and borrowers. In addition to increased net charge-offs, nonperforming loans, leases and foreclosed properties and commercial criticized utilized exposures were higher which contributed to increased reserves across most portfolios during the year.

Capital markets conditions showed some signs of improvement during 2009 and *Global Markets* took advantage of the favorable trading environment. Market dislocations that occurred throughout 2008 continued to impact our results in 2009, although to a lesser extent, as we experienced reduced write-downs on legacy assets compared to the prior year. During 2009, our credit spreads improved driving negative credit valuation adjustments on the Corporation's derivative liabilities recorded in *Global Markets* and on Merrill Lynch structured notes recorded in *All Other.*

GWIM also benefited from the improvement in capital markets driving growth in client assets resulting in increased fees and brokerage commissions. In addition, we continued to provide support to certain cash funds during 2009 although to a lesser extent than in the prior year. As of December 31, 2009, all capital commitments to these cash funds had been terminated and the funds no longer hold investments in structured investment vehicles (SIVs).

On a going forward basis, the continued weakness in the global economy and recent and proposed regulatory changes will continue to affect many of the markets in which we do business and may adversely impact our results for 2010. The impact of these conditions is dependent upon the timing, degree and sustainability of the economic recovery.

Regulatory Overview

In November 2009, the Federal Reserve issued amendments to Regulation E, which implement the Electronic Fund Transfer Act (Regulation E). The new rules have a compliance date of July 1, 2010. These amendments change, among other things, the way we and other banks may charge overdraft fees; by limiting our ability to charge an overdraft fee for ATM and one-time debit card transactions that overdraw a consumer's account, unless the consumer affirmatively consents to the bank's payment of overdrafts for those transactions. Changes to our overdraft practices will negatively impact future service charge revenue primarily in *Deposits.*

On May 22, 2009, the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) was signed into law. The majority of the CARD Act provisions became effective in February 2010. The CARD Act legislation contains comprehensive credit card reform related to credit card industry practices including significantly restricting banks' ability to change interest rates and assess fees to reflect individual consumer risk, changing the way payments are applied and requiring changes to consumer credit card disclosures. Under the CARD Act, banks must give customers 45 days notice prior to a change in terms on their account and the grace period for credit card payments changes from 14 days to 21 days. The CARD Act also requires banks to review any accounts that were repriced since January 1, 2009 for a possible rate reduction. As announced in October 2009, we did not increase interest rates on consumer card accounts in response to provisions in the CARD Act prior to its effective date unless the customer's account fell past due or was based on a variable interest rate. Within *Global Card Services,* the provisions in the CARD Act are expected to negatively impact net interest income, due to the restrictions on our ability to reprice credit cards based on risk, and card income due to restrictions imposed on certain fees.

In July 2009, the Basel Committee on Banking Supervision released a consultative document entitled "Revisions to the Basel II Market Risk Framework" that would significantly increase the capital requirements for trading book activities if adopted as proposed. The proposal recommended implementation by December 31, 2010, but regulatory agencies are currently evaluating the proposed rulemaking and related impacts before establishing final rules. As a result, we cannot determine the implementation date or the final capital impact.

In December 2009, the Basel Committee on Banking Supervision issued a consultative document entitled "Strengthening the Resilience of the Banking Sector." If adopted as proposed, this could increase significantly the aggregate equity that bank holding companies are required to hold by disqualifying certain instruments that previously have qualified as Tier 1 capital. In addition, it would increase the level of risk-weighted assets. The proposal could also increase the capital charges imposed on certain assets potentially making certain businesses more expensive to conduct. Regulatory agencies have not opined on the proposal for implementation. We continue to assess the potential impact of the proposal.

As a result of the financial crisis, the financial services industry is facing the possibility of legislative and regulatory changes that would impose significant, adverse changes on its ability to serve both retail and wholesale customers. A proposal is currently being considered to levy a tax or fee on financial institutions with assets in excess of $50 billion to repay the costs of TARP, although the proposed tax would continue even after those costs are repaid. If enacted as proposed, the tax could significantly affect our earnings, either by increasing the costs of our liabilities or causing us to reduce our assets. It remains uncertain whether the tax will be enacted, to whom it would apply, or the amount of the tax we would be required to pay. It is also unclear the extent to which the costs of such a tax could be recouped through higher pricing.

In addition, various proposals for broad-based reform of the financial regulatory system are pending. A majority of these proposals would not disrupt our core businesses, but a proposal could ultimately be adopted that adversely affects certain of our businesses. The proposals would require divestment of certain proprietary trading activities, or limit private equity investments. Other proposals, which include limiting the scope of an institution's derivatives activities, or forcing certain derivatives activities to be traded on exchanges, would diminish the demand for, and profitability of, certain businesses. Several other proposals would require issuers to retain unhedged interests in any asset that is securitized, potentially severely restricting the secondary market as a source of funding for consumer or commercial lending. There are also numerous proposals pending on how to resolve a failed systemically important institution. In light of the current regulatory environment, one ratings agency has placed Bank of America and certain other banks on negative outlook, and therefore adoption of such provisions may adversely affect our access to credit markets. It remains unclear whether any of these proposals will ultimately be enacted, and what form they may take.

For additional information on these items, refer to Item 1A., Risk Factors of this Annual Report on Form 10-K.

Performance Overview

Net income was $6.3 billion in 2009, compared with $4.0 billion in 2008. Including preferred stock dividends and the impact from the repayment of the U.S. government's $45.0 billion preferred stock investment in the Corporation under the Troubled Asset Relief Program (TARP), income applicable to common shareholders was a net loss of $2.2 billion, or $(0.29) per diluted share. Those results compared with 2008 net income applicable to common shareholders of $2.6 billion, or $0.54 per diluted share.

Revenue, net of interest expense on a fully taxable-equivalent (FTE) basis, rose to $120.9 billion representing a 63 percent increase from $74.0 billion in 2008 reflecting in part the addition of Merrill Lynch and the full-year impact of Countrywide.

Net interest income on a FTE basis increased to $48.4 billion compared with $46.6 billion in 2008. The increase was the result of a favorable rate environment, improved hedge results and the acquisitions of Countrywide and Merrill Lynch, offset in part by lower asset and liability management (ALM) portfolio levels, lower consumer loan balances and an increase in nonperforming loans. The net interest yield narrowed 33 basis points (bps) to 2.65 percent.

Noninterest income rose to $72.5 billion compared with $27.4 billion in 2008. Higher trading account profits, equity investment income, investment and brokerage services fees and investment banking income reflected the addition of Merrill Lynch while higher mortgage banking and insurance income reflected the full-year impact of Countrywide. Gains on sales of debt securities increased driven by sales of agency MBS and collateralized mortgage obligations (CMOs). Equity investment income benefited from pre-tax gains of $7.3 billion related to the sale of portions of our investment in China Construction Bank (CCB) and a pre-tax gain of $1.1 billion on our investment in BlackRock, Inc. (BlackRock). In addition, trading account profits benefited from decreased write-downs on legacy assets of $6.5 billion compared to the prior year. The other income (loss) category included a $3.8 billion gain from the contribution of our merchant processing business to a joint venture. This was partially offset by a decline in card income of $5.0 billion mainly due to higher credit losses on securitized credit card loans and lower fee income. In addition, noninterest income was negatively impacted by $4.9 billion in net losses mostly related to credit valuation adjustments on the Merrill Lynch structured notes.

The provision for credit losses was $48.6 billion, an increase of $21.7 billion compared to 2008, reflecting deterioration in the economy and housing markets which drove higher credit costs in both the consumer and commercial portfolios. Higher reserve additions resulted from further deterioration in the purchased impaired consumer portfolios obtained through acquisitions, broad-based deterioration in the core commercial portfolio and the impact of deterioration in the housing markets on the residential mortgage portfolio.

Noninterest expense increased to $66.7 billion compared with $41.5 billion in 2008. Personnel costs and other general operating expenses rose due to the addition of Merrill Lynch and the full-year impact of Countrywide. Pre-tax merger and restructuring charges rose to $2.7 billion from $935 million a year earlier due to the acquisition of Merrill Lynch.

For the year, we recognized a tax benefit of $1.9 billion compared with tax expense of $420 million in 2008. The decrease in tax expense was due to certain tax benefits, as well as a shift in the geographic mix of the Corporation's earnings driven by the addition of Merrill Lynch.

TARP Repayment

In efforts to help stabilize financial institutions, in October 2008, the U.S. Department of the Treasury (U.S. Treasury) created the TARP to invest in certain eligible financial institutions in the form of non-voting, senior preferred stock. We participated in the TARP by issuing to the U.S. Treasury non-voting perpetual preferred stock (TARP Preferred Stock) and warrants for a total of $45.0 billion. On December 2, 2009, the Corporation received approval from the U.S. Treasury and the Federal Reserve to repay the $45.0 billion investment. In accordance with the approval, on December 9, 2009, we repurchased all shares of the TARP Preferred Stock by using $25.7 billion from excess liquidity and $19.3 billion in proceeds from the sale of 1.3 billion units of Common Equivalent Securities (CES) valued at $15.00 per unit. In addition, the Corporation agreed to increase equity by $3.0 billion through asset sales in 2010 and approximately $1.7 billion through the issuance in 2010 of restricted stock in lieu of a portion of incentive cash compensation to certain of the Corporation's associates as part of their 2009 year-end performance award. As a result of repurchasing the TARP Preferred Stock, the Corporation accelerated the remaining accretion of the issuance discount on the TARP Preferred Stock of $4.0 billion and recorded a corresponding charge to retained earnings and income (loss) applicable to common shareholders in the calculation of diluted earnings per common share. While participating in the TARP, we recorded $7.4 billion in dividends and accretion, including $2.7 billion in cash dividends and $4.7 billion of accretion on the TARP Preferred Stock (the remaining accretion of $4.0 billion was included as part of the $45.0 billion cash payment). Repayment will save us approximately $3.6 billion in annual dividends, including $2.9 billion in cash and $720 million of discount accretion. At the time we repurchased the TARP Preferred Stock, we did not repurchase the related warrants. The U.S. Treasury recently announced its intention to auction, during March 2010, these warrants.

We issued the CES, which qualify as Tier 1 common capital, because we did not have a sufficient number of authorized common shares available for issuance at the time we repaid the TARP Preferred Stock. Each CES consisted of one depositary share representing a 1/1000th interest in a share of our Common Equivalent Junior Preferred Stock, Series S (Common Equivalent Stock) and a contingent warrant to purchase 0.0467 of a share of our common stock for a purchase price of $0.01 per share. The Corporation held a special meeting of shareholders on February 23, 2010 at which we obtained stockholder approval of an amendment to our amended and restated certificate of incorporation to increase the number of authorized shares of our common stock, and following the effective date of the amendment, on February 24, 2010, the Common Equivalent Stock converted in full into our common stock and the contingent warrants expired without having become exercisable and the CES ceased to exist.

Recent Accounting Developments

On January 1, 2010, the Corporation adopted new Financial Accounting Standards Board (FASB) guidance that results in the consolidation of entities that were off-balance sheet as of December 31, 2009. The adoption of this new accounting guidance resulted in a net incremental increase in assets on January 1, 2010, on a preliminary basis, of $100 billion, including $70 billion resulting from consolidation of credit card trusts and $30 billion from consolidation of other special purpose entities including multi-seller conduits. These preliminary amounts are net of retained interests in securitizations held on our balance sheet and an $11 billion increase in the allowance for loan losses, the majority of which relates to credit card receivables. This increase in the allowance for loan losses was recorded on January 1, 2010 as a charge net-of-tax to retained earnings for the cumulative effect of the adoption of this new accounting guidance. Initial recording of these assets and related allowance and liabilities on the Corporation's balance sheet had no impact on results of operations.

Segment Results

Table 2 Business Segment Results

(Dollars in millions)	Total Revenue [1]		Net Income (Loss)	
	2009	2008	**2009**	2008
Deposits	**$ 14,008**	$17,840	**$ 2,506**	$ 5,512
Global Card Services [2]	**29,342**	31,220	**(5,555)**	1,234
Home Loans & Insurance	**16,902**	9,310	**(3,838)**	(2,482)
Global Banking	**23,035**	16,796	**2,969**	4,472
Global Markets	**20,626**	(3,831)	**7,177**	(4,916)
Global Wealth & Investment Management	**18,123**	7,809	**2,539**	1,428
All Other [2]	**(1,092)**	(5,168)	**478**	(1,240)
Total FTE basis	**120,944**	73,976	**6,276**	4,008
FTE adjustment	**(1,301)**	(1,194)	**–**	–
Total Consolidated	**$119,643**	$72,782	**$ 6,276**	$ 4,008

[1] Total revenue is net of interest expense, and is on a FTE basis for the business segments and *All Other*.
[2] *Global Card Services* is presented on a managed basis with a corresponding offset recorded in *All Other*.

Deposits net income narrowed due to declines in net revenue and increased noninterest expense. Net revenue declined mainly due to a lower net interest income allocation from ALM activities and spread compression as interest rates declined. This decrease was partially offset by growth in average deposits on strong organic growth and the migration of certain client deposits from *GWIM* partially offset by an expected decline in higher-yielding Countrywide deposits. Noninterest expense increased as a result of higher Federal Deposit Insurance Corporation (FDIC) insurance and special assessment costs.

Global Card Services reported a net loss as credit costs continued to rise reflecting weak economies in the U.S., Europe and Canada. Managed net revenue declined mainly due to lower fee income driven by changes in consumer retail purchase and payment behavior in the current economic environment and the absence of one-time gains that positively impacted 2008 results. The decline was partially offset by higher net interest income as lower funding costs outpaced the decline in average managed loans. Provision for credit losses increased as economic conditions led to higher losses.

Home Loans & Insurance net loss widened as higher credit costs continued to negatively impact results. Net revenue and noninterest expense increased primarily driven by the full-year impact of Countrywide and higher loan production from increased refinance activity. Provision for credit losses increased driven by continued economic and housing market weakness combined with further deterioration in the purchased impaired portfolio.

Global Banking net income declined as increases in revenue driven by strong deposit growth, the impact of the Merrill Lynch acquisition and favorable market conditions for debt and equity issuances were more than offset by increased credit costs. Provision for credit losses increased driven by higher net charge-offs and reserve additions in the commercial real estate and commercial – domestic portfolios. These increases reflect deterioration across a broad range of property types, industries and borrowers. Noninterest expense increased as a result of the Merrill Lynch acquisition, and higher FDIC insurance and special assessment costs.

Global Markets net income increased driven by the addition of Merrill Lynch and a more favorable trading environment. Net revenue increased due to improved market conditions and new issuance capabilities due to the addition of Merrill Lynch driving increased fixed income, currency and commodity, and equity revenues. In addition, improved market conditions led to significantly lower write-downs on legacy assets compared with the prior year.

GWIM net income increased driven by the addition of Merrill Lynch partially offset by a lower net interest income allocation from ALM activities, the migration of client balances to *Deposits* and *Home Loans & Insurance,* lower average equity market levels and higher credit costs. Net revenue more than doubled as a result of higher investment and brokerage services income due to the addition of Merrill Lynch, the gain on our investment in BlackRock and the lower level of support we provided for certain cash funds. Provision for credit losses increased driven by higher net charge-offs in the consumer real estate and commercial portfolios.

All Other net income increased driven by higher equity investment income and increased gains on the sale of debt securities partially offset by negative credit valuation adjustments on certain Merrill Lynch structured notes as credit spreads improved. Results were also impacted by lower other-than-temporary impairment charges primarily related to non-agency CMOs. Excluding the securitization impact to show *Global Card Services* on a managed basis, the provision for credit losses increased due to higher credit costs related to our ALM residential mortgage portfolio.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $1.9 billion to $48.4 billion for 2009 compared to 2008. The increase was driven by the improved interest rate environment, improved hedge results, the acquisitions of Countrywide and Merrill Lynch, the impact of new draws on previously securitized accounts and the contribution from market-based net interest income related to our *Global Markets* business which benefited from the Merrill Lynch acquisition. These items were partially offset by the impact of deleveraging the ALM portfolio earlier in 2009, lower consumer loan levels and the adverse impact of nonperforming loans. The net interest yield on a FTE basis decreased 33 bps to 2.65 percent for 2009 compared to 2008 due to the factors related to the core businesses as described above. For more information on net interest income on a FTE basis, see Tables I and II beginning on page 107.

Noninterest Income

Table 3 Noninterest Income

(Dollars in millions)	2009	2008
Card income	**$ 8,353**	$13,314
Service charges	**11,038**	10,316
Investment and brokerage services	**11,919**	4,972
Investment banking income	**5,551**	2,263
Equity investment income	**10,014**	539
Trading account profits (losses)	**12,235**	(5,911)
Mortgage banking income	**8,791**	4,087
Insurance income	**2,760**	1,833
Gains on sales of debt securities	**4,723**	1,124
Other income (loss)	**(14)**	(1,654)
Net impairment losses recognized in earnings on available-for-sale debt securities	**(2,836)**	(3,461)
Total noninterest income	**$72,534**	$27,422

Noninterest income increased $45.1 billion to $72.5 billion in 2009 compared to 2008.

- Card income on a held basis decreased $5.0 billion primarily due to higher credit losses on securitized credit card loans and lower fee income which was driven by changes in consumer retail purchase and payment behavior in the current economic environment.
- Service charges grew $722 million due to the acquisition of Merrill Lynch.
- Investment and brokerage services increased $6.9 billion primarily due to the acquisition of Merrill Lynch partially offset by the impact of lower valuations in the equity markets driven by the market downturn in the fourth quarter of 2008, which improved modestly in 2009, and net outflows in the cash funds.
- Investment banking income increased $3.3 billion due to higher debt, equity and advisory fees reflecting the increased size of the investment banking platform from the acquisition of Merrill Lynch.
- Equity investment income increased $9.5 billion driven by $7.3 billion in gains on sales of portions of our CCB investment and a $1.1 billion gain related to our BlackRock investment. The results were partially offset by the absence of the Visa-related gain recorded during the prior year.
- Trading account profits (losses) increased $18.1 billion primarily driven by favorable core trading results and reduced write-downs on legacy assets partially offset by negative credit valuation adjustments on derivative liabilities of $801 million due to improvement in the Corporation's credit spreads.
- Mortgage banking income increased $4.7 billion driven by higher production and servicing income of $3.2 billion and $1.5 billion. These increases were primarily due to increased volume as a result of the full-year impact of Countrywide and higher refinance activity partially offset by lower MSR results, net of hedges.
- Insurance income increased $927 million due to the full-year impact of Countrywide's property and casualty businesses.
- Gains on sales of debt securities increased $3.6 billion due to the favorable interest rate environment and improved credit spreads. Gains were primarily driven by sales of agency MBS and CMOs.
- The net loss in other decreased $1.6 billion primarily due to the $3.8 billion gain from the contribution of our merchant processing business to a joint venture, reduced support provided to cash funds and lower write-downs on legacy assets offset by negative credit valuation adjustments recorded on Merrill Lynch structured notes of $4.9 billion.
- Net impairment losses recognized in earnings on available-for-sale (AFS) debt securities decreased $625 million driven by lower collateralized debt obligation (CDO) related impairment losses partially offset by higher impairment losses on non-agency CMOs.

Provision for Credit Losses

The provision for credit losses increased $21.7 billion to $48.6 billion for 2009 compared to 2008.

The consumer portion of the provision for credit losses increased $15.1 billion to $36.9 billion for 2009 compared to 2008. The increase was driven by higher net charge-offs in our consumer real estate, consumer credit card and consumer lending portfolios reflecting deterioration in the economy and housing markets. In addition to higher net charge-offs, the provision increase was also driven by higher reserve additions for deterioration in the purchased impaired and residential mortgage portfolios, new draws on previously securitized accounts as well as an approximate $800 million addition to increase the reserve coverage to approximately 12 months of charge-offs in consumer credit card. These increases were partially offset by lower reserve additions in our unsecured domestic consumer lending portfolios resulting from improved delinquencies and in the home equity portfolio due to the slowdown in the pace of deterioration. In the Countrywide and Merrill Lynch consumer purchased impaired portfolios, the additions to reserves to reflect further reductions in expected principal cash flows were $3.5 billion in 2009 compared to $750 million in 2008. The increase was primarily related to the home equity purchased impaired portfolio.

The commercial portion of the provision for credit losses including the provision for unfunded lending commitments increased $6.7 billion to $11.7 billion for 2009 compared to 2008. The increase was driven by higher net charge-offs and higher additions to the reserves in the commercial real estate and commercial – domestic portfolios reflecting deterioration across a broad range of property types, industries and borrowers. These increases were partially offset by lower reserve additions in the small business portfolio due to improved delinquencies.

Net charge-offs totaled $33.7 billion, or 3.58 percent of average loans and leases for 2009 compared with $16.2 billion, or 1.79 percent for 2008. The increased level of net charge-offs is a result of the same factors noted above.

Noninterest Expense

Table 4 Noninterest Expense

(Dollars in millions)	2009	2008
Personnel	**$31,528**	$18,371
Occupancy	**4,906**	3,626
Equipment	**2,455**	1,655
Marketing	**1,933**	2,368
Professional fees	**2,281**	1,592
Amortization of intangibles	**1,978**	1,834
Data processing	**2,500**	2,546
Telecommunications	**1,420**	1,106
Other general operating	**14,991**	7,496
Merger and restructuring charges	**2,721**	935
Total noninterest expense	**$66,713**	$41,529

Noninterest expense increased $25.2 billion to $66.7 billion for 2009 compared to 2008. Personnel costs and other general operating expenses rose due to the addition of Merrill Lynch and the full-year impact of Countrywide. Personnel expense rose due to increased revenue and the impacts of Merrill Lynch and Countrywide partially offset by a change in compensation that delivers a greater portion of incentive pay over time. Additionally, noninterest expense increased due to higher litigation costs compared to the prior year, a $425 million pre-tax charge to pay the U.S. government to terminate its asset guarantee term sheet and higher FDIC insurance costs including a $724 million special assessment in 2009.

Income Tax Expense

Income tax benefit was $1.9 billion for 2009 compared to expense of $420 million for 2008 and resulted in an effective tax rate of (44.0) percent compared to 9.5 percent in the prior year. The change in the effective tax rate from the prior year was due to increased permanent tax preference items as well as a shift in the geographic mix of our earnings driven by the addition of Merrill Lynch. Significant permanent tax preference items for 2009 included the reversal of part of a valuation allowance provided for acquired capital loss carryforward tax benefits, annually recurring tax-exempt income and tax credits, a loss on certain foreign subsidiary stock and the effect of audit settlements.

We acquired with Merrill Lynch a deferred tax asset related to a federal capital loss carryforward against which a valuation allowance was recorded at the date of acquisition. In 2009, we recognized substantial capital gains, against which a portion of the capital loss carryforward was utilized.

The income of certain foreign subsidiaries has not been subject to U.S. income tax as a result of long-standing deferral provisions applicable to active finance income. These provisions expired for taxable years beginning on or after January 1, 2010. On December 9, 2009, the U.S. House of Representatives passed a bill that would have extended these provisions as well as certain other expiring tax provisions through December 31, 2010. Absent an extension of these provisions, this active financing income earned by foreign subsidiaries after January 1, 2010 will generally be subject to a tax provision that considers the incremental U.S. income tax. The impact of the expiration of these provisions would depend upon the amount, composition and geographic mix of our future earnings and could increase our annual income tax expense by up to $1.0 billion. For more information on income tax expense, see *Note 19 – Income Taxes* to the Consolidated Financial Statements.

Table 5 Selected Balance Sheet Data

(Dollars in millions)	December 31 2009	December 31 2008	Average Balance 2009	Average Balance 2008
Assets				
Federal funds sold and securities borrowed or purchased under agreements to resell	**$ 189,933**	$ 82,478	**$ 235,764**	$ 128,053
Trading account assets	**182,206**	134,315	**217,048**	186,579
Debt securities	**311,441**	277,589	**271,048**	250,551
Loans and leases	**900,128**	931,446	**948,805**	910,878
All other assets [1]	**639,591**	392,115	**764,852**	367,918
Total assets	**$2,223,299**	$1,817,943	**$2,437,517**	$1,843,979
Liabilities				
Deposits	**$ 991,611**	$ 882,997	**$ 980,966**	$ 831,144
Federal funds purchased and securities loaned or sold under agreements to repurchase	**255,185**	206,598	**369,863**	272,981
Trading account liabilities	**65,432**	51,723	**72,207**	72,915
Commercial paper and other short-term borrowings	**69,524**	158,056	**118,781**	182,729
Long-term debt	**438,521**	268,292	**446,634**	231,235
All other liabilities	**171,582**	73,225	**204,421**	88,144
Total liabilities	**1,991,855**	1,640,891	**2,192,872**	1,679,148
Shareholders' equity	**231,444**	177,052	**244,645**	164,831
Total liabilities and shareholders' equity	**$2,223,299**	$1,817,943	**$2,437,517**	$1,843,979

[1] All other assets are presented net of allowance for loan and lease losses for the year-end and average balances.

At December 31, 2009, total assets were $2.2 trillion, an increase of $405.4 billion, or 22 percent, from December 31, 2008. Average total assets in 2009 increased $593.5 billion, or 32 percent, from 2008. The increases in year-end and average total assets were primarily attributable to the acquisition of Merrill Lynch, which impacted virtually all categories, but particularly federal funds sold and securities borrowed or purchased under agreements to resell, trading account assets, and debt securities. Cash and cash equivalents, which are included in all other assets in the table above, increased due to our strengthened liquidity and capital position. Partially offsetting these increases was a decrease in year-end loans and leases primarily attributable to customer payments, reduced demand and charge-offs.

At December 31, 2009, total liabilities were $2.0 trillion, an increase of $351.0 billion, or 21 percent, from December 31, 2008. Average total liabilities for 2009 increased $513.7 billion, or 31 percent, from 2008. The increases in year-end and average total liabilities were attributable to the acquisition of Merrill Lynch which impacted virtually all categories, but particularly federal funds purchased and securities loaned or sold under agreements to repurchase, long-term debt and other liabilities. In addition to the impact of Merrill Lynch, deposits increased as we benefited from higher savings and movement into more liquid products due to the low rate environment. Partially offsetting these increases was a decrease in commercial paper and other short-term borrowings due in part to lower Federal Home Loan Bank (FHLB) borrowings.

Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell

Federal funds transactions involve lending reserve balances on a short-term basis. Securities borrowed and securities purchased under agreements to resell are utilized to accommodate customer transactions, earn interest rate spreads and obtain securities for settlement. Year-end and average federal funds sold and securities borrowed or purchased under agreements to resell increased $107.5 billion and $107.7 billion in 2009, attributable primarily to the acquisition of Merrill Lynch.

Trading Account Assets

Trading account assets consist primarily of fixed income securities (including government and corporate debt), equity and convertible instruments. Year-end and average trading account assets increased $47.9 billion and $30.5 billion in 2009, attributable primarily to the acquisition of Merrill Lynch.

Debt Securities

Debt securities include U.S. Treasury and agency securities, MBS, principally agency MBS, foreign bonds, corporate bonds and municipal debt. We use the debt securities portfolio primarily to manage interest rate and liquidity risk and to take advantage of market conditions that create more economically attractive returns on these investments. The year-end and average balances of debt securities increased $33.9 billion and $20.5 billion from 2008 due to net purchases of securities and the impact of the acquisition of Merrill Lynch. For additional information on our AFS debt securities, see Market Risk Management – Securities beginning on page 96 and *Note 5 – Securities* to the Consolidated Financial Statements.

Loans and Leases

Year-end loans and leases decreased $31.3 billion to $900.1 billion in 2009 compared to 2008 primarily due to lower commercial loans as the result of customer payments and reduced demand, lower customer merger and acquisition activity, and net charge-offs, partially offset by the addition of Merrill Lynch. Average loans and leases increased $37.9 billion to $948.8 billion in 2009 compared to 2008 primarily due to the addition of Merrill Lynch, and the full-year impact of Countrywide. The average consumer loan portfolio increased $24.4 billion due to the addition of Merrill Lynch domestic and foreign securities-based lending margin loans, Merrill Lynch consumer real estate balances, and the full-year impact of Countrywide, partially offset by lower balance sheet retention, sales and conversions of residential mortgages into retained MBS and net charge-offs. The average commercial loan and lease portfolio increased $13.5 billion primarily due to the acquisition of Merrill Lynch. For a more detailed discussion of the loan portfolio, see Credit Risk Management beginning on page 66, and *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

All Other Assets

Year-end and average all other assets increased $247.5 billion and $396.9 billion at December 31, 2009 driven primarily by the acquisition of Merrill Lynch, which impacted various line items, including derivative assets. In addition, the increase was driven by higher cash and cash equivalents due to our strengthened liquidity and capital position.

Deposits

Year-end and average deposits increased $108.6 billion to $991.6 billion and $149.8 billion to $981.0 billion in 2009 compared to 2008. The increases were in domestic interest-bearing deposits and noninterest-bearing deposits. Partially offsetting these increases was a decrease in foreign interest-bearing deposits. We categorize our deposits as core and market-based deposits. Core deposits exclude negotiable CDs, public funds, other domestic time deposits and foreign interest-bearing deposits. Average core deposits increased $164.4 billion, or 24 percent, to $861.3 billion in 2009 compared to 2008. The increase was attributable to growth in our average NOW and money market accounts and IRAs and noninterest-bearing deposits due to higher savings, the consumer flight-to-safety and movement into more liquid products due to the low rate environment. Average market-based deposit funding decreased $14.6 billion to $119.7 billion in 2009 compared to 2008 due primarily to a decrease in deposits in banks located in foreign countries.

Federal Funds Purchased and Securities Loaned or Sold Under Agreements to Repurchase

Federal funds transactions involve borrowing reserve balances on a short-term basis. Securities loaned and securities sold under agreements to repurchase are collateralized financing transactions utilized to accommodate customer transactions, earn interest rate spreads and finance inventory positions. Year-end and average federal funds purchased and securities loaned or sold under agreements to repurchase increased $48.6 billion and $96.9 billion primarily due to the Merrill Lynch acquisition.

Trading Account Liabilities

Trading account liabilities consist primarily of short positions in fixed income securities (including government and corporate debt), equity and convertible instruments. Year-end trading account liabilities increased $13.7 billion in 2009, attributable primarily to increases in equity securities and foreign sovereign debt.

Commercial Paper and Other Short-term Borrowings

Commercial paper and other short-term borrowings provide a funding source to supplement deposits in our ALM strategy. Year-end and average commercial paper and other short-term borrowings decreased $88.5 billion to $69.5 billion and $63.9 billion to $118.8 billion in 2009 compared to 2008 due, in part, to lower FHLB balances as a result of our strong liquidity position.

Long-term Debt

Year-end and average long-term debt increased $170.2 billion to $438.5 billion and $215.4 billion to $446.6 billion in 2009 compared to 2008. The increases were attributable to issuances and the addition of long-term debt associated with the Merrill Lynch acquisition. For additional information on long-term debt, see *Note 13 – Long-term Debt* to the Consolidated Financial Statements.

All Other Liabilities

Year-end and average all other liabilities increased $98.4 billion and $116.3 billion at December 31, 2009 driven primarily by the acquisition of Merrill Lynch, which impacted various line items, including derivative liabilities.

Shareholders' Equity

Year-end and average shareholders' equity increased $54.4 billion and $79.8 billion due to a common stock offering of $13.5 billion, $29.1 billion of common and preferred stock issued in connection with the Merrill Lynch acquisition, the issuance of CES of $19.2 billion, an increase in accumulated other comprehensive income (OCI) and net income. These increases were partially offset by repayment of TARP Preferred Stock of $45.0 billion, $30.0 billion of which was issued in early 2009, and higher preferred stock dividend payments. The increase in accumulated OCI was due to unrealized gains on AFS debt and marketable equity securities. Average shareholders' equity was also impacted by the issuance of preferred stock and common stock warrants of $30.0 billion in early 2009. This preferred stock was part of the TARP repayment in December 2009.

Table 6 Five Year Summary of Selected Financial Data

(Dollars in millions, except per share information)	2009	2008	2007	2006	2005
Income statement					
Net interest income	$ 47,109	$ 45,360	$ 34,441	$ 34,594	$ 30,737
Noninterest income	72,534	27,422	32,392	38,182	26,438
Total revenue, net of interest expense	119,643	72,782	66,833	72,776	57,175
Provision for credit losses	48,570	26,825	8,385	5,010	4,014
Noninterest expense, before merger and restructuring charges	63,992	40,594	37,114	34,988	28,269
Merger and restructuring charges	2,721	935	410	805	412
Income before income taxes	4,360	4,428	20,924	31,973	24,480
Income tax expense (benefit)	(1,916)	420	5,942	10,840	8,015
Net income	6,276	4,008	14,982	21,133	16,465
Net income (loss) applicable to common shareholders	(2,204)	2,556	14,800	21,111	16,447
Average common shares issued and outstanding (in thousands)	7,728,570	4,592,085	4,423,579	4,526,637	4,008,688
Average diluted common shares issued and outstanding (in thousands)	7,728,570	4,596,428	4,463,213	4,580,558	4,060,358
Performance ratios					
Return on average assets	0.26%	0.22%	0.94%	1.44%	1.30%
Return on average common shareholders' equity	n/m	1.80	11.08	16.27	16.51
Return on average tangible common shareholders' equity [1]	n/m	4.72	26.19	38.23	31.80
Return on average tangible shareholders' equity [1]	4.18	5.19	25.13	37.80	31.67
Total ending equity to total ending assets	10.41	9.74	8.56	9.27	7.86
Total average equity to total average assets	10.04	8.94	8.53	8.90	7.86
Dividend payout	n/m	n/m	72.26	45.66	46.61
Per common share data					
Earnings (loss)	$ (0.29)	$ 0.54	$ 3.32	$ 4.63	$ 4.08
Diluted earnings (loss)	(0.29)	0.54	3.29	4.58	4.02
Dividends paid	0.04	2.24	2.40	2.12	1.90
Book value	21.48	27.77	32.09	29.70	25.32
Tangible book value [1]	11.94	10.11	12.71	13.26	13.51
Market price per share of common stock					
Closing	$ 15.06	$ 14.08	$ 41.26	$ 53.39	$ 46.15
High closing	18.59	45.03	54.05	54.90	47.08
Low closing	3.14	11.25	41.10	43.09	41.57
Market capitalization	$ 130,273	$ 70,645	$ 183,107	$ 238,021	$ 184,586
Average balance sheet					
Total loans and leases	$ 948,805	$ 910,878	$ 776,154	$ 652,417	$ 537,218
Total assets	2,437,517	1,843,979	1,602,073	1,466,681	1,269,892
Total deposits	980,966	831,144	717,182	672,995	632,432
Long-term debt	446,634	231,235	169,855	130,124	97,709
Common shareholders' equity	182,288	141,638	133,555	129,773	99,590
Total shareholders' equity	244,645	164,831	136,662	130,463	99,861
Asset quality [2]					
Allowance for credit losses [3]	$ 38,687	$ 23,492	$ 12,106	$ 9,413	$ 8,440
Nonperforming loans, leases and foreclosed properties [4]	35,747	18,212	5,948	1,856	1,603
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [4]	4.16%	2.49%	1.33%	1.28%	1.40%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [4]	111	141	207	505	532
Net charge-offs	$ 33,688	$ 16,231	$ 6,480	$ 4,539	$ 4,562
Net charge-offs as a percentage of average loans and leases outstanding [4]	3.58%	1.79%	0.84%	0.70%	0.85%
Nonperforming loans and leases as a percentage of total loans and leases outstanding [4]	3.75	1.77	0.64	0.25	0.26
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [4]	3.98	1.96	0.68	0.26	0.28
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	1.10	1.42	1.79	1.99	1.76
Capital ratios (year end)					
Risk-based capital:					
Tier 1 common	7.81%	4.80%	4.93%	6.82%	6.80%
Tier 1	10.40	9.15	6.87	8.64	8.25
Total	14.66	13.00	11.02	11.88	11.08
Tier 1 leverage	6.91	6.44	5.04	6.36	5.91
Tangible equity [1]	6.42	5.11	3.73	4.47	4.36
Tangible common equity [1]	5.57	2.93	3.46	4.27	4.34

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data beginning on page 37.

(2) For more information on the impact of the purchased impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management beginning on page 66 and Commercial Portfolio Credit Risk Management beginning on page 76.

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

(4) Balances and ratios do not include loans accounted for under the fair value option.

n/m = not meaningful

Supplemental Financial Data

Table 7 provides a reconciliation of the supplemental financial data mentioned below with financial measures defined by generally accepted accounting principles in the United States of America (GAAP). Other companies may define or calculate supplemental financial data differently.

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

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

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

The aforementioned performance measures and ratios are presented in Table 6.

Table 7 Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions, shares in thousands)	2009	2008	2007	2006	2005
FTE basis data					
Net interest income	$ 48,410	$ 46,554	$ 36,190	$ 35,818	$ 31,569
Total revenue, net of interest expense	120,944	73,976	68,582	74,000	58,007
Net interest yield	2.65%	2.98%	2.60%	2.82%	2.84%
Efficiency ratio	55.16	56.14	54.71	48.37	49.44
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$ 182,288	$ 141,638	$ 133,555	$ 129,773	$ 99,590
Common Equivalent Securities	1,213	–	–	–	–
Goodwill	(86,034)	(79,827)	(69,333)	(66,040)	(45,331)
Intangible assets (excluding MSRs)	(12,220)	(9,502)	(9,566)	(10,324)	(3,548)
Related deferred tax liabilities	3,831	1,782	1,845	1,809	1,014
Tangible common shareholders' equity	$ 89,078	$ 54,091	$ 56,501	$ 55,218	$ 51,725
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$ 244,645	$ 164,831	$ 136,662	$ 130,463	$ 99,861
Goodwill	(86,034)	(79,827)	(69,333)	(66,040)	(45,331)
Intangible assets (excluding MSRs)	(12,220)	(9,502)	(9,566)	(10,324)	(3,548)
Related deferred tax liabilities	3,831	1,782	1,845	1,809	1,014
Tangible shareholders' equity	$ 150,222	$ 77,284	$ 59,608	$ 55,908	$ 51,996
Reconciliation of year end common shareholders' equity to year end tangible common shareholders' equity					
Common shareholders' equity	$ 194,236	$ 139,351	$ 142,394	$ 132,421	$ 101,262
Common Equivalent Securities	19,244	–	–	–	–
Goodwill	(86,314)	(81,934)	(77,530)	(65,662)	(45,354)
Intangible assets (excluding MSRs)	(12,026)	(8,535)	(10,296)	(9,422)	(3,194)
Related deferred tax liabilities	3,498	1,854	1,855	1,799	1,336
Tangible common shareholders' equity	$ 118,638	$ 50,736	$ 56,423	$ 59,136	$ 54,050
Reconciliation of year end shareholders' equity to year end tangible shareholders' equity					
Shareholders' equity	$ 231,444	$ 177,052	$ 146,803	$ 135,272	$ 101,533
Goodwill	(86,314)	(81,934)	(77,530)	(65,662)	(45,354)
Intangible assets (excluding MSRs)	(12,026)	(8,535)	(10,296)	(9,422)	(3,194)
Related deferred tax liabilities	3,498	1,854	1,855	1,799	1,336
Tangible shareholders' equity	$ 136,602	$ 88,437	$ 60,832	$ 61,987	$ 54,321
Reconciliation of year end assets to year end tangible assets					
Assets	$2,223,299	$1,817,943	$1,715,746	$1,459,737	$1,291,803
Goodwill	(86,314)	(81,934)	(77,530)	(65,662)	(45,354)
Intangible assets (excluding MSRs)	(12,026)	(8,535)	(10,296)	(9,422)	(3,194)
Related deferred tax liabilities	3,498	1,854	1,855	1,799	1,336
Tangible assets	$2,128,457	$1,729,328	$1,629,775	$1,386,452	$1,244,591
Reconciliation of year end common shares outstanding to year end tangible common shares outstanding					
Common shares outstanding	8,650,244	5,017,436	4,437,885	4,458,151	3,999,688
Assumed conversion of common equivalent shares	1,286,000	–	–	–	–
Tangible common shares outstanding	9,936,244	5,017,436	4,437,885	4,458,151	3,999,688

Core Net Interest Income – Managed Basis

We manage core net interest income – managed basis, which adjusts reported net interest income on a FTE basis for the impact of market-based activities and certain securitizations, net of retained securities. As discussed in the *Global Markets* business segment section beginning on page 47, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for *Global Markets*. We also adjust for loans that we originated and subsequently sold into credit card securitizations. Noninterest income, rather than net interest income and provision for credit losses, is recorded for assets that have been securitized as we are compensated for servicing the securitized assets and record servicing income and gains or losses on securitizations, where appropriate. We believe the use of this non-GAAP presentation provides additional clarity in managing our results. An analysis of core net interest income – managed basis, core average earning assets – managed basis and core net interest yield on earning assets – managed basis, which adjust for the impact of these two non-core items from reported net interest income on a FTE basis, is shown below.

Core net interest income on a managed basis increased $2.3 billion to $52.8 billion for 2009 compared to 2008. The increase was driven by the favorable interest rate environment and the acquisitions of Merrill Lynch and Countrywide. These items were partially offset by the impact of deleveraging the ALM portfolio earlier in 2009, lower consumer loan levels and the adverse impact of our nonperforming loans. For more information on our nonperforming loans, see Credit Risk Management on page 66.

On a managed basis, core average earning assets increased $130.1 billion to $1.4 trillion for 2009 compared to 2008 primarily due to the acquisitions of Merrill Lynch and Countrywide partially offset by lower loan levels and earlier deleveraging of the AFS debt securities portfolio.

Core net interest yield on a managed basis decreased 19 bps to 3.69 percent for 2009 compared to 2008, primarily due to the addition of lower yielding assets from the Merrill Lynch and Countrywide acquisitions, reduced consumer loan levels and the impact of deleveraging the ALM portfolio earlier in 2009 partially offset by the favorable interest rate environment.

Table 8 Core Net Interest Income – Managed Basis

(Dollars in millions)	2009	2008
Net interest income [1]		
As reported	$ 48,410	$ 46,554
Impact of market-based net interest income [2]	(6,119)	(4,939)
Core net interest income	42,291	41,615
Impact of securitizations [3]	10,524	8,910
Core net interest income – managed basis	$ 52,815	$ 50,525
Average earning assets		
As reported	$1,830,193	$1,562,729
Impact of market-based earning assets [2]	(481,542)	(360,667)
Core average earning assets	1,348,651	1,202,062
Impact of securitizations [4]	83,640	100,145
Core average earning assets – managed basis	$1,432,291	$1,302,207
Net interest yield contribution [1]		
As reported	2.65%	2.98%
Impact of market-based activities [2]	0.49	0.48
Core net interest yield on earning assets	3.14	3.46
Impact of securitizations	0.55	0.42
Core net interest yield on earning assets – managed basis	3.69%	3.88%

(1) FTE basis
(2) Represents the impact of market-based amounts included in *Global Markets*.
(3) Represents the impact of securitizations utilizing actual bond costs. This is different from the business segment view which utilizes funds transfer pricing methodologies.
(4) Represents average securitized loans less accrued interest receivable and certain securitized bonds retained.

Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *GWIM*, with the remaining operations recorded in *All Other*. The Corporation may periodically reclassify business segment results based on modifications to its management reporting methodologies and changes in organizational alignment. Prior period amounts have been reclassified to conform to current period presentation.

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 37. We begin by evaluating the operating results of the segments which by definition exclude merger and restructuring charges. The segment results also reflect certain revenue and expense methodologies which are utilized to determine net income. The net interest income of the business segments includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each segment's stand-alone credit, market, interest rate and operational risk components. The nature of these risks is discussed further beginning on page 56. The Corporation benefits from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. Average equity is allocated to the business segments and is affected by the portion of goodwill that is specifically assigned to them.

For more information on our basis of presentation, selected financial information for the business segments and reconciliations to consolidated total revenue, net income and year-end total assets, see *Note 23 – Business Segment Information* to the Consolidated Financial Statements.

Deposits

(Dollars in millions)	2009	2008
Net interest income [1]	$ 7,160	$ 10,970
Noninterest income:		
Service charges	6,802	6,801
All other income	46	69
Total noninterest income	6,848	6,870
Total revenue, net of interest expense	14,008	17,840
Provision for credit losses	380	399
Noninterest expense	9,693	8,783
Income before income taxes	3,935	8,658
Income tax expense [1]	1,429	3,146
Net income	$ 2,506	$ 5,512
Net interest yield [1]	1.77%	3.13%
Return on average equity	10.55	22.55
Efficiency ratio [1]	69.19	49.23
Balance Sheet		
Average		
Total earning assets [2]	$405,563	$349,930
Total assets [2]	432,268	379,067
Total deposits	406,833	357,608
Allocated equity	23,756	24,445
Year end		
Total earning assets [2]	$418,156	$363,334
Total assets [2]	445,363	390,487
Total deposits	419,583	375,763

[1] FTE basis
[2] Total earning assets and total assets include asset allocations to match liabilities (i.e., deposits).

Deposits includes the results of consumer deposit activities which consist of a comprehensive range of products provided to consumers and small businesses. In addition, *Deposits* includes our student lending results and an allocation of ALM activities. In the U.S., we serve approximately 59 million consumer and small business relationships through a franchise that stretches coast to coast through 32 states and the District of Columbia utilizing our network of 6,011 banking centers, 18,262 domestic-branded ATMs, telephone, online and mobile banking channels.

Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, and noninterest- and interest-bearing checking accounts. Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. Deposits also generate fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees.

During the third quarter of 2009, we announced changes in our overdraft fee policies intended to help customers limit overdraft fees. These changes negatively impacted net revenue beginning in the fourth quarter of 2009. In addition, in November 2009, the Federal Reserve issued Regulation E which will negatively impact future service charge revenue in *Deposits*. For more information on Regulation E, see Regulatory Overview beginning on page 29.

During 2009, our active online banking customer base grew to 29.6 million subscribers, a net increase of 1.3 million subscribers from December 31, 2008 reflecting our continued focus on increasing the use of alternative banking channels. In addition, our active bill pay users paid $302.4 billion of bills online during 2009 compared to $301.1 billion during 2008.

Deposits includes the net impact of migrating customers and their related deposit balances between *GWIM* and *Deposits*. During 2009, total deposits of $43.4 billion were migrated to *Deposits* from *GWIM*. Conversely, $20.5 billion of deposits were migrated from *Deposits* to *GWIM* during 2008. The directional shift was mainly due to client segmentation threshold changes resulting from the Merrill Lynch acquisition, partially offset by the acceleration in 2008 of movement of clients into *GWIM* as part of our growth initiatives for our more affluent customers. As of the date of migration, the associated net interest income, service charges and noninterest expense are recorded in the segment to which deposits were transferred.

Net income fell $3.0 billion, or 55 percent, to $2.5 billion as net revenue declined and noninterest expense rose. Net interest income decreased $3.8 billion, or 35 percent, to $7.2 billion as a result of a lower net interest income allocation from ALM activities and spread compression as interest rates declined. Average deposits grew $49.2 billion, or 14 percent, due to strong organic growth and the net migration of certain households' deposits from *GWIM*. Organic growth was driven by the continuing need of customers to manage their liquidity as illustrated by growth in higher spread deposits from new money as well as movement from certificates of deposits to checking accounts and other products. This increase was partially offset by the expected decline in higher-yielding Countrywide deposits.

Noninterest income was flat at $6.8 billion as service charges remained unchanged for the year. The positive impacts of revenue initiatives were offset by changes in consumer spending behavior attributable to current economic conditions, as well as the negative impact of the implementation in the fourth quarter of 2009 of the new initiatives aimed at assisting customers who are economically stressed by reducing their banking fees.

Noninterest expense increased $910 million, or 10 percent, due to higher FDIC insurance and special assessment costs, partially offset by lower operating costs related to lower transaction volume due to the economy and productivity initiatives.

Global Card Services

(Dollars in millions)	2009	2008
Net interest income [1]	$ 20,264	$ 19,589
Noninterest income:		
Card income	8,555	10,033
All other income	523	1,598
Total noninterest income	9,078	11,631
Total revenue, net of interest expense	29,342	31,220
Provision for credit losses [2]	30,081	20,164
Noninterest expense	7,961	9,160
Income (loss) before income taxes	(8,700)	1,896
Income tax expense (benefit) [1]	(3,145)	662
Net income (loss)	$ (5,555)	$ 1,234
Net interest yield [1]	9.36%	8.26%
Return on average equity	n/m	3.15
Efficiency ratio [1]	27.13	29.34
Balance Sheet		
Average		
Total loans and leases	$216,654	$236,714
Total earning assets	216,410	237,025
Total assets	232,643	258,710
Allocated equity	41,409	39,186
Year end		
Total loans and leases	$201,230	$233,040
Total earning assets	200,988	233,094
Total assets	217,139	252,683

[1] FTE basis
[2] Represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.
n/m = not meaningful

Global Card Services provides a broad offering of products, including U.S. consumer and business card, consumer lending, international card and debit card to consumers and small businesses. We provide credit card products to customers in the U.S., Canada, Ireland, Spain and the United Kingdom. We offer a variety of co-branded and affinity credit and debit card products and are one of the leading issuers of credit cards through endorsed marketing in the U.S. and Europe. On May 22, 2009, the CARD Act which calls for a number of changes to credit card industry practices was signed into law. The provisions in the CARD Act are expected to negatively impact net interest income due to the restrictions on our ability to reprice credit cards based on risk, and card income due to restrictions imposed on certain fees. For more information on the CARD Act, see Regulatory Overview beginning on page 29.

The Corporation reports its *Global Card Services* results on a managed basis which is consistent with the way that management evaluates the results of the business. Managed basis assumes that securitized loans were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet qualifying special purpose entity (QSPE).

Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. Starting late in the third quarter of 2008 and continuing into the first quarter of 2009, liquidity for asset-backed securitizations became disrupted and spreads rose to historic highs which negatively impacted our credit card securitization programs. Beginning in the second quarter of 2009, conditions started to improve with spreads narrowing and liquidity returning to the marketplace, however, we did not return to the credit card securitization market during 2009. For more information, see the Liquidity Risk and Capital Management discussion beginning on page 59.

Global Card Services recorded a net loss of $5.6 billion in 2009 compared to net income of $1.2 billion in 2008 due to higher provision for credit losses as credit costs continued to rise driven by weak economies in the U.S., Europe and Canada. Managed net revenue declined $1.9 billion to $29.3 billion in 2009 driven by lower noninterest income partially offset by growth in net interest income.

Net interest income grew to $20.3 billion in 2009 from $19.6 billion in 2008 driven by increased loan spreads due to the beneficial impact of lower short-term interest rates on our funding costs partially offset by a decrease in average managed loans of $20.1 billion, or eight percent.

Noninterest income decreased $2.6 billion, or 22 percent, to $9.1 billion driven by decreases in card income of $1.5 billion, or 15 percent, and all other income of $1.1 billion, or 67 percent. The decrease in card income resulted from lower cash advances primarily related to balance transfers, and lower credit card interchange and fee income primarily due to changes in consumer retail purchase and payment behavior in the current economic environment. This decrease was partially offset by the absence of a negative valuation adjustment on the interest-only strip recorded in 2008. In addition, all other income in 2008 included the gain associated with the Visa initial public offering (IPO).

Provision for credit losses increased by $9.9 billion to $30.1 billion as economic conditions led to higher losses in the consumer card and consumer lending portfolios including a higher level of bankruptcies. Also contributing to the increase were higher reserve additions related to new draws on previously securitized accounts as well as an approximate $800 million addition to increase the reserve coverage to approximately 12 months of charge-offs in consumer credit card. These reserve additions were partially offset by the beneficial impact of reserve reductions from improving delinquency trends in the second half of 2009.

Noninterest expense decreased $1.2 billion, or 13 percent, to $8.0 billion due to lower operating and marketing costs. In addition, noninterest expense in 2008 included benefits associated with the Visa IPO.

The table below and the following discussion present selected key indicators for the *Global Card Services* and credit card portfolios. Credit card includes U.S., Europe and Canada consumer credit card and does not include business card, debit card and consumer lending.

Key Statistics

(Dollars in millions)	2009	2008
Global Card Services		
Average – total loans:		
Managed	**$216,654**	$236,714
Held	**118,201**	132,313
Year end – total loans:		
Managed	**201,230**	233,040
Held	**111,515**	132,080
Managed net losses [1]:		
Amount	**26,655**	15,723
Percent [2]	**12.30%**	6.64%
Credit Card		
Average – total loans:		
Managed	**$170,486**	$184,246
Held	**72,033**	79,845
Year end – total loans:		
Managed	**160,824**	182,234
Held	**71,109**	81,274
Managed net losses [1]:		
Amount	**19,185**	11,382
Percent [2]	**11.25%**	6.18%

[1] Represents net charge-offs on held loans combined with realized credit losses associated with the securitized loan portfolio.
[2] Ratios are calculated as managed net losses divided by average outstanding managed loans during the year.

Global Card Services managed net losses increased $10.9 billion to $26.7 billion, or 12.30 percent of average outstandings, compared to $15.7 billion, or 6.64 percent in 2008. This increase was driven by portfolio deterioration due to economic conditions including a higher level of bankruptcies. Additionally, consumer lending net charge-offs increased $2.1 billion to $4.3 billion, or 17.75 percent of average outstandings compared to $2.2 billion, or 7.98 percent in 2008. Lower loan balances driven by reduced marketing and tightened credit criteria also adversely impacted net charge-off ratios.

Managed consumer credit card net losses increased $7.8 billion to $19.2 billion, or 11.25 percent of average credit card outstandings, compared to $11.4 billion, or 6.18 percent in 2008. The increase was driven by portfolio deterioration due to economic conditions including elevated unemployment, underemployment and a higher level of bankruptcies.

For more information on credit quality, see Consumer Portfolio Credit Risk Management beginning on page 66.

Home Loans & Insurance

(Dollars in millions)	2009	2008
Net interest income [1]	$ 4,974	$ 3,311
Noninterest income:		
Mortgage banking income	9,321	4,422
Insurance income	2,346	1,416
All other income	261	161
Total noninterest income	11,928	5,999
Total revenue, net of interest expense	16,902	9,310
Provision for credit losses	11,244	6,287
Noninterest expense	11,683	6,962
Loss before income taxes	(6,025)	(3,939)
Income tax benefit [1]	(2,187)	(1,457)
Net loss	$ (3,838)	$ (2,482)
Net interest yield [1]	2.57%	2.55%
Efficiency ratio [1]	69.12	74.78
Balance Sheet		
Average		
Total loans and leases	$130,519	$105,724
Total earning assets	193,262	129,674
Total assets	230,234	147,461
Allocated equity	20,533	9,517
Year end		
Total loans and leases	$131,302	$122,947
Total earning assets	188,466	175,609
Total assets	232,706	205,046

[1] FTE basis

Home Loans & Insurance generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. *Home Loans & Insurance* products are available to our customers through a retail network of 6,011 banking centers, mortgage loan officers in approximately 880 locations and a sales force offering our customers direct telephone and online access to our products. These products are also offered through our correspondent and wholesale loan acquisition channels. *Home Loans & Insurance* products include fixed and adjustable rate first-lien mortgage loans for home purchase and refinancing needs, reverse mortgages, home equity lines of credit and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors while retaining MSRs and the Bank of America customer relationships, or are held on our balance sheet in *All Other* for ALM purposes. *Home Loans & Insurance* is not impacted by the Corporation's mortgage production retention decisions as *Home Loans & Insurance* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other*. In addition, *Home Loans & Insurance* offers property, casualty, life, disability and credit insurance.

While the results of Countrywide's deposit operations are included in *Deposits,* the majority of its ongoing operations are recorded in *Home Loans & Insurance*. Countrywide's acquired first mortgage and discontinued real estate portfolios are recorded in *All Other* and are managed as part of our overall ALM activities.

Home Loans & Insurance includes the impact of migrating customers and their related loan balances between *GWIM* and *Home Loans & Insurance*. As of the date of migration, the associated net interest income and noninterest expense are recorded in the segment to which the customers were migrated. Total loans of $11.5 billion were migrated from *GWIM* in 2009 compared to $1.6 billion in 2008. The increase was mainly due to client segmentation threshold changes resulting from the Merrill Lynch acquisition.

Home Loans & Insurance recorded a net loss of $3.8 billion in 2009 compared to a net loss of $2.5 billion in 2008, as growth in noninterest income and net interest income was more than offset by higher provision for credit losses and higher noninterest expense.

Net interest income grew $1.7 billion, or 50 percent, driven primarily by an increase in average loans held-for-sale (LHFS) and home equity loans. The $19.1 billion increase in average LHFS was the result of higher mortgage loan volume driven by the lower interest rate environment. The growth in average home equity loans of $23.7 billion, or 23 percent, was due primarily to the migration of certain loans from *GWIM* to *Home Loans & Insurance* as well as the full-year impact of Countrywide balances.

Noninterest income increased $5.9 billion to $11.9 billion driven by higher mortgage banking income which benefited from the full-year impact of Countrywide and lower current interest rates which drove higher production income.

Provision for credit losses increased $5.0 billion to $11.2 billion driven by continued economic and housing market weakness particularly in geographic areas experiencing higher unemployment and falling home prices. Additionally, reserve increases in the Countrywide home equity purchased impaired loan portfolio were $2.8 billion higher in 2009 compared to 2008 reflecting further reduction in expected principal cash flows.

Noninterest expense increased $4.7 billion to $11.7 billion largely due to the full-year impact of Countrywide as well as increased compensation costs and other expenses related to higher production volume and delinquencies. Partly contributing to the increase in expenses was the more than doubling of personnel and other costs in the area of our business that is responsible for assisting distressed borrowers with loan modifications or other workout solutions.

Mortgage Banking Income

We categorize *Home Loans & Insurance* mortgage banking income into production and servicing income. Production income is comprised of revenue from the fair value gains and losses recognized on our IRLCs and LHFS and the related secondary market execution, and costs related to representations and warranties in the sales transactions and other obligations incurred in the sales of mortgage loans. In addition, production income includes revenue for transfers of mortgage loans from *Home Loans & Insurance* to the ALM portfolio related to the Corporation's mortgage production retention decisions which is eliminated in *All Other*.

Servicing activities primarily include collecting cash for principal, interest and escrow payments from borrowers, disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties. Our home retention efforts are also part of our servicing activities, along with responding to customer inquiries and supervising foreclosures and property dispositions. Servicing income includes ancillary income earned in connection with these activities such as late fees, and MSR valuation adjustments, net of economic hedge activities.

The following table summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	2009	2008
Production income	$ 5,539	$ 2,105
Servicing income:		
Servicing fees and ancillary income	6,200	3,531
Impact of customer payments	(3,709)	(3,314)
Fair value changes of MSRs, net of economic hedge results	712	1,906
Other servicing-related revenue	579	194
Total net servicing income	3,782	2,317
Total Home Loans & Insurance mortgage banking income	9,321	4,422
Other business segments' mortgage banking income (loss) [1]	(530)	(335)
Total consolidated mortgage banking income	$ 8,791	$ 4,087

[1] Includes the effect of transfers of mortgage loans from *Home Loans & Insurance* to the ALM portfolio in *All Other*.

Production income increased $3.4 billion in 2009 compared to 2008. This increase was driven by higher mortgage volumes due in large part to Countrywide and also to higher refinance activity resulting from the lower interest rate environment, partially offset by an increase in representations and warranties expense to $1.9 billion in 2009 from $246 million in 2008. The increase in representations and warranties expense was driven by increased estimates of defaults reflecting deterioration in the economy and housing markets combined with a higher rate of repurchase or similar requests. For further information regarding representations and warranties, see *Note 8 – Securitizations* to the Consolidated Financial Statements and the Consumer Portfolio Credit Risk Management – Residential Mortgage discussion beginning on page 68.

Net servicing income increased $1.5 billion in 2009 compared to 2008 largely due to the full-year impact of Countrywide which drove an increase of $2.7 billion in servicing fees and ancillary income partially offset by lower MSR performance, net of hedge activities. The fair value changes of MSRs, net of economic hedge results were $712 million and $1.9 billion in 2009 and 2008. The positive 2009 MSRs results were primarily driven by changes in the forward interest rate curve. The positive 2008 MSR results were driven primarily by the expectation that weakness in the housing market would lessen the impact of decreasing market interest rates on expected future prepayments. For further discussion on MSRs and the related hedge instruments, see Mortgage Banking Risk Management on page 98.

The following table presents select key indicators for *Home Loans & Insurance*.

Home Loans & Insurance Key Statistics

(Dollars in millions, except as noted)	2009	2008
Loan production		
Home Loans & Insurance:		
First mortgage	$357,371	$128,945
Home equity	10,488	31,998
Total Corporation [1]:		
First mortgage	378,105	140,510
Home equity	13,214	40,489
Year end		
Mortgage servicing portfolio (in billions) [2]	$ 2,151	$ 2,057
Mortgage loans serviced for investors (in billions)	1,716	1,654
Mortgage servicing rights:		
Balance	19,465	12,733
Capitalized mortgage servicing rights (% of loans serviced for investors)	113 bps	77 bps

[1] In addition to loan production in *Home Loans & Insurance*, 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 in *Home Loans & Insurance* was $357.4 billion in 2009 compared to $128.9 billion in 2008. The increase of $228.4 billion was due in large part to the full-year impact of Countrywide as well as an increase in the mortgage market driven by a decline in interest rates. Home equity production was $10.5 billion in 2009 compared to $32.0 billion in 2008. The decrease of $21.5 billion was primarily due to our more stringent underwriting guidelines for home equity lines of credit and loans as well as lower consumer demand.

At December 31, 2009, the consumer MSR balance was $19.5 billion, which represented 113 bps of the related unpaid principal balance as compared to $12.7 billion, or 77 bps of the related principal balance at December 31, 2008. The increase in the consumer MSR balance was driven by increases in the forward interest rate curve and the additional MSRs recorded in connection with sales of loans. This resulted in the 36 bps increase in the capitalized MSRs as a percentage of loans serviced for investors.

Global Banking

(Dollars in millions)	2009	2008
Net interest income [1]	$ 11,250	$ 10,755
Noninterest income:		
Service charges	3,954	3,233
Investment banking income	3,108	1,371
All other income	4,723	1,437
Total noninterest income	11,785	6,041
Total revenue, net of interest expense	23,035	16,796
Provision for credit losses	8,835	3,130
Noninterest expense	9,539	6,684
Income before income taxes	4,661	6,982
Income tax expense [1]	1,692	2,510
Net income	$ 2,969	$ 4,472
Net interest yield [1]	3.34%	3.30%
Return on average equity	4.93	8.84
Efficiency ratio [1]	41.41	39.80
Balance Sheet		
Average		
Total loans and leases	$315,002	$318,325
Total earning assets [2]	337,315	325,764
Total assets [2]	394,140	382,790
Total deposits	211,261	177,528
Allocated equity	60,273	50,583
Year end		
Total loans and leases	$291,117	$328,574
Total earning assets [2]	343,057	338,915
Total assets [2]	398,061	394,541
Total deposits	227,437	215,519

[1] FTE basis
[2] Total earning assets and total assets include asset allocations to match liabilities (i.e., deposits).

Global Banking provides a wide range of lending-related products and services, integrated working capital management, treasury solutions and investment banking services to clients worldwide through our network of offices and client relationship teams along with various product partners. Our clients include multinationals, middle-market and business banking companies, correspondent banks, commercial real estate firms and governments. Our lending products and services include commercial loans and commitment facilities, real estate lending, leasing, trade finance, short-term credit facilities, asset-based lending and indirect consumer loans. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Our investment banking services provide our commercial and corporate issuer clients with debt and equity underwriting and distribution capabilities as well as merger-related and other advisory services. *Global Banking* also includes the results of our merchant services joint venture, as discussed below, and the economic hedging of our credit risk to certain exposures utilizing various risk mitigation tools. Our clients are supported in offices throughout the world that are divided into four distinct geographic regions: U.S. and Canada; Asia Pacific; Europe, Middle East and Africa; and Latin America. For more information on our foreign operations, see Foreign Portfolio beginning on page 86.

During the second quarter of 2009, we entered into a joint venture agreement with First Data Corporation (First Data) to form Banc of America Merchant Services, LLC. The joint venture provides payment solutions, including credit, debit and prepaid cards, and check and e-commerce payments to merchants ranging from small businesses to corporate and commercial clients worldwide. We contributed approximately 240,000 merchant relationships, a sales force of approximately 350 associates, and the use of the Bank of America brand name. First Data contributed approximately 140,000 merchant relationships, 200 sales associates and state of the art technology. The joint venture and clients benefit from both companies' comprehensive suite of leading payment solutions capabilities. At December 31, 2009, we owned 46.5 percent of the joint venture and we account for our investment under the equity method of accounting. The third party investor has the right to put their interest to the joint venture which would have the effect of increasing the Corporation's ownership interest to 49 percent. In connection with the formation of the joint venture, we recorded a pre-tax gain of $3.8 billion which represents the excess of fair value over the carrying value of our contributed merchant processing business.

Global Banking net income decreased $1.5 billion, or 34 percent, to $3.0 billion in 2009 compared to 2008 as an increase in revenue was more than offset by higher provision for credit losses and noninterest expense.

Net interest income increased $495 million, or five percent, as average deposits grew $33.7 billion, or 19 percent, driven by deposit growth as our clients remain very liquid. In addition, average deposit growth benefited from a flight-to-safety in late 2008. Net interest income also benefited from improved loan spreads on new, renewed and amended facilities. These increases were partially offset by a $3.3 billion, or one percent, decline in average loan balances due to decreased client demand as clients are deleveraging and capital markets began to open up so that corporate clients could access other funding sources. In addition, net interest income was negatively impacted by a lower net interest income allocation from ALM activities and increased nonperforming loans.

Noninterest income increased $5.7 billion, or 95 percent, to $11.8 billion, mainly driven by the $3.8 billion pre-tax gain related to the contribution of the merchant processing business into a joint venture, higher investment banking income and service charges. Investment banking income increased $1.7 billion due to the acquisition of Merrill Lynch and strong growth in debt and equity capital markets fees. Service charges increased $721 million, or 22 percent, driven by the Merrill Lynch acquisition and the impact of fees charged for services provided to the merchant processing joint venture. All other income increased $3.3 billion compared to the prior year from the gain related to the contribution of the merchant processing business. All other income also includes our proportionate share of the joint venture net income, where prior to formation of the joint venture these activities were reflected in card income. In addition, noninterest income benefited in 2008 from *Global Banking's* share of the Visa IPO gain.

The provision for credit losses increased $5.7 billion to $8.8 billion in 2009 compared to 2008 primarily driven by higher net charge-offs and reserve additions in the commercial real estate and commercial – domestic portfolios resulting from deterioration across a broad range of property types, industries and borrowers.

Noninterest expense increased $2.9 billion, or 43 percent, to $9.5 billion, primarily attributable to the Merrill Lynch acquisition and higher FDIC insurance and special assessment costs. These items were partially offset by a reduction in certain merchant-related expenses that are now incurred by the joint venture and a change in compensation that delivers a greater portion of incentive pay over time. In addition, noninterest expense in 2008 also included benefits associated with the Visa IPO.

Global Banking Revenue

Global Banking evaluates its revenue from two primary client views, global commercial banking and global corporate and investment banking. Global commercial banking primarily includes revenue related to our commercial and business banking clients who are generally defined as companies with sales between $2 million and $2 billion including middle-market and multinational clients as well as commercial real estate clients. Global

corporate and investment banking primarily includes revenue related to our large corporate clients including multinationals which are generally defined as companies with sales in excess of $2 billion. Additionally, global corporate and investment banking revenue also includes debt and equity underwriting and merger-related advisory services (net of revenue sharing primarily with *Global Markets*). The following table presents further detail regarding *Global Banking* revenue.

(Dollars in millions)	2009	2008
Global Banking revenue		
Global commercial banking	**$15,209**	$11,362
Global corporate and investment banking	**7,826**	5,434
Total Global Banking revenue	**$23,035**	$16,796

Global Banking revenue increased $6.2 billion to $23.0 billion in 2009 compared to 2008. *Global Banking* revenue consists of credit-related revenue derived from lending-related products and services, treasury services-related revenue primarily from capital and treasury management, and investment banking income.

- Global commercial banking revenue increased $3.8 billion, or 34 percent, primarily driven by the gain from the contribution of the merchant processing business to the joint venture.

  Credit-related revenue within global commercial banking increased $960 million to $6.7 billion due to improved loan spreads on new, renewed and amended facilities and the Merrill Lynch acquisition. Average loans and leases decreased $3.7 billion to $219.0 billion as increased balances due to the Merrill Lynch acquisition were more than offset by reduced client demand.

  Treasury services-related revenue within global commercial banking increased $2.9 billion to $8.5 billion driven by the $3.8 billion gain related to the contribution of the merchant services business to the joint venture, partially offset by lower net interest income and the absence of the 2008 gain associated with the Visa IPO. Average treasury services deposit balances increased $22.7 billion to $130.9 billion driven by clients managing their balances.
- Global corporate and investment banking revenue increased $2.4 billion in 2009 compared to 2008 driven primarily by the Merrill Lynch acquisition which resulted in increased debt and equity capital markets fees, and higher net interest income due mainly to growth in average deposits.

  Credit-related revenue within global corporate and investment banking increased $387 million to $2.9 billion in 2009 compared to 2008 driven by improved loan spreads and the Merrill Lynch acquisition, partially offset by the adverse impact of increased nonperforming loans and the higher cost of credit hedging. Average loans and leases remained essentially flat as reduced demand offset the impact of the Merrill Lynch acquisition.

  Treasury services-related revenue within global corporate and investment banking decreased $438 million to $2.5 billion in 2009 driven by lower net interest income, service fees and card income. Average deposit balances increased $11.1 billion to $80.4 billion during 2009 primarily due to clients managing their balances.

Investment Banking Income

Product specialists within *Global Markets* work closely with *Global Banking* on underwriting and distribution of debt and equity securities and certain other products. To reflect the efforts of *Global Markets* and *Global Banking* in servicing our clients with the best product capabilities, we allocate revenue to the two segments based on relative contribution. Therefore, to provide a complete discussion of our consolidated investment banking income, we have included the following table that presents total investment banking income for the Corporation.

(Dollars in millions)	2009	2008
Investment banking income		
Advisory [1]	**$1,167**	$ 546
Debt issuance	**3,124**	1,539
Equity issuance	**1,964**	624
	6,255	2,709
Offset for intercompany fees [2]	**(704)**	(446)
Total investment banking income	**$5,551**	$2,263

[1] Advisory includes fees on debt and equity advisory, and merger and acquisitions.
[2] The offset to fees paid on the Corporation's transactions.

Investment banking income increased $3.3 billion to $5.6 billion in 2009 compared to 2008. The increase was largely due to the Merrill Lynch acquisition and favorable market conditions for debt and equity issuances. Debt issuance fees increased $1.6 billion due primarily to leveraged finance and investment grade bond issuances. Equity issuance fees increased $1.3 billion as we benefited from the increased size of the investment banking platform. Advisory fees increased $621 million attributable to the larger advisory platform partially offset by decreased merger and acquisitions activity.

Global Markets

(Dollars in millions)	2009	2008
Net interest income [1]	$ 6,120	$ 5,151
Noninterest income:		
Investment and brokerage services	2,552	752
Investment banking income	2,850	1,337
Trading account profits (losses)	11,675	(5,809)
All other income (loss)	(2,571)	(5,262)
Total noninterest income (loss)	14,506	(8,982)
Total revenue, net of interest expense	20,626	(3,831)
Provision for credit losses	400	(50)
Noninterest expense	10,042	3,906
Income (loss) before income taxes	10,184	(7,687)
Income tax expense (benefit) [1]	3,007	(2,771)
Net income (loss)	$ 7,177	$ (4,916)
Return on average equity	23.33%	n/m
Efficiency ratio [1]	48.68	n/m
Balance Sheet		
Average		
Total trading-related assets [2]	$507,648	$338,074
Total market-based earning assets	481,542	360,667
Total earning assets	490,406	366,195
Total assets	656,621	427,734
Allocated equity	30,765	12,839
Year end		
Total trading-related assets [2]	$411,212	$244,174
Total market-based earning assets	404,467	237,452
Total earning assets	409,717	243,275
Total assets	538,456	306,693

[1] FTE basis
[2] Includes assets which are not considered earning assets (i.e., derivative assets).
n/m = not meaningful

Global Markets provides financial products, advisory services, financing, securities clearing, settlement and custody services globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate clients to provide debt and equity underwriting and distribution capabilities and risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed income and mortgage-related products. The business may take positions in these products and participate in market-making activities dealing in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, MBS and asset-backed securities (ABS). Underwriting debt and equity, securities research and certain market-based activities are executed through our global broker/dealer affiliates which are our primary dealers in several countries. *Global Markets* is a leader in the global distribution of fixed income, currency and energy commodity products and derivatives. *Global Markets* also has one of the largest equity trading operations in the world and is a leader in the origination and distribution of equity and equity-related products.

Net income increased $12.1 billion to $7.2 billion in 2009 compared to a loss of $4.9 billion in 2008 as increased noninterest income driven by trading account profits was partially offset by higher noninterest expense.

Net interest income, almost all of which is market-based, increased $969 million to $6.1 billion due to growth in average market-based earning assets which increased $120.9 billion or 34 percent, driven primarily by the Merrill Lynch acquisition.

Noninterest income increased $23.5 billion due to the Merrill Lynch acquisition, favorable core trading results and decreased write-downs on legacy assets partially offset by negative credit valuation adjustments on derivative liabilities due to improvement in our credit spreads in 2009. Noninterest expense increased $6.1 billion, largely attributable to the Merrill Lynch acquisition. This increase was partially offset by a change in compensation that delivers a greater portion of incentive pay over time.

Sales and Trading Revenue

Global Markets revenue is primarily derived from sales and trading and investment banking activities which are shared between *Global Markets* and *Global Banking*. *Global Banking* originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by *Global Markets*. In order to reflect the relative contribution of each business segment, a revenue-sharing agreement has been implemented which attributes revenue accordingly (see page 46 for a discussion of investment banking fees on a consolidated basis). In addition, certain gains and losses related to write-downs on legacy assets and select trading results are also allocated or shared between *Global Markets* and *Global Banking*. Therefore, in order to provide a complete discussion of our sales and trading revenue, the following table and related discussion present total sales and trading revenue for the consolidated Corporation. Sales and trading revenue is segregated into fixed income (investment and noninvestment grade corporate debt obligations, commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and 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.

(Dollars in millions)	2009	2008
Sales and trading revenue [1, 2]		
Fixed income, currencies and commodities (FICC)	$12,727	$(7,625)
Equity income	4,901	743
Total sales and trading revenue	$17,628	$(6,882)

[1] Includes $356 million and $257 million of net interest income on a FTE basis for 2009 and 2008.
[2] Includes $1.1 billion and $1.2 billion of write-downs on legacy assets that were allocated to *Global Banking* for 2009 and 2008.

Sales and trading revenue increased $24.5 billion to $17.6 billion in 2009 compared to a loss of $6.9 billion in 2008 due to the addition of Merrill Lynch and the improving economy. Write-downs on legacy assets in 2009 were $3.8 billion with $2.7 billion included in *Global Markets* as compared to $10.5 billion in 2008 with $9.3 billion recorded in *Global Markets*. Further, we recorded negative net credit valuation adjustments on derivative liabilities of $801 million resulting from improvements in our credit spreads in 2009 compared to a gain of $354 million in 2008.

FICC revenue increased $20.4 billion to $12.7 billion in 2009 compared to 2008 primarily driven by credit and structured products which continued to benefit from improved market liquidity and tighter credit spreads as well as new issuance capabilities.

- During 2009, we incurred $2.2 billion of losses resulting from our CDO exposure which includes our super senior, warehouse, sales and trading positions, hedging activities and counterparty credit risk valuations. This compares to $4.8 billion in CDO-related losses for 2008. Included in the above losses were $910 million and $1.1 billion of losses in 2009 and 2008 related to counterparty risk on our CDO-related exposure. Also included in the above losses were other-than-temporary impairment charges of $1.2 billion in 2009 compared to $3.3 billion in 2008 related to CDOs and retained positions classified as AFS debt securities. See the following detailed CDO exposure discussion.
- During 2009 we recorded $1.6 billion of losses, net of hedges, on CMBS funded debt and forward finance commitments compared to losses of $944 million in 2008. These losses were concentrated in the more difficult to hedge floating-rate debt. In addition, we recorded $670 million in losses associated with equity investments we made in acquisition-related financing transactions compared to $545 million in losses in the prior year. At December 31, 2009 and 2008, we held $5.3 billion and $6.9 billion of funded and unfunded CMBS exposure of which $4.4 billion and $6.0 billion were primarily floating-rate

acquisition-related financings to major, well-known operating companies. CMBS exposure decreased as $4.1 billion of funded CMBS debt acquired in the Merrill Lynch acquisition was partially offset by a transfer of $3.8 billion of CMBS funded debt to commercial loans held for investment as we plan to hold these positions and, to a lesser extent, by loan sales and paydowns.

- We incurred losses in 2009 on our leveraged loan exposures of $286 million compared to $1.1 billion in 2008. At December 31, 2009, the carrying value of our leveraged funded positions held for distribution was $2.4 billion, which included $1.2 billion from the Merrill Lynch acquisition, compared to $2.8 billion at December 31, 2008, which did not include Merrill Lynch. At December 31, 2009, 99 percent of the carrying value of the leveraged funded positions was senior secured.
- We recorded a loss of $100 million on auction rate securities (ARS) in 2009 compared to losses of $898 million in 2008 which reflects stabilizing valuations on ARS during the year. We have agreed to purchase ARS at par from certain customers in connection with an agreement with federal and state securities regulators. During 2009, we purchased a net $3.8 billion of ARS from our customers and at December 31, 2009, our outstanding buyback commitment was $291 million.

Equity products sales and trading revenue increased $4.2 billion to $4.9 billion in 2009 compared to 2008 driven by the addition of Merrill Lynch's trading and financing platforms.

Collateralized Debt Obligation Exposure

CDO vehicles hold diversified pools of fixed income securities and issue multiple tranches of debt securities including commercial paper, mezzanine and equity securities. Our CDO exposure can be divided into funded and unfunded super senior liquidity commitment exposure, other super senior exposure (i.e., cash positions and derivative contracts), warehouse, and sales and trading positions. For more information on our CDO liquidity commitments, see *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements. Super senior exposure represents the most senior class of commercial paper or notes that are issued by the CDO vehicles. These financial instruments benefit from the subordination of all other securities issued by the CDO vehicles.

As presented in the following table, at December 31, 2009, our hedged and unhedged super senior CDO exposure before consideration of insurance, net of write-downs was $3.6 billion.

Super Senior Collateralized Debt Obligation Exposure

December 31, 2009

(Dollars in millions)	Subprime [1]	Retained Positions	Total Subprime	Non-Subprime [2]	Total
Unhedged	$ 938	$528	$1,466	$ 839	**$2,305**
Hedged [3]	661	–	661	652	**1,313**
Total	$1,599	$528	$2,127	$1,491	**$3,618**

[1] Classified as subprime when subprime consumer real estate loans make up at least 35 percent of the original net exposure value of the underlying collateral.
[2] Includes highly rated collateralized loan obligations and CMBS super senior exposure.
[3] Hedged amounts are presented at carrying value before consideration of the insurance.

We value our CDO structures using the average of all prices obtained from either external pricing services or offsetting trades for approximately 89 percent and 77 percent of the CDO exposure and related retained positions. The majority of the remaining positions where no pricing quotes were available were valued using matrix pricing and projected cash flows. Unrealized losses recorded in accumulated OCI on super senior cash positions and retained positions from liquidated CDOs in aggregate increased $88 million during 2009 to $104 million at December 31, 2009.

At December 31, 2009, total subprime super senior unhedged exposure of $1.466 billion was carried at 15 percent and the $839 million of non-subprime unhedged exposure was carried at 51 percent of their original net exposure amounts. Net hedged subprime super senior exposure of $661 million was carried at 13 percent and the $652 million of hedged non-subprime super senior exposure was carried at 64 percent of its original net exposure.

The following table presents the carrying values of our subprime net exposures including subprime collateral content and percentages of certain vintages.

Unhedged Subprime Super Senior Collateralized Debt Obligation Carrying Values

December 31, 2009

(Dollars in millions)	Subprime Net Exposure	Carrying Value as a Percent of Original Net Exposure	Subprime Content of Collateral [1]	Vintage of Subprime Collateral: Percent in 2006/2007 Vintages	Vintage of Subprime Collateral: Percent in 2005/Prior Vintages
Mezzanine super senior liquidity commitments	$ 88	7%	100%	85%	15%
Other super senior exposure					
High grade	577	20	43	23	77
Mezzanine	272	16	34	79	21
CDO-squared	1	1	100	100	–
Total other super senior	850				
Total super senior	**938**	**15**			
Retained positions from liquidated CDOs	**528**	**15**	28	22	78
Total	**$1,466**	**15**			

[1] Based on current net exposure value.

At December 31, 2009, we held purchased insurance on our subprime and non-subprime super senior CDO exposure with a notional value of $5.2 billion and $1.0 billion from monolines and other financial guarantors. Monolines provided $3.8 billion of the purchased insurance in the form of CDS, total return swaps or financial guarantees. In addition, we held collateral in the form of cash and marketable securities of $1.1 billion related to our non-monoline purchased insurance. In the case of default, we look to the underlying securities and then to recovery on purchased insurance. The table below provides notional, receivable, counterparty credit valuation adjustment and gains (write-downs) on insurance purchased from monolines.

Credit Default Swaps with Monoline Financial Guarantors

December 31, 2009

(Dollars in millions)	Super Senior CDOs	Other Guaranteed Positions	Total
Notional	$ 3,757	$38,834	**$42,591**
Mark-to-market or guarantor receivable	$ 2,833	$ 8,256	**$11,089**
Credit valuation adjustment	(1,873)	(4,132)	**(6,005)**
Total	$ 960	$ 4,124	**$ 5,084**
Credit valuation adjustment %	66%	50%	**54%**
(Write-downs) gains during 2009	$ (961)	$ 98	**$ (863)**

Monoline wrap protection on our super senior CDOs had a notional value of $3.8 billion at December 31, 2009, with a receivable of $2.8 billion and a counterparty credit valuation adjustment of $1.9 billion, or 66 percent. During 2009, we recorded $961 million of counterparty credit risk-related write-downs on these positions. At December 31, 2008, the monoline wrap on our super senior CDOs had a notional value of $2.8 billion, with a receivable of $1.5 billion and a counterparty credit valuation adjustment of $1.1 billion, or 72 percent.

In addition to the monoline financial guarantor exposure related to super senior CDOs, we had $38.8 billion of notional exposure to monolines that predominantly hedge corporate collateralized loan obligation and CDO exposure as well as CMBS, RMBS and other ABS cash and synthetic exposures that were acquired from Merrill Lynch. At December 31, 2008, the monoline wrap on our other guaranteed positions was $5.9 billion of notional exposure. Mark-to-market monoline derivative credit exposure was $8.3 billion at December 31, 2009 compared to $694 million at December 31, 2008. This increase was driven by the addition of Merrill Lynch exposures as well as credit deterioration related to underlying counterparties, partially offset by positive valuation adjustments on legacy assets and terminated monoline contracts.

At December 31, 2009, the counterparty credit valuation adjustment related to non-super senior CDO monoline derivative exposure was $4.1 billion which reduced our net mark-to-market exposure to $4.1 billion. We do not hold collateral against these derivative exposures. Also, during 2009 we recognized gains of $113 million for counterparty credit risk related to these positions.

With the Merrill Lynch acquisition, we acquired a loan with a carrying value of $4.4 billion as of December 31, 2009 that is collateralized by U.S. super senior ABS CDOs. Merrill Lynch originally provided financing to the borrower for an amount equal to approximately 75 percent of the fair value of the collateral. The loan has full recourse to the borrower and all scheduled payments on the loan have been received. Events of default under the loan are customary events of default, including failure to pay interest when due and failure to pay principal at maturity. Collateral for the loan is excluded from our CDO exposure discussions and the applicable tables.

(Dollars in millions)	2009 Total	Merrill Lynch Global Wealth Management [1]	U.S. Trust	Columbia Management	Other
Net interest income [2]	$ 5,564	$ 4,567	$ 1,361	$ 32	$ (396)
Noninterest income:					
Investment and brokerage services	9,273	6,130	1,254	1,090	799
All other income (loss)	3,286	1,684	48	(201)	1,755
Total noninterest income	12,559	7,814	1,302	889	2,554
Total revenue, net of interest expense	18,123	12,381	2,663	921	2,158
Provision for credit losses	1,061	619	442	–	–
Noninterest expense	13,077	9,411	1,945	932	789
Income (loss) before income taxes	3,985	2,351	276	(11)	1,369
Income tax expense (benefit) [2]	1,446	870	102	(4)	478
Net income (loss)	$ 2,539	$ 1,481	$ 174	$ (7)	$ 891
Net interest yield [2]	2.53%	2.49%	2.58%	n/m	n/m
Return on average equity [3]	13.44	18.50	3.39	n/m	n/m
Efficiency ratio [2]	72.16	76.01	73.03	n/m	n/m
Year end – total assets [4]	$254,192	$195,175	$55,371	$2,717	n/m

(Dollars in millions)	2008 Total	Merrill Lynch Global Wealth Management [1]	U.S. Trust	Columbia Management	Other
Net interest income [2]	$ 4,797	$ 3,211	$ 1,570	$ 6	$ 10
Noninterest income:					
Investment and brokerage services	4,059	1,001	1,400	1,496	162
All other income (loss)	(1,047)	58	18	(1,120)	(3)
Total noninterest income	3,012	1,059	1,418	376	159
Total revenue, net of interest expense	7,809	4,270	2,988	382	169
Provision for credit losses	664	561	103	–	–
Noninterest expense	4,910	1,788	1,831	1,126	165
Income (loss) before income taxes	2,235	1,921	1,054	(744)	4
Income tax expense (benefit) [2]	807	711	390	(275)	(19)
Net income (loss)	$ 1,428	$ 1,210	$ 664	$ (469)	$ 23
Net interest yield [2]	2.97%	2.60%	3.05%	n/m	n/m
Return on average equity [3]	12.20	36.66	14.20	n/m	n/m
Efficiency ratio [2]	62.87	41.88	61.26	n/m	n/m
Year end – total assets [4]	$189,073	$137,282	$57,167	$ 2,923	n/m

[1] Effective January 1, 2009, as a result of the Merrill Lynch acquisition, we combined Merrill Lynch's wealth management business and our former *Premier Banking & Investments* business to form *Merrill Lynch Global Wealth Management* (*MLGWM*).
[2] FTE basis
[3] Average allocated equity for *GWIM* was $18.9 billion and $11.7 billion at December 31, 2009 and 2008.
[4] Total assets include asset allocations to match liabilities (i.e., deposits).
n/m = not meaningful

(Dollars in millions)	December 31 2009	December 31 2008	Average Balance 2009	Average Balance 2008
Balance Sheet				
Total loans and leases	$ 99,596	$ 89,401	$103,398	$ 87,593
Total earning assets [1]	219,866	179,319	219,612	161,685
Total assets [1]	254,192	189,073	251,969	170,973
Total deposits	224,840	176,186	225,980	160,702

[1] Total earning assets and total assets include asset allocations to match liabilities (i.e., deposits).

GWIM provides a wide offering of customized banking, investment and brokerage services tailored to meet the changing wealth management needs of our individual and institutional customer base. Our clients have access to a range of services offered through three primary businesses: *MLGWM; U.S. Trust, Bank of America Private Wealth Management (U.S. Trust);* and *Columbia*. The results of the Retirement & Philanthropic Services business, the Corporation's approximate 34 percent economic ownership interest in BlackRock and other miscellaneous items are included in *Other* within *GWIM*.

As part of the Merrill Lynch acquisition, we added its financial advisors and an economic ownership interest of approximately 50 percent in BlackRock, a publicly traded investment management company. During 2009, BlackRock completed its purchase of Barclays Global Investors, an asset management business, from Barclays PLC which had the effect of diluting our ownership interest in BlackRock and, for accounting purposes, was treated as a sale of a portion of our ownership interest. As a result, upon the closing of this transaction, the Corporation's economic ownership interest in BlackRock was reduced to approximately 34 percent and we recorded a pre-tax gain of $1.1 billion.

Net income increased $1.1 billion, or 78 percent, to $2.5 billion as higher total revenue was partially offset by increases in noninterest expense and provision for credit losses.

Net interest income increased $767 million, or 16 percent, to $5.6 billion primarily due to the acquisition of Merrill Lynch partially offset by a lower net interest income allocation from ALM activities and the impact of the migration of client balances during 2009 to *Deposits* and *Home Loans & Insurance*. *GWIM's* average loan and deposit growth benefited from the acquisition of Merrill Lynch and the shift of client assets from off-balance sheet (e.g., money market funds) to on-balance sheet products (e.g., deposits) partially offset by the net migration of customer relationships. A more detailed discussion regarding migrated customer relationships and related balances is provided in the following *MLGWM* discussion.

Noninterest income increased $9.5 billion to $12.6 billion primarily due to higher investment and brokerage services income driven by the Merrill Lynch acquisition, the $1.1 billion gain on our investment in BlackRock and the lower level of support provided to certain cash funds partially offset by the impact of lower average equity market levels and net outflows primarily in the cash complex.

Provision for credit losses increased $397 million, or 60 percent, to $1.1 billion, reflecting the weak economy during 2009 which drove higher net charge-offs in the consumer real estate and commercial portfolios including a single large commercial charge-off.

Noninterest expense increased $8.2 billion to $13.1 billion driven by the addition of Merrill Lynch and higher FDIC insurance and special assessment costs partially offset by lower revenue-related expenses.

Client Assets

The following table presents client assets which consist of AUM, client brokerage assets, assets in custody and client deposits.

Client Assets

	December 31	
(Dollars in millions)	**2009**	2008
Assets under management	**$ 749,852**	$523,159
Client brokerage assets [1]	**1,270,461**	172,106
Assets in custody	**274,472**	133,726
Client deposits	**224,840**	176,186
Less: Client brokerage assets and assets in custody included in assets under management	**(346,682)**	(87,519)
Total net client assets	**$2,172,943**	$917,658

[1] Client brokerage assets include non-discretionary brokerage and fee-based assets.

The increase in net client assets was driven by the acquisition of Merrill Lynch and higher equity market values at December 31, 2009 compared to 2008 partially offset by outflows that primarily occurred in cash and money market assets due to increasing interest rate pressure.

Merrill Lynch Global Wealth Management

Effective January 1, 2009, as a result of the Merrill Lynch acquisition, we combined the Merrill Lynch wealth management business and our former *Premier Banking & Investments* business to form *MLGWM*. *MLGWM* provides a high-touch client experience through a network of approximately 15,000 client-facing financial advisors to our affluent customers with a personal wealth profile of at least $250,000 of investable assets. The addition of Merrill Lynch created one of the largest financial advisor networks in the world. Merrill Lynch added $10.3 billion in revenue and $1.6 billion in net income during 2009. Total client balances in *MLGWM*, which include deposits, AUM, client brokerage assets and other assets in custody, were $1.4 trillion at December 31, 2009.

MLGWM includes the impact of migrating customers and their related deposit and loan balances to or from *Deposits* and *Home Loans & Insurance*. As of the date of migration, the associated net interest income, noninterest income and noninterest expense are recorded in the segment to which the customers migrated. During 2009, total deposits of $43.4 billion were migrated to *Deposits* from *MLGWM.* Conversely, during 2008, total deposits of $20.5 billion were migrated from *Deposits* to *MLGWM.* During 2009 and 2008, total loans of $16.6 billion and $1.7 billion were migrated from *MLGWM,* of which $11.5 billion and $1.6 billion were migrated to *Home Loans & Insurance.* These changes in 2009 were mainly due to client segmentation threshold changes resulting from the Merrill Lynch acquisition.

Net income increased $271 million, or 22 percent, to $1.5 billion as increases in noninterest income and net interest income were partially offset by higher noninterest expense. Net interest income increased $1.4 billion, or 42 percent, to $4.6 billion driven by higher average deposit and loan balances due to the acquisition of Merrill Lynch partially offset by a lower net interest income allocation from ALM activities, the impact of migration to *Deposits* and *Home Loans & Insurance*, and spread compression on deposits. Noninterest income rose $6.8 billion to $7.8 billion due to an increase in investment and brokerage services income of $5.1 billion driven by the acquisition of Merrill Lynch. Provision for credit losses increased $58 million, or 10 percent, to $619 million primarily driven by increased credit costs related to the consumer real estate portfolio reflecting the weak housing market. Noninterest expense increased $7.6 billion to $9.4 billion driven by the acquisition of Merrill Lynch. In addition, noninterest expense was adversely impacted by higher FDIC insurance and special assessment costs.

U.S. Trust, Bank of America Private Wealth Management

U.S. Trust provides comprehensive wealth management solutions to wealthy and ultra-wealthy clients with investable assets of more than $3 million. In addition, *U.S. Trust* provides resources and customized solutions to meet clients' wealth structuring, investment management, trust and banking needs as well as specialty asset management services (oil and gas, real estate, farm and ranch, timberland, private businesses and tax advisory). Clients also benefit from access to resources available through the Corporation including capital markets products, large and complex financing solutions, and our extensive banking platform.

Net income decreased $490 million, or 74 percent, to $174 million driven by higher provision for credit losses and lower net interest income. Net interest income decreased $209 million, or 13 percent, to $1.4 billion due to a lower net interest income allocation from ALM activities partially offset by the shift of client assets from off-balance sheet (e.g., money market funds) to on-balance sheet products (e.g., deposits). Noninterest income decreased $116 million, or eight percent, to $1.3 billion driven by lower investment and brokerage services income due to lower valuations in the equity markets and a decline in transactional revenues offset by the addition of the Merrill Lynch trust business and lower losses related to ARS. Provision for credit losses increased $339 million to $442 million driven by higher net charge-offs, including a single large commercial charge-off, and higher reserve additions in the commercial and consumer real estate portfolios. Noninterest expense increased $114 million, or six percent, to $1.9 billion due to higher FDIC insurance and special assessment costs and the addition of the Merrill Lynch trust business which were partially offset by cost containment strategies and lower revenue-related expenses.

Columbia Management

Columbia is an asset management business serving the needs of both institutional clients and individual customers. *Columbia* provides asset management products and services including mutual funds and separate accounts. *Columbia* mutual fund offerings provide a broad array of investment strategies and products including equity, fixed income (taxable and nontaxable) and money market (taxable and nontaxable) funds. *Columbia* distributes its products and services to institutional clients and individuals directly through *MLGWM, U.S. Trust, Global Banking* and nonproprietary channels including other brokerage firms.

During 2009, the Corporation reached an agreement to sell the long-term asset management business of *Columbia* to Ameriprise Financial, Inc., for consideration of approximately $900 million to $1.2 billion subject to certain adjustments including, among other factors, AUM net flows. This includes the management of *Columbia's* equity and fixed income mutual funds and separate accounts. The transaction is expected to close in the second quarter of 2010, and is subject to regulatory approvals and customary closing conditions, including fund board, fund shareholder and other required client approvals.

Columbia recorded a net loss of $7 million compared to a net loss of $469 million in 2008. Net revenue increased $539 million due to a reduction in losses of $917 million related to support provided to certain cash funds offset by lower investment and brokerage services income of $406 million. The decrease in investment and brokerage services income was driven by the impact of lower average equity market levels and net outflows primarily in the cash complex. Noninterest expense decreased $194 million driven by lower revenue-related expenses, such as lower sub-advisory, distribution and dealer support expenses, and reduced personnel-related expenses.

Cash Funds Support

Beginning in the second half of 2007, we provided support to certain cash funds managed within *Columbia.* The funds for which we provided support typically invested in high quality, short-term securities with a portfolio weighted-average maturity of 90 days or less, including securities issued by SIVs and senior debt holdings of financial services companies. Due to market disruptions, certain investments in SIVs and senior debt securities were downgraded by the ratings agencies and experienced a decline in fair value. We entered into capital commitments under which the Corporation provided cash to these funds in the event the net asset value per unit of a fund declined below certain thresholds. All capital commitments to these cash funds have been terminated. In 2009 and 2008, we recorded losses of $195 million and $1.1 billion related to these capital commitments.

Additionally, during 2009 and 2008, we purchased $1.8 billion and $1.7 billion of certain investments from the funds. As a result of these purchases, certain cash funds, including the Money Market Funds, managed within *Columbia* no longer have exposure to SIVs or other troubled assets. At December 31, 2009 and 2008, we held AFS debt securities with a fair value of $902 million and $698 million of which $423 million and $279 million were classified as nonperforming AFS debt securities and had $171 million and $272 million of related unrealized losses recorded in accumulated OCI. The decline in value of these securities was driven by the lack of market liquidity and the overall deterioration of the financial markets. These unrealized losses are recorded in accumulated OCI as we expect to recover the full principal amount of such investments and it is more-likely-than-not that we will not be required to sell the investments prior to recovery.

Other

Other includes the results of the Retirement & Philanthropic Services business, the Corporation's approximately 34 percent economic ownership interest in BlackRock and other miscellaneous items. Our investment in BlackRock is accounted for under the equity method of accounting with our proportionate share of income or loss recorded in equity investment income.

Net income increased $868 million to $891 million compared to 2008. The increase was driven by higher noninterest income offset by higher noninterest expense and lower net interest income. Net interest income decreased $406 million due to the funding cost on a management accounting basis for carrying the BlackRock investment. Noninterest income increased $2.4 billion to $2.6 billion due to the addition of the Retirement & Philanthropic Services business from Merrill Lynch and earnings from BlackRock which contributed $1.3 billion during 2009, including the $1.1 billion gain previously mentioned. Noninterest expense increased $624 million to $789 million primarily driven by the addition of the Retirement & Philanthropic Services business from Merrill Lynch.

(Dollars in millions)	2009 Reported Basis (1)	2009 Securitization Offset (2)	2009 As Adjusted	2008 Reported Basis (1)	2008 Securitization Offset (2)	2008 As Adjusted
Net interest income (3)	$(6,922)	$ 9,250	$ 2,328	$(8,019)	$ 8,701	$ 682
Noninterest income:						
Card income (loss)	(895)	2,034	1,139	2,164	(2,250)	(86)
Equity investment income	9,020	–	9,020	265	–	265
Gains on sales of debt securities	4,440	–	4,440	1,133	–	1,133
All other income (loss)	(6,735)	115	(6,620)	(711)	219	(492)
Total noninterest income	5,830	2,149	7,979	2,851	(2,031)	820
Total revenue, net of interest expense	(1,092)	11,399	10,307	(5,168)	6,670	1,502
Provision for credit losses	(3,431)	11,399	7,968	(3,769)	6,670	2,901
Merger and restructuring charges (4)	2,721	–	2,721	935	–	935
All other noninterest expense	1,997	–	1,997	189	–	189
Income (loss) before income taxes	(2,379)	–	(2,379)	(2,523)	–	(2,523)
Income tax benefit (3)	(2,857)	–	(2,857)	(1,283)	–	(1,283)
Net income (loss)	**$ 478**	**$ –**	**$ 478**	$(1,240)	$ –	$(1,240)

(1) Provision for credit losses represents the provision for credit losses in *All Other* combined with the *Global Card Services* securitization offset.
(2) The securitization offset on net interest income is on a funds transfer pricing methodology consistent with the way funding costs are allocated to the businesses.
(3) FTE basis
(4) For more information on merger and restructuring charges, see *Note 2 – Merger and Restructuring Activity* to the Consolidated Financial Statements.

(Dollars in millions)	2009	2008
Balance Sheet		
Average		
Total loans and leases (1)	**$155,561**	$135,789
Total assets (1, 2)	**239,642**	77,244
Total deposits	**103,122**	105,725
Allocated equity (3)	**49,015**	16,563
Year end		
Total loans and leases (1)	**$152,944**	$136,163
Total assets (1, 2)	**137,382**	79,420
Total deposits	**78,618**	86,888

(1) Loan amounts are net of the securitization offset of $98.5 billion and $104.4 billion for 2009 and 2008 and $89.7 billion and $101.0 billion at December 31, 2009 and 2008.
(2) Includes elimination of segments' excess asset allocations to match liabilities (i.e., deposits) of $511.0 billion and $413.1 billion for 2009 and 2008 and $561.6 billion and $439.2 billion at December 31, 2009 and 2008.
(3) Increase in allocated equity was due to capital raises during 2009.

Global Card Services is reported on a managed basis which includes a securitization impact adjustment which has the effect of assuming that loans that have been securitized were not sold and presents these loans in a manner similar to the way loans that have not been sold are presented. *All Other's* results include a corresponding securitization offset which removes the impact of these securitized loans in order to present the consolidated results on a GAAP basis (i.e., held basis). See the *Global Card Services* section beginning on page 41 for information on the *Global Card Services* managed results. The following *All Other* discussion focuses on the results on an as adjusted basis excluding the securitization offset. In addition to the securitization offset discussed above, *All Other* includes our *Equity Investments* businesses and *Other*.

Equity Investments includes Global Principal Investments, Corporate Investments and Strategic Investments. On January 1, 2009, Global Principal Investments added Merrill Lynch's principal investments. The combined business 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. Global Principal Investments has unfunded equity commitments amounting to $2.5 billion at December 31, 2009 related to certain of these investments. For more information on these commitments, see *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements.

Corporate Investments primarily includes investments in publicly traded debt and equity securities and funds which are accounted for as AFS marketable equity securities. Strategic Investments includes investments of $9.2 billion in CCB, $5.4 billion in Itaú Unibanco Holding S.A. (Itaú Unibanco), $2.5 billion in Grupo Financiero Santander, S.A. (Santander) and other investments. Our shares of Itaú Unibanco are accounted for as AFS marketable equity securities. Our investment in Santander is accounted for under the equity method of accounting.

In 2009, we sold 19.1 billion common shares representing our entire initial investment in CCB for $10.1 billion, resulting in a pre-tax gain of $7.3 billion. During 2008, under the terms of the CCB purchase option, we increased our ownership by purchasing approximately 25.6 billion common shares for $9.2 billion. We continue to hold the shares purchased in 2008.

These shares are accounted for at cost, are recorded in other assets and are non-transferable until August 2011. We remain a significant shareholder in CCB with an approximate 11 percent ownership interest and intend to continue the important long-term strategic alliance with CCB originally entered into in 2005. As part of this alliance, we expect to continue to provide advice and assistance to CCB.

The following table presents the components of *All Other's* equity investment income and reconciliation to the total consolidated equity investment income for 2009 and 2008 and also *All Other's* equity investments at December 31, 2009 and 2008.

Equity Investment Income

(Dollars in millions)	2009	2008
Global Principal Investments	$ 1,222	$ (84)
Corporate Investments	(88)	(520)
Strategic and other investments	7,886	869
Total equity investment income included in *All Other*	9,020	265
Total equity investment income included in the business segments	994	274
Total consolidated equity investment income	**$10,014**	$ 539

Equity Investments

	December 31	
	2009	2008
Global Principal Investments	$14,071	$ 3,812
Corporate Investments	2,731	2,583
Strategic and other investments	17,860	25,027
Total equity investments included in All Other	**$34,662**	$31,422

Other includes the residential mortgage portfolio associated with ALM activities, the residual impact of the cost allocation processes, merger and restructuring charges, intersegment eliminations and the results of certain businesses that are expected to be or have been sold or are in the process of being liquidated. *Other* also includes certain amounts associated with ALM activities, including the residual impact of funds transfer pricing allocation methodologies, amounts associated with the change in the value of derivatives used as economic hedges of interest rate and foreign exchange rate fluctuations, impact of foreign exchange rate fluctuations related to revaluation of foreign currency-denominated debt, fair value adjustments on certain structured notes, certain gains (losses) on sales of whole mortgage loans and gains (losses) on sales of debt securities. In addition, *Other* includes adjustments to net interest income and income tax expense to remove the FTE effect of items (primarily low-income housing tax credits) that are reported on a FTE basis in the business segments. *Other* also includes a trust services business which is a client-focused business providing trustee services and fund administration to various financial services companies.

First Republic results are also included in *Other*. First Republic, acquired as part of the Merrill Lynch acquisition, provides personalized, relationship-based banking services including private banking, private business banking, real estate lending, trust, brokerage and investment management. First Republic is a stand-alone bank that operates primarily on the west coast and in the northeast and caters to high-end customers. On October 21, 2009, we reached an agreement to sell First Republic to a number of investors, led by First Republic's existing management, Colony Capital, LLC and General Atlantic, LLC. The transaction is expected to close in the second quarter of 2010 subject to regulatory approval.

All Other recorded net income of $478 million in 2009 compared to a net loss of $1.2 billion in 2008 as higher total revenue driven by increases in noninterest income, net interest income and an income tax benefit were partially offset by increased provision for credit losses, merger and restructuring charges and all other noninterest expense.

Net interest income increased $1.6 billion to $2.3 billion primarily due to unallocated net interest income related to increased liquidity driven in part by capital raises during 2009 and the addition of First Republic in 2009.

Noninterest income increased $7.2 billion to $8.0 billion driven by higher equity investment income of $8.8 billion, increased gains on sales of debt securities of $3.3 billion and increased card income of $1.2 billion. These items were partially offset by a decrease in all other income of $6.1 billion. The increase in equity investment income was driven by a $7.3 billion gain on the sale of a portion of our CCB investment and positive valuation adjustments on public and private investments within Global Principal Investments. The decrease in all other income was driven by the $4.9 billion negative credit valuation adjustments on certain Merrill Lynch structured notes due to an improvement in credit spreads during 2009. In addition, we recorded other-than-temporary impairments of $1.6 billion related to non-agency CMOs included in the ALM debt securities portfolio during the year.

Provision for credit losses increased $5.1 billion to $8.0 billion. This increase was primarily due to higher credit costs related to our ALM residential mortgage portfolio reflecting deterioration in the housing markets and the impacts of a weak economy.

Merger and restructuring charges increased $1.8 billion to $2.7 billion due to the Merrill Lynch and Countrywide acquisitions. The Merrill Lynch acquisition was accounted for in accordance with new accounting guidance for business combinations effective on January 1, 2009 requiring that acquisition-related transaction and restructuring costs be charged to expense. Previously these costs were recorded as an adjustment to goodwill. This change in accounting drove a portion of the increase. We recorded $1.8 billion of merger and restructuring charges during 2009 related to the Merrill Lynch acquisition, the majority of which related to severance and employee-related charges. The remaining merger and restructuring charges related to Countrywide and ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation (LaSalle). For additional information on merger and restructuring charges and systems integrations, see *Note 2 – Merger and Restructuring Activity* to the Consolidated Financial Statements. All other noninterest expense increased $1.8 billion to $2.0 billion due to higher personnel costs and a $425 million charge to pay the U.S. government to terminate its asset guarantee term sheet.

Income tax benefit in 2009 increased $1.6 billion primarily as a result of the release of a portion of a valuation allowance that was provided for an acquired capital loss carryforward.

Obligations and Commitments

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. Obligations that are legally binding agreements whereby we agree to purchase products or services with a specific minimum quantity defined at a fixed, minimum or variable price over a specified period of time are defined as purchase obligations. Included in purchase obligations are commitments to purchase loans of $9.5 billion and vendor contracts of $9.1 billion. The most significant vendor contracts include communication services, processing services and software contracts. Other long-term liabilities include our contractual funding obligations related to the Qualified Pension Plans, Nonqualified Pension Plans and Postretirement Health and Life Plans (the Plans). Obligations to the Plans are based on the current and projected obligations of the Plans, performance of the Plans' assets and any participant contributions, if applicable. During 2009 and 2008, we contributed $414 million and $1.6 billion to the Plans, and we expect to make at least $346 million of contributions during 2010.

Table 9 presents total long-term debt and other obligations at December 31, 2009.

Table 9 Long-term Debt and Other Obligations

	December 31, 2009				
(Dollars in millions)	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years	Total
Long-term debt and capital leases	$ 99,144	$124,054	$72,103	$143,220	**$438,521**
Operating lease obligations	3,143	5,072	3,355	8,143	**19,713**
Purchase obligations	11,957	3,667	1,627	2,119	**19,370**
Other long-term liabilities	610	1,097	848	1,464	**4,019**
Total long-term debt and other obligations	**$114,854**	**$ 133,890**	**$ 77,933**	**$ 154,946**	**$481,623**

Debt, lease, equity and other obligations are more fully discussed in *Note 13 – Long-term Debt* and *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements. The Plans are more fully discussed in *Note 17 – Employee Benefit Plans* to the Consolidated Financial Statements.

We enter into commitments to extend credit such as loan commitments, standby letters of credit (SBLCs) and commercial letters of credit to meet the financing needs of our customers. For a summary of the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date, see the table in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements.

Regulatory Initiatives

On November 12, 2009, the Federal Reserve issued the final rule related to changes to Regulation E and on May 22, 2009, the CARD Act was signed into law. For more information on the impact of these new regulations, see Regulatory Overview on page 29.

In December 2009, the Basel Committee on Banking Supervision released consultative documents on both capital and liquidity. In addition, we will begin Basel II parallel implementation during the second quarter of 2010. For more information, see Basel Regulatory Capital Requirements on page 64.

On January 21, 2010, the Federal Reserve, Office of the Comptroller of the Currency, FDIC and Office of Thrift Supervision (collectively, joint agencies) issued a final rule regarding risk-based capital and the impact of adoption of new consolidation rules issued by the FASB. The final rule eliminates the exclusion of certain asset-backed commercial paper (ABCP) program assets from risk-weighted assets and provides a reservation of authority to permit the joint agencies to require banks to treat structures that are not consolidated under the accounting standards as if they were consolidated for risk-based capital purposes commensurate with the risk relationship of the bank to the structure. In addition, the final rule allows for an optional delay and phase-in for a maximum of one year for the effect on risk-weighted assets and the regulatory limit on the inclusion of the allowance for loan and lease losses in Tier 2 capital related to the assets that must be consolidated as a result of the accounting change. The transitional relief does not apply to the leverage ratio or to assets in VIEs to which a bank provides implicit support. We have elected to forgo the phase-in period, and accordingly, we consolidated the amounts for regulatory capital purposes as of January 1, 2010. For more information on the impact of this guidance, see Impact of Adopting New Accounting Guidance on Consolidation on page 64.

On December 14, 2009, we announced our intention to increase lending to small- and medium-sized businesses to approximately $21 billion in 2010 compared to approximately $16 billion in 2009. This announcement is consistent with the U.S. Treasury's initiative, announced as part of the Financial Stability Plan on February 2, 2009, to help increase small business owners' access to credit. As part of the initiative, the U.S. Treasury began making direct purchases of up to $15 billion of certain securities backed by Small Business Administration (SBA) loans to improve liquidity in the credit markets and purchasing new securities to ensure that financial institutions feel confident in extending new loans to small businesses. The program also temporarily raises guarantees to up to 90 percent in the SBA's loan program and temporarily eliminates certain SBA loan fees. We continue to lend to creditworthy small business customers through small business credit cards, loans and lines of credit products.

In response to the economic downturn, the FDIC implemented the Temporary Liquidity Guarantee Program (TLGP) to strengthen confidence and encourage liquidity in the banking system by allowing the FDIC to guarantee senior unsecured debt (e.g., promissory notes, unsubordinated unsecured notes and commercial paper) up to prescribed limits, issued by participating entities beginning on October 14, 2008, and continuing through October 31, 2009. We participated in this program; however, as announced in September 2009, due to improved market liquidity and our ability to issue debt without the FDIC guarantee, we, with the FDIC's agreement, exited the program and have stopped issuing FDIC-guaranteed debt. At December 31, 2009, we still had FDIC-guaranteed debt outstanding issued under the TLGP of $44.3 billion. The TLGP also offered the Transaction Account Guarantee Program (TAGP) that guaranteed noninterest-bearing deposit accounts held at participating FDIC-insured institutions on balances in excess of $250,000. We elected to opt out of the six-month extension of the TAGP which extends the program to June 30, 2010. We exited the TAGP effective December 31, 2009.

On September 21, 2009, the Corporation reached an agreement to terminate its term sheet with the U.S. government under which the U.S. government agreed in principle to provide protection against the possibility of unusually large losses on a pool of the Corporation's financial instruments that were acquired from Merrill Lynch. In connection with the termination of the term sheet, the Corporation paid a total of $425 million to the U.S. government to be allocated among the U.S. Treasury, the Federal Reserve and the FDIC.

In addition to exiting the TARP as discussed on page 30, terminating the U.S. Government's asset guarantee term sheet and exiting the TLGP, including the TAGP, we have exited or ceased participation in market disruption liquidity programs created by the U.S. government in response to the economic downturn of 2008. We have exited or repaid borrowings under the Term Auction Facility, U.S. Treasury Temporary Liquidity Guarantee Program for Money Market Funds, ABCP Money Market Fund Liquidity Facility, Commercial Paper Federal Funding Facility, Money Market Investor Funding Facility, Term Securities Lending Facility and Primary Dealer Credit Facility.

On November 17, 2009, the FDIC issued a final rule that required insured institutions to prepay on December 30, 2009 their estimated

quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. For the fourth quarter of 2009 and for all of 2010, the prepaid assessment rate was based on each institution's total base assessment rate for the third quarter of 2009, modified to assume that the assessment rate in effect on September 30, 2009 had been in effect for the entire third quarter of 2009. The prepaid assessment rates for 2011 and 2012 are equal to the modified third quarter 2009 total base assessment rate plus three bps adjusted quarterly for an estimated five percent annual growth rate in the assessment base through the end of 2012. As the prepayment related to future periods, it was recorded in prepaid assets for financial reporting purposes and will be recognized as expense over the coverage period.

On May 22, 2009, the FDIC adopted a rule designed to replenish the deposit insurance fund. This rule established a special assessment of five bps on each FDIC-insured depository institution's assets minus its Tier 1 capital with a maximum assessment not to exceed 10 bps of an institution's domestic deposits. This special assessment was calculated based on asset levels at June 30, 2009, and was collected on September 30, 2009. The Corporation recorded a net charge of $724 million in 2009 in connection with this assessment. Additionally, beginning April 1, 2009, the FDIC increased fees on deposits based on a revised risk-weighted methodology which increased the base assessment rates.

Pursuant to the Emergency Economic Stabilization Act of 2008 (EESA), the U.S. Treasury announced the creation of the Financial Stability Plan. This plan outlined a series of key initiatives including a new Capital Assistance Program (CAP) to help ensure that banking institutions have sufficient capital. We, as well as several other large financial institutions, are subject to the Supervisory Capital Assessment Program (SCAP) conducted by federal regulators. The objective of the SCAP is to assess losses that could occur under certain economic scenarios, including economic conditions more severe than anticipated. As a result of the SCAP, in May 2009, federal regulators determined that the Corporation required an additional $33.9 billion of Tier 1 common capital to sustain more severe economic circumstances assuming a more prolonged and deeper recession over a two-year period than the majority of both private and government economists projected. We achieved the increased capital requirement during the first half of 2009 through strategic transactions that increased common capital, including the expected reductions in preferred dividends and related reduction in deferred tax asset disallowances, by approximately $39.7 billion and significantly exceeded the SCAP buffer. This Tier 1 common capital increase resulted from the exchange of approximately $14.8 billion aggregate liquidation preference of non-government preferred shares into approximately 1.0 billion common shares, an at-the-market offering of 1.25 billion common shares for $13.5 billion, a $4.4 billion benefit (including associated tax effects) related to the sale of shares of CCB, a $3.2 billion benefit (net of tax and including an approximate $800 million reduction in goodwill and intangibles) related to the gain from the contribution of our merchant processing business to a joint venture, $1.6 billion due to reduced actual and forecasted preferred dividends throughout 2009 and 2010 related to the exchange of preferred for common shares and a $2.2 billion reduction in the deferred tax asset disallowance for Tier 1 common capital from the preceding items.

On March 4, 2009, the U.S. Treasury provided details related to the $75 billion Making Home Affordable program (MHA). The MHA is focused on reducing the number of foreclosures and making it easier for customers to refinance loans. The MHA consists of the Home Affordable Modification Program (HAMP) which provides guidelines on first lien loan modifications, and the Home Affordable Refinance Program (HARP) which provides guidelines for loan refinancing. The HAMP is designed to help at-risk homeowners avoid foreclosure by reducing payments. This program provides incentives to lenders to modify all eligible loans that fall under the guidelines of this program. The HARP is available to approximately four to five million homeowners who have a proven payment history on an existing mortgage owned by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC). The HARP is designed to help eligible homeowners refinance their mortgage loans to take advantage of current lower mortgage rates or to refinance adjustable-rate mortgages (ARM) into more stable fixed-rate mortgages.

As part of the MHA program, on April 28, 2009, the U.S. government announced intentions to create the second lien modification program (2MP) that will be designed to reduce the monthly payments on qualifying home equity loans and lines of credit under certain conditions, including completion of a HAMP modification on the first mortgage on the property. This program will provide incentives to lenders to modify all eligible loans that fall under the guidelines of this program. On January 26, 2010, we formally announced that we will participate in the 2MP once program details are finalized. We will modify eligible second liens regardless of whether the MHA modified first lien is serviced by Bank of America or another participating servicer.

Another addition to the HAMP is the recently announced Home Affordable Foreclosure Alternatives (HAFA) program to assist borrowers with non-retention options instead of foreclosure. The HAFA program provides incentives to lenders to assist all eligible borrowers that fall under the guidelines of this program. Our first goal is to work with the borrower to determine if a loan modification or other homeownership retention solution is available before pursuing non-retention options such as short sales. Short sales are an important option for homeowners who are facing financial difficulty and do not have a viable option to remain in the home. HAFA's short sale guidelines are designed to streamline and standardize the process and will be compatible with Bank of America's new cooperative short sale program.

As of January 2010, approximately 220,000 Bank of America customers were already in a trial-period modification under the MHA program. We will continue to help our customers address financial challenges through these government programs and our own home retention programs.

Managing Risk

Overview

The Corporation's risk management infrastructure is evolving to meet the challenges posed by the increased complexity of the financial services industry and markets, by our increased size and global footprint, and by the rapid and significant financial crisis of the past two years. We have redefined our risk framework, articulated a risk appetite approved by the Board of Directors (the Board), and begun the roll out and implementation of our risk plan. While many of these processes, and roles and responsibilities continue to evolve and mature, we will ensure that we continue to enhance our risk management process with a focus on clarity of roles and accountabilities, escalation of issues, aggregation of risk and data across the enterprise, and effective governance characterized by clarity and transparency.

Given our wide range of business activities as well as the competitive dynamics, the regulatory environment and the geographic span of such activities, risk taking is an inherent activity for the Corporation. Consequently, we take a comprehensive approach to risk management. Risk management planning is fully integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole and managing risk across the enterprise and within individual business units, products, services and transactions. We maintain a governance structure that delineates the

responsibilities for risk management activities, as well as governance and the oversight of those activities, by executive management and the Board.

Economic capital is assigned to each business segment using a risk-adjusted methodology incorporating each segment's stand-alone credit, market, interest rate and operational risk components, and is used to measure risk-adjusted returns. Executive management assesses, and the Board oversees, the risk-adjusted returns of each business through review and approval of strategic and financial operating plans. By allocating economic capital to and establishing a risk appetite for a line of business, we effectively manage the ability to take on risk. Businesses operate within their credit, market, compliance, and operational risk standards and limits in order to adhere to the risk appetite. These limits are based on analyses of risk and reward in each line of business, and executive management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. The Board monitors financial performance, execution of the strategic and financial operating plans, compliance with the risk appetite and the adequacy of internal controls through its committees.

Our business exposes us to strategic, credit, market, liquidity, compliance, operational and reputational risk. Strategic risk is the risk that adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, execution and/or other intrinsic risks of business will impact our ability to meet our objectives. Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as interest rate movements. Liquidity risk is the inability to accommodate liability maturities and deposit withdrawals, fund asset growth and meet contractual obligations through unconstrained access to funding at reasonable market rates. Compliance risk is the risk posed by the failure to manage regulatory, legal and ethical issues that could result in monetary damages, losses or harm to our reputation or image. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Reputational risk, the risk that negative publicity will adversely affect the Corporation, is managed as a natural part of managing the other six types of risk. The following sections, Strategic Risk Management on page 59, Liquidity Risk and Capital Management beginning on page 59, Credit Risk Management beginning on page 66, Market Risk Management beginning on page 91, Compliance Risk Management on page 98, and Operational Risk Management beginning on page 98, address in more detail the specific procedures, measures and analyses of the major categories of risk that the Corporation manages.

On October 28, 2009, the Board approved the Risk Framework and Risk Appetite Statement for the Corporation. The Risk Framework is designed to be used by our associates to understand risk management activities, including their individual roles and accountabilities. The Risk Framework defines how risk management is integrated into our core business processes, and it defines the risk management governance structure, including management's involvement. The risk management responsibilities of the lines of business, Governance and Control functions, and Corporate Audit are also clearly defined. The Risk Framework reflects how the Board-approved risk appetite influences business and risk strategy. The management process (i.e., identify and measure risk, mitigate and control risk, monitor and test risk, and report and review risk) was enhanced for execution across all business activities. The Risk Framework supports the accountability of the Corporation and its associates to ensure the integrity of assets and the quality of earnings. The Risk Appetite Statement defines the parameters under which we will take risk to maximize our long-term results by ensuring the integrity of our assets and the quality of our earnings. Our intent is for our risk appetite to reflect a "through the cycle" view which will be reviewed and assessed annually.

Risk Management Processes and Methods

To ensure that our corporate goals and objectives, risk appetite, and business and risk strategies are achieved, we utilize a risk management process that is applied in executing all business activities. All functions and roles fall into one of three categories where risk must be managed. These are lines of business, Governance and Control (Global Risk Management or other support groups) and Corporate Audit.

The lines of business are responsible for identifying and managing all existing, reputational and emerging risks in their business units, since this is where most of our risk-taking occurs. Line of business management makes and executes the business plan and is closest to the changing nature of risks and, therefore, we believe is best able to implement procedures and controls that align to policies and limits. Risk self-assessments conducted by the business are used to identify risks and calibrate the severity of potential risk issues. These assessments are reviewed by the lines of business and executive management, including senior Risk executives. To the extent appropriate, the assessments are reviewed by the Board or its committees to ensure appropriate risk management and oversight, and to identify enterprise-wide issues. Our management processes, structures and policies aid us in complying with laws and regulations and provide clear lines for decision-making and accountability. Wherever practical, we attempt to house decision-making authority as close to the transaction as possible while retaining supervisory control functions from both inside and outside of the lines of business.

The Governance and Control functions include our Risk Management, Finance, Treasury, Technology and Operations, Human Resources, and Legal functions. These groups are independent of the lines of business and are organized with both line of business-aligned and enterprise-wide functions. The Governance and Control functions are accountable for setting policies, standards and limits according to the Risk Appetite Statement, providing risk reporting and monitoring, and ensuring compliance. For example, in Global Risk Management, a senior risk executive is assigned to each of the lines of business and is responsible for the oversight of all the risks associated with that line of business and ensuring compliance with policies, standards and limits. Enterprise-level risk executives have responsibility to develop and implement the framework for policies and practices to assess and manage enterprise-wide credit, market, compliance and operational risks.

Corporate Audit provides an independent assessment of our management and internal control systems through testing of key processes and controls across the organization. Corporate Audit activities are designed to provide reasonable assurance that resources are adequately protected; significant financial, managerial and operating information is materially complete, accurate and reliable; and employees' actions are in compliance with the Corporation's policies, standards, procedures, and applicable laws and regulations.

We use a risk management process, applied across the execution of all business activities, that is designed to identify and measure, mitigate and control, monitor and test, and report and review risks. This process enables us to review risks in an integrated and comprehensive manner and make strategic and business decisions based on that comprehensive view. Corporate goals and objectives and risk appetite are established by executive management, approved by the Board, and are inputs to setting business and risk strategy which guide the execution of business activities. Governance, continuous feedback, and independent testing and validation provide structured controls, reporting and audit of the execution

of risk processes and business activities. Examples of tools, methods and processes used include: self-assessments conducted by the lines of business in concert with independent risk assessments by Governance and Control (part of "identify and measure"); a system of controls and supervision which provides assurance that associates act in accordance with laws, regulations, policies and procedures (part of "mitigate and control"); independent testing of control and mitigation plans by Credit Review and Corporate Audit (part of "monitor and test"); and a summary risk report which includes key risk metrics that measure the performance of the Corporation against risk limits and the Risk Appetite Statement (part of "report and review").

The formal processes used to manage risk represent only one portion of our overall risk management process. Corporate culture and the actions of our associates are also critical to effective risk management. Through our Code of Ethics, we set a high standard for our associates. The Code of Ethics provides a framework for all of our associates to conduct themselves with the highest integrity in the delivery of our products or services to our customers. We instill a risk-conscious culture through communications, training, policies, procedures, and organizational roles and responsibilities. Additionally, we continue to strengthen the linkage between the associate performance management process and individual compensation to encourage associates to work toward enterprise-wide risk goals.

Board Oversight

The Board oversees management of the Corporation's businesses and affairs. In its oversight of the Corporation, the Board's goal is to set the tone for the highest ethical standards and performance of our management, associates and the Corporation as a whole. The Board strongly believes that good corporate governance practices are important for successful business performance. Our corporate governance practices are designed to align the interests of the Board and management with those of our stockholders and to promote honesty and integrity throughout the Corporation. Over the past year, we have enhanced our corporate governance practices in many important ways, and we continue to monitor best practices to promote a high level of performance from the Board, management and our associates. The Board has adopted Corporate Governance Guidelines that embody long-standing practices of the Corporation as well as current corporate governance best practices.

In 2009, the Board established a special Board committee with five non-management members (the "Special Governance Committee") to review and recommend changes in all aspects of the Board's activities. In recognition of the increased complexity of our company following the major acquisitions of Merrill Lynch and Countrywide, and the challenges of the current business environment, the Board has strengthened its membership by appointing new directors who are independent of management and demonstrate significant banking, financial and investment banking expertise. In addition, the Board has assessed and further developed its structures and processes through which it fulfills its oversight role by the following: modifying committee membership and leadership to best leverage the abilities and backgrounds of the Board members; recasting the Asset Quality Committee as a more targeted and focused Credit Committee and establishing the Enterprise Risk Committee such that these two committees, together with the Audit Committee, work in complement to ensure that key aspects of risk, capital and liquidity management are specifically overseen by committees with clear and affirmative oversight responsibilities set forth in their committee charters; working with management and outside regulatory experts to redesign management reports to the Board and committees; periodically reviewing the composition of the Board in light of the Corporation's business and structure to identify and nominate director candidates who possess relevant experience, qualifications, attributes and skills to the Board; and enhancing the director orientation process to include, among other changes, increased interaction with executive management and increased focus on key risks.

At the Corporation, the Audit, Credit and Enterprise Risk Committees are charged with a majority of the risk oversight responsibilities on behalf of the Board. In 2009, as noted above, the Board recast the Asset Quality Committee as a more targeted and focused Credit Committee and established a new Enterprise Risk Committee. The Credit Committee oversees, among other things, the management of our credit exposures on an enterprise-wide basis, our response to trends affecting those exposures, the adequacy of the allowance for credit losses and our credit related policies. The Enterprise Risk Committee, among other things, oversees our management of and policies and procedures with respect to material risks on an enterprise-wide basis, including market risk, interest rate risk, liquidity risk and reputational risk. It also oversees our capital management and liquidity planning. The Audit Committee retains oversight responsibility for operational risk, the integrity of our consolidated financial statements, compliance, legal risk and overall policies and practices relating to risk management. In addition to the three risk oversight committees, the Compensation and Benefits Committee oversees the Corporation's compensation practices in order that they do not encourage unnecessary and excessive risk taking by our associates.

The Audit, Credit and Enterprise Risk Committees work in tandem to provide enterprise-wide oversight of the Corporation's management and handling of risk. Each of these three committees reports regularly to the Board on risk-related matters within its responsibilities and together this provides the Board with integrated insight about our management of strategic, credit, market, liquidity, compliance, operational and reputational risks.

Starting in 2009, the Board formalized its process of approving the Corporation's articulation of its risk appetite, which is used internally to help the directors and management understand more clearly the Corporation's tolerance for risk in each of the major risk categories, the way those risks are measured and the key controls available that influence the Corporation's level of risk-taking. The Board intends to undertake this process annually going forward. The Board also approves, at a high level, following proposal by management, the Corporation's framework for managing risk.

At meetings of the Board and the Audit, Credit and Enterprise Risk Committees, directors receive updates from management regarding enterprise risk management, including our performance against the identified risk appetite. The Chief Risk Officer, who is responsible for instituting risk management practices that are consistent with our overall business strategy and risk appetite, and the General Counsel, who manages legal risk, both report directly to the Chief Executive Officer and lead management's risk and legal risk discussions at Board and committee meetings. In addition, the Corporate General Auditor, who is responsible for assessing the company's control environment over significant financial, managerial, and operating information, is independent of management and reports directly to the Audit Committee. The Corporate General Auditor also administratively reports to our Chief Executive Officer. Outside of formal meetings, Board members have regular access to senior executives, including the Chief Risk Officer and the General Counsel.

Strategic Risk Management

Strategic risk is embedded in every line of business and is part of the other major risk categories (credit, market, liquidity, compliance and operational). It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution, and/or other inherent risks of the business including reputational risk. In the financial services industry, strategic risk is high due to changing customer and regulatory environments. The Corporation's appetite for strategic risk is continually assessed within the context of the strategic plan, with strategic risks selectively and carefully taken to maintain relevance in the evolving marketplace. Strategic risk is managed in the context of our overall financial condition and assessed, managed and acted on by the Chief Executive Officer and executive management team. Significant strategic actions, such as material acquisitions or capital actions, are reviewed and approved by the Board.

Using a plan developed by management, executive management and the Board approve a strategic plan every two to three years. Annually, executive management develops a financial operating plan and the Board reviews and approves the plan. Executive management, with Board oversight, ensures that the plans are consistent with the Corporation's strategic plan, core operating tenets and risk appetite. The following are assessed in their reviews: forecasted earnings and returns on capital; the current risk profile and changes required to support the plan; current capital and liquidity requirements and changes required to support the plan; stress testing results; and other qualitative factors such as market growth rates and peer analysis. Executive management, with Board oversight, performs similar analyses throughout the year, and will define changes to the financial forecast or the risk, capital or liquidity positions as deemed appropriate to balance and optimize between achieving the targeted risk appetite and shareholder returns and maintaining the targeted financial strength.

We use proprietary models to measure the capital requirements for credit, country, market, operational and strategic risks. The economic capital assigned to each line of business is based on its unique risk exposures. With oversight by the Board, executive management assesses the risk-adjusted returns of each business in approving strategic and financial operating plans. The businesses use economic capital to define business strategies, price products and transactions, and evaluate client profitability.

Liquidity Risk and Capital Management

Funding and Liquidity Risk Management

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

Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

The Board approves the Corporation's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The Asset and Liability Market Risk Committee (ALMRC), in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. ALMRC is responsible for managing liquidity risks and ensuring exposures remain within the established tolerance levels. ALMRC delegates additional oversight responsibilities to the Risk Oversight Committee (ROC), which reports to ALMRC. ROC reviews and monitors our liquidity position, cash flow forecasts, stress testing scenarios and results, and implements our liquidity limits and guidelines. For more information, refer to Board Oversight on page 58.

Under this governance framework, we have developed the following funding and liquidity risk management practices:

- Maintain excess liquidity at the parent company and selected subsidiaries, including our bank and broker/dealer subsidiaries
- Determine what amounts of excess liquidity are appropriate for these entities based on analysis of debt maturities and other potential cash outflows, including those that we may experience during stressed market conditions
- Diversify funding sources, considering our asset profile and legal entity structure
- Perform contingency planning

Global Excess Liquidity Sources and Other Unencumbered Assets

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

Our Global Excess Liquidity Sources totaled $214 billion at December 31, 2009 and were maintained as presented in the table below.

Table 10 Global Excess Liquidity Sources

December 31, 2009	
(Dollars in billions)	
Parent company	$ 99
Bank subsidiaries	89
Broker/dealers	26
Total global excess liquidity sources	**$214**

As noted above, the excess liquidity available to the parent company is held in cash and high-quality, liquid, unencumbered securities and totaled $99 billion at December 31, 2009. Typically, parent company cash is deposited overnight with Bank of America, N.A.

Our bank subsidiaries' excess liquidity sources at December 31, 2009 consisted of $89 billion in cash on deposit at the Federal Reserve and high-quality, liquid, unencumbered securities. These amounts are distinct from the cash deposited by the parent company, as previously described. In addition to their excess liquidity sources, our bank sub-

sidiaries hold significant amounts of other unencumbered securities that we believe they could also use to generate liquidity, such as investment grade ABS and municipal bonds. Another way our bank subsidiaries can generate incremental liquidity is by pledging a range of other unencumbered loans and securities to certain FHLBs and the Federal Reserve Discount Window. The cash we could have obtained at December 31, 2009 by borrowing against this pool of specifically identified eligible assets was approximately $187 billion. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loan and securities collateral. Due to regulatory restrictions, liquidity generated by the bank subsidiaries may only be used to fund obligations within the bank subsidiaries and may not be transferred to the parent company or other nonbank subsidiaries.

Our broker/dealer subsidiaries' excess liquidity sources at December 31, 2009 consisted of $26 billion in cash and high-quality, liquid, unencumbered securities. Our broker/dealers also held significant amounts of other unencumbered securities we believe they could utilize to generate additional liquidity, including investment grade corporate bonds, ABS and equities. Liquidity held in a broker/dealer subsidiary may only be available to meet the liquidity requirements of that entity and may not be transferred to the parent company or other subsidiaries.

Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. The primary metric we use to evaluate the appropriate level of excess liquidity at the parent company is "Time to Required Funding." This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as senior or subordinated debt maturities issued or guaranteed by Bank of America Corporation or Merrill Lynch & Co., Inc., including certain unsecured debt instruments, primarily structured notes, which we may be required to settle for cash prior to maturity. ALMRC has established a minimum target for "Time to Required Funding" of 21 months. "Time to Required Funding" was 25 months at December 31, 2009.

We also utilize liquidity stress models to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. We use these models to analyze our potential contractual and contingent cash outflows and liquidity requirements under a range of scenarios with varying levels of severity and time horizons. These scenarios incorporate market-wide and Corporation-specific events, including potential credit rating downgrades for the parent company and our subsidiaries. We consider and utilize scenarios based on historical experience, regulatory guidance, and both expected and unexpected future events.

We consider all sources of funds that we could access during each stress scenario and focus particularly on matching available sources with corresponding liquidity requirements by legal entity. We also use the stress modeling results to manage our asset-liability profile and establish limits and guidelines on certain funding sources and businesses.

Diversified Funding Sources

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

We fund a substantial portion of our lending activities through our deposit base which was $992 billion at December 31, 2009. Deposits are primarily generated by our *Deposits, Global Banking* and *GWIM* segments. These deposits are diversified by clients, product types and geography. Domestic deposits may be insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources.

Certain consumer lending activities, primarily in our banking subsidiaries, may be funded through securitizations. Included in these consumer lending activities are the extension of mortgage, credit card, auto loans, home equity loans and lines of credit. If securitization markets are not available to us on favorable terms, we typically finance these loans with deposits or with wholesale borrowings. For additional information on securitizations see *Note 8 – Securitizations* to the Consolidated Financial Statements.

Our trading activities are primarily funded on a secured basis through repurchase and securities lending agreements. Due to the underlying collateral, we believe this financing is more cost-efficient and less sensitive to changes in our credit ratings than unsecured financing. Repurchase agreements are generally short-term and often occur overnight. Disruptions in secured financing markets for financial institutions have occurred in prior market cycles which resulted in adverse changes in terms or significant reductions in the availability of such financing. We manage the liquidity risks arising from secured funding by sourcing funding globally from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations when we finance lower-quality assets.

Unsecured debt, both short- and long-term, is also an important source of funding. We may issue unsecured debt through syndicated U.S. registered offerings, U.S. registered and unregistered medium-term note programs, non-U.S. medium-term note programs, non-U.S. private placements, U.S. and non-U.S. commercial paper and through other methods. We distribute a significant portion of our debt offerings through our retail and institutional sales forces to a large, diversified global investor base. Maintaining relationships with our investors is an important aspect of our funding strategy. We may also make markets in our debt instruments to provide liquidity for investors.

We issue the majority of our unsecured debt at the parent company and Bank of America, N.A. During 2009, we issued $30.2 billion and $10.5 billion of long-term senior unsecured debt at the parent company and Bank of America N.A. The primary benefits of this centralized financing strategy include greater control, reduced funding costs, wider name recognition by investors and greater flexibility to meet the variable funding requirements of subsidiaries. Where regulations, time zone differences, or other business considerations make parent company funding impractical, certain other subsidiaries may issue their own debt.

We issue unsecured debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or Bank of America, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

At December 31, 2009, our long-term debt was issued in the currencies presented in the following table.

Table 11 Long-term Debt By Major Currency

December 31, 2009

(Dollars in millions)	
U.S. Dollar	$281,692
Euros	99,917
Japanese Yen	19,903
British Pound	16,460
Australian Dollar	7,973
Canadian Dollar	4,894
Swiss Franc	2,666
Other	5,016
Total long-term debt	**$ 438,521**

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, refer to Interest Rate Risk Management for Nontrading Activities beginning on page 95.

We also diversify our funding sources by issuing various types of debt instruments including structured notes. Structured notes are debt obligations that pay investors with returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these notes with derivative positions and/or in the underlying instruments so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to immediately settle certain structured note obligations for cash or other securities under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. At December 31, 2009, we had outstanding structured notes of $57 billion.

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

The U.S. government and joint agencies have introduced various programs to stabilize and provide liquidity to the U.S. financial markets since 2007. We have participated in certain of these initiatives and we repaid our borrowings under U.S. government secured financing programs during 2009. We also participated in the FDIC's TLGP which allowed us to issue senior unsecured debt that it guaranteed in return for a fee based on the amount and maturity of the debt. We issued $21.8 billion and $19.9 billion of FDIC-guaranteed long-term debt in 2009 and 2008. We have also issued short-term notes under the program. At December 31, 2009, we had $41.7 billion outstanding under the program. We no longer issue debt under this program and all of our debt issued under TLGP will mature by June 30, 2012. Under this program, our debt received the highest long-term ratings from the major credit ratings agencies which resulted in a lower total cost of issuance than if we had issued non-FDIC guaranteed long-term debt. The associated FDIC fee for the 2009 issuances was $554 million and is being amortized into expense over the stated term of the debt. For additional information on debt funding see *Note 13 – Long-term Debt* to the Consolidated Financial Statements.

Contingency Planning

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

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

Credit Ratings

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

Credit ratings and outlooks are opinions subject to ongoing review by the ratings agencies and may change from time to time based on our financial performance, industry dynamics and other factors. During 2009, the ratings agencies took numerous actions to adjust our credit ratings and outlooks, many of which were negative. The ratings agencies have indicated that our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government. In February 2010, Standard & Poor's affirmed our current credit ratings but revised the outlook to negative from stable based on their belief that it is less certain whether the U.S. government would be willing to provide extraordinary support. Other factors that influence our credit ratings include the ratings agencies' assessment of the general operating environment, our relative positions in the markets in which we compete, reputation, liquidity position, the level and volatility of earnings, corporate governance and risk management policies, capital position and capital management practices.

The credit ratings of Merrill Lynch & Co., Inc. from the three major credit ratings agencies are the same as those of Bank of America Corporation. The major credit ratings agencies have indicated that the primary drivers of Merrill Lynch's credit ratings are Bank of America's credit ratings.

A reduction in our credit ratings or the ratings of certain asset-backed securitizations could potentially have an adverse effect on our access to credit markets, the related cost of funds and our businesses. If Bank of America Corporation or Bank of America, N.A. commercial paper or short-term credit ratings were downgraded by one level, our incremental cost of funds and potential lost funding could be material.

The credit ratings of Bank of America Corporation and Bank of America, N.A. as of February 26, 2010 are reflected in the table below.

Table 12 Credit Ratings

		Bank of America Corporation					Bank of America, N.A.		
	Outlook	Long-term Senior Debt	Subordinated Debt	Trust Preferred	Preferred Stock	Short-term Debt	Long-term Senior Debt	Long-term Deposits	Short-term Debt
Moody's Investors Service	Stable	A2	A3	Baa3	Ba3	P-1	Aa3	Aa3	P-1
Standard & Poor's	Negative	A	A-	BB	BB	A-1	A+	A+	A-1
Fitch Ratings	Stable	A+	A	BB	BB-	F1+	A+	AA-	F1+

Regulatory Capital

At December 31, 2009, the Corporation operated its banking activities primarily under two charters: Bank of America, N.A. and FIA Card Services, N.A. With the acquisition of Merrill Lynch on January 1, 2009, we acquired Merrill Lynch Bank USA and Merrill Lynch Bank & Trust Co., FSB. Effective July 1, 2009, Merrill Lynch Bank USA merged into Bank of America, N.A, with Bank of America, N.A. as the surviving entity. Effective November 2, 2009, Merrill Lynch Bank & Trust Co., FSB merged into Bank of America, N.A., with Bank of America, N.A. as the surviving entity. Further, with the acquisition of Countrywide on July 1, 2008, we acquired Countrywide Bank, FSB, and effective April 27, 2009, Countrywide Bank, FSB converted to a national bank with the name Countrywide Bank, N.A. and immediately thereafter merged with and into Bank of America, N.A., with Bank of America, N.A. as the surviving entity.

Certain corporate sponsored trust companies which issue trust preferred securities (Trust Securities) are not consolidated under applicable accounting guidance. In accordance with Federal Reserve guidance, Trust Securities qualify as Tier 1 capital with revised quantitative limits that will be effective on March 31, 2011. Such limits restrict certain types of capital to 15 percent of total core capital elements for internationally active bank holding companies. In addition, the Federal Reserve revised the qualitative standards for capital instruments included in regulatory capital. Internationally active bank holding companies are those with consolidated assets greater than $250 billion or on-balance sheet exposure greater than $10 billion. At December 31, 2009, our restricted core capital elements comprised 11.8 percent of total core capital elements.

Table 13 provides a reconciliation of the Corporation's total shareholders' equity at December 31, 2009 and 2008 to Tier 1 common capital, Tier 1 capital and total capital as defined by the regulations issued by the joint agencies. See *Note 16 – Regulatory Requirements and Restrictions* to the Consolidated Financial Statements for more information on our regulatory capital.

Table 13 Reconciliation of Tier 1 Common Capital, Tier 1 Capital and Total Capital

	December 31	
(Dollars in millions)	**2009**	2008
Total common shareholders' equity	**$194,236**	$139,351
Goodwill	**(86,314)**	(81,934)
Nonqualifying intangible assets [1]	**(8,299)**	(4,195)
Net unrealized losses on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	**1,034**	5,479
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	**4,092**	4,642
Exclusion of fair value adjustment related to the Merrill Lynch structured notes [2]	**3,010**	–
Common Equivalent Securities	**19,290**	–
Disallowed deferred tax asset	**(7,080)**	–
Other	**425**	(4)
Total Tier 1 common capital	**120,394**	63,339
Preferred stock	**17,964**	37,701
Trust preferred securities	**21,448**	18,105
Noncontrolling interest	**582**	1,669
Total Tier 1 capital	**160,388**	120,814
Long-term debt qualifying as Tier 2 capital	**43,284**	31,312
Allowance for loan and lease losses	**37,200**	23,071
Reserve for unfunded lending commitments	**1,487**	421
Other [3]	**(16,282)**	(3,957)
Total capital	**$226,077**	$171,661

(1) Nonqualifying intangible assets include core deposit intangibles, affinity relationships, customer relationships and other intangibles.
(2) Represents loss on Merrill Lynch structured notes, net-of-tax, that is excluded from Tier 1 common capital, Tier 1 capital and total capital for regulatory purposes.
(3) Balance includes a reduction of $18.7 billion and $6.7 billion related to allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets in 2009 and 2008. Balance also includes 45 percent of the pre-tax unrealized fair value adjustments on AFS marketable equity securities.

At December 31, 2009, the Corporation's Tier 1 common capital, Tier 1 capital, total capital and Tier 1 leverage ratios were 7.81 percent, 10.40 percent, 14.66 percent and 6.91 percent, respectively.

The Corporation calculates Tier 1 common capital as Tier 1 capital including CES less preferred stock, qualifying trust preferred securities, hybrid securities and qualifying noncontrolling interest. CES is included in Tier 1 common capital based upon applicable regulatory guidance and our expectation that the underlying Common Equivalent Stock would convert into common stock following shareholder approval of additional authorized shares. Shareholders approved the increase in the number of authorized shares of common stock at the special meeting of shareholders held on February 23, 2010 and the Common Equivalent Stock converted to common stock on February 24, 2010. Tier 1 common capital increased to $120.4 billion at December 31, 2009 compared to $63.3 billion at December 31, 2008. The Tier 1 common capital ratio increased 301 bps to 7.81 percent. This increase was driven primarily by the second quarter at-the-market common stock issuance and the preferred to common stock exchanges which together represented a benefit of 185 bps and the issuance of CES which together provided a benefit of 138 bps to the Tier 1 common capital ratio. In addition, Tier 1 common capital benefited from the common stock that was issued in connection with the Merrill Lynch acquisition partially offset by an increase in risk-weighted assets due to the acquisition.

Enterprise-wide Stress Testing

As a part of our core risk management practices, the Corporation conducts enterprise-wide stress tests on a periodic basis to better understand earnings, capital and liquidity sensitivities to certain economic scenarios, including economic conditions that are more severe than anticipated. These enterprise-wide stress tests provide an understanding of the potential impacts to our risk profile, capital and liquidity. Scenario(s) are selected by a group comprised of senior line of business, risk and finance executives. Impacts to each line of business from each scenario are then analyzed and determined, primarily leveraging the models and processes utilized in everyday management routines. Impacts are assessed along with potential mitigating actions that may be taken in each scenario. Analysis from such stress scenarios is compiled for and reviewed through our ROC, ALMRC, and the Enterprise Risk Committee of the Board and serves to inform and be incorporated, along with other core business processes, into decision making by management and the Board. The Corporation continues to invest in and improve stress testing capabilities as a core business process.

Off-Balance Sheet Liquidity Arrangements with Special Purpose Entities

In the ordinary course of business, we support our customers' financing needs by facilitating their access to the commercial paper market. In addition, we utilize certain financing arrangements to meet our balance sheet management, funding and liquidity needs. These activities utilize special purpose entities (SPEs), typically in the form of corporations, limited liability companies, or trusts, which raise funds by issuing short-term commercial paper or other debt or equity instruments to third party investors. These SPEs typically hold various types of financial assets whose cash flows are the primary source of repayment for the liabilities of the SPEs. Investors have recourse to the assets in the SPE and often benefit from other credit enhancements, such as overcollateralization in the form of excess assets in the SPE, liquidity facilities and other arrangements. As a result, the SPEs can typically obtain a favorable credit rating from the ratings agencies, resulting in lower financing costs for us and our customers.

We have liquidity agreements, SBLCs and other arrangements with SPEs, as described below, under which we are obligated to provide funding in the event of a market disruption or other specified event or otherwise provide credit support to the entities. We also fund selected assets via derivative contracts with third party SPEs under which we may be required to purchase the assets at par value or the third party SPE's cost to acquire the assets. We manage our credit risk and any market risk on these liquidity arrangements by subjecting them to our normal underwriting and risk management processes. Our credit ratings and changes thereto may affect the borrowing cost and liquidity of these SPEs. In addition, significant changes in counterparty asset valuation and credit standing may also affect the ability of the SPEs to issue commercial paper. The contractual or notional amount of these commitments as presented in Table 14 represents our maximum possible funding obligation and is not, in management's view, representative of expected losses or funding requirements.

The table below presents our liquidity exposure to unconsolidated SPEs, which include VIEs and QSPEs. VIEs are SPEs that lack sufficient equity at risk or whose equity investors do not have a controlling financial interest. QSPEs are SPEs whose activities are strictly limited to holding and servicing financial assets. As a result of our adoption of new accounting guidance on consolidation on January 1, 2010 as discussed in the following section, we consolidated all multi-seller conduits, asset acquisition conduits and credit card securitization trusts. In addition, we consolidated certain home equity securitization trusts, municipal bond trusts and credit-linked note and other vehicles.

Table 14 Off-Balance Sheet Special Purpose Entities Liquidity Exposure

	December 31, 2009		
(Dollars in millions)	VIEs	QSPEs	Total
Commercial paper conduits:			
Multi-seller conduits	$ 25,135	$ –	$ 25,135
Asset acquisition conduits	1,232	–	1,232
Home equity securitizations	–	14,125	14,125
Municipal bond trusts	3,292	6,492	9,784
Collateralized debt obligation vehicles	3,283	–	3,283
Credit-linked note and other vehicles	1,995	–	1,995
Customer-sponsored conduits	368	–	368
Credit card securitizations	–	2,288	2,288
Total liquidity exposure	$ 35,305	$ 22,905	$ 58,210

	December 31, 2008		
	VIEs	QSPEs	Total
Commercial paper conduits:			
Multi-seller conduits	$41,635	$ –	$41,635
Asset acquisition conduits	2,622	–	2,622
Other corporate conduits	–	1,578	1,578
Home equity securitizations	–	13,064	13,064
Municipal bond trusts	3,872	2,921	6,793
Collateralized debt obligation vehicles	542	–	542
Customer-sponsored conduits	980	–	980
Credit card securitizations	–	946	946
Total liquidity exposure	$49,651	$18,509	$68,160

At December 31, 2009, our total liquidity exposure to SPEs was $58.2 billion, a decrease of $10.0 billion from December 31, 2008. The decrease was attributable to decreases in commercial paper conduits due to maturities and liquidations partially offset by the acquisition of Merrill Lynch. Legacy Merrill Lynch related exposures as of December 31, 2009 were $4.9 billion in municipal bond trusts, $3.3 billion in CDO vehicles and $2.0 billion in credit-linked note and other vehicles.

For more information on commercial paper conduits, municipal bond trusts, CDO vehicles, credit-linked note and other vehicles, see *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements. For more information on home equity and credit card securitizations, see *Note 8 – Securitizations* to the Consolidated Financial Statements.

Customer-sponsored conduits are established by our customers to provide them with direct access to the commercial paper market. We are typically one of several liquidity providers for a customer's conduit. We do not provide SBLCs or other forms of credit enhancement to these conduits. Assets of these conduits consist primarily of auto loans and student loans. The liquidity commitments benefit from structural protections which vary depending upon the program, but given these protections, we view the exposures as investment grade quality. These commitments are included in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements. As we typically provide less than 20 percent of the total liquidity commitments to these conduits and do not provide other forms of support, we have concluded that we do not hold a

significant variable interest in the conduits and they are not included in our discussion of VIEs in *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements.

Impact of Adopting New Accounting Guidance on Consolidation

On June 12, 2009, the FASB issued new guidance on sale accounting criteria for transfers of financial assets, including transfers to QSPEs and consolidation of VIEs. As described more fully in *Note 8 – Securitizations* to the Consolidated Financial Statements, the Corporation routinely transfers mortgage loans, credit card receivables and other financial instruments to SPEs that meet the definition of a QSPE which are not currently subject to consolidation by the transferor. Among other things, this new guidance eliminates the concept of a QSPE and as a result, existing QSPEs generally will be subject to consolidation under the new guidance.

This new guidance also significantly changes the criteria by which an enterprise determines whether it must consolidate a VIE, as described more fully in *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements. A VIE is an entity, typically an SPE, which has insufficient equity at risk or which is not controlled through voting rights held by equity investors. Currently, a VIE is consolidated by the enterprise that will absorb a majority of the expected losses or expected residual returns created by the assets of the VIE. This new guidance requires that a VIE be consolidated by the enterprise that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. This new guidance also requires that an enterprise continually reassesses, based on current facts and circumstances, whether it should consolidate the VIEs with which it is involved.

The table below shows the impact on a preliminary basis of this new accounting guidance in terms of incremental GAAP assets and risk-weighted assets for those VIEs and QSPEs that we consolidated on January 1, 2010. The assets and liabilities of the newly consolidated credit card securitization trusts, multi-seller commercial paper conduits, home equity lines of credit and certain other VIEs are recorded at their respective carrying values. The Corporation has elected to account for the assets and liabilities of the newly consolidated asset acquisition commercial paper conduits, municipal bond trusts and certain other VIEs under the fair value option.

Table 15 Preliminary Incremental GAAP and Risk-Weighted Assets Impact

(Dollars in billions)	Preliminary Incremental GAAP Assets	Estimated Incremental Risk-Weighted Assets
Type of VIE/QSPE		
Credit card securitization trusts [1]	$ 70	$ 8
Asset-backed commercial paper conduits [2]	15	11
Municipal bond trusts	5	1
Home equity lines of credit	5	5
Other	5	–
Total	**$100**	**$25**

[1] The Corporation undertook certain actions during 2009 related to its off-balance sheet credit card securitization trusts. As a result of these actions, we included approximately $63.6 billion of incremental risk-weighted assets in its risk-based capital ratios as of December 31, 2009.

[2] Regulatory capital requirements changed effective January 1, 2010 for all ABCP conduits. The increase in risk-weighted assets in this table reflects the impact of these changes on all ABCP conduits, including those that were consolidated prior to January 1, 2010.

In addition to recording the incremental assets and liabilities on the Corporation's Consolidated Balance Sheet, we recorded an after-tax charge of approximately $6 billion to retained earnings on January 1, 2010 as the cumulative effect of adoption of these new accounting standards. The charge relates primarily to the addition of $11 billion of allowance for loan losses for the newly consolidated assets, principally credit card related.

On January 21, 2010, the joint agencies issued a final rule regarding risk-based capital and the impact of adoption of the new consolidation guidance issued by the FASB. The final rule allows for a phase-in period for a maximum of one year for the effect on risk-weighted assets and the regulatory limit on the inclusion of the allowance for loan and lease losses in Tier 2 capital related to the assets that are consolidated. Our current estimate of the incremental impact is a decrease in our Tier 1 and Tier 1 common capital ratios of 65 to 75 bps. However, the final capital impact will be affected by certain factors, including, the final determination of the cumulative effect of adoption of this new accounting guidance on retained earnings, and limitations of deferred tax assets for risk-based capital purposes. The Corporation has elected to forgo the phase-in period and consolidate the amounts for regulatory capital purposes as of January 1, 2010. For more information, refer to the Regulatory Initiatives section on page 55.

Basel Regulatory Capital Requirements

In June 2004, the Basel II Accord was published with the intent of more closely aligning regulatory capital requirements with underlying risks, similar to economic capital. While economic capital is measured to cover unexpected losses, the Corporation also manages regulatory capital to adhere to regulatory standards of capital adequacy.

The Basel II Final Rule (Basel II Rules), which was published on December 7, 2007, establishes requirements for the U.S. implementation and provided detailed capital requirements for credit and operational risk under Pillar 1, supervisory requirements under Pillar 2 and disclosure requirements under Pillar 3. The Corporation will begin Basel II parallel implementation during the second quarter of 2010.

Financial institutions are required to successfully complete a minimum parallel qualification period before receiving regulatory approval to report regulatory capital using the Basel II methodology. During the parallel period, the resulting capital calculations under both the current (Basel I) rules and the Basel II Rules will be reported to the financial institutions regulatory supervisors for at least four consecutive quarterly periods. Once the parallel period is successfully completed, the financial institution will utilize Basel II as their methodology for calculating regulatory capital. A three-year transitional floor period will follow after which use of Basel I will be discontinued.

In July 2009, the Basel Committee on Banking Supervision released a consultative document entitled "Revisions to the Basel II Market Risk

Framework" that would significantly increase the capital requirements for trading book activities if adopted as proposed. The proposal recommended implementation by December 31, 2010, but regulatory agencies are currently evaluating the proposed rulemaking and related impacts before establishing final rules. As a result, we cannot determine the implementation date or the final capital impact.

In December 2009, the Basel Committee on Banking Supervision issued a consultative document entitled "Strengthening the Resilience of the Banking Sector." If adopted as proposed, this could increase significantly the aggregate equity that bank holding companies are required to hold by disqualifying certain instruments that previously have qualified as Tier 1 capital. In addition, it would increase the level of risk-weighted assets. The proposal could also increase the capital charges imposed on certain assets potentially making certain businesses more expensive to conduct. Regulatory agencies have not opined on the proposal for implementation. We continue to assess the potential impact of the proposal.

Common Share Issuances and Repurchases

In January 2009, the Corporation issued 1.4 billion shares of common stock in connection with its acquisition of Merrill Lynch. For additional information regarding the Merrill Lynch acquisition, see *Note 2 – Merger and Restructuring Activity* to the Consolidated Financial Statements. In addition, during the first quarter of 2009, we issued warrants to purchase approximately 199.1 million shares of common stock in connection with preferred stock issuances to the U.S. government. For more information, see the following preferred stock discussion. During the second quarter of 2009, we issued 1.25 billion shares of common stock at an average price of $10.77 per share through an at-the-market issuance program resulting in gross proceeds of approximately $13.5 billion. In addition, we issued approximately 7.4 million shares under employee stock plans.

In connection with the TARP repayment approval, the Corporation agreed to increase equity by $3.0 billion through asset sales to be approved by the Federal Reserve and contracted for by June 30, 2010. To the extent those asset sales are not completed by the end of 2010, the Corporation must raise a commensurate amount of common equity. We also agreed to raise up to approximately $1.7 billion through the issuance in 2010 of restricted stock in lieu of a portion of incentive cash compensation to certain of the Corporation's associates as part of their 2009 year-end incentive payments.

For more information regarding our common share issuances, see *Note 15 – Shareholders' Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

Common Stock Dividends

The following table provides a summary of our declared quarterly cash dividends on common stock during 2009 and through February 26, 2010.

Table 16 Common Stock Dividend Summary

Declaration Date	Record Date	Payment Date	Dividend Per Share
January 27, 2010	March 5, 2010	March 26, 2010	$0.01
October 28, 2009	December 4, 2009	December 24, 2009	0.01
July 21, 2009	September 4, 2009	September 25, 2009	0.01
April 29, 2009	June 5, 2009	June 26, 2009	0.01
January 16, 2009	March 6, 2009	March 27, 2009	0.01

Preferred Stock Issuances and Exchanges

During the second quarter of 2009, we completed an offer to exchange up to approximately 200 million shares of common stock at an average price of $12.70 for outstanding depositary shares of portions of certain series of preferred stock. In addition, we also entered into agreements with certain holders of other non-government perpetual preferred shares to exchange their holdings of approximately $10.9 billion aggregate liquidation preference of perpetual preferred stock into approximately 800 million shares of common stock. In total, the exchange offer and these privately negotiated exchanges covered the exchange of approximately $14.8 billion aggregate liquidation preference of perpetual preferred stock into approximately 1.0 billion shares of common stock. During the second quarter of 2009, we recorded an increase to retained earnings and net income applicable to common shareholders of approximately $580 million related to these exchanges. This represents the net of a $2.6 billion benefit due to the excess of the carrying value of our non-convertible preferred stock over the fair value of the common stock exchanged. This was partially offset by a $2.0 billion inducement to convertible preferred shareholders. The inducement represented the excess of the fair value of the common stock exchanged, which was accounted for as an induced conversion of convertible preferred stock, over the fair value of the common stock that would have been issued under the original conversion terms.

On December 2, 2009, we received approval from the U.S. Treasury and Federal Reserve to repay the U.S. government's $45.0 billion preferred stock investment provided under TARP. In accordance with the approval, on December 9, 2009, we repurchased all outstanding shares of Cumulative Perpetual Preferred Stock Series N, Series Q and Series R issued to the U.S. Treasury as part of the TARP. While participating in the TARP we recorded $7.4 billion in dividends and accretion on the TARP Preferred Stock and repayment will save us approximately $3.6 billion in annual dividends and accretion. We did not repurchase the related common stock warrants issued to the U.S. Treasury in connection with its TARP investment. The U.S. Treasury recently announced its intention to auction these warrants during March 2010. For more detail on the TARP Preferred Stock, refer to *Note 15 – Shareholders' Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

The Corporation repurchased the TARP Preferred Stock through the use of $25.7 billion in excess liquidity and $19.3 billion in proceeds from the sale of 1.3 billion units of CES valued at $15.00 per unit. The CES consisted of depositary shares representing interests in shares of Common Equivalent Junior Preferred Stock Series S (Common Equivalent Stock) and warrants (Contingent Warrants) to purchase an aggregate 60 million shares of the Corporation's common stock. Each depositary share represented a 1/1000th interest in a share of Common Equivalent Stock and each Contingent Warrant granted the holder the right to purchase 0.0467 of a share of a common stock for $.01 per share. Each depositary share entitled the holder, through the depository, to a proportional fractional interest in all rights and preferences of the Common Equivalent Stock, including conversion, dividend, liquidation and voting rights.

The Corporation held a special meeting of stockholders on February 23, 2010 at which we obtained stockholder approval of an amendment to our amended and restated certificate of incorporation to increase the number of authorized shares of our common stock, and following effectiveness of the amendment, on February 24, 2010, the Common Equivalent Stock converted in full into our common stock and

the Contingent Warrants automatically expired without becoming exercisable, and the CES ceased to exist.

Credit Risk Management

The economic recession accelerated in late 2008 and continued to deepen into the first half of 2009 but has shown some signs of stabilization and possible improvement over the second half of the year. Consumers continued to be under financial stress as unemployment and underemployment remained at elevated levels and individuals spent longer periods without work. These factors combined with further reductions in spending by consumers and businesses, continued home price declines and turmoil in sectors of the financial markets continued to negatively impact both the consumer and commercial loan portfolios. During 2009, these conditions drove increases in net charge-offs and nonperforming loans and foreclosed properties as well as higher commercial criticized utilized exposure and reserve increases across most portfolios. The depth, breadth and duration of the economic downturn, as well as the resulting impact on the credit quality of the loan portfolios remain unclear into 2010.

We continue to refine our credit standards to meet the changing economic environment. In our consumer businesses, we have implemented a number of initiatives to mitigate losses. These include increased use of judgmental lending and adjustment of underwriting, and account and line management standards and strategies, including reducing unfunded lines where appropriate. Additionally, we have increased collections, loan modification and customer assistance infrastructures to enhance customer support. In 2009, we provided home ownership retention opportunities to approximately 460,000 customers. This included completion of 260,000 customer loan modifications with total unpaid balances of approximately $55 billion and approximately 200,000 customers who were in trial-period modifications under the government's Making Home Affordable program. As of January 2010, approximately 220,000 customers were in trial period modifications and more than 12,700 were in permanent modifications. Of the 260,000 modifications done during 2009, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans most are in the portfolio serviced for investors and is not on our balance sheet. During 2008, Bank of America and Countrywide completed 230,000 loan modifications. The most common types of modifications include rate reductions, capitalization of past due amounts or a combination of rate reduction and capitalization of past due amounts, which are 17 percent, 21 percent and 40 percent, respectively, of modifications completed in 2009. We also provide rate and payment extensions, principal forbearance or forgiveness, and other actions. These modification types are generally considered TDRs except for certain short-term modifications where we expect to collect the full contractual principal and interest.

A number of initiatives have also been implemented in our small business commercial – domestic portfolio including changes to underwriting thresholds augmented by a judgmental decision-making process by experienced underwriters including increasing minimum FICO scores and lowering initial line assignments. We have also increased the intensity of our existing customer line management strategies.

To mitigate losses in the commercial businesses, we have increased the frequency and intensity of portfolio monitoring, hedging activity and our efforts in managing an exposure when we begin to see signs of deterioration. Our lines of business and risk management personnel use a variety of tools to continually monitor the ability of a borrower or counterparty to perform under its obligations. It is our practice to transfer the management of deteriorating commercial exposures to independent Special Asset officers as a credit approaches criticized levels. Our experience has shown that this discipline generates an objective assessment of the borrower's financial health and the value of our exposure, and maximizes our recovery upon resolution. As part of our underwriting process we have increased scrutiny around stress analysis and required pricing and structure to reflect current market dynamics. Given the volatility of the financial markets, we increased the frequency of various tests designed to understand what the volatility could mean to our underlying credit risk. Given the potential for single name risk associated with any disruption in the financial markets, we use a real-time counterparty event management process to monitor key counterparties.

Additionally, we account for certain large corporate loans and loan commitments (including issued but unfunded letters of credit which are considered utilized for credit risk management purposes) that exceed our single name credit risk concentration guidelines under the fair value option. These loans and loan commitments are then actively managed and hedged, principally by purchasing credit default protection. By including the credit risk of the borrower in the fair value adjustments, any credit spread deterioration or improvement is recorded in other income immediately as part of the fair value adjustment. As a result, the allowance for loan and lease losses and the reserve for unfunded lending commitments are not used to capture credit losses inherent in any nonperforming or impaired loans and unfunded commitments carried at fair value. See the Commercial Loans Carried at Fair Value section on page 81 for more information on the performance of these loans and loan commitments and see *Note 20 – Fair Value Measurements* to the Consolidated Financial Statements for additional information on our fair value option elections.

The acquisition of Merrill Lynch contributed to both our consumer and commercial loans and commitments. Acquired consumer loans consisted of residential mortgages, home equity loans and lines of credit and direct/indirect loans (principally securities-based lending margin loans). Commercial exposures were comprised of both investment and non-investment grade loans and included exposures to CMBS, monolines and leveraged finance. Consistent with other acquisitions, we incorporated the acquired assets into our overall credit risk management processes.

Consumer Portfolio Credit Risk Management

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

For information on our accounting policies regarding delinquencies, nonperforming status and charge-offs for the consumer portfolio, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Consumer Credit Portfolio

Weakness in the economy and housing markets, elevated unemployment and underemployment and tighter credit conditions resulted in deterioration across most of our consumer portfolios during 2009. However

during the last half of the year, the unsecured consumer portfolios within *Global Card Services* experienced lower levels of delinquency and by the fourth quarter consumer credit began to stabilize and in some cases improve. As part of our ongoing risk mitigation and consumer client support initiatives, we have been working with borrowers to modify their loans to terms that better align with their current ability to pay. Under certain circumstances, we identify these as TDRs which are modifications where an economic concession is granted to a borrower experiencing financial difficulty. For more information on TDRs and portfolio impacts, see Nonperforming Consumer Loans and Foreclosed Properties Activity beginning on page 74 and *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Table 17 presents our consumer loans and leases and our managed credit card portfolio, and related credit quality information. Nonperforming loans do not include consumer credit card, consumer loans secured by personal property or unsecured consumer loans that are past due as these loans are generally charged off no later than the end of the month in which the account becomes 180 days past due. Real estate-secured past due loans, repurchased pursuant to our servicing agreement with Government National Mortgage Association (GNMA) are not reported as nonperforming as repayments are insured by the Federal Housing Administration (FHA). Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the Countrywide purchased impaired loans even though the customer may be contractually past due. Loans that were acquired from Countrywide that were considered impaired were written down to fair value upon acquisition. In addition to being included in the "Outstandings" column in the following table, these loans are also shown separately, net of purchase accounting adjustments, for increased transparency in the "Countrywide Purchased Impaired Loan Portfolio" column. For additional information, see *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements. Under certain circumstances, loans that were originally classified as discontinued real estate loans upon acquisition have been subsequently modified and are now included in the residential mortgage portfolio shown below. The impact of the Countrywide portfolio on certain credit statistics is reported where appropriate. Refer to the Countrywide Purchased Impaired Loan Portfolio discussion beginning on page 71 for more information.

Loans that were acquired from Merrill Lynch were recorded at fair value including those that were considered impaired upon acquisition. The Merrill Lynch consumer purchased impaired loan portfolio did not materially alter the reported credit quality statistics of the consumer portfolios and is, therefore, excluded from the "Countrywide Purchased Impaired Loan Portfolio" column and discussion that follows. In addition, the nonperforming loans and delinquency statistics presented below include the Merrill Lynch purchased impaired loan portfolio based on the customer's performance under the contractual terms of the loan. At December 31, 2009, consumer loans included $47.2 billion from Merrill Lynch of which $2.0 billion of residential mortgage and $146 million of home equity loans were included in the Merrill Lynch purchased impaired loan portfolio. There were no reported net charge-offs on these loans during 2009 as the initial fair value at acquisition date already considered the estimated credit losses.

Table 17 Consumer Loans and Leases

	December 31							
	Outstandings		Nonperforming [1]		Accruing Past Due 90 Days or More [2]		Countrywide Purchased Impaired Loan Portfolio	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Held basis								
Residential mortgage [3]	**$242,129**	$248,063	**$16,596**	$7,057	**$11,680**	$ 372	**$11,077**	$10,013
Home equity	**149,126**	152,483	**3,804**	2,637	**–**	–	**13,214**	14,099
Discontinued real estate [4]	**14,854**	19,981	**249**	77	**–**	–	**13,250**	18,097
Credit card – domestic	**49,453**	64,128	**n/a**	n/a	**2,158**	2,197	**n/a**	n/a
Credit card – foreign	**21,656**	17,146	**n/a**	n/a	**500**	368	**n/a**	n/a
Direct/Indirect consumer [5]	**97,236**	83,436	**86**	26	**1,488**	1,370	**n/a**	n/a
Other consumer [6]	**3,110**	3,442	**104**	91	**3**	4	**n/a**	n/a
Total held	**$577,564**	$588,679	**$20,839**	$9,888	**$15,829**	$4,311	**$37,541**	$42,209
Supplemental managed basis data								
Credit card – domestic	**$129,642**	$154,151	**n/a**	n/a	**$ 5,408**	$5,033	**n/a**	n/a
Credit card – foreign	**31,182**	28,083	**n/a**	n/a	**799**	717	**n/a**	n/a
Total credit card – managed	**$160,824**	$182,234	**n/a**	n/a	**$ 6,207**	$5,750	**n/a**	n/a

(1) Nonperforming held consumer loans and leases as a percentage of outstanding consumer loans and leases were 3.61 percent (3.86 percent excluding the Countrywide purchased impaired loan portfolio) and 1.68 percent (1.81 percent excluding the Countrywide purchased impaired loan portfolio) at December 31, 2009 and 2008.

(2) Accruing held consumer loans and leases past due 90 days or more as a percentage of outstanding consumer loans and leases were 2.74 percent (2.93 percent excluding Countrywide purchased impaired loan portfolio) and 0.73 percent (0.79 percent excluding the Countrywide purchased impaired loan portfolio) at December 31, 2009 and 2008. Residential mortgages accruing past due 90 days or more represent repurchases of insured or guaranteed loans. See Residential Mortgage discussion for more detail.

(3) Outstandings include foreign residential mortgages of $552 million at December 31, 2009 mainly from the Merrill Lynch acquisition. We did not have any foreign residential mortgage loans at December 31, 2008.

(4) Outstandings include $13.4 billion and $18.2 billion of pay option loans and $1.5 billion and $1.8 billion of subprime loans at December 31, 2009 and 2008. We no longer originate these products.

(5) Outstandings include dealer financial services loans of $41.6 billion and $40.1 billion, consumer lending loans of $19.7 billion and $28.2 billion, securities-based lending margin loans of $12.9 billion and $0, and foreign consumer loans of $8.0 billion and $1.8 billion at December 31, 2009 and 2008, respectively.

(6) Outstandings include consumer finance loans of $2.3 billion and $2.6 billion, and other foreign consumer loans of $709 million and $618 million at December 31, 2009 and 2008.

n/a = not applicable

Table 18 presents net charge-offs and related ratios for our consumer loans and leases and net losses and related ratios for our managed credit card portfolio for 2009 and 2008. The reported net charge-off ratios for residential mortgage, home equity and discontinued real estate benefit from the addition of the Countrywide purchased impaired loan portfolio as the initial fair value adjustments recorded on those loans upon acquisition already included the estimated credit losses.

Table 18 Consumer Net Charge-offs/Net Losses and Related Ratios

	Net Charge-offs/Losses		Net Charge-off/Loss Ratios [1, 2]	
(Dollars in millions)	**2009**	2008	**2009**	2008
Held basis				
Residential mortgage	**$ 4,350**	$ 925	**1.74%**	0.36%
Home equity	**7,050**	3,496	**4.56**	2.59
Discontinued real estate	**101**	16	**0.58**	0.15
Credit card – domestic	**6,547**	4,161	**12.50**	6.57
Credit card – foreign	**1,239**	551	**6.30**	3.34
Direct/Indirect consumer	**5,463**	3,114	**5.46**	3.77
Other consumer	**428**	399	**12.94**	10.46
Total held	**$25,178**	$12,662	**4.22**	2.21
Supplemental managed basis data				
Credit card – domestic	**$16,962**	$10,054	**12.07**	6.60
Credit card – foreign	**2,223**	1,328	**7.43**	4.17
Total credit card – managed	**$19,185**	$11,382	**11.25**	6.18

(1) Net charge-off/loss ratios are calculated as held net charge-offs or managed net losses divided by average outstanding held or managed loans and leases.

(2) Net charge-off ratios excluding the Countrywide purchased impaired loan portfolio were 1.82 percent and 0.36 percent for residential mortgage, 5.00 percent and 2.73 percent for home equity, 5.57 percent and 1.33 percent for discontinued real estate, and 4.52 percent and 2.29 percent for the total held portfolio for 2009 and 2008. These are the only product classifications materially impacted by the Countrywide purchased impaired loan portfolio for 2009 and 2008. For all loan and lease categories, the dollar amounts of the net charge-offs were unchanged.

We believe that the presentation of information adjusted to exclude the impacts of the Countrywide purchased impaired loan portfolio is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage, home equity and discontinued real estate portfolios, we supplement certain reported statistics with information that is adjusted to exclude the impacts of the Countrywide purchased impaired loan portfolio. In addition, beginning on page 71, we separately disclose information on the Countrywide purchased impaired loan portfolio.

Residential Mortgage

The residential mortgage portfolio, which excludes the discontinued real estate portfolio acquired with Countrywide, makes up the largest percentage of our consumer loan portfolio at 42 percent of consumer loans and leases (43 percent excluding the Countrywide purchased impaired loan portfolio) at December 31, 2009. Approximately 15 percent of the residential portfolio is in *GWIM* and represents residential mortgages that are originated for the home purchase and refinancing needs of our affluent customers. The remaining portion of the portfolio is mostly in *All Other* and is comprised of both purchased loans as well as residential loans originated for our customers which are used in our overall ALM activities.

Outstanding loans and leases decreased $5.9 billion at December 31, 2009 compared to December 31, 2008 due to lower balance sheet retention of new originations, paydowns and charge-offs as well as sales and conversions of loans into retained MBS. These decreases were offset, in part, by the acquisition of Merrill Lynch and GNMA repurchases. Merrill Lynch added $21.7 billion of residential mortgage outstandings as of December 31, 2009. At December 31, 2009 and 2008, loans past due 90 days or more and still accruing interest of $11.7 billion and $372 million were related to repurchases pursuant to our servicing agreements with GNMA where repayments are insured by the FHA. The increase was driven by the repurchase of delinquent loans from securitizations during the year as we repurchase these loans for economic reasons, with no significant detrimental impact to our risk exposure. Excluding these repurchases, the accruing loans past due 90 days or more as a percentage of consumer loans and leases would have been 0.72 percent (0.77 percent excluding the Countrywide purchased impaired loan portfolio) and 0.67 percent (0.72 percent excluding the Countrywide purchased impaired loan portfolio) at December 31, 2009 and 2008.

Nonperforming residential mortgage loans increased $9.5 billion compared to December 31, 2008 due to the impacts of the weak housing markets and economic conditions and in part due to TDRs. For more information on TDRs, refer to the Nonperforming Consumer Loans and Foreclosed Properties Activity discussion on page 74 and *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements. At December 31, 2009, $9.6 billion or approximately 58 percent, of the nonperforming residential mortgage loans were greater than 180 days past due and had been written down to their fair values. Net charge-offs increased $3.4 billion to $4.4 billion in 2009, or 1.74 percent (1.82 percent excluding the Countrywide purchased impaired portfolio), of total average residential mortgage loans compared to 0.36 percent (0.36 percent excluding the Countrywide purchased impaired portfolio) for 2008. These increases reflect the impacts of the weak housing markets and the weak economy. See the Countrywide Purchased Impaired Loan Portfolio discussion beginning on page 71 for more information.

We mitigate a portion of our credit risk through synthetic securitizations which are cash collateralized and provide mezzanine risk protection of $2.5 billion which will reimburse us in the event that losses exceed 10 bps of the original pool balance. For further information regarding these synthetic securitizations, see *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements. The reported net charge-offs for residential mortgages do not include the benefits of amounts reimbursable under cash collateralized synthetic securitizations. Adjusting for the benefit of this credit protection, the residential mortgage net charge-off ratio in 2009 would have been reduced by 25 bps and four bps in 2008. Synthetic securitizations and the protection provided by GSEs together provided risk mitigation for approximately 32 percent and 48 percent of our residential mortgage portfolio at December 31, 2009 and 2008. Our regulatory risk-weighted assets are reduced as a result of these risk protection transactions because we transferred a portion of our credit risk to unaffiliated parties. At December 31, 2009 and 2008, these

transactions had the cumulative effect of reducing our risk-weighted assets by $16.8 billion and $34.0 billion, and strengthened our Tier 1 capital ratio by 11 bps and 24 bps and our Tier 1 common capital ratio by eight bps and 12 bps.

Below is a discussion of certain risk characteristics of the residential mortgage portfolio, excluding the Countrywide purchased impaired loan portfolio, which contributed to higher losses. These characteristics include loans with high refreshed LTVs, loans which were originated at the peak of home prices in 2006 and 2007, loans to borrowers located in the states of California and Florida where we have concentrations and where significant declines in home prices have been experienced, as well as interest-only loans. Although the disclosures below address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which contributed to a disproportionate share of the losses in the portfolio. Excluding the Countrywide purchased impaired portfolio, residential mortgage loans with all of these higher risk characteristics comprised seven percent of the total residential mortgage portfolio at December 31, 2009, but have accounted for 31 percent of the residential mortgage net charge-offs in 2009.

Residential mortgage loans with a greater than 90 percent but less than 100 percent refreshed LTV represented 11 percent of the residential mortgage portfolio and loans with a refreshed LTV greater than 100 percent represented 26 percent at December 31, 2009. Of the loans with a refreshed LTV greater than 100 percent, 90 percent were performing at December 31, 2009. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding book balance of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent due primarily to home price deterioration from the weakened economy. Loans with refreshed FICO scores below 620 represented 16 percent of the residential mortgage portfolio.

The 2006 and 2007 vintage loans, which represented 42 percent of our residential mortgage portfolio at December 31, 2009, continued to season and have higher refreshed LTVs and accounted for 69 percent of nonperforming residential mortgage loans at December 31, 2009 and approximately 75 percent of residential mortgage net charge-offs during 2009.

The table below presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. California and Florida combined represented 43 percent of the total residential mortgage portfolio and 47 percent of nonperforming residential mortgage loans at December 31, 2009, but accounted for 58 percent of the residential mortgage net charge-offs for 2009. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 12 percent and 13 percent of the total residential mortgage portfolio at December 31, 2009 and 2008. Additionally, 37 percent and 24 percent of loans in California and Florida are in reference pools of synthetic securitizations, as described above, which provide mezzanine risk protection.

Table 19 Residential Mortgage State Concentrations

	December 31				Year Ended December 31	
	Outstandings		Nonperforming		Net Charge-offs	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
California	**$ 82,329**	$ 84,847	**$ 5,967**	$2,028	**$1,726**	$411
Florida	**16,518**	15,787	**1,912**	1,012	**796**	154
New York	**16,278**	15,539	**632**	255	**66**	5
Texas	**10,737**	10,804	**534**	315	**59**	20
Virginia	**7,812**	9,696	**450**	229	**89**	32
Other U.S./Foreign	**97,378**	101,377	**7,101**	3,218	**1,614**	303
Total residential mortgage loans (excluding the Countrywide purchased impaired residential mortgage loan portfolio)	**$231,052**	$238,050	**$16,596**	$7,057	**$4,350**	$925
Total Countrywide purchased impaired residential mortgage loan portfolio [1]	**11,077**	10,013				
Total residential mortgage loan portfolio	**$242,129**	$248,063				

[1] Represents acquired loans from Countrywide that were considered impaired and written down to fair value upon acquisition date. See page 71 for the discussion of the characteristics of the purchased impaired loans.

Of the residential mortgage portfolio, $84.2 billion, or 35 percent, at December 31, 2009 are interest-only loans of which 89 percent were performing. Nonperforming balances on interest-only residential mortgage loans were $9.1 billion, or 55 percent, of total nonperforming residential mortgages. Additionally, net charge-offs on the interest-only portion of the portfolio represented 58 percent of the total residential mortgage net charge-offs for 2009.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. At December 31, 2009, our CRA portfolio comprised six percent of the total residential mortgage loan balances but comprised 17 percent of nonperforming residential mortgage loans. This portfolio also comprised 20 percent of residential mortgage net charge-offs during 2009. While approximately 32 percent of our residential mortgage portfolio carries risk mitigation protection, only a small portion of our CRA portfolio is covered by this protection.

We have sold and continue to sell mortgage and other loans, including mortgage loans, to third-party buyers and to FNMA and FHLMC under agreements that contain representations and warranties related to, among other things, the process for selecting the loans for inclusion in a sale and compliance with applicable criteria established by the buyer. Such agreements contain provisions under which we may be required to either repurchase the loans or indemnify or provide other recourse to the buyer or insurer if there is a breach of the representations and warranties that materially and adversely affects the interests of the buyer or pursuant to such other standard established by the terms of such agreements. We have experienced and continue to experience increasing repurchase and similar demands from, and disputes with buyers and insurers. We expect to contest such demands that we do not believe are valid. In the event that we are required to repurchase loans that have been the subject of repurchase demands or otherwise provide indemnification or other recourse, this could significantly increase our losses and thereby affect our future earnings. For further information regarding representations and warranties, see *Note 8 – Securitizations* to the Consolidated Financial Statements, and Item 1A., Risk Factors of this Annual Report on Form 10-K.

Home Equity

The home equity portfolio is comprised of home equity lines of credit, home equity loans and reverse mortgages. At December 31, 2009, approximately 87 percent of the home equity portfolio was included in *Home Loans & Insurance*, while the remainder of the portfolio was primarily in *GWIM.* Outstanding balances in the home equity portfolio decreased $3.4 billion at December 31, 2009 compared to December 31, 2008 due to charge-offs and management of credit lines in the legacy portfolio partially offset by the acquisition of Merrill Lynch. Of the loans in the home equity portfolio at December 31, 2009 and 2008, approximately $26.0 billion, or 18 percent, and $23.2 billion, or 15 percent, were in first lien positions (19 percent and 17 percent excluding the Countrywide purchased impaired home equity loan portfolio). For more information on the Countrywide purchased impaired home equity loan portfolio, see the Countrywide Purchased Impaired Loan Portfolio discussion beginning on page 71.

Home equity unused lines of credit totaled $92.7 billion at December 31, 2009 compared to $107.4 billion at December 31, 2008. This decrease was driven primarily by higher customer account net utilization and lower attrition as well as line management initiatives on deteriorating accounts with declining equity positions partially offset by the Merrill Lynch acquisition. The home equity line of credit utilization rate was 56 percent at December 31, 2009 compared to 52 percent at December 31, 2008.

Nonperforming home equity loans increased $1.2 billion compared to December 31, 2008 due to the weak housing market and economic conditions and in part to TDRs. For more information on TDRs, refer to the Nonperforming Consumer Loans and Foreclosed Properties Activity discussion on page 74 and *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements. At December 31, 2009, $721 million, or approximately 20 percent, of the nonperforming home equity loans were greater than 180 days past due and had been written down to their fair values. Net charge-offs increased $3.6 billion to $7.1 billion for 2009, or 4.56 percent (5.00 percent excluding the Countrywide purchased impaired loan portfolio) of total average home equity loans compared to 2.59 percent (2.73 percent excluding the Countrywide purchased impaired loan portfolio) in 2008. These increases were driven by continued weakness in the housing markets and the economy.

There are certain risk characteristics of the home equity portfolio, excluding the Countrywide purchased impaired loan portfolio, which have contributed to higher losses. These characteristics include loans with high refreshed CLTVs, loans originated at the peak of home prices in 2006 and 2007 and loans in geographic areas that have experienced the most significant declines in home prices. Home price declines coupled with the fact that most home equity loans are secured by second lien positions have significantly reduced and, in some cases, eliminated all collateral value after consideration of the first lien position. Although the disclosures below address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which has contributed to a disproportionate share of losses in the portfolio. Excluding the Countrywide purchased impaired portfolio, home equity loans with all of these higher risk characteristics comprised 11 percent of the total home equity portfolio at December 31, 2009, but have accounted for 38 percent of the home equity net charge-offs for 2009.

Home equity loans with greater than 90 percent but less than 100 percent refreshed CLTVs comprised 12 percent of the home equity portfolio while loans with refreshed CLTVs greater than 100 percent comprised 31 percent of the home equity portfolio at December 31, 2009. Net charge-offs on loans with a refreshed CLTV greater than 100 percent represented 82 percent of net charge-offs for 2009. Of those loans with a refreshed CLTV greater than 100 percent, 95 percent were performing at December 31, 2009. Home equity loans and lines of credit with a refreshed CLTV greater than 100 percent reflect loans where the balance and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. The majority of these high refreshed CLTV ratios are due to the weakened economy and home price declines. In addition, loans with a refreshed FICO score below 620 represented 13 percent of the home equity loans at December 31, 2009. Of the total home equity portfolio, 68 percent at December 31, 2009 were interest-only loans.

The 2006 and 2007 vintage loans, which represent 49 percent of our home equity portfolio, continued to season and have higher refreshed CLTVs and accounted for 62 percent of nonperforming home equity loans at December 31, 2009 and approximately 72 percent of net charge-offs for 2009. Additionally, legacy Bank of America discontinued the program of purchasing non-franchise originated home equity loans in the second quarter of 2007. These purchased loans represented only two percent of the home equity portfolio but accounted for 10 percent of home equity net charge-offs for 2009.

The table below presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the home equity portfolio. California and Florida combined represented 41 percent of the total home equity portfolio and 50 percent of nonperforming home equity loans at December 31, 2009, but accounted for 60 percent of the home equity net charge-offs for 2009. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of outstanding home equity loans at December 31, 2009 but comprised only six percent of net charge-offs for 2009. The Los Angeles-Long Beach-Santa Ana MSA within California made up 11 percent of outstanding home equity loans at December 31, 2009 and 13 percent of net charge-offs for 2009.

Table 20 Home Equity State Concentrations

	December 31				Year Ended December 31	
	Outstandings		Nonperforming		Net Charge-offs	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
California	**$ 38,573**	$ 38,015	**$1,178**	$ 857	**$2,669**	$1,464
Florida	**16,735**	17,893	**731**	597	**1,583**	788
New York	**8,752**	8,602	**274**	176	**262**	96
New Jersey	**8,732**	8,929	**192**	126	**225**	96
Massachusetts	**6,155**	6,008	**90**	48	**93**	56
Other U.S./Foreign	**56,965**	58,937	**1,339**	833	**2,218**	996
Total home equity loans (excluding the Countrywide purchased impaired home equity portfolio)	**$135,912**	$138,384	**$3,804**	$2,637	**$7,050**	$3,496
Total Countrywide purchased impaired home equity portfolio [1]	**13,214**	14,099				
Total home equity portfolio	**$149,126**	$152,483				

[1] Represents acquired loans from Countrywide that were considered impaired and written down to fair value at the acquisition date. See page 71 for the discussion of the characteristics of the purchased impaired loans.

Discontinued Real Estate

The discontinued real estate portfolio, totaling $14.9 billion at December 31, 2009, consisted of pay option and subprime loans obtained in the Countrywide acquisition. Upon acquisition, the majority of the discontinued real estate portfolio was considered impaired and written down to fair value. At December 31, 2009, the Countrywide purchased impaired loan portfolio comprised $13.3 billion, or 89 percent, of the $14.9 billion discontinued real estate portfolio. This portfolio is included in *All Other* and is managed as part of our overall ALM activities. See the Countrywide Purchased Impaired Loan Portfolio discussion below for more information on the discontinued real estate portfolio.

At December 31, 2009, the purchased non-impaired discontinued real estate portfolio was $1.6 billion. Loans with greater than 90 percent refreshed LTVs and CLTVs comprised 25 percent of this portfolio and those with refreshed FICO scores below 620 represented 39 percent of the portfolio. California represented 37 percent of the portfolio and 30 percent of the nonperforming loans while Florida represented nine percent of the portfolio and 16 percent of the nonperforming loans at December 31, 2009. The Los Angeles-Long Beach-Santa Ana MSA within California made up 15 percent of outstanding discontinued real estate loans at December 31, 2009.

Countrywide Purchased Impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting guidance for purchased impaired loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the Corporation's initial investment in loans if those differences are attributable, at least in part, to credit quality. Evidence of credit quality deterioration as of the acquisition date may include statistics such as past due status, refreshed FICO scores and refreshed LTVs. Purchased impaired loans are recorded at fair value and the applicable accounting guidance prohibits carrying over or creation of valuation allowances in the initial accounting. The Merrill Lynch purchased impaired consumer loan portfolio did not materially alter the reported credit quality statistics of the consumer portfolios. As such, the Merrill Lynch consumer purchased impaired loans are excluded from the following discussion and credit statistics.

Certain acquired loans of Countrywide that were considered impaired were written down to fair value at the acquisition date. As of December 31, 2009, the carrying value was $37.5 billion and the unpaid principal balance of these loans was $47.7 billion. Based on the unpaid principal balance, $30.6 billion have experienced no charge-offs and of these loans 82 percent, or $25.1 billion are current based on their contractual terms. Of the $5.5 billion that are not current, approximately 51 percent, or $2.8 billion are in early stage delinquency. During 2009, had the acquired portfolios not been accounted for as impaired, we would have recorded additional net charge-offs of $7.4 billion. During 2009, the Countrywide purchased impaired loan portfolio experienced further credit deterioration due to weakness in the housing markets and the impacts of a weak economy. As such, in 2009, we recorded $3.3 billion of provision for credit losses which was comprised of $3.0 billion for home equity loans and $316 million for discontinued real estate loans compared to $750 million in 2008. In addition, we wrote down Countrywide purchased impaired loans by $179 million during 2009 as losses on certain pools of impaired loans exceeded the original purchase accounting adjustment. The remaining purchase accounting credit adjustment of $487 million and the allowance of $3.9 billion results in a total credit adjustment of $4.4 billion remaining on all pools of Countrywide purchased impaired loans at December 31, 2009. For further information on the purchased impaired loan portfolio, see *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

The following discussion provides additional information on the Countrywide purchased impaired residential mortgage, home equity and discontinued real estate loan portfolios. Since these loans were written down to fair value upon acquisition, we are reporting this information separately. In certain cases, we supplement the reported statistics on these portfolios with information that is presented as if the acquired loans had not been accounted for as impaired upon acquisition.

Residential Mortgage

The Countrywide purchased impaired residential mortgage portfolio outstandings were $11.1 billion at December 31, 2009 and comprised 30 percent of the total Countrywide purchased impaired loan portfolio. Those loans with a refreshed FICO score below 620 represented 33 percent of the Countrywide purchased impaired residential mortgage portfolio at December 31, 2009. Refreshed LTVs greater than 90 percent after consideration of purchase accounting adjustments and refreshed LTVs greater than 90 percent based on the unpaid principal balance represented 65 percent and 80 percent of the purchased impaired residential mortgage portfolio. The table below presents outstandings net of purchase accounting adjustments and net charge-offs had the portfolio not been accounted for as impaired upon acquisition by certain state concentrations.

Table 21 Countrywide Purchased Impaired Loan Portfolio – Residential Mortgage State Concentrations

	Outstandings [1]		Purchased Impaired Portfolio Net Charge-offs [1, 2]	
	December 31		Year Ended December 31	
(Dollars in millions)	**2009**	2008	**2009**	2008
California	**$ 6,142**	$ 5,633	**$496**	$177
Florida	**843**	776	**143**	103
Virginia	**617**	556	**30**	14
Maryland	**278**	253	**13**	6
Texas	**166**	148	**5**	5
Other U.S./Foreign	**3,031**	2,647	**237**	133
Total Countrywide purchased impaired residential mortgage loan portfolio	**$11,077**	$10,013	**$924**	$438

(1) Those loans that were originally classified as discontinued real estate loans upon acquisition and have been subsequently modified are now included in the residential mortgage outstandings shown above. Charge-offs on these loans prior to modification are excluded from the amounts shown above and shown as discontinued real estate charge-offs consistent with the product classification of the loan at the time of charge-off.

(2) Represents additional net charge-offs had the portfolio not been accounted for as impaired upon acquisition.

Home Equity

The Countrywide purchased impaired home equity outstandings were $13.2 billion at December 31, 2009 and comprised 35 percent of the total Countrywide purchased impaired loan portfolio. Those loans with a refreshed FICO score below 620 represented 21 percent of the Countrywide purchased impaired home equity portfolio at December 31, 2009. Refreshed CLTVs greater than 90 percent represented 90 percent of the purchased impaired home equity portfolio after consideration of purchase accounting adjustments and 89 percent of the purchased impaired home equity portfolio based on the unpaid principal balance at December 31, 2009. The table below presents outstandings net of purchase accounting adjustments and net charge-offs had the portfolio not been accounted for as impaired upon acquisition, by certain state concentrations.

Table 22 Countrywide Purchased Impaired Portfolio – Home Equity State Concentrations

	Outstandings		Purchased Impaired Portfolio Net Charge-offs [1]	
	December 31		Year Ended December 31	
(Dollars in millions)	**2009**	2008	**2009**	2008
California	**$ 4,311**	$ 5,110	**$1,769**	$ 744
Florida	**765**	910	**320**	186
Virginia	**550**	529	**77**	42
Arizona	**542**	626	**203**	79
Colorado	**416**	402	**48**	22
Other U.S./Foreign	**6,630**	6,522	**1,057**	421
Total Countrywide purchased impaired home equity portfolio	**$13,214**	$14,099	**$3,474**	$1,494

[1] Represents additional net charge-offs had the portfolio not been accounted for as impaired upon acquisition.

Discontinued Real Estate

The Countrywide purchased impaired discontinued real estate outstandings were $13.3 billion at December 31, 2009 and comprised 35 percent of the total Countrywide purchased impaired loan portfolio. Those loans with a refreshed FICO score below 620 represented 51 percent of the Countrywide purchased impaired discontinued real estate portfolio at December 31, 2009. Refreshed LTVs and CLTVs greater than 90 percent represented 52 percent of the purchased impaired discontinued real estate portfolio after consideration of purchase accounting adjustments. Refreshed LTVs and CLTVs greater than 90 percent based on the unpaid principal balance represented 80 percent of the purchased impaired discontinued real estate portfolio at December 31, 2009. The table below presents outstandings net of purchase accounting adjustments and net charge-offs had the portfolio not been accounted for as impaired upon acquisition, by certain state concentrations.

Table 23 Countrywide Purchased Impaired Loan Portfolio – Discontinued Real Estate State Concentrations

	Outstandings [1]		Purchased Impaired Portfolio Net Charge-offs [1, 2]	
	December 31		Year Ended December 31	
(Dollars in millions)	**2009**	2008	**2009**	2008
California	**$ 7,148**	$ 9,987	**$1,845**	$1,010
Florida	**1,315**	1,831	**393**	275
Arizona	**430**	666	**151**	61
Washington	**421**	492	**30**	8
Virginia	**399**	580	**76**	48
Other U.S./Foreign	**3,537**	4,541	**517**	297
Total Countrywide purchased impaired discontinued real estate loan portfolio	**$13,250**	$18,097	**$3,012**	$1,699

[1] Those loans that were originally classified as discontinued real estate loans upon acquisition and have been subsequently modified are now excluded from amounts shown above. Charge-offs on these loans prior to modification are included in the amounts shown above consistent with the product classification of the loan at the time of charge-off.
[2] Represents additional net charge-offs had the portfolio not been accounted for as impaired upon acquisition.

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

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

At December 31, 2009, the unpaid principal balance of pay option loans was $17.0 billion, with a carrying amount of $13.4 billion, including $12.5 billion of loans that were impaired upon acquisition. The total unpaid principal balance of pay option loans with accumulated negative amortization was $15.2 billion and accumulated negative amortization from the original loan balance was $1.0 billion. The percentage of borrowers electing to make only the minimum payment on option ARMs was 65 percent at December 31, 2009. We continue to evaluate our exposure to payment resets on the acquired negatively amortizing loans and have taken into consideration several assumptions regarding this evaluation (e.g., prepayment rates). We also continue to evaluate the potential for resets on the Countrywide purchased impaired pay option portfolio. Based on our expectations, 21 percent, eight percent and two percent of the pay option loan portfolio is expected to reset in 2010, 2011, and 2012, respectively. Approximately three percent are expected to reset thereafter, and approximately 66 percent are expected to repay prior to being reset.

We manage these purchased impaired portfolios, including consideration for the home retention programs to modify troubled mortgages, consistent with our other consumer real estate practices.

Credit Card – Domestic

The consumer domestic credit card portfolio is managed in *Global Card Services*. Outstandings in the held domestic credit card loan portfolio decreased $14.7 billion at December 31, 2009 compared to December 31, 2008 due to lower originations and transactional volume, the conversion of certain credit card loans into held-to-maturity debt securities and charge-offs partially offset by lower payment rates and new draws on previously securitized accounts. For more information on this conversion, see *Note 8 – Securitizations* to the Consolidated Financial Statements. Net charge-offs increased $2.4 billion in 2009 to $6.5 billion reflecting the weak economy including elevated unemployment underemployment and higher bankruptcies. However, held domestic loans 30 days or more past due and still accruing interest decreased $668 million from December 31, 2008 driven by improvement in the last three quarters of 2009. Due to the decline in outstandings, the percentage of balances 30 days or more past due and still accruing interest increased to 7.90 percent from 7.13 percent at December 31, 2008.

Managed domestic credit card outstandings decreased $24.5 billion to $129.6 billion at December 31, 2009 compared to December 31, 2008 due to lower originations and transactional volume and credit losses partially offset by lower payment rates. The $6.9 billion increase in managed net losses to $17.0 billion was driven by the same factors as described in the held discussion above. Managed loans that were 30 days or more past due and still accruing interest decreased $856 million to $9.9 billion compared to $10.7 billion at December 31, 2008. Similar to the held discussion above, the percentage of balances 30 days or more past due and still accruing interest increased to 7.61 percent from 6.96 percent at December 31, 2008 due to the decline in outstandings.

Managed consumer credit card unused lines of credit for domestic credit card totaled $438.5 billion at December 31, 2009 compared to $713.0 billion at December 31, 2008. The $274.5 billion decrease was driven primarily by account management initiatives on higher risk customers in higher risk states and inactive accounts.

The table below presents asset quality indicators by certain state concentrations for the managed credit card – domestic portfolio.

Table 24 Credit Card – Domestic State Concentrations – Managed Basis

	December 31				Year Ended December 31	
	Outstandings		Accruing Past Due 90 Days or More		Net Losses	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
California	**$ 20,048**	$ 24,191	**$1,097**	$ 997	**$ 3,558**	$ 1,916
Florida	**10,858**	13,210	**676**	642	**2,178**	1,223
Texas	**8,653**	10,262	**345**	293	**960**	634
New York	**7,839**	9,368	**295**	263	**855**	531
New Jersey	**5,168**	6,113	**189**	172	**559**	316
Other U.S.	**77,076**	91,007	**2,806**	2,666	**8,852**	5,434
Total credit card – domestic loan portfolio	**$129,642**	$154,151	**$5,408**	$5,033	**$16,962**	$10,054

Credit Card – Foreign

The consumer foreign credit card portfolio is managed in *Global Card Services*. Outstandings in the held foreign credit card loan portfolio increased $4.5 billion to $21.7 billion at December 31, 2009 compared to December 31, 2008 primarily due to the strengthening of certain foreign currencies, particularly the British pound against the U.S. dollar. Net charge-offs for the held foreign portfolio increased $688 million to $1.2 billion in 2009, or 6.30 percent of total average held credit card – foreign loans compared to 3.34 percent in 2008. The increase was driven primarily by weak economic conditions and higher unemployment also being experienced in Europe and Canada, including a higher level of bankruptcies/insolvencies.

Managed foreign credit card outstandings increased $3.1 billion to $31.2 billion at December 31, 2009 compared to December 31, 2008 primarily due to the strengthening of certain foreign currencies, particularly the British pound against the U.S. dollar. Managed consumer foreign loans that were accruing past due 90 days or more increased to $799 million, or 2.56 percent, compared to $717 million, or 2.55 percent, at December 31, 2008. The dollar increase was primarily due to the strengthening of foreign currencies, especially the British pound against the U.S. dollar, further exacerbated by continuing weakness in the European and Canadian economies. Net losses for the managed foreign portfolio increased $895 million to $2.2 billion for 2009, or 7.43 percent of total average managed credit card – foreign loans compared to 4.17 percent in 2008. The increase in managed net losses was driven by the same factors as described in the held discussion above.

Managed consumer credit card unused lines of credit for foreign credit card totaled $69.0 billion at December 31, 2009 compared to $80.6 billion at December 31, 2008. The $11.6 billion decrease was driven primarily by account management initiatives mainly on inactive accounts.

Direct/Indirect Consumer

At December 31, 2009, approximately 45 percent of the direct/indirect portfolio was included in *Global Banking* (dealer financial services – automotive, marine and recreational vehicle loans), 22 percent was included in *Global Card Services* (consumer personal loans and other non-real estate secured), 24 percent in *GWIM* (principally other non-real estate secured and unsecured personal loans and securities-based lending margin loans) and the remainder in *Deposits* (student loans).

Outstanding loans and leases increased $13.8 billion to $97.2 billion at December 31, 2009 compared to December 31, 2008 primarily due to the acquisition of Merrill Lynch which included both domestic and foreign securities-based lending margin loans, partially offset by lower outstandings in the *Global Card Services* consumer lending portfolio. Net charge-offs increased $2.3 billion to $5.5 billion for 2009, or 5.46 percent of total average direct/indirect loans compared to 3.77 percent for 2008. The dollar increase was concentrated in the *Global Card Services* consumer lending portfolio, driven by the effects of a weak economy including higher bankruptcies. Net charge-off ratios in the consumer lending portfolio have also been impacted by a significant slowdown in new loan production due, in part, to a tightening of underwriting criteria. Net charge-off ratios in the consumer lending portfolio were 17.75 percent during 2009, compared to 7.98 percent during 2008. The weak economy resulted in higher charge-offs in the dealer financial services portfolio. Loans that were past due 30 days or more and still accruing interest declined compared to December 31, 2008 driven by the consumer lending portfolio.

The table below presents asset quality indicators by certain state concentrations for the direct/indirect consumer loan portfolio.

Table 25 Direct/Indirect State Concentrations

	December 31				Year Ended December 31	
	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
California	**$11,664**	$10,555	**$ 228**	$ 247	**$1,055**	$ 601
Texas	**8,743**	7,738	**105**	88	**382**	222
Florida	**7,559**	7,376	**130**	145	**597**	334
New York	**5,111**	4,938	**73**	69	**272**	162
Georgia	**3,165**	3,212	**52**	48	**205**	115
Other U.S./Foreign	**60,994**	49,617	**900**	773	**2,952**	1,680
Total direct/indirect loans	**$97,236**	$83,436	**$1,488**	$1,370	**$5,463**	$3,114

Other Consumer

At December 31, 2009, approximately 73 percent of the other consumer portfolio was associated with portfolios from certain consumer finance businesses that we have previously exited and are included in *All Other*. The remainder consisted of the foreign consumer loan portfolio which is mostly included in *Global Card Services* and deposit overdrafts which are recorded in *Deposits*.

Nonperforming Consumer Loans and Foreclosed Properties Activity

Table 26 presents nonperforming consumer loans and foreclosed properties activity during 2009 and 2008. Nonperforming loans held for sale are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include consumer credit card, consumer loans secured by personal property or unsecured consumer loans that are past due as these loans are generally charged off no later than the end of the month in which the account becomes 180 days past due. Real estate-secured past due loans repurchased pursuant to our servicing agreements with GNMA are not reported as nonperforming as repayments are insured by the FHA. Additionally, nonperforming loans do not include the Countrywide purchased impaired portfolio. For further information regarding nonperforming loans, see *Note 1 – Summary of Significant Accounting Principles to* the Consolidated Financial Statements. Total net additions to nonperforming loans in 2009 were $11.0 billion compared to $6.4 billion in 2008. The net additions to nonperforming loans in 2009 were driven primarily by the residential mortgage and home equity portfolios reflecting weak housing markets and economy, seasoning of vintages originated in periods of higher growth and performing loans that were accelerated into nonperforming loan status upon modification into a TDR. Nonperforming consumer real estate related TDRs as a percentage of total nonperforming consumer loans and foreclosed properties were 21 percent at December 31, 2009 compared to five percent at December 31, 2008 due primarily to increased modification volume during the year.

The outstanding balance of a real estate secured loan that is in excess of the estimated property value, less costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due unless repayment of the loan is insured by the FHA. Property values are refreshed at least quarterly with additional charge-offs taken as needed. At December 31, 2009, $10.7 billion, or approximately 60 percent, of the nonperforming residential mortgage loans and foreclosed properties, comprised of $9.6 billion of nonperforming loans and $1.1 billion of foreclosed properties, were greater than 180 days past due and had been written down to their fair values and $790 million, or approximately 20 percent, of the nonperforming home equity loans and foreclosed properties, comprised of $721 million of nonperforming loans and $69 million of foreclosed properties, were greater than 180 days past due and had been written down to their fair values.

In 2009, approximately 16 percent and six percent of the net increase in nonperforming loans were from Countrywide purchased non-impaired loans and Merrill Lynch loans that deteriorated subsequent to acquisition. While we witnessed increased levels of nonperforming loans transferred to foreclosed properties due to the lifting of various foreclosure moratoriums during 2009, the net reductions to foreclosed properties of $78 million were driven by sales of foreclosed properties and write-downs.

Restructured Loans

As discussed above, nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of

restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. Nonperforming TDRs, excluding those loans modified in the purchased impaired portfolio, are included in Table 26.

The pace of modifications slowed during the second half of 2009 due to the MHA and other programs where the loan goes through a trial period prior to formal modification. For more information on our modification programs, see Regulatory Initiatives beginning on page 55.

At December 31, 2009, residential mortgage TDRs were $5.3 billion, an increase of $4.7 billion compared to December 31, 2008. Nonperforming TDRs increased $2.7 billion during 2009 to $2.9 billion. Nonperforming residential mortgage TDRs comprised approximately 17 percent and three percent of total residential mortgage nonperforming loans and foreclosed properties at December 31, 2009 and 2008. Residential mortgage TDRs that were performing in accordance with their modified terms and excluded from nonperforming loans in Table 26 were $2.3 billion, an increase of $2.0 billion compared to December 31, 2008.

At December 31, 2009, home equity TDRs were $2.3 billion, an increase of $2.0 billion compared to December 31, 2008. Nonperforming TDRs increased $1.4 billion during 2009 to $1.7 billion. Nonperforming home equity TDRs comprised 44 percent and 11 percent of total home equity nonperforming loans and foreclosed properties at December 31, 2009 and 2008. Home equity TDRs that were performing in accordance with their modified terms and excluded from nonperforming loans in Table 26 were $639 million compared to $1 million at December 31, 2008.

Discontinued real estate TDRs totaled $78 million at December 31, 2009. This was an increase of $7 million from December 31, 2008. Of these loans, $43 million were nonperforming while the remaining $35 million were classified as performing at December 31, 2009.

We also work with customers that are experiencing financial difficulty by renegotiating consumer credit card and consumer lending loans, while ensuring that we remain within Federal Financial Institutions Examination Council (FFIEC) guidelines. These renegotiated loans are excluded from Table 26 as we do not classify consumer non-real estate unsecured loans as nonperforming. For further information regarding these restructured and renegotiated loans, see *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Certain modifications of loans in the purchased impaired loan portfolio result in removal of the loan from the purchased impaired portfolio pool and subsequent classification as a TDR. These modified loans are excluded from Table 26. For more information on TDRs, renegotiated and modified loans, refer to *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Table 26 Nonperforming Consumer Loans and Foreclosed Properties Activity [1]

(Dollars in millions)	2009	2008
Nonperforming loans		
Balance, January 1	**$ 9,888**	$ 3,442
Additions to nonperforming loans:		
New nonaccrual loans and leases [2]	**28,011**	13,421
Reductions in nonperforming loans:		
Paydowns and payoffs	**(1,459)**	(527)
Returns to performing status [3]	**(4,540)**	(1,844)
Charge-offs [4]	**(9,442)**	(3,729)
Transfers to foreclosed properties	**(1,618)**	(875)
Transfers to loans held-for-sale	**(1)**	–
Total net additions to nonperforming loans	**10,951**	6,446
Total nonperforming loans, December 31 [5]	**20,839**	9,888
Foreclosed properties		
Balance, January 1	**1,506**	276
Additions to foreclosed properties:		
New foreclosed properties [6, 7]	**1,976**	2,530
Reductions in foreclosed properties:		
Sales	**(1,687)**	(1,077)
Write-downs	**(367)**	(223)
Total net additions (reductions) to foreclosed properties	**(78)**	1,230
Total foreclosed properties, December 31	**1,428**	1,506
Nonperforming consumer loans and foreclosed properties, December 31	**$22,267**	$11,394
Nonperforming consumer loans as a percentage of outstanding consumer loans and leases	**3.61%**	1.68%
Nonperforming consumer loans and foreclosed properties as a percentage of outstanding consumer loans and foreclosed properties	**3.85**	1.93

(1) Balances do not include nonperforming LHFS of $2.9 billion and $3.2 billion in 2009 and 2008.
(2) 2009 includes $465 million of nonperforming loans acquired from Merrill Lynch.
(3) Consumer loans may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months.
(4) Our policy is not to classify consumer credit card and consumer loans not secured by real estate as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity.
(5) Approximately half of the 2009 and 2008 nonperforming loans are greater than 180 days past due and have been charged off to approximately 68 percent and 71 percent of original cost.
(6) Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for credit losses during the first 90 days after transfer of a loan into foreclosed properties. Thereafter, all losses in value are recorded as noninterest expense. New foreclosed properties in the table above are net of $818 million and $436 million of charge-offs in 2009 and 2008 taken during the first 90 days after transfer.
(7) 2009 includes $21 million of foreclosed properties acquired from Merrill Lynch. 2008 includes $952 million of foreclosed properties acquired from Countrywide.

Commercial Portfolio Credit Risk Management

Credit risk management for the commercial portfolio begins with an assessment of the credit risk profile of the borrower or counterparty based on an analysis of its financial position. As part of the overall credit risk assessment, our commercial credit exposures are assigned a risk rating and are subject to approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are monitored on an ongoing basis, and if necessary, adjusted to reflect changes in the financial condition, cash flow, risk profile or outlook of a borrower or counterparty. In making credit decisions, we consider risk rating, collateral, country, industry and single name concentration limits while also balancing the total borrower or counterparty relationship. Our lines of business and risk management personnel use a variety of tools to continuously monitor the ability of a borrower or counterparty to perform under its obligations. We use risk rating aggregations to measure and evaluate concentrations within portfolios. In addition, risk ratings are a factor in determining the level of assigned economic capital and the allowance for credit losses.

For information on our accounting policies regarding delinquencies, nonperforming status and charge-offs for the commercial portfolio, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Management of Commercial Credit Risk Concentrations

Commercial credit risk is evaluated and managed with a goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography and customer relationship. Distribution of loans and leases by loan size is an additional measure of portfolio risk diversification. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our international portfolio, we evaluate borrowings by region and by country. Tables 31, 34, 38, 39 and 40 summarize our concentrations. Additionally, we utilize syndication of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the loan portfolio.

As part of our ongoing risk mitigation initiatives, we attempt to work with clients to modify their loans to terms that better align with their current ability to pay. In situations where an economic concession has been granted to a borrower experiencing financial difficulty, we identify these loans as TDRs.

We account for certain large corporate loans and loan commitments (including issued but unfunded letters of credit which are considered utilized for credit risk management purposes) that exceed our single name credit risk concentration guidelines under the fair value option. Lending commitments, both funded and unfunded, are actively managed and monitored, and as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation's credit view and market perspectives determining the size and timing of the hedging activity. In addition, credit protection is purchased to cover the funded portion as well as the unfunded portion of certain other credit exposures. To lessen the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection. These credit derivatives do not meet the requirements for treatment as accounting hedges. They are carried at fair value with changes in fair value recorded in other income.

Commercial Credit Portfolio

During 2009, continued housing value declines and economic stress impacted our commercial portfolios which experienced higher levels of losses. Broad-based economic pressures, including further reductions in spending by consumers and businesses, have also impacted commercial credit quality indicators. Loan balances continued to decline in 2009 as businesses aggressively managed their working capital and production capacity by maintaining low inventories, deferring capital spending and rationalizing staff and physical locations. Additionally, borrowers increasingly accessed the capital markets for financing while reducing their use of bank credit facilities. Risk mitigation strategies further contributed to the decline in loan balances.

Increases in nonperforming loans were largely driven by continued deterioration in the commercial real estate and commercial – domestic portfolios. Nonperforming loans and utilized reservable criticized exposures increased from 2008 levels; however, during the second half of 2009 the pace of increase slowed for nonperforming loans while reservable criticized exposure declined in the fourth quarter.

The loans and leases net charge-off ratios increased across all commercial portfolios. The increase in commercial real estate net charge-offs during 2009 compared to 2008 was driven by both the non-homebuilder and homebuilder portfolios, although homebuilder portfolio net charge-offs declined in the second half of 2009 compared to the first half of 2009. The increases in commercial – domestic and commercial – foreign net charge-offs were diverse in terms of borrowers and industries.

The acquisition of Merrill Lynch increased our concentrations to certain industries and countries. For more detail on the Merrill Lynch impact, see the Industry Concentrations discussion beginning on page 82 and the Foreign Portfolio discussion beginning on page 86. There were also increased concentrations within both investment and non-investment grade exposures including monolines, and certain leveraged finance and CMBS positions.

Table 27 presents our commercial loans and leases, and related credit quality information at December 31, 2009 and 2008. Loans that were acquired from Merrill Lynch that were considered impaired were written down to fair value upon acquisition. In addition to being included in the "Outstandings" column below, these loans are also shown separately, net of purchase accounting adjustments, for increased transparency, in the "Merrill Lynch Purchased Impaired Loan Portfolio" column. Nonperforming loans and accruing balances 90 days or more past due do not include Merrill Lynch purchased impaired loans even though the customer may be contractually past due. The portion of the Merrill Lynch portfolio that was not impaired at acquisition was recorded at fair value in accordance with fair value accounting. This adjustment to fair value incorporates the interest rate, creditworthiness of the borrower and market liquidity compared to the contractual terms of the non-impaired loans at the date of acquisition. For more information, see *Note 2 – Merger and Restructuring Activity* and *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements. The acquisition of Countrywide and related purchased impaired loan portfolio did not impact the commercial portfolios.

Table 27 Commercial Loans and Leases

	December 31						
	Outstandings		Nonperforming [1]		Accruing Past Due 90 Days or More [2]		Merrill Lynch Purchased Impaired Loan Portfolio
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**
Commercial loans and leases							
Commercial – domestic [3]	**$ 181,377**	$ 200,088	**$ 4,925**	$ 2,040	**$ 213**	$ 381	**$100**
Commercial real estate [4]	**69,447**	64,701	**7,286**	3,906	**80**	52	**305**
Commercial lease financing	**22,199**	22,400	**115**	56	**32**	23	**–**
Commercial – foreign	**27,079**	31,020	**177**	290	**67**	7	**361**
	300,102	318,209	**12,503**	6,292	**392**	463	**766**
Small business commercial – domestic [5]	**17,526**	19,145	**200**	205	**624**	640	**–**
Total commercial loans excluding loans measured at fair value	**317,628**	337,354	**12,703**	6,497	**1,016**	1,103	**766**
Total measured at fair value [6]	**4,936**	5,413	**15**	–	**87**	–	**–**
Total commercial loans and leases	**$ 322,564**	$ 342,767	**$ 12,718**	$ 6,497	**$1,103**	$1,103	**$766**

(1) Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases excluding loans measured at fair value were 4.00 percent (4.01 percent excluding the purchased impaired loan portfolio) and 1.93 percent at December 31, 2009 and 2008.
(2) Accruing commercial loans and leases past due 90 days or more as a percentage of outstanding commercial loans and leases excluding loans measured at fair value were 0.32 percent and 0.33 percent at December 31, 2009 and 2008. The December 31, 2009 ratio remained unchanged excluding the purchased impaired loan portfolio.
(3) Excludes small business commercial – domestic loans.
(4) Includes domestic commercial real estate loans of $66.5 billion and $63.7 billion, and foreign commercial real estate loans of $3.0 billion and $979 million at December 31, 2009 and 2008.
(5) Small business commercial – domestic including card related products.
(6) Certain commercial loans are accounted for under the fair value option and include commercial – domestic loans of $3.0 billion and $3.5 billion, commercial – foreign loans of $1.9 billion and $1.7 billion and commercial real estate loans of $90 million and $203 million at December 31, 2009 and 2008. See *Note 20 – Fair Value Measurements* to the Consolidated Financial Statements for additional discussion of fair value for certain financial instruments.

Table 28 presents net charge-offs and related ratios for our commercial loans and leases for 2009 and 2008. The reported net charge-off ratios for commercial – domestic, commercial real estate and commercial – foreign were impacted by the addition of the Merrill Lynch purchased impaired loan portfolio as the initial fair value adjustments recorded on those loans upon acquisition would have already included the estimated credit losses.

Table 28 Commercial Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios [1, 2, 3]	
(Dollars in millions)	**2009**	2008	**2009**	2008
Commercial loans and leases				
Commercial – domestic [4]	**$2,190**	$ 519	**1.09%**	0.26%
Commercial real estate	**2,702**	887	**3.69**	1.41
Commercial lease financing	**195**	60	**0.89**	0.27
Commercial – foreign	**537**	173	**1.76**	0.55
	5,624	1,639	**1.72**	0.52
Small business commercial – domestic	**2,886**	1,930	**15.68**	9.80
Total commercial	**$8,510**	$3,569	**2.47**	1.07

(1) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans and leases excluding loans accounted for under the fair value option.
(2) Net charge-off ratios excluding the Merrill Lynch purchased impaired loan portfolio were 1.06 percent for commercial – domestic, 3.60 percent for commercial real estate, 1.49 percent for commercial – foreign, and 2.41 percent for the total commercial portfolio in 2009. These are the only product classifications impacted by the Merrill Lynch purchased impaired loan portfolio in 2009.
(3) Although the Merrill Lynch purchased impaired portfolio was recorded at fair value at acquisition on January 1, 2009, actual credit losses have exceeded the initial purchase accounting estimates. Included above are net charge-offs related to the Merrill Lynch purchased impaired portfolio in 2009 of $55 million for commercial – domestic, $88 million for commercial real estate and $90 million for commercial – foreign.
(4) Excludes small business commercial – domestic.

Table 29 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes funded loans, standby letters of credit, financial guarantees, bankers' acceptances and commercial letters of credit for which the bank is legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial committed credit exposure decreased by $10.1 billion, or one percent, at December 31, 2009 compared to December 31, 2008. The decrease was largely driven by reductions in loans and leases partially offset by an increase in derivatives due to the acquisition of Merrill Lynch.

Total commercial utilized credit exposure decreased to $494.4 billion at December 31, 2009 compared to $498.7 billion at December 31, 2008. Funded loans and leases declined due to limited demand for acquisition financing and capital expenditures in the large corporate and middle-market portfolios and as clients utilized the improved capital markets more extensively for their funding needs. With the economic outlook remaining uncertain, businesses are aggressively managing working capital and production capacity, maintaining low inventories and deferring capital spending. The increase in derivative assets was driven by the acquisition of Merrill Lynch substantially offset during 2009 by maturing transactions, mark-to-market adjustments from changing interest and foreign exchange rates, as well as narrower credit spreads.

The loans and leases funded utilization rate was 57 percent at December 31, 2009 compared to 58 percent at December 31, 2008.

Table 29 Commercial Credit Exposure by Type

	December 31					
	Commercial Utilized [1, 2]		Commercial Unfunded [1, 3, 4]		Total Commercial Committed [1]	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
Loans and leases	**$322,564**	$342,767	**$293,519**	$300,856	**$616,083**	$643,623
Derivative assets [5]	**80,689**	62,252	**–**	–	**80,689**	62,252
Standby letters of credit and financial guarantees	**70,238**	72,840	**6,008**	4,740	**76,246**	77,580
Assets held-for-sale [6]	**13,473**	14,206	**781**	183	**14,254**	14,389
Bankers' acceptances	**3,658**	3,382	**16**	13	**3,674**	3,395
Commercial letters of credit	**2,958**	2,974	**569**	791	**3,527**	3,765
Foreclosed properties and other	**797**	328	**–**	–	**797**	328
Total commercial credit exposure	**$494,377**	$498,749	**$300,893**	$306,583	**$795,270**	$805,332

(1) At December 31, 2009, total commercial utilized, total commercial unfunded and total commercial committed exposure include $88.5 billion, $25.7 billion and $114.2 billion, respectively, related to Merrill Lynch.
(2) Total commercial utilized exposure at December 31, 2009 and 2008 includes loans and issued letters of credit accounted for under the fair value option and is comprised of loans outstanding of $4.9 billion and $5.4 billion, and letters of credit with a notional amount of $1.7 billion and $1.4 billion.
(3) Total commercial unfunded exposure at December 31, 2009 and 2008 includes loan commitments accounted for under the fair value option with a notional amount of $25.3 billion and $15.5 billion.
(4) Excludes unused business card lines which are not legally binding.
(5) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements, and have been reduced by cash collateral of $58.4 billion and $34.8 billion at December 31, 2009 and 2008. Not reflected in utilized and committed exposure is additional derivative collateral held of $16.2 billion and $13.4 billion which consists primarily of other marketable securities at December 31, 2009 and 2008.
(6) Total commercial committed assets held-for-sale exposure consists of $9.0 billion and $12.1 billion of commercial LHFS exposure (e.g., commercial mortgage and leveraged finance) and $5.3 billion and $2.3 billion of assets held-for-sale exposure at December 31, 2009 and 2008.

Table 30 presents commercial utilized reservable criticized exposure by product type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories defined by regulatory authorities. In addition to reservable loans and leases, excluding those accounted for under the fair value option, exposure includes SBLCs, financial guarantees, bankers' acceptances and commercial letters of credit for which we are legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial utilized reservable criticized exposure rose by $21.7 billion primarily due to increases in commercial real estate and commercial – domestic. Commercial real estate increased $10.0 billion primarily due to the non-homebuilder portfolio which has been impacted by the weak economy partially offset by a decrease in the homebuilder portfolio. The $9.3 billion increase in commercial – domestic reflects deterioration across various lines of business and industries, primarily in *Global Banking*. At December 31, 2009, approximately 85 percent of the loans within criticized reservable utilized exposure are secured.

Table 30 Commercial Utilized Reservable Criticized Exposure

	December 31			
	2009		2008	
(Dollars in millions)	**Amount**	**Percent [1]**	Amount	Percent [1]
Commercial – domestic [2]	**$28,259**	**11.66%**	$18,963	7.20%
Commercial real estate	**23,804**	**32.13**	13,830	19.73
Commercial lease financing	**2,229**	**10.04**	1,352	6.03
Commercial – foreign	**2,605**	**7.12**	1,459	3.65
	56,897	**15.17**	35,604	8.99
Small business commercial – domestic	**1,789**	**10.18**	1,333	6.94
Total commercial utilized reservable criticized exposure	**$58,686**	**14.94**	$36,937	8.90

(1) Percentages are calculated as commercial utilized reservable criticized exposure divided by total commercial utilized reservable exposure for each exposure category.
(2) Excludes small business commercial – domestic exposure.

Commercial – Domestic (excluding Small Business)

At December 31, 2009, approximately 81 percent of the commercial – domestic loan portfolio, excluding small business, was included in *Global Banking* (business banking, middle-market and large multinational corporate loans and leases) and *Global Markets* (acquisition, bridge financing and institutional investor services). The remaining 19 percent was mostly in *GWIM* (business-purpose loans for wealthy individuals). Outstanding commercial – domestic loans, excluding loans accounted for under the fair value option, decreased driven primarily by reduced customer demand within *Global Banking,* partially offset by the acquisition of Merrill Lynch. Nonperforming commercial – domestic loans increased $2.9 billion compared to December 31, 2008. Net charge-offs increased $1.7 billion in 2009 compared to 2008. The increases in nonperforming loans and net charge-offs were broad-based in terms of borrowers and industries. The acquisition of Merrill Lynch accounts for a portion of the increase in nonperforming loans and reservable criticized exposure.

Commercial Real Estate

The commercial real estate portfolio is predominantly managed in *Global Banking* and consists of loans made primarily to public and private developers, homebuilders and commercial real estate firms. Outstanding loans and leases, excluding loans accounted for under the fair value option, increased $4.7 billion at December 31, 2009 compared to December 31, 2008, primarily due to the acquisition of Merrill Lynch partially offset by portfolio attrition and losses. The portfolio remains diversified across property types and geographic regions. California and Florida represent the two largest state concentrations at 21 percent and seven percent for loans and leases at December 31, 2009. For more information on geographic or property concentrations, refer to Table 31.

For the year, nonperforming commercial real estate loans increased $3.4 billion and utilized reservable criticized exposure increased $10.0 billion from December 31, 2008 across most property types and was attributable to the continuing impact of the housing slowdown, elevated unemployment and deteriorating vacancy and rental rates across most non-homebuilder property types and geographies during 2009. The increase in nonperforming loans was driven by the retail, office, multi-use, and land and land development portfolios. The increase in utilized reservable criticized exposure was driven by the office, retail and multi-family rental property types, offset by a $1.9 billion decrease in the homebuilder portfolio. For 2009, net charge-offs were up $1.8 billion compared to 2008 driven by increases in net charge-offs in both the non-homebuilder and the homebuilder portfolios.

The following table presents outstanding commercial real estate loans by geographic region and property type. Commercial real estate primarily includes commercial loans and leases secured by non owner-occupied real estate which are dependent on the sale or lease of the real estate as the primary source of repayment.

Table 31 Outstanding Commercial Real Estate Loans

(Dollars in millions)	December 31 2009	2008
By Geographic Region [1]		
California	**$14,273**	$11,270
Northeast	**11,661**	9,747
Southwest	**8,183**	6,698
Southeast	**6,830**	7,365
Midwest	**6,505**	7,447
Florida	**4,568**	5,146
Illinois	**4,375**	5,451
Midsouth	**3,332**	3,475
Northwest	**3,097**	3,022
Geographically diversified [2]	**3,238**	2,563
Non-U.S.	**2,994**	979
Other [3]	**481**	1,741
Total outstanding commercial real estate loans [4]	**$69,537**	$64,904
By Property Type		
Office	**$12,511**	$10,388
Multi-family rental	**11,169**	8,177
Shopping centers/retail	**9,519**	9,293
Homebuilder [5]	**7,250**	10,987
Hotels/motels	**6,946**	2,513
Multi-use	**5,924**	3,444
Industrial/warehouse	**5,852**	6,070
Land and land development	**3,215**	3,856
Other [6]	**7,151**	10,176
Total outstanding commercial real estate loans [4]	**$69,537**	$64,904

(1) Distribution is based on geographic location of collateral.
(2) The geographically diversified category is comprised primarily of unsecured outstandings to real estate investment trusts and national home builders whose portfolios of properties span multiple geographic regions.
(3) Primarily includes properties in the states of Colorado, Utah, Hawaii, Wyoming and Montana.
(4) Includes commercial real estate loans accounted for under the fair value option of $90 million and $203 million at December 31, 2009 and 2008.
(5) Homebuilder includes condominiums and residential land.
(6) Represents loans to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types or is unsecured.

During 2009, deterioration within the commercial real estate portfolio shifted from the homebuilder portfolio to the non-homebuilder portfolio. Non-homebuilder credit quality indicators and appraised values weakened in 2009 due to deteriorating property fundamentals and increased loss severities, whereas homebuilder credit quality indicators, while remaining elevated, began to stabilize. The non-homebuilder portfolio remains most at risk as occupancy and rental rates continued to deteriorate due to the current economic environment and restrained business hiring and capital investment. We have adopted a number of proactive risk mitigation initiatives to reduce utilized and potential exposure in the commercial real estate portfolios.

The following table presents commercial real estate credit quality data by non-homebuilder and homebuilder property types. Commercial real estate primarily includes commercial loans secured by non owner-occupied real estate which is dependent on the sale or lease of the real estate as the primary source of repayment.

Table 32 Commercial Real Estate Credit Quality Data

	December 31				Year Ended December 31			
	Nonperforming Loans and Foreclosed Properties [1]		Utilized Reservable Criticized Exposure [2]		Net Charge-offs		Net Charge-off Ratios [3]	
(Dollars in millions)	2009	2008	2009	2008	2009	2008	2009	2008
Commercial real estate – non-homebuilder								
Office	$ 729	$ 95	$ 3,822	$ 801	$ 249	$ –	2.01%	–%
Multi-family rental	546	232	2,496	822	217	13	1.96	0.18
Shopping centers/retail	1,157	204	3,469	1,442	239	10	2.30	0.11
Hotels/motels	160	9	1,140	67	5	4	0.08	0.09
Industrial/warehouse	442	91	1,757	464	82	–	1.34	–
Multi-use	416	17	1,578	409	146	24	2.58	0.38
Land and land development	968	455	1,657	1,281	286	–	8.00	–
Other [4]	417	88	2,210	973	140	22	1.72	0.42
Total non-homebuilder	4,835	1,191	18,129	6,259	1,364	73	2.13	0.15
Commercial real estate – homebuilder [5]	3,228	3,036	5,675	7,571	1,338	814	14.41	6.25
Total commercial real estate	$8,063	$4,227	$23,804	$13,830	$2,702	$887	3.69	1.41

(1) Includes commercial foreclosed properties of $777 million and $321 million at December 31, 2009 and 2008.
(2) Utilized reservable criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories defined by regulatory authorities. This is defined as loans, excluding those accounted for under the fair value option, SBLCs and bankers' acceptances.
(3) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option during the year for each loan and lease category.
(4) Represents loans to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types or is unsecured.
(5) Homebuilder includes condominiums and residential land.

At December 31, 2009, we had total committed non-homebuilder exposure of $84.4 billion compared to $84.1 billion at December 31, 2008. The increase was due to the Merrill Lynch acquisition, largely offset by repayments and net charge-offs. Non-homebuilder nonperforming loans and foreclosed properties were $4.8 billion, or 7.73 percent of total non-homebuilder loans and foreclosed properties at December 31, 2009 compared to $1.2 billion, or 2.21 percent at December 31, 2008, with the increase driven by deterioration in the shopping center/retail, office, and land and land development portfolios.

Non-homebuilder utilized reservable criticized exposure increased $11.9 billion to $18.1 billion, or 27.27 percent of total non-homebuilder utilized reservable exposure at December 31, 2009 compared to $6.3 billion, or 10.66 percent, at December 31, 2008. The increase was driven primarily by office, shopping center/retail and multi-family rental property types which have been the most adversely affected by high unemployment and the slowdown in consumer spending.

For the non-homebuilder portfolio, net charge-offs increased $1.3 billion for 2009 compared to 2008 with the increase concentrated in non-homebuilder land and land development, office, shopping center/retail and multi-family rental property types.

Within our total non-homebuilder exposure, at December 31, 2009, we had total committed non-homebuilder construction and land development exposure of $24.5 billion compared to $27.8 billion at December 31, 2008. Non-homebuilder construction and land development exposure is mostly secured and diversified across property types and geographies. Assets in the non-homebuilder construction and land development portfolio face significant challenges in the current rental market. Weak rental demand and cash flows and declining property valuations have resulted in increased levels of reservable criticized exposure and nonperforming loans and foreclosed properties. Nonperforming loans and foreclosed properties and utilized reservable criticized exposure for the non-homebuilder construction and land development portfolio increased $2.0 billion and $6.1 billion from December 31, 2008 to $2.6 billion and $8.9 billion at December 31, 2009.

At December 31, 2009, we had committed homebuilder exposure of $10.4 billion compared to $16.2 billion at December 31, 2008 of which $7.3 billion and $11.0 billion were funded secured loans. The decline in homebuilder committed exposure was driven by repayments, charge-offs, reduced new home construction and continued risk mitigation initiatives. Homebuilder nonperforming loans and foreclosed properties stabilized due to the slowdown in the rate of home price declines. Homebuilder utilized reservable criticized exposure decreased by $1.9 billion driven by higher net charge-offs. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the homebuilder portfolio were 42.16 percent and 74.44 percent at December 31, 2009 compared to 27.07 percent and 66.33 percent at December 31, 2008. Lower loan balances and exposures in 2009 drove a portion of the increase in the ratios. Net charge-offs for the homebuilder portfolio increased $524 million in 2009 from 2008.

Commercial – Foreign

The commercial – foreign loan portfolio is managed primarily in *Global Banking*. Outstanding loans, excluding loans accounted for under the fair value option, decreased due to repayments as borrowers accessed the capital markets to refinance bank debt and aggressively managed working capital and investment spending, partially offset by the acquisition of Merrill Lynch. Reduced merger and acquisition activity was also a factor contributing to modest new loan origination. Net charge-offs increased primarily due to deterioration in the portfolio, particularly in financial services, consumer dependent and housing-related sectors. For additional information on the commercial – foreign portfolio, refer to the Foreign Portfolio discussion beginning on page 86.

Small Business Commercial – Domestic

The small business commercial – domestic loan portfolio is comprised of business card and small business loans primarily managed in *Global Card Services*. In 2009, small business commercial – domestic net charge-offs increased $956 million from 2008. The portfolio deterioration was primarily driven by the impacts of a weakened economy. Approximately 77 percent of the small business commercial – domestic net charge-offs for 2009 were credit card related products, compared to 75 percent in 2008.

Commercial Loans Carried at Fair Value

The portfolio of commercial loans accounted for under the fair value option is managed in *Global Markets*. The $477 million decrease in the fair value loan portfolio in 2009 was driven primarily by reduced corporate borrowings under bank credit facilities. We recorded net gains of $515 million resulting from changes in the fair value of the loan portfolio during 2009 compared to net losses of $780 million for 2008. These gains and losses were primarily attributable to changes in instrument-specific credit risk and were predominantly offset by net gains or net losses from hedging activities.

In addition, unfunded lending commitments and letters of credit had an aggregate fair value of $950 million and $1.1 billion at December 31, 2009 and 2008 and were recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit accounted for under the fair value option was $27.0 billion and $16.9 billion at December 31, 2009 and 2008 with the increase driven by the acquisition of Merrill Lynch. Net gains resulting from changes in fair value of commitments and letters of credit of $1.4 billion were recorded during 2009 compared to net losses of $473 million for 2008. These gains and losses were primarily attributable to changes in instrument-specific credit risk.

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

The following table presents the additions and reductions to nonperforming loans, leases and foreclosed properties in the commercial portfolio during 2009 and 2008. The $16.2 billion in new nonaccrual loans and leases for 2009 was primarily attributable to increases within non-homebuilder commercial real estate property types such as shopping centers/retail, office, land and land development, and multi-use and within commercial – domestic excluding small business, where the increases were broad-based across industries and lines of business. Approximately 90 percent of commercial nonperforming loans, leases and foreclosed properties are secured and approximately 35 percent are contractually current. In addition, commercial nonperforming loans are carried at approximately 75 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated net realizable value.

Table 33 Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity [1, 2]

(Dollars in millions)	2009	2008
Nonperforming loans and leases		
Balance, January 1	**$ 6,497**	$ 2,155
Additions to nonperforming loans and leases:		
Merrill Lynch balance, January 1, 2009	**402**	–
New nonaccrual loans and leases	**16,190**	8,110
Advances	**339**	154
Reductions in nonperforming loans and leases:		
Paydowns and payoffs	**(3,075)**	(1,467)
Sales	**(630)**	(45)
Returns to performing status [3]	**(461)**	(125)
Charge-offs [4]	**(5,626)**	(1,900)
Transfers to foreclosed properties	**(857)**	(372)
Transfers to loans held-for-sale	**(76)**	(13)
Total net additions to nonperforming loans and leases	**6,206**	4,342
Total nonperforming loans and leases, December 31	**12,703**	6,497
Foreclosed properties		
Balance, January 1	**321**	75
Additions to foreclosed properties:		
New foreclosed properties	**857**	372
Reductions in foreclosed properties:		
Sales	**(310)**	(110)
Write-downs	**(91)**	(16)
Total net additions to foreclosed properties	**456**	246
Total foreclosed properties, December 31	**777**	321
Nonperforming commercial loans, leases and foreclosed properties, December 31	**$13,480**	$ 6,818
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases [5]	**4.00%**	1.93%
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties [5]	**4.24**	2.02

(1) Balances do not include nonperforming LHFS of $4.5 billion and $852 million at December 31, 2009 and 2008.
(2) Includes small business commercial – domestic activity.
(3) Commercial loans and leases may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. TDRs are generally classified as performing after a sustained period of demonstrated payment performance.
(4) Business card loans are not classified as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity.
(5) Outstanding commercial loans and leases exclude loans accounted for under the fair value option.

At December 31, 2009, the total commercial TDR balance was $577 million. Nonperforming TDRs increased $442 million while performing TDRs increased $78 million during 2009. Nonperforming TDRs of $486 million are included in Table 33.

Industry Concentrations

Table 34 presents commercial committed and commercial utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and the unfunded portion of certain credit exposure. Our commercial credit exposure is diversified across a broad range of industries.

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

Total commercial committed exposure decreased $10.1 billion in 2009 across most industries. Those industries that experienced increases in total commercial committed exposure in 2009 were driven by the Merrill Lynch acquisition.

Diversified financials, our largest industry concentration, experienced an increase in committed exposure of $7.6 billion, or seven percent at December 31, 2009 compared to 2008. The total committed credit exposure increase was driven by the Merrill Lynch portfolio which contributed $34.7 billion, largely the result of $28.8 billion in capital markets industry exposure, primarily comprised of derivatives. This was offset, in part, by a reduction in legacy Bank of America positions of $27.1 billion, the majority of which came from a $21.2 billion reduction in capital markets industry exposure including the cancellation of $8.8 billion in facilities to legacy Merrill Lynch.

Real estate, our second largest industry concentration, experienced a decrease in committed exposure of $12.4 billion, or 12 percent at December 31, 2009 compared to 2008. An $18.6 billion decrease in legacy Bank of America committed exposure, driven primarily by decreases in homebuilder, unsecured commercial real estate and commercial construction and land development exposure, was partially offset by the acquisition of Merrill Lynch. Real estate construction and land development exposure comprised 31 percent of the total real estate industry committed exposure at December 31, 2009. For more information on the commercial real estate and related portfolios, refer to the commercial real estate discussion beginning on page 79.

The insurance and utilities committed exposure increased primarily due to the acquisition of Merrill Lynch. Refer to the *Global Markets* discussion beginning on page 47 and to the monoline and related exposure discussion below for more information.

Retailing committed exposure declined 16 percent at December 31, 2009 compared to 2008, driven by the retirement of several large retail exposures and paydowns as retailers and wholesalers worked to reduce inventory levels.

Monoline and Related Exposure

Monoline exposure is reported in the insurance industry and managed under insurance portfolio industry limits. Direct loan exposure to monolines consisted of revolvers in the amount of $41 million and $126 million at December 31, 2009 and 2008.

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

We also have indirect exposure to monoline financial guarantors, primarily in the form of guarantees supporting our mortgage and other loan sales. Indirect exposure may exist when we purchase credit protection from monoline financial guarantors to hedge all or a portion of the credit risk on certain mortgage and other loan exposures. A loss may occur when we are required to repurchase a loan and the market value of the loan has declined or when we are required to indemnify or provide recourse for a guarantor's loss. We have experienced and continue to experience increasing repurchase demands from and disputes with monoline financial guarantors. We expect to contest such demands that we do not believe are valid. In the event that we are required to repurchase loans that have been the subject of repurchase demands or otherwise provide indemnification or other recourse, this could significantly increase our losses and thereby affect our future earnings. For further information regarding representations and warranties, see *Note 8 – Securitizations* to the Consolidated Financial Statements and Item 1A., Risk Factors of this Annual Report on Form 10-K.

Monoline derivative credit exposure at December 31, 2009 had a notional value of $42.6 billion compared to $9.6 billion at December 31, 2008. Mark-to-market monoline derivative credit exposure was $11.1 billion at December 31, 2009 compared to $2.2 billion at December 31, 2008, driven by the addition of Merrill Lynch exposures as well as credit deterioration related to underlying counterparties and spread widening in both wrapped CDO and structured finance related exposures. At December 31, 2009, the counterparty credit valuation adjustment related to monoline derivative exposure was $6.0 billion, which reduced our net mark-to-market exposure to $5.1 billion. We do not hold collateral against these derivative exposures. For more information on our monoline exposure, see the *Global Markets* discussion beginning on page 47.

We also have indirect exposure as we invest in securities where the issuers have purchased wraps (i.e., insurance). For example, municipalities and corporations purchase protection in order to enhance their pricing power which has the effect of reducing their cost of borrowing. If the ratings agencies downgrade the monolines, the credit rating of the bond may fall and may have an adverse impact on the market value of the security. In the case of default, we first look to the underlying securities and then to recovery on the purchased insurance. Investments in securities issued by municipalities and corporations with purchased wraps at December 31, 2009 and 2008 had a notional value of $5.0 billion and $6.0 billion. Mark-to-market investment exposure was $4.9 billion at December 31, 2009 compared to $5.7 billion at December 31, 2008.

Table 34 Commercial Credit Exposure by Industry [1, 2, 3]

(Dollars in millions)	December 31			
	Commercial Utilized		Total Commercial Committed	
	2009	2008	**2009**	2008
Diversified financials	**$ 68,876**	$ 50,327	**$110,948**	$103,306
Real estate [4]	**75,049**	79,766	**91,479**	103,889
Government and public education	**44,151**	39,386	**61,446**	58,608
Capital goods	**23,834**	27,588	**47,413**	52,522
Healthcare equipment and services	**29,584**	31,280	**46,370**	46,785
Consumer services	**28,517**	28,715	**44,164**	43,948
Retailing	**23,671**	30,736	**42,260**	50,102
Commercial services and supplies	**23,892**	24,095	**34,646**	34,867
Individuals and trusts	**25,191**	22,752	**33,678**	33,045
Materials	**16,373**	22,825	**32,898**	38,105
Insurance	**20,613**	11,223	**28,033**	17,855
Food, beverage and tobacco	**14,812**	17,257	**27,985**	28,521
Utilities	**9,217**	8,230	**25,229**	19,272
Energy	**9,605**	11,885	**23,619**	22,732
Banks	**20,299**	22,134	**23,384**	26,493
Media	**11,236**	8,939	**22,832**	19,301
Transportation	**13,724**	13,050	**19,597**	18,561
Religious and social organizations	**8,920**	9,539	**11,371**	12,576
Pharmaceuticals and biotechnology	**2,875**	3,721	**10,343**	10,111
Consumer durables and apparel	**4,374**	6,219	**9,829**	10,862
Technology hardware and equipment	**3,135**	3,971	**9,671**	10,371
Telecommunication services	**3,558**	3,681	**9,478**	8,036
Software and services	**3,216**	4,093	**9,306**	9,590
Food and staples retailing	**3,680**	4,282	**6,562**	7,012
Automobiles and components	**2,379**	3,093	**5,339**	6,081
Other	**3,596**	9,962	**7,390**	12,781
Total commercial credit exposure by industry	**$494,377**	$498,749	**$795,270**	$805,332
Net credit default protection purchased on total commitments [5]			**$ (19,025)**	$ (9,654)

(1) Total commercial utilized and total commercial committed exposure includes loans and letters of credit accounted for under the fair value option and are comprised of loans outstanding of $4.9 billion and $5.4 billion, and issued letters of credit with a notional amount of $1.7 billion and $1.4 billion at December 31, 2009 and 2008. In addition, total commercial committed exposure includes unfunded loan commitments with a notional amount of $25.3 billion and $15.5 billion at December 31, 2009 and 2008.

(2) Includes small business commercial – domestic exposure.

(3) At December 31, 2009, total commercial utilized and total commercial committed exposure included $88.5 billion and $114.2 billion of exposure due to the acquisition of Merrill Lynch which included $31.7 billion and $34.7 billion in diversified financials and $12.3 billion and $13.0 billion in insurance with the remaining exposure spread across various industries.

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

(5) Represents net notional credit protection purchased. Refer to the Risk Mitigation discussion beginning on page 83 for additional information.

Risk Mitigation

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

At December 31, 2009 and 2008, we had net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option as well as certain other credit exposures of $19.0 billion and $9.7 billion. The increase from December 31, 2008 is primarily driven by the acquisition of Merrill Lynch. The mark-to-market impacts, including the cost of net credit default protection hedging our credit exposure, resulted in net losses of $2.9 billion in 2009 compared to net gains of $993 million in 2008. The average Value-at-Risk (VAR) for these credit derivative hedges was $76 million in 2009 compared to $24 million in 2008. The average VAR for the related credit exposure was $130 million in 2009 compared to $57 million in 2008. The year-over-year increase in VAR was driven by the combination of the Merrill Lynch and Bank of America businesses in 2009. There is a diversification effect between the net credit default protection hedging our credit exposure and the related credit exposure such that the combined average VAR was $89 million in 2009. Refer to the Trading Risk Management discussion beginning on page 92 for a description of our VAR calculation for the market-based trading portfolio.

Tables 35 and 36 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at December 31, 2009 and 2008. The distribution of debt rating for net notional credit default protection purchased is shown as a negative and the net notional credit protection sold is shown as a positive amount.

Table 35 Net Credit Default Protection by Maturity Profile

	December 31	
	2009	2008
Less than or equal to one year	**16%**	1%
Greater than one year and less than or equal to five years	**81**	92
Greater than five years	**3**	7
Total net credit default protection	**100%**	100%

Table 36 Net Credit Default Protection by Credit Exposure Debt Rating [1]

(Dollars in millions)	December 31			
	2009		2008	
Ratings [2]	**Net Notional**	**Percent of Total**	Net Notional	Percent of Total
AAA	**$ 15**	**(0.1)%**	$ 30	(0.3)%
AA	**(344)**	**1.8**	(103)	1.1
A	**(6,092)**	**32.0**	(2,800)	29.0
BBB	**(9,573)**	**50.4**	(4,856)	50.2
BB	**(2,725)**	**14.3**	(1,948)	20.2
B	**(835)**	**4.4**	(579)	6.0
CCC and below	**(1,691)**	**8.9**	(278)	2.9
NR [3]	**2,220**	**(11.7)**	880	(9.1)
Total net credit default protection	**$(19,025)**	**100.0%**	$(9,654)	100.0%

(1) Ratings are refreshed on a quarterly basis.
(2) The Corporation considers ratings of BBB- or higher to meet the definition of investment grade.
(3) In addition to names which have not been rated, "NR" includes $2.3 billion and $948 million in net credit default swaps index positions at December 31, 2009 and 2008. While index positions are principally investment grade, credit default swaps indices include names in and across each of the ratings categories.

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

The notional amounts presented in Table 37 represent the total contract/notional amount of credit derivatives outstanding and include both purchased and written credit derivatives. The credit risk amounts are measured as the net replacement cost in the event the counterparties with contracts in a gain position to us fail to perform under the terms of those contracts. The addition of Merrill Lynch drove the increase in counterparty credit risk for purchased credit derivatives and the increase in the contract/notional amount. For information on the performance risk of our written credit derivatives, see *Note 4 – Derivatives* to the Consolidated Financial Statements.

The credit risk amounts discussed above and noted in the table below take into consideration the effects of legally enforceable master netting agreements while amounts disclosed in *Note 4 – Derivatives* to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing the Corporation's overall exposure.

Table 37 Credit Derivatives

	December 31			
	2009		2008	
(Dollars in millions)	Contract/Notional	Credit Risk	Contract/Notional	Credit Risk
Credit derivatives				
Purchased credit derivatives:				
Credit default swaps	**$2,800,539**	**$25,964**	$1,025,850	$11,772
Total return swaps/other	**21,685**	**1,740**	6,601	1,678
Total purchased credit derivatives	**2,822,224**	**27,704**	1,032,451	13,450
Written credit derivatives:				
Credit default swaps	**2,788,760**	**–**	1,000,034	–
Total return swaps/other	**33,109**	**–**	6,203	–
Total written credit derivatives	**2,821,869**	**–**	1,006,237	–
Total credit derivatives	**$5,644,093**	**$27,704**	$2,038,688	$13,450

Counterparty Credit Risk Valuation Adjustments

We record a counterparty credit risk valuation adjustment on certain derivatives assets, including our credit default protection purchased, in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments are reversed or otherwise adjusted in future periods due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparty.

During 2009, credit valuation gains (losses) were recognized in trading account profits (losses) related to counterparty credit risk on derivative assets. For additional information on gains or losses related to the counterparty credit risk on derivative assets, refer to *Note 4 – Derivatives* to the Consolidated Financial Statements. For information on our monoline counterparty credit risk, see the discussion beginning on pages 49 and 82, and for information on our CDO-related counterparty credit risk, see the *Global Markets* discussion beginning on page 47.

Foreign Portfolio

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

The following table sets forth total foreign exposure broken out by region at December 31, 2009 and 2008. Foreign exposure includes credit exposure net of local liabilities, securities, and other investments issued by or domiciled in countries other than the U.S. Total foreign exposure can be adjusted for externally guaranteed outstandings and certain collateral types. Exposures which are assigned external guarantees are reported under the country of the guarantor. Exposures with tangible collateral are reflected in the country where the collateral is held. For securities received, other than cross-border resale agreements, outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are generally presented based on the domicile of the counterparty consistent with FFIEC reporting requirements.

Table 38 Regional Foreign Exposure [1, 2, 3]

(Dollars in millions)	December 31 2009	2008
Europe	**$170,796**	$ 66,472
Asia Pacific	**47,645**	39,774
Latin America	**19,516**	11,378
Middle East and Africa	**3,906**	2,456
Other	**15,799**	10,988
Total	**$257,662**	$131,068

(1) Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements.
(2) Exposures have been reduced by $34.3 billion and $19.6 billion at December 31, 2009 and 2008 for the cash applied as collateral to derivative assets.
(3) Generally, resale agreements are presented based on the domicile of the counterparty, consistent with FFIEC reporting requirements. Cross-border resale agreements where the underlying securities are U.S. Treasury securities, in which case the domicile is the U.S., are excluded from this presentation.

Our total foreign exposure was $257.7 billion at December 31, 2009, an increase of $126.6 billion from December 31, 2008. Our foreign exposure remained concentrated in Europe, which accounted for $170.8 billion, or 66 percent, of total foreign exposure. The European exposure was mostly in Western Europe and was distributed across a variety of industries. Asia Pacific was our second largest foreign exposure at $47.6 billion, or 18 percent. Latin America accounted for $19.5 billion, or eight percent, of total foreign exposure. The increases of $104.3 billion, $7.9 billion and $8.1 billion in our foreign exposure in Europe, Asia Pacific and Latin America, respectively, from December 31, 2008 were primarily due to the acquisition of Merrill Lynch. For more information on our Asia Pacific and Latin America exposure, see the discussion of the foreign exposure to selected countries defined as emerging markets below.

As shown in Table 39, at December 31, 2009 and 2008, the United Kingdom had total cross-border exposure of $60.7 billion and $13.3 billion, representing 2.73 percent and 0.73 percent of our total assets. The United Kingdom was the only country where the total cross-border exposure exceeded one percent of our total assets at December 31, 2009. The increase of $47.4 billion was primarily due to the acquisition of Merrill Lynch. At December 31, 2009, Germany and France, with total cross-border exposure of $18.9 billion and $17.4 billion, representing 0.85 percent and 0.78 percent of total assets were the only other countries that had total cross-border exposure which exceeded 0.75 percent of our total assets.

Exposure includes cross-border claims by our foreign offices including loans, acceptances, time deposits placed, trading account assets, securities, derivative assets, other interest-earning investments and other monetary assets. Amounts also include unused commitments, SBLCs, commercial letters of credit and formal guarantees. Sector definitions are consistent with FFIEC reporting requirements for preparing the Country Exposure Report.

Table 39 Total Cross-border Exposure Exceeding One Percent of Total Assets [1]

(Dollars in millions)	December 31	Public Sector	Banks	Private Sector	Cross-border Exposure	Exposure as a Percentage of Total Assets
United Kingdom	**2009**	**$157**	**$8,478**	**$52,080**	**$60,715**	**2.73%**
	2008	543	567	12,167	13,277	0.73

(1) At December 31, 2009 and 2008, total cross-border exposure for the United Kingdom included derivatives exposure of $5.0 billion and $3.2 billion, which has been reduced by the amount of cash collateral applied of $7.1 billion and $4.5 billion. Derivative assets were collateralized by other marketable securities of $18 million and $124 million at December 31, 2009 and 2008.

As presented in Table 40, foreign exposure to borrowers or counterparties in emerging markets increased $4.7 billion to $50.6 billion at December 31, 2009, compared to $45.8 billion at December 31, 2008. The increase was due to the acquisition of Merrill Lynch partially offset by the sale of CCB common shares in 2009. Foreign exposure to borrowers or counterparties in emerging markets represented 20 percent and 35 percent of total foreign exposure at December 31, 2009 and 2008.

Table 40 Selected Emerging Markets [1]

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing [2]	Derivative Assets [3]	Securities/ Other Investments [4]	Total Cross-border Exposure [5]	Local Country Exposure Net of Local Liabilities [6]	**Total Emerging Market Exposure at December 31, 2009**	Increase (Decrease) From December 31, 2008
Region/Country								
Asia Pacific								
China	$ 572	$ 517	$ 704	$10,270	$12,063	$ –	**$12,063**	$(8,642)
India	1,702	1,091	639	1,704	5,136	1,024	**6,160**	1,726
South Korea	428	803	1,275	2,505	5,011	–	**5,011**	335
Hong Kong	391	337	98	276	1,102	–	**1,102**	421
Singapore	293	54	228	293	868	–	**868**	(701)
Taiwan	279	32	86	127	524	205	**729**	(113)
Other Asia Pacific [7]	248	63	147	505	963	68	**1,031**	426
Total Asia Pacific	3,913	2,897	3,177	15,680	25,667	1,297	**26,964**	(6,548)
Latin America								
Brazil	522	475	156	6,396	7,549	1,905	**9,454**	5,585
Mexico	1,667	291	524	2,860	5,342	129	**5,471**	1,314
Chile	604	248	281	26	1,159	2	**1,161**	582
Other Latin America [7]	150	319	354	446	1,269	211	**1,480**	833
Total Latin America	2,943	1,333	1,315	9,728	15,319	2,247	**17,566**	8,314
Middle East and Africa								
South Africa	133	2	93	920	1,148	–	**1,148**	821
Bahrain	119	8	36	970	1,133	–	**1,133**	(56)
United Arab Emirates	469	12	167	72	720	–	**720**	310
Other Middle East and Africa [7]	315	92	142	218	767	1	**768**	239
Total Middle East and Africa	1,036	114	438	2,180	3,768	1	**3,769**	1,314
Central and Eastern Europe								
Russian Federation	116	66	273	214	669	–	**669**	577
Other Central and Eastern Europe [7]	141	356	289	788	1,574	32	**1,606**	1,069
Total Central and Eastern Europe	257	422	562	1,002	2,243	32	**2,275**	1,646
Total emerging market exposure	$8,149	$4,766	$5,492	$28,590	$46,997	$3,577	**$50,574**	$ 4,726

(1) There is no generally accepted definition of emerging markets. The definition that we use includes all countries in Asia Pacific excluding Japan, Australia and New Zealand; all countries in Latin America excluding Cayman Islands and Bermuda; all countries in Middle East and Africa; and all countries in Central and Eastern Europe. There was no emerging market exposure included in the portfolio accounted for under the fair value option at December 31, 2009 and 2008.

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

(3) Derivative assets are carried at fair value and have been reduced by the amount of cash collateral applied of $557 million and $152 million at December 31, 2009 and 2008. At December 31, 2009 and 2008, there were $616 million and $531 million of other marketable securities collateralizing derivative assets.

(4) Generally, cross-border resale agreements are presented based on the domicile of the counterparty, consistent with FFIEC reporting requirements. Cross-border resale agreements where the underlying securities are U.S. Treasury securities, in which case the domicile is the U.S., are excluded from this presentation.

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

(6) Local country exposure includes amounts payable to the Corporation by borrowers with a country of residence in which the credit is booked, regardless of the currency in which the claim is denominated. Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements. Total amount of available local liabilities funding local country exposure at December 31, 2009 was $17.6 billion compared to $12.6 billion at December 31, 2008. Local liabilities at December 31, 2009 in Asia Pacific, Latin America, and Middle East and Africa were $16.3 billion, $857 million and $449 million, respectively, of which $8.7 billion were in Singapore, $2.1 billion were in Hong Kong, $1.5 billion were in both China and India, $1.3 billion were in South Korea, and $734 million were in Mexico. There were no other countries with available local liabilities funding local country exposure greater than $500 million.

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

At December 31, 2009 and 2008, 53 percent and 73 percent of the emerging markets exposure was in Asia Pacific. Emerging markets exposure in Asia Pacific decreased by $6.5 billion driven by the sale of CCB common shares in 2009. Our exposure in China was primarily related to our equity investment in CCB which accounted for $9.2 billion and $19.7 billion at December 31, 2009 and 2008. For more information on our CCB investment, refer to the *All Other* discussion beginning on page 53.

At December 31, 2009, 35 percent of the emerging markets exposure was in Latin America compared to 20 percent at December 31, 2008. Latin America emerging markets exposure increased by $8.3 billion due to the acquisition of Merrill Lynch. Our exposure in Brazil was primarily related to the carrying value of our investment in Itaú Unibanco, which accounted for $5.4 billion and $2.5 billion of exposure in Brazil at December 31, 2009 and 2008. Our equity investment in Itaú Unibanco represents five percent and eight percent of its outstanding voting and non-voting shares at December 31, 2009 and 2008. Our exposure in Mexico was primarily related to our 24.9 percent investment in Santander, which is classified as securities and other investments in Table 40, and accounted for $2.5 billion and $2.1 billion of exposure in Mexico at December 31, 2009 and 2008.

At December 31, 2009 and 2008, seven percent and six percent of the emerging markets exposure was in Middle East and Africa, with the increase of $1.3 billion due to the acquisition of Merrill Lynch.

At December 31, 2009 and 2008, five percent and one percent of the emerging markets exposure was in Central and Eastern Europe which increased by $1.6 billion due to the acquisition of Merrill Lynch.

Provision for Credit Losses

The provision for credit losses increased $21.7 billion to $48.6 billion for 2009 compared to 2008.

The consumer portion of the provision for credit losses increased $15.1 billion to $36.9 billion for 2009 compared to 2008. The increase was driven by higher net charge-offs in our consumer real estate, consumer credit card and consumer lending portfolios, reflecting deterioration in the economy and housing markets. In addition to higher net charge-offs, the provision increase was also driven by higher reserve additions for deterioration in the purchased impaired and residential mortgage portfolios, new draws on previously securitized accounts as well as an approximate $800 million addition to increase the reserve coverage to approximately 12 months of charge-offs in consumer credit card. These increases were partially offset by lower reserve additions in our unsecured domestic consumer lending portfolios resulting from improved delinquencies and in the home equity portfolio due to the slowdown in the pace of deterioration. In the Countrywide and Merrill Lynch consumer purchased impaired portfolios, the additions to reserves to reflect further reductions in expected principal cash flows were $3.5 billion in 2009 compared to $750 million in 2008. The increase was primarily related to the home equity purchased impaired portfolio.

The commercial portion of the provision for credit losses including the provision for unfunded lending commitments increased $6.7 billion to $11.7 billion for 2009 compared to 2008. The increase was driven by higher net charge-offs and higher additions to the reserves in the commercial real estate and commercial – domestic portfolios, reflecting deterioration across a broad range of property types, industries and borrowers. These increases were partially offset by lower reserve additions in the small business portfolio due to improved delinquencies.

Allowance for Credit Losses

The allowance for loan and lease losses excludes loans accounted for under the fair value option as fair value adjustments related to loans measured at fair value include a credit risk component. The allowance for loan and lease losses is allocated based on two components. We evaluate the adequacy of the allowance for loan and lease losses based on the combined total of these two components.

The first component of the allowance for loan and lease losses covers those commercial loans, excluding loans accounted for under the fair value option, that are either nonperforming or impaired, or consumer real estate loans that have been modified in a TDR. These loans are subject to impairment measurement at the loan level based on the present value of expected future cash flows discounted at the loan's contractual effective interest rate (or collateral value or observable market price). When the values are lower than the carrying value of that loan, impairment is recognized. For purposes of computing this specific loss component of the allowance, larger impaired loans are evaluated individually and smaller impaired loans are evaluated as a pool using historical loss experience for the respective product types and risk ratings of the loans.

The second component of the allowance for loan and lease losses covers performing consumer and commercial loans and leases excluding loans accounted for under the fair value option. The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment. As of December 31, 2009, quarterly updates to historical loss experience resulted in an increase in the allowance for loan and lease losses most significantly in the commercial real estate portfolio. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio segment evaluations, generally by product type. Loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. These loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment. As of December 31, 2009, quarterly updates to the loss forecast models resulted in increases in the allowance for loan and lease losses in the consumer real estate and foreign credit card portfolios and reductions in the allowance for the *Global Card Services* consumer lending and domestic credit card portfolios.

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

Additions to the allowance for loan and lease losses are made by charges to the provision for credit losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged off amounts are credited to the allowance for loan and lease losses.

The allowance for loan and lease losses for the consumer portfolio as presented in Table 42 was $27.8 billion at December 31, 2009, an increase of $11.1 billion from December 31, 2008. This increase was primarily related to the impact of the weak economy and deterioration in

the housing markets, which drove reserve builds for higher losses across most consumer portfolios. With respect to the Countrywide and Merrill Lynch consumer purchased impaired portfolios, updating of our expected principal cash flows resulted in an increase in reserves of $3.5 billion in the home equity, discontinued real estate, and residential mortgage portfolios.

The allowance for commercial loan and lease losses was $9.4 billion at December 31, 2009, a $3.0 billion increase from December 31, 2008. The increase in allowance levels was driven by reserve increases on the commercial real estate and commercial – domestic portfolios within *Global Banking*.

The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 4.16 percent at December 31, 2009, compared to 2.49 percent at December 31, 2008. The increase in the ratio was primarily driven by consumer reserve increases for higher losses in the residential mortgage, consumer card and home equity portfolios, reflecting deterioration in the housing markets and the impact of the weak economy. The increase was also the result of reserve increases in the commercial real estate and commercial – domestic portfolios reflecting broad-based deterioration across various borrowers, industries, and property types. In addition, the December 31, 2009 and 2008 ratios include the impact of the purchased impaired portfolio. Excluding the impacts of the purchased impaired portfolio, the allowance for loan and lease losses as a percentage of total loans and leases outstanding was 3.88 percent at December 31, 2009, compared to 2.53 percent at December 31, 2008.

Reserve for Unfunded Lending Commitments

In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments excluding commitments accounted for under the fair value option, such as letters of credit and financial guarantees, and binding unfunded loan commitments. Unfunded lending commitments are subject to the same assessment as funded loans, except utilization assumptions are considered. The reserve for unfunded lending commitments is included in accrued expenses and other liabilities on the Consolidated Balance Sheet with changes to the reserve generally made through the provision for credit losses.

The reserve for unfunded lending commitments at December 31, 2009 was $1.5 billion compared to $421 million at December 31, 2008. The increase was largely driven by the fair value of the acquired Merrill Lynch unfunded lending commitments.

Table 41 presents a rollforward of the allowance for credit losses for 2009 and 2008.

Table 41 Allowance for Credit Losses

(Dollars in millions)	2009	2008
Allowance for loan and lease losses, January 1	**$ 23,071**	$ 11,588
Loans and leases charged off		
Residential mortgage	**(4,436)**	(964)
Home equity	**(7,205)**	(3,597)
Discontinued real estate	**(104)**	(19)
Credit card – domestic	**(6,753)**	(4,469)
Credit card – foreign	**(1,332)**	(639)
Direct/Indirect consumer	**(6,406)**	(3,777)
Other consumer	**(491)**	(461)
Total consumer charge-offs	**(26,727)**	(13,926)
Commercial – domestic [1]	**(5,237)**	(2,567)
Commercial real estate	**(2,744)**	(895)
Commercial lease financing	**(217)**	(79)
Commercial – foreign	**(558)**	(199)
Total commercial charge-offs	**(8,756)**	(3,740)
Total loans and leases charged off	**(35,483)**	(17,666)
Recoveries of loans and leases previously charged off		
Residential mortgage	**86**	39
Home equity	**155**	101
Discontinued real estate	**3**	3
Credit card – domestic	**206**	308
Credit card – foreign	**93**	88
Direct/Indirect consumer	**943**	663
Other consumer	**63**	62
Total consumer recoveries	**1,549**	1,264
Commercial – domestic [2]	**161**	118
Commercial real estate	**42**	8
Commercial lease financing	**22**	19
Commercial – foreign	**21**	26
Total commercial recoveries	**246**	171
Total recoveries of loans and leases previously charged off	**1,795**	1,435
Net charge-offs	**(33,688)**	(16,231)
Provision for loan and lease losses	**48,366**	26,922
Write-downs on consumer purchased impaired loans [3]	**(179)**	n/a
Other [4]	**(370)**	792
Allowance for loan and lease losses, December 31	**37,200**	23,071
Reserve for unfunded lending commitments, January 1	**421**	518
Provision for unfunded lending commitments	**204**	(97)
Other [5]	**862**	–
Reserve for unfunded lending commitments, December 31	**1,487**	421
Allowance for credit losses, December 31	**$ 38,687**	$ 23,492
Loans and leases outstanding at December 31 [6]	**$895,192**	$926,033
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 [3, 6]	**4.16%**	2.49%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31 [3]	**4.81**	2.83
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 [3]	**2.96**	1.90
Average loans and leases outstanding [3, 6]	**$941,862**	$905,944
Net charge-offs as a percentage of average loans and leases outstanding [3, 6]	**3.58%**	1.79%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 [3, 6]	**111**	141
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [3]	**1.10**	1.42

(1) Includes small business commercial – domestic charge-offs of $3.0 billion and $2.0 billion in 2009 and 2008.

(2) Includes small business commercial – domestic recoveries of $65 million and $39 million in 2009 and 2008.

(3) Allowance for loan and lease losses includes $3.9 billion and $750 million of valuation allowance for consumer purchased impaired loans at December 31, 2009 and 2008. Excluding the valuation allowance for purchased impaired loans, allowance for loan and lease losses as a percentage of total nonperforming loans and leases would have been 99 percent and 136 percent at December 31, 2009 and 2008. For more information on the impact of purchased impaired loans on asset quality, see Consumer Portfolio Credit Risk Management beginning on page 66 and Commercial Portfolio Credit Risk Management beginning on page 76.

(4) The 2009 amount includes a $750 million reduction in the allowance for loan and lease losses related to credit card loans of $8.5 billion which were exchanged for a $7.8 billion held-to-maturity debt security that was issued by the Corporation's U.S. Credit Card Securitization Trust and retained by the Corporation. This reduction was partially offset by a $340 million increase associated with the reclassification to other assets of the December 31, 2008 amount expected to be reimbursed under residential mortgage cash collateralized synthetic securitizations. The 2008 amount includes the $1.2 billion addition of the Countrywide allowance for loan losses as of July 1, 2008.

(5) The 2009 amount represents the fair value of the acquired Merrill Lynch unfunded lending commitments excluding those accounted for under the fair value option, net of accretion and the impact of funding previously unfunded portions.

(6) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option. Loans measured at fair value were $4.9 billion and $5.4 billion at December 31, 2009 and 2008. Average loans measured at fair value were $6.9 billion and $4.9 billion for 2009 and 2008.

n/a = not applicable

For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is available to absorb any credit losses without restriction. Table 42 presents our allocation by product type.

Table 42 Allocation of the Allowance for Credit Losses by Product Type

	December 31					
	2009			2008		
(Dollars in millions)	Amount	Percent of Total	Percent of Loans and Leases Outstanding [1]	Amount	Percent of Total	Percent of Loans and Leases Outstanding [1]
Allowance for loan and lease losses						
Residential mortgage	$ 4,607	12.38%	1.90%	$ 1,382	5.99%	0.56%
Home equity	10,160	27.31	6.81	5,385	23.34	3.53
Discontinued real estate	989	2.66	6.66	658	2.85	3.29
Credit card – domestic	6,017	16.18	12.17	3,947	17.11	6.16
Credit card – foreign	1,581	4.25	7.30	742	3.22	4.33
Direct/Indirect consumer	4,227	11.36	4.35	4,341	18.81	5.20
Other consumer	204	0.55	6.53	203	0.88	5.87
Total consumer	27,785	74.69	4.81	16,658	72.20	2.83
Commercial – domestic [2]	5,152	13.85	2.59	4,339	18.81	1.98
Commercial real estate	3,567	9.59	5.14	1,465	6.35	2.26
Commercial lease financing	291	0.78	1.31	223	0.97	1.00
Commercial – foreign	405	1.09	1.50	386	1.67	1.25
Total commercial [3]	9,415	25.31	2.96	6,413	27.80	1.90
Allowance for loan and lease losses	37,200	100.00%	4.16%	23,071	100.00%	2.49%
Reserve for unfunded lending commitments [4]	1,487			421		
Allowance for credit losses [5]	$38,687			$23,492		

(1) Ratios are calculated as allowance for loan and lease losses as a percentage of loans and leases outstanding excluding loans accounted for under the fair value option for each loan and lease category. Loans accounted for under the fair value option include commercial – domestic loans of $3.0 billion and $3.5 billion, commercial – foreign loans of $1.9 billion and $1.7 billion, and commercial real estate loans of $90 million and $203 million at December 31, 2009 and 2008.
(2) Includes allowance for small business commercial – domestic loans of $2.4 billion at both December 31, 2009 and 2008.
(3) Includes allowance for loan and lease losses for impaired commercial loans of $1.2 billion and $691 million at December 31, 2009 and 2008.
(4) The majority of the increase from December 31, 2008 relates to the fair value of the acquired Merrill Lynch unfunded lending commitments, excluding commitments accounted for under the fair value option.
(5) Includes $3.9 billion and $750 million related to purchased impaired loans at December 31, 2009 and 2008.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as market movements. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business, customer and other trading operations, ALM process, credit risk mitigation activities and mortgage banking activities. In the event of market volatility, factors such as underlying market movements and liquidity have an impact on the results of the Corporation.

Our traditional banking loan and deposit products are nontrading positions and are generally reported at amortized cost for assets or the amount owed for liabilities (historical cost). However, these positions are still subject to changes in economic value based on varying market conditions, primarily changes in the levels of interest rates. The risk of adverse changes in the economic value of our nontrading positions is managed through our ALM activities. We have elected to account for certain assets and liabilities under the fair value option. For further information on the fair value of certain financial assets and liabilities, see *Note 20 – Fair Value Measurements* to the Consolidated Financial Statements.

Our trading positions are reported at fair value with changes currently reflected in income. Trading positions are subject to various risk factors, which include exposures to interest rates and foreign exchange rates, as well as mortgage, equity, commodity, issuer and market liquidity risk factors. We seek to mitigate these risk exposures by using techniques that encompass a variety of financial instruments in both the cash and derivatives markets. The following discusses the key risk components along with respective risk mitigation techniques.

Interest Rate Risk

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivative instruments. Hedging instruments used to mitigate these risks include related derivatives such as options, futures, forwards and swaps.

Foreign Exchange Risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates. Hedging instruments used to mitigate this risk include foreign exchange options, currency swaps, futures, forwards, foreign currency- denominated debt and deposits.

Mortgage Risk

Mortgage risk represents exposures to changes in the value of mortgage-related instruments. The values of these instruments are sensitive to prepayment rates, mortgage rates, agency debt ratings, default, market liquidity, other interest rates and interest rate volatility. Our exposure to these instruments takes several forms. First, we trade and engage in market-making activities in a variety of mortgage securities including whole loans, pass-through certificates, commercial mortgages, and CMOs including CDOs using mortgages as underlying collateral. Second, we originate a variety of MBS which involves the accumulation of mortgage-related loans in anticipation of eventual securitization. Third, we may hold positions in mortgage securities and residential mortgage loans as part of the ALM portfolio. Fourth, we create MSRs as part of our mortgage origination activities. See *Note 1 – Summary of Significant Accounting Principles* and *Note 22 – Mortgage Servicing Rights* to the Consolidated Financial Statements for additional information on MSRs. Hedging instruments used to mitigate this risk include options, futures, forwards, swaps, swaptions and securities.

Equity Market Risk

Equity market risk represents exposures to securities that represent an ownership interest in a corporation in the form of domestic and foreign common stock or other equity-linked instruments. Instruments that would lead to this exposure include, but are not limited to, the following: common stock, exchange traded funds, American Depositary Receipts, convertible bonds, listed equity options (puts and calls), over-the-counter equity options, equity total return swaps, equity index futures and other equity derivative products. Hedging instruments used to mitigate this risk include options, futures, swaps, convertible bonds and cash positions.

Commodity Risk

Commodity risk represents exposures to instruments traded in the petroleum, natural gas, power and metals markets. These instruments consist primarily of futures, forwards, swaps and options. Hedging instruments used to mitigate this risk include options, futures and swaps in the same or similar commodity product, as well as cash positions.

Issuer Credit Risk

Issuer credit risk represents exposures to changes in the creditworthiness of individual issuers or groups of issuers. Our portfolio is exposed to issuer credit risk where the value of an asset may be adversely impacted by changes in the levels of credit spreads, by credit migration, or by defaults. Hedging instruments used to mitigate this risk include bonds, CDS and other credit fixed income instruments.

Market Liquidity Risk

Market liquidity risk represents the risk that expected market activity changes dramatically and, in certain cases, may even cease to exist. This exposes us to the risk that we will not be able to transact in an orderly manner and may impact our results. This impact could further be exacerbated if expected hedging or pricing correlations are impacted by the disproportionate demand or lack of demand for certain instruments. We utilize various risk mitigating techniques as discussed in more detail in Trading Risk Management.

Trading Risk Management

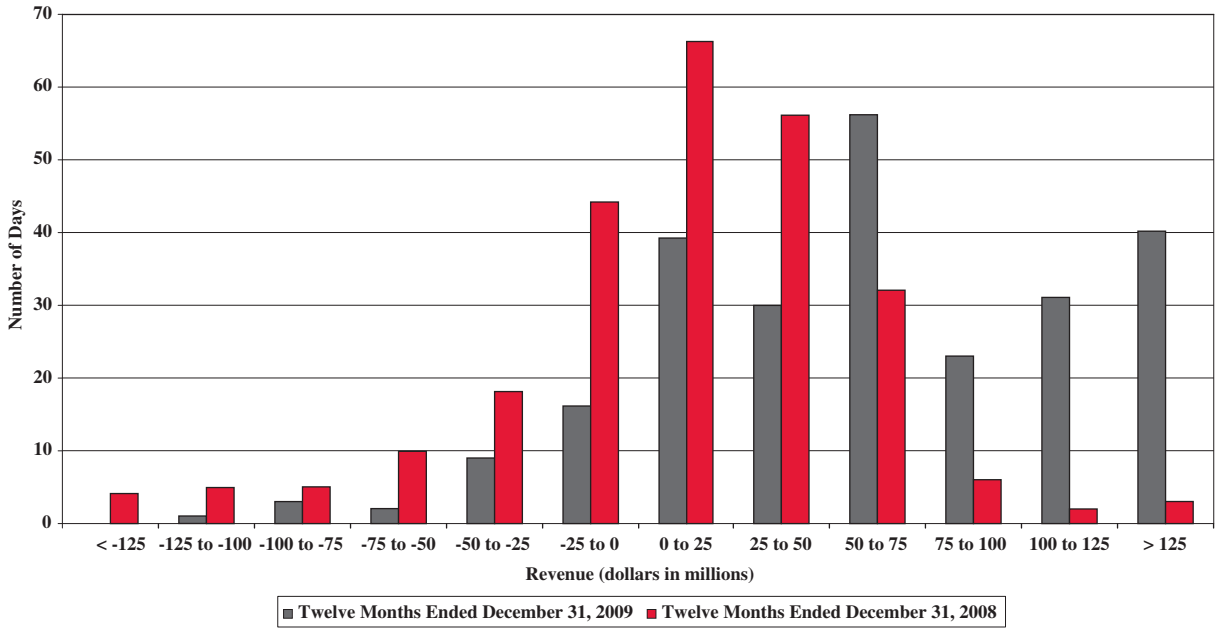
Trading-related revenues represent the amount earned from trading positions, including market-based net interest income, which are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities and derivative positions are reported at fair value. For more information on fair value, see *Note 20 – Fair Value Measurements* to the Consolidated Financial Statements. Trading-related revenues can be volatile and are largely driven by general market conditions and customer demand. Trading-related revenues are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment.

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

At the GRC meetings, the committee considers significant daily revenues and losses by business along with an explanation of the primary driver of the revenue or loss. Thresholds are established for each of our businesses in order to determine if the revenue or loss is considered to be significant for that business. If any of the thresholds are exceeded, an explanation of the variance is made to the GRC. The thresholds are developed in coordination with the respective risk managers to highlight those revenues or losses which exceed what is considered to be normal daily income statement volatility.

The following histogram is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for the twelve months ended December 31, 2009 as compared with the twelve months ended December 31, 2008. During the twelve months ended December 31, 2009, positive trading-related revenue was recorded for 88 percent of the trading days of which 72 percent were daily trading gains of over $25 million, six percent of the trading days had losses greater than $25 million and the largest loss was $100 million. This can be compared to the twelve months ended December 31, 2008, where positive trading-related revenue was recorded for 66 percent of the trading days of which 39 percent were daily trading gains of over $25 million, 17 percent of the trading days had losses greater than $25 million and the largest loss was $173 million. The increase in daily trading gains of over $25 million in 2009 compared to 2008 was driven by more favorable market conditions.

Histogram of Daily Trading-related Revenue



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

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

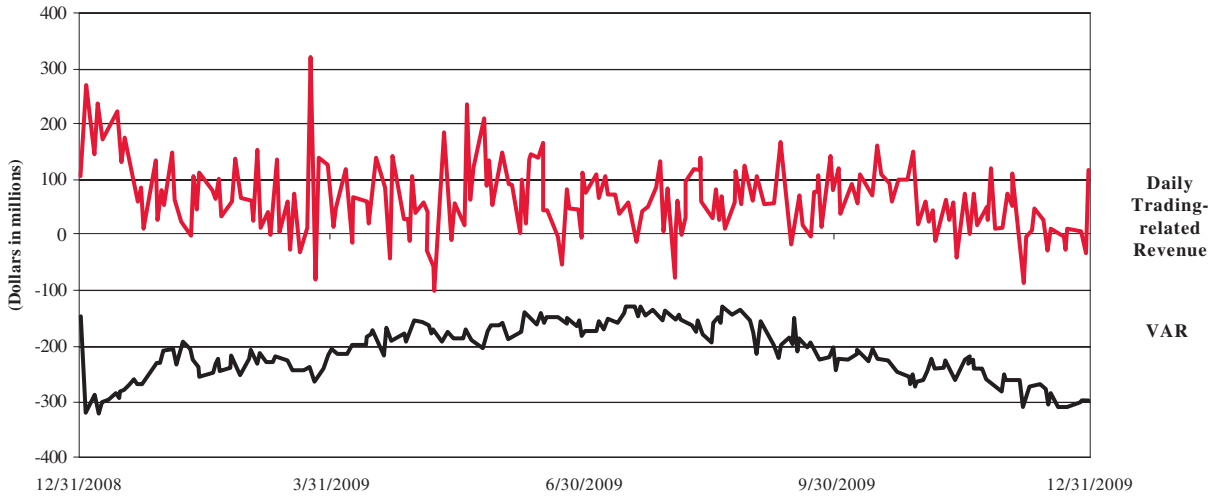
A VAR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios. There are however many limitations inherent in a VAR model as it utilizes historical results over a defined time period to estimate future performance. Historical results may not always be indicative of future results and changes in market conditions or in the composition of the underlying portfolio could have a material impact on the accuracy of the VAR model. To ensure that the VAR model reflects current market conditions, we update the historical data underlying our VAR model on a bi-weekly basis and regularly review the assumptions underlying the model.

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

The accuracy of the VAR methodology is reviewed by backtesting (i.e., comparing actual results against expectations derived from historical data) the VAR results against the daily profit and loss. Graphic representation of the backtesting results with additional explanation of backtesting excesses are reported to the GRC. Backtesting excesses occur when trading losses exceed VAR. Senior management reviews and evaluates the results of these tests.

The following graph shows daily trading-related revenue and VAR for the twelve months ended December 31, 2009. Actual losses did not exceed daily trading VAR in the twelve months ended December 31, 2009. Actual losses exceeded daily trading VAR two times in the twelve months ended December 31, 2008.

Trading Risk and Return
Daily Trading-related Revenue and VAR [1]



[1] Our VAR model uses a historical simulation approach based on three years of historical data and an expected shortfall methodology equivalent to a 99 percent confidence level. Statistically, this means that losses will exceed VAR, on average, one out of 100 trading days, or two to three times each year.

Table 43 presents average, high and low daily trading VAR for 2009 and 2008.

Table 43 Trading Activities Market Risk VAR

	2009			2008		
	VAR			VAR		
(Dollars in millions)	Average	High [1]	Low [1]	Average	High [1]	Low [1]
Foreign exchange	$ 20.3	$ 55.4	$ 6.1	$ 7.7	$ 11.7	$ 5.0
Interest rate	73.7	136.7	43.6	28.9	68.3	12.4
Credit	183.3	338.7	123.9	84.6	185.2	44.1
Real estate/mortgage	51.1	81.3	32.4	22.7	43.1	12.8
Equities	44.6	87.6	23.6	28.0	63.9	15.5
Commodities	20.2	29.1	16.0	8.2	17.7	2.4
Portfolio diversification	(187.0)	–	–	(69.4)	–	–
Total market-based trading portfolio [2]	**$ 206.2**	**$325.2**	**$117.9**	$110.7	$255.7	$64.1

[1] The high and low for the total portfolio may not equal the sum of the individual components as the highs or lows of the individual portfolios may have occurred on different trading days.
[2] The table above does not include credit protection purchased to manage our counterparty credit risk.

The increase in average VAR during 2009 as compared to 2008 resulted from the acquisition of Merrill Lynch. In periods of market stress, the GRC members communicate daily to discuss losses and VAR limit excesses. As a result of this process, the lines of business may selectively reduce risk. Where economically feasible, positions are sold or macroeconomic hedges are executed to reduce the exposure.

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

Trading Portfolio Stress Testing

Because the very nature of a VAR model suggests results can exceed our estimates, we also "stress test" our portfolio. Stress testing estimates the value change in our trading portfolio that may result from abnormal market movements. Various scenarios, categorized as either historical or hypothetical, are regularly run and reported for the overall trading portfolio and individual businesses. Historical scenarios simulate the impact of price changes which occurred during a set of extended historical market events. Generally, a 10-business-day window or longer, representing the most severe point during the crisis, is selected for each historical scenario. Hypothetical scenarios provide simulations of anticipated shocks from predefined market stress events. These stress events include shocks to underlying market risk variables which may be well beyond the shocks found in the historical data used to calculate the VAR. As with the histor-

ical scenarios, the hypothetical scenarios are designed to represent a short-term market disruption. Scenarios are reviewed and updated as necessary in light of changing positions and new economic or political information. In addition to the value afforded by the results themselves, this information provides senior management with a clear picture of the trend of risk being taken given the relatively static nature of the shocks applied. Stress testing for the trading portfolio is also integrated with the enterprise-wide stress testing. A process has been established to ensure consistency between the scenarios used for the trading portfolio and those used for enterprise-wide stress testing. The scenarios used for enterprise-wide stress testing purposes differ from the typical trading portfolio scenarios in that they have a longer time horizon and the results are forecasted over multiple periods for use in consolidated capital and liquidity planning. For additional information on enterprise-wide stress testing, see page 62.

Interest Rate Risk Management for Nontrading Activities

Interest rate risk represents the most significant market risk exposure to our nontrading exposures. Our overall goal is to manage interest rate risk so that movements in interest rates do not adversely affect core net interest income – managed basis. Interest rate risk is measured as the potential volatility in our core net interest income – managed basis caused by changes in market interest rates. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet. Interest rate risk from these activities, as well as the impact of changing market conditions, is managed through our ALM activities.

Simulations are used to estimate the impact on core net interest income – managed basis using numerous interest rate scenarios, balance sheet trends and strategies. These simulations evaluate how these scenarios impact core net interest income – managed basis on short-term financial instruments, debt securities, loans, deposits, borrowings and derivative instruments. In addition, these simulations incorporate assumptions about balance sheet dynamics such as loan and deposit growth and pricing, changes in funding mix, and asset and liability repricing and maturity characteristics. These simulations do not include the impact of hedge ineffectiveness.

Management analyzes core net interest income – managed basis forecasts utilizing different rate scenarios with the baseline utilizing the forward interest rates. Management frequently updates the core net interest income – managed basis forecast for changing assumptions and differing outlooks based on economic trends and market conditions. Thus, we continually monitor our balance sheet position in an effort to maintain an acceptable level of exposure to interest rate changes.

We prepare forward-looking forecasts of core net interest income – managed basis. These baseline forecasts take into consideration expected future business growth, ALM positioning, and the direction of interest rate movements as implied by forward interest rates. We then measure and evaluate the impact that alternative interest rate scenarios have on these static baseline forecasts in order to assess interest rate sensitivity under varied conditions. The spot and 12-month forward monthly rates used in our respective baseline forecasts at December 31, 2009 and 2008 are presented in the following table.

Table 44 Forward Rates

	December 31					
	2009			2008		
	Federal Funds	**Three-Month LIBOR**	**10-Year Swap**	Federal Funds	Three-Month LIBOR	10-Year Swap
Spot rates	**0.25%**	**0.25%**	**3.97%**	0.25%	1.43%	2.56%
12-month forward rates	**1.14**	**1.53**	**4.47**	0.75	1.41	2.80

During 2009, the spread between the spot three-month London Inter-Bank Offered Rate (LIBOR) and the Federal Funds target rate converged. We are typically asset sensitive to Federal Funds and Prime rates, and liability sensitive to LIBOR. Net interest income benefits as the spread between Federal Funds and LIBOR narrows.

Table 45 below reflects the pre-tax dollar impact to forecasted core net interest income – managed basis over the next twelve months from December 31, 2009 and 2008, resulting from a 100 bp gradual parallel increase, a 100 bp gradual parallel decrease, a 100 bp gradual curve flattening (increase in short-term rates or decrease in long-term rates) and a 100 bp gradual curve steepening (decrease in short-term rates or increase in long-term rates) from the forward market curve. For further discussion of core net interest income – managed basis see page 39.

Table 45 Estimated Core Net Interest Income – Managed Basis at Risk

(Dollars in millions)

			December 31	
Curve Change	Short Rate (bps)	Long Rate (bps)	**2009**	2008
+100 bps Parallel shift	+100	+100	**$ 598**	$ 144
-100 bps Parallel shift	-100	-100	**(1,084)**	(186)
Flatteners				
Short end	+100	–	**127**	(545)
Long end	–	-100	**(616)**	(638)
Steepeners				
Short end	-100	–	**(444)**	453
Long end	–	+100	**476**	698

The sensitivity analysis above assumes that we take no action in response to these rate shifts over the indicated periods. The estimated exposure is reported on a managed basis and reflects impacts that may be realized primarily in net interest income and card income on the Consolidated Statement of Income. This sensitivity analysis excludes any impact that could occur in the valuation of retained interests in the Corporation's securitizations due to changes in interest rate levels. For additional information on securitizations, see *Note 8 – Securitizations* to the Consolidated Financial Statements.

Our core net interest income – managed basis was asset sensitive to a parallel move in interest rates at both December 31, 2009 and 2008. Beyond what is already implied in the forward market curve, the interest rate risk position has become more exposed to declining rates since December 31, 2008 driven by the acquisition of Merrill Lynch and the actions taken to strengthen our capital and liquidity position. As part of our ALM activities, we use securities, residential mortgages, and interest rate and foreign exchange derivatives in managing interest rate sensitivity.

Securities

The securities portfolio is an integral part of our ALM position and is primarily comprised of debt securities and includes MBS and to a lesser extent corporate, municipal and other investment grade debt securities. At December 31, 2009, AFS debt securities were $301.6 billion compared to $276.9 billion at December 31, 2008. During 2009 and 2008, we purchased AFS debt securities of $185.1 billion and $184.2 billion, sold $159.4 billion and $119.8 billion, and had maturities and received paydowns of $59.9 billion and $26.1 billion. We realized $4.7 billion and $1.1 billion in gains on sales of debt securities during 2009 and 2008. In addition, we securitized $14.0 billion and $26.1 billion of residential mortgage loans into MBS which we retained during 2009 and 2008.

Accumulated OCI includes $1.5 billion in after-tax gains at December 31, 2009, including $628 million of net unrealized losses related to AFS debt securities and $2.1 billion of net unrealized gains related to AFS marketable equity securities. Total market value of the AFS debt securities was $301.6 billion at December 31, 2009 with a weighted-average duration of 4.5 years and primarily relates to our MBS portfolio.

The amount of pre-tax accumulated OCI loss related to AFS debt securities decreased by $8.3 billion during 2009 to $1.0 billion. For those securities that are in an unrealized loss position, we have the intent and ability to hold these securities to recovery and it is more likely than not that we will not be required to sell the securities prior to recovery.

We recognized $2.8 billion of other-than-temporary impairment losses through earnings on AFS debt securities during 2009 compared to $3.5 billion during 2008. We also recognized $326 million of other-than-temporary impairment losses on AFS marketable equity securities during 2009 compared to $661 million during 2008.

The impairment of AFS debt and marketable equity securities is based on a variety of factors, including the length of time and extent to which the market value has been less than cost; the financial condition of the issuer of the security and its ability to recover market value; and our intent and ability to hold the security to recovery. Based on our evaluation of the above and other relevant factors, and after consideration of the losses described in the paragraph above, we do not believe that the AFS debt and marketable equity securities that are in an unrealized loss position at December 31, 2009 are other-than-temporarily impaired.

We adopted new accounting guidance related to the recognition and presentation of other-than-temporary impairment of debt securities as of January 1, 2009. As prescribed by the new guidance, at December 31, 2009, we recognized the credit component of other-than-temporary impairment of debt securities in earnings and the non-credit component in OCI for those securities which we do not intend to sell and it is more likely than not that we will not be required to sell the security prior to recovery. For more information on the adoption of the new guidance, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Residential Mortgage Portfolio

At December 31, 2009, residential mortgages were $242.1 billion compared to $248.1 billion at December 31, 2008. We retained $26.6 billion and $27.3 billion in first mortgages originated by *Home Loans & Insurance* during 2009 and 2008. We securitized $14.0 billion and $26.1 billion of residential mortgage loans into MBS which we retained during 2009 and 2008. During 2009, we had no purchases of residential mortgages related to ALM activities compared to purchases of $405 million during 2008. We sold $5.9 billion of residential mortgages during 2009 of which $5.1 billion were originated residential mortgages and $771 million were previously purchased from third parties. These sales resulted in gains of $47 million. This compares to sales of $30.7 billion during 2008 which were comprised of $22.9 billion in originated residential mortgages and $7.8 billion in mortgages previously purchased from third parties. These sales resulted in gains of $496 million. We received paydowns of $42.3 billion and $26.3 billion in 2009 and 2008.

In addition to the residential mortgage portfolio, we incorporated the discontinued real estate portfolio that was acquired in connection with the Countrywide acquisition into our ALM activities. This portfolio's balance was $14.9 billion and $20.0 billion at December 31, 2009 and 2008.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to manage our interest rate and foreign exchange risk. We use derivatives to hedge the variability in cash flows or changes in fair value on our balance sheet due to interest rate and foreign exchange components. For additional information on our hedging activities, see *Note 4 – Derivatives* to the Consolidated Financial Statements.

Our interest rate contracts are generally non-leveraged generic interest rate and foreign exchange basis swaps, options, futures and forwards. In addition, we use foreign exchange contracts, including cross-currency interest rate swaps and foreign currency forward contracts, to mitigate the foreign exchange risk associated with foreign currency-denominated assets and liabilities. Table 46 reflects the notional amounts, fair value, weighted-average receive fixed and pay fixed rates, expected maturity and estimated duration of our open ALM derivatives at December 31, 2009 and 2008. These amounts do not include derivative hedges on our net investments in consolidated foreign operations and MSRs.

Changes to the composition of our derivatives portfolio during 2009 reflect actions taken for interest rate and foreign exchange rate risk management. The decisions to reposition our derivatives portfolio are based upon the current assessment of economic and financial conditions including the interest rate environment, balance sheet composition and trends, and the relative mix of our cash and derivative positions. The notional amount of our option positions increased to $6.5 billion at December 31, 2009 from $5.0 billion at December 31, 2008. Changes in the levels of the option positions were driven by swaptions acquired as a result of the Merrill Lynch acquisition. Our interest rate swap positions (including foreign exchange contracts) were a net receive fixed position of $52.2 billion at December 31, 2009 compared to a net receive fixed position of $50.3 billion at December 31, 2008. Changes in the notional levels of our interest rate swap position were driven by the net addition of

$104.4 billion in pay fixed swaps, $83.4 billion in U.S. dollar-denominated receive fixed swaps and the net addition of $22.9 billion in foreign currency-denominated receive fixed swaps. The notional amount of our foreign exchange basis swaps was $122.8 billion and $54.6 billion at December 31, 2009 and 2008. The $42.9 billion increase in same-currency basis swap positions was primarily due to the acquisition of Merrill Lynch. Our futures and forwards net notional position, which reflects the net of long and short positions, was a long position of $10.6 billion compared to a short position of $8.8 billion at December 31, 2008.

The following table includes derivatives utilized in our ALM activities including those designated as accounting and economic hedging instruments. The fair value of net ALM contracts increased $5.8 billion to a gain of $12.3 billion at December 31, 2009 from a gain of $6.4 billion at December 31, 2008. The increase was primarily attributable to changes in the value of U.S. dollar-denominated receive fixed interest rate swaps of $1.9 billion, foreign exchange basis swaps of $1.4 billion, pay fixed interest rate swaps of $1.2 billion, foreign exchange contracts of $1.1 billion, option products of $174 million and same-currency basis swaps of $107 million. The increase was partially offset by a loss from changes in the value of futures and forward rate contracts of $66 million.

Table 46 Asset and Liability Management Interest Rate and Foreign Exchange Contracts

December 31, 2009

(Dollars in millions, average estimated duration in years)	Fair Value	Expected Maturity Total	2010	2011	2012	2013	2014	Thereafter	Average Estimated Duration
Receive fixed interest rate swaps (1, 2)	$ 4,047								4.34
Notional amount		$110,597	$15,212	$ 8	$35,454	$ 7,333	$8,247	$44,343	
Weighted-average fixed-rate		3.65%	1.61%	–%	2.42%	4.06%	3.48%	5.29%	
Pay fixed interest rate swaps (1)	1,175								4.18
Notional amount		$104,445	$ 2,500	$50,810	$14,688	$ 806	$3,729	$31,912	
Weighted-average fixed-rate		2.83%	1.82%	2.37%	2.24%	3.77%	2.61%	3.92%	
Same-currency basis swaps(3)	107								
Notional amount		$ 42,881	$ 4,549	$ 8,593	$11,934	$ 5,591	$5,546	$ 6,668	
Foreign exchange basis swaps (2, 4, 5)	4,633								
Notional amount		122,807	7,958	10,968	19,862	18,322	31,853	33,844	
Option products (6)	174								
Notional amount		6,540	656	2,031	1,742	244	603	1,264	
Foreign exchange contracts (2, 5, 7)	2,144								
Notional amount (8)		103,726	63,158	3,491	3,977	6,795	10,585	15,720	
Futures and forward rate contracts	(8)								
Notional amount (8)		10,559	10,559	–	–	–	–	–	
Net ALM contracts	$12,272								

December 31, 2008

(Dollars in millions, average estimated duration in years)	Fair Value	Expected Maturity Total	2009	2010	2011	2012	2013	Thereafter	Average Estimated Duration
Receive fixed interest rate swaps (1, 2)	$ 2,103								4.93
Notional amount		$ 27,166	$ 17	$ 4,002	$ –	$ 9,258	$ 773	$13,116	
Weighted-average fixed-rate		4.08%	7.35%	1.89%	–%	3.31%	4.53%	5.27%	
Foreign exchange basis swaps (2, 4, 5)	3,196								
Notional amount		$ 54,569	$ 4,578	$ 6,192	$ 3,986	$ 8,916	$4,819	$26,078	
Option products (6)	–								
Notional amount		5,025	5,000	22	–	–	–	3	
Foreign exchange contracts (2, 5, 7)	1,070								
Notional amount (8)		23,063	2,313	4,021	1,116	1,535	486	13,592	
Futures and forward rate contracts	58								
Notional amount (8)		(8,793)	(8,793)	–	–	–	–	–	
Net ALM contracts	$ 6,427								

(1) At December 31, 2009, the receive fixed interest rate swap notional that represented forward starting swaps and will not be effective until their respective contractual start dates was $2.5 billion and the forward starting pay fixed swap positions was $76.8 billion. At December 31, 2008, there were no forward starting pay or receive fixed swap positions.

(2) Does not include basis adjustments on fixed-rate debt issued by the Corporation and hedged under fair value hedges pursuant to derivatives designated as hedging instruments that substantially offset the fair values of these derivatives.

(3) At December 31, 2009, same-currency basis swaps consist of $42.9 billion in both foreign currency and U.S. dollar-denominated basis swaps in which both sides of the swap are in the same currency. There were no same-currency basis swaps at December 31, 2008.

(4) Foreign exchange basis swaps consist of cross-currency variable interest rate swaps used separately or in conjunction with receive fixed interest rate swaps.

(5) Does not include foreign currency translation adjustments on certain foreign debt issued by the Corporation which substantially offset the fair values of these derivatives.

(6) Option products of $6.5 billion at December 31, 2009 were comprised of $177 million in purchased caps and $6.3 billion in swaptions. Option products of $5.0 billion at December 31, 2008 are comprised completely of purchased caps.

(7) Foreign exchange contracts include foreign currency-denominated and cross-currency receive fixed interest rate swaps as well as foreign currency forward rate contracts. Total notional was comprised of $46.0 billion in foreign currency-denominated and cross-currency receive fixed swaps and $57.7 billion in foreign currency forward rate contracts at December 31, 2009, and $23.1 billion in foreign currency-denominated and cross-currency receive fixed swaps and $78 million in foreign currency forward rate contracts at December 31, 2008.

(8) Reflects the net of long and short positions.

We use interest rate derivative instruments to hedge the variability in the cash flows of our assets and liabilities, and other forecasted transactions (cash flow hedges). From time to time, we also utilize equity-indexed derivatives accounted for as derivatives designated as cash flow hedges to minimize exposure to price fluctuations on the forecasted purchase or sale of certain equity investments. The net losses on both open and terminated derivative instruments recorded in accumulated OCI, net-of-tax, were $2.5 billion and $3.5 billion at December 31, 2009 and 2008. These net losses are expected to be reclassified into earnings in the same period when the hedged cash flows affect earnings and will decrease income or increase expense on the respective hedged cash flows. Assuming no change in open cash flow derivative hedge positions and no changes to prices or interest rates beyond what is implied in forward yield curves at December 31, 2009, the pre-tax net losses are expected to be reclassified into earnings as follows: $937 million, or 23 percent within the next year, 66 percent within five years, and 88 percent within 10 years, with the remaining 12 percent thereafter. For more information on derivatives designated as cash flow hedges, see *Note 4 – Derivatives* to the Consolidated Financial Statements.

In addition to the derivatives disclosed in Table 46 we hedge our net investment in consolidated foreign operations determined to have functional currencies other than the U.S. dollar using forward foreign exchange contracts that typically settle in 90 days, cross currency basis swaps and by issuing foreign currency-denominated debt. We recorded after-tax losses from derivatives and foreign currency-denominated debt in accumulated OCI associated with net investment hedges which was offset by after-tax unrealized gains in accumulated OCI associated for changes in the value of our net investments in consolidated foreign entities at December 31, 2009.

Mortgage Banking Risk Management

We originate, fund and service mortgage loans, which subject us to credit, liquidity and interest rate risks, among others. We determine whether loans will be held for investment or held for sale at the time of commitment and manage credit and liquidity risks by selling or securitizing a portion of the loans we originate.

Interest rate and market risk can be substantial in the mortgage business. Fluctuations in interest rates drive consumer demand for new mortgages and the level of refinancing activity, which in turn affects total origination and service fee income. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and a decrease in the value of the MSRs driven by higher prepayment expectations. Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires complex modeling and ongoing monitoring. IRLCs and the related residential first mortgage LHFS are subject to interest rate risk between the date of the IRLC and the date the loans are sold to the secondary market. To hedge interest rate risk, we utilize forward loan sale commitments and other derivative instruments including purchased options. These instruments are used as economic hedges of IRLCs and residential first mortgage LHFS. At December 31, 2009 and 2008, the notional amount of derivatives economically hedging the IRLCs and residential first mortgage LHFS was $161.4 billion and $97.2 billion.

MSRs are nonfinancial assets created when the underlying mortgage loan is sold to investors and we retain the right to service the loan. We use certain derivatives such as interest rate options, interest rate swaps, forward settlement contracts, euro dollar futures, as well as mortgage-backed and U.S. Treasury securities as economic hedges of MSRs. The notional amounts of the derivative contracts and other securities designated as economic hedges of MSRs at December 31, 2009 were $1.3 trillion and $67.6 billion, for a total notional amount of $1.4 trillion. At December 31, 2008, the notional amounts of the derivative contracts and other securities designated as economic hedges of MSRs were $1.0 trillion and $87.5 billion, for a total notional amount of $1.1 trillion. In 2009, we recorded losses in mortgage banking income of $3.8 billion related to the change in fair value of these economic hedges as compared to gains of $8.6 billion for 2008. For additional information on MSRs, see *Note 22 – Mortgage Servicing Rights* to the Consolidated Financial Statements and for more information on mortgage banking income, see the *Home Loans & Insurance* discussion beginning on page 43.

Compliance Risk Management

Compliance risk is the risk posed by the failure to manage regulatory, legal and ethical issues that could result in monetary damages, losses or harm to our reputation or image. The Seven Elements of a Compliance Program® provides the framework for the compliance programs that are consistently applied across the enterprise to manage compliance risk. This framework includes a common approach to commitment and accountability, policies and procedures, controls and supervision, monitoring, regulatory change management, education and awareness and reporting.

We approach compliance risk management on an enterprise and line of business level. The Operational Risk Committee provides oversight of significant compliance risk issues. Within Global Risk Management, Global Compliance Risk Management develops and guides the strategies, policies and practices for assessing and managing compliance risks across the organization. Through education and communication efforts, a culture of compliance is emphasized across the organization. We also mitigate compliance risk through a broad-based approach to process management and improvement.

The lines of business are responsible for all the risks within the business line, including compliance risks. Compliance Risk executives, working in conjunction with senior line of business executives, have developed key tools to address and measure compliance risks and to ensure compliance with laws and regulations in each line of business.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Successful operational risk management is particularly important to diversified financial services companies because of the nature, volume and complexity of the financial services business. Under the Basel II Rules, an operational loss event is an event that results in loss and is associated with any of the following seven operational loss event categories: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and system failures; and execution, delivery and process management. Losses in these categories are captured and mapped to four overall risk categories: people, process, systems and external events. Specific examples of loss events include robberies, internal fraud, processing errors and physical losses from natural disasters.

We approach operational risk management from two perspectives: the enterprise and line of business. The Operational Risk Committee, which reports to the Audit Committee of the Board, is responsible for operational risk policies, measurement and management, and control processes. Within Global Risk Management, Global Operational Risk Management develops and guides the strategies, policies, practices, controls and monitoring tools for assessing and managing operational risks across the organization.

For selected risks, we use specialized support groups, such as Enterprise Information Management and Supply Chain Management, to

develop risk management practices, such as an information security program and a supplier program to ensure that suppliers adopt appropriate policies and procedures when performing work on our behalf. These specialized groups also assist the lines of business in the development and implementation of risk management practices specific to the needs of the individual businesses. These groups also work with line of business executives and risk executives to develop and guide appropriate strategies, policies, practices, controls and monitoring tools for each line of business.

Additionally, where appropriate, we purchase insurance policies to mitigate the impact of operational losses when and if they occur. These insurance policies are explicitly incorporated in the structural features of our operational risk evaluation. As insurance recoveries, especially given recent market events, are subject to legal and financial uncertainty, the inclusion of these insurance policies are subject to reductions in the mitigating benefits expected within our operational risk evaluation.

The lines of business are responsible for all the risks within the business line, including operational risks. Operational risk executives, working in conjunction with senior line of business executives, have developed key tools to help identify, measure, mitigate and monitor risk in each line of business. Examples of these include personnel management practices, data reconciliation processes, fraud management units, transaction processing monitoring and analysis, business recovery planning and new product introduction processes. In addition, the lines of business are responsible for monitoring adherence to corporate practices. Line of business management uses a self-assessment process, which helps to identify and evaluate the status of risk and control issues, including mitigation plans, as appropriate. The goal of the self-assessment process is to periodically assess changing market and business conditions, to evaluate key risks impacting each line of business and assess the controls in place to mitigate the risks. In addition to information gathered from the self-assessment process, key operational risk indicators have been developed and are used to help identify trends and issues on both an enterprise and a line of business level.

ASF Framework

In December 2007, the American Securitization Forum (ASF) issued the Streamlined Foreclosure and Loss Avoidance Framework for Securitized Adjustable Rate Mortgage Loans (the ASF Framework). The ASF Framework was developed to address a large number of subprime loans that are at risk of default when the loans reset from their initial fixed interest rates to variable rates. The objective of the framework is to provide uniform guidelines for evaluating a large number of loans for refinancing in an efficient manner while complying with the relevant tax regulations and off-balance sheet accounting standards for loan securitizations. The ASF Framework targets loans that were originated between January 1, 2005 and July 31, 2007, have an initial fixed interest rate period of 36 months or less and which are scheduled for their first interest rate reset between January 1, 2008 and July 31, 2010.

The ASF Framework categorizes the targeted loans into three segments. Segment 1 includes loans where the borrower is likely to be able to refinance into any available mortgage product. Segment 2 includes loans where the borrower is current but is unlikely to be able to refinance into any readily available mortgage product. Segment 3 includes loans where the borrower is not current. If certain criteria are met, ASF Framework loans in Segment 2 are eligible for fast-track modification under which the interest rate will be kept at the existing initial rate, generally for five years following the interest rate reset date. Upon evaluation, if targeted loans do not meet specific criteria to be eligible for one of the three segments, they are categorized as other loans, as shown in the table below. These criteria include the occupancy status of the borrower, structure and other terms of the loan. In January 2008, the SEC's Office of the Chief Accountant issued a letter addressing the accounting issues relating to the ASF Framework. The letter concluded that the SEC would not object to continuing off-balance sheet accounting treatment for Segment 2 loans modified pursuant to the ASF Framework.

For those current loans that are accounted for off-balance sheet that are modified, but not as part of the ASF Framework, the servicer must perform on an individual basis, an analysis of the borrower and the loan to demonstrate it is probable that the borrower will not meet the repayment obligation in the near term. Such analysis provides sufficient evidence to demonstrate that the loan is in imminent or reasonably foreseeable default. The SEC's Office of the Chief Accountant issued a letter in July 2007 stating that it would not object to continuing off-balance sheet accounting treatment for these loans.

Prior to the acquisition of Countrywide on July 1, 2008, Countrywide began making fast-track loan modifications under Segment 2 of the ASF Framework in June 2008 and the off-balance sheet accounting treatment of QSPEs that hold those loans was not affected. In addition, other workout activities relating to subprime ARMs including modifications (e.g., interest rate reductions and capitalization of interest) and repayment plans were also made. These initiatives have continued subsequent to the acquisition in an effort to work with all of our customers that are eligible and affected by loans that meet the requisite criteria. These foreclosure prevention efforts will reduce foreclosures and the related losses providing a solution for customers and protecting investors.

As of December 31, 2009, the principal balance of beneficial interests issued by the QSPEs that hold subprime ARMs totaled $70.5 billion and the fair value of beneficial interests related to those QSPEs held by the Corporation totaled $9 million. The following table presents a summary of loans in QSPEs that hold subprime ARMs as of December 31, 2009 as well as workout and other activity for the subprime loans by ASF categorization for 2009. Prior to the acquisition of Countrywide on July 1, 2008, we did not originate or service significant subprime residential mortgage loans, nor did we hold a significant amount of beneficial interests in QSPEs of subprime residential mortgage loans.

Table 47 QSPE Loans Subject to ASF Framework Evaluation [1]

	December 31, 2009		Activity During the Year Ended December 31, 2009			
(Dollars in millions)	Balance	Percent of Total	Payoffs	Fast-track Modifications	Other Workout Activities	Foreclosures
Segment 1	$ 4,875	6.9%	$ 443	$ –	$ 675	$ 78
Segment 2	8,114	11.5	142	27	1,368	155
Segment 3	17,817	25.3	489	6	3,413	3,150
Total subprime ARMs	30,806	43.7	1,074	33	5,456	3,383
Other loans	37,891	53.7	1,228	174	4,355	2,126
Foreclosed properties	1,838	2.6	n/a	n/a	n/a	n/a
Total	**$70,535**	**100.0%**	**$2,302**	**$207**	**$9,811**	**$5,509**

[1] Represents loans that were acquired with the acquisitions of Countrywide on July 1, 2008 and Merrill Lynch on January 1, 2009 that meet the requirements of the ASF Framework.
n/a = not applicable

Complex Accounting Estimates

Our significant accounting principles, as described in *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements, are essential in understanding the MD&A. Many of our significant accounting principles require complex judgments to estimate the values of assets and liabilities. We have procedures and processes in place to facilitate making these judgments.

The more judgmental estimates are summarized below. We have identified and described the development of the variables most important in the estimation processes that, with the exception of accrued taxes, involve mathematical models to derive the estimates. In many cases, there are numerous alternative judgments that could be used in the process of determining the inputs to the models. Where alternatives exist, we have used the factors that we believe represent the most reasonable value in developing the inputs. Actual performance that differs from our estimates of the key variables could impact net income. Separate from the possible future impact to net income from input and model variables, the value of our lending portfolio and market sensitive assets and liabilities may change subsequent to the balance sheet date, often significantly, due to the nature and magnitude of future credit and market conditions. Such credit and market conditions may change quickly and in unforeseen ways and the resulting volatility could have a significant, negative effect on future operating results. These fluctuations would not be indicative of deficiencies in our models or inputs.

Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, represents management's estimate of probable losses inherent in the Corporation's lending activities excluding those accounted for under the fair value option. Changes to the allowance for credit losses are reported in the Consolidated Statement of Income in the provision for credit losses. Our process for determining the allowance for credit losses is discussed in the Credit Risk Management section beginning on page 66 and *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements. Due to the variability in the drivers of the assumptions used in this process, estimates of the portfolio's inherent risks and overall collectability change with changes in the economy, individual industries, countries and borrowers' or counterparties' ability and willingness to repay their obligations. The degree to which any particular assumption affects the allowance for credit losses depends on the severity of the change and its relationship to the other assumptions.

Key judgments used in determining the allowance for credit losses include: (i) risk ratings for pools of commercial loans and leases, (ii) market and collateral values and discount rates for individually evaluated loans, (iii) product type classifications for consumer and commercial loans and leases, (iv) loss rates used for consumer and commercial loans and leases, (v) adjustments made to address current events and conditions, (vi) considerations regarding domestic and global economic uncertainty, and (vii) overall credit conditions.

Our allowance for loan and lease losses is sensitive to the risk ratings assigned to commercial loans and leases. Assuming a downgrade of one level in the internal risk rating for commercial loans and leases, except loans and leases already risk-rated Doubtful as defined by regulatory authorities, the allowance for loan and lease losses would increase by approximately $4.9 billion at December 31, 2009. The allowance for loan and lease losses as a percentage of total loans and leases at December 31, 2009 was 4.16 percent and this hypothetical increase in the allowance would raise the ratio to approximately 4.70 percent. Our allowance for loan and lease losses is also sensitive to the loss rates used for the consumer and commercial portfolios. A 10 percent increase in the loss rates used on the consumer and commercial loan and lease portfolios covered by the allowance would increase the allowance for loan and lease losses at December 31, 2009 by approximately $2.9 billion of which $2.6 billion would relate to consumer and $266 million to commercial.

Purchased impaired loans are initially recorded at fair value. Applicable accounting guidance prohibits carry-over or creation of valuation allowances in the initial accounting. However, subsequent decreases in the expected principal cash flows from the date of acquisition result in a charge to the provision for credit losses and a corresponding increase to the allowance for loan and lease losses. Our purchased impaired portfolio is also subjected to stress scenarios to evaluate the potential impact given certain events. A one percent decrease in the expected principal cash flows could result in approximately a $200 million impairment of the portfolio of which approximately $100 million would relate to our discontinued real estate portfolio.

These sensitivity analyses do not represent management's expectations of the deterioration in risk ratings or the increases in loss rates but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. We believe the risk ratings and loss severities currently in use are appropriate and that the probability of a downgrade of one level of the internal risk ratings for commercial loans and leases within a short period of time is remote.

The process of determining the level of the allowance for credit losses requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Mortgage Servicing Rights

MSRs are nonfinancial assets that are created when a mortgage loan is sold and we retain the right to service the loan. We account for consumer MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income in mortgage banking income. Commercial-related and residential reverse mortgage MSRs are accounted for using the amortization method (i.e., lower of cost or market) with impairment recognized as a reduction of mortgage banking income. At December 31, 2009, our total MSR balance was $19.8 billion.

We determine the fair value of our consumer MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates key economic assumptions including estimates of prepayment rates and resultant weighted average lives of the MSRs, and the option-adjusted spread (OAS) levels. These variables can, and generally do change from quarter to quarter as market conditions and projected interest rates change. These assumptions are subjective in nature and changes in these assumptions could materially affect our net income. For example, decreasing the prepayment rate assumption used in the valuation of our consumer MSRs by 10 percent while keeping all other assumptions unchanged could have resulted in an estimated increase of $895 million in mortgage banking income at December 31, 2009.

We manage potential changes in the fair value of MSRs through a comprehensive risk management program. The intent is to mitigate the effects of changes in the fair value of MSRs through the use of risk management instruments. To reduce the sensitivity of earnings to interest rate and market value fluctuations, securities as well as certain derivatives such as options and interest rate swaps may be used as economic hedges of the MSRs, but are not designated as accounting hedges. These instruments are carried at fair value with changes in fair value recognized in mortgage banking income. The impact provided above does not reflect any hedge strategies that may be undertaken to mitigate such risk.

For additional information on MSRs, including the sensitivity of weighted average lives and the fair value of MSRs to changes in modeled assumptions, see *Note 22 – Mortgage Servicing Rights* to the Consolidated Financial Statements.

Fair Value of Financial Instruments

We determine the fair values of financial instruments based on the fair value hierarchy under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Applicable accounting guidance establishes three levels of inputs used to measure fair value. We carry trading account assets and liabilities, derivative assets and liabilities, AFS debt and marketable equity securities, certain MSRs, and certain other assets at fair value. Also, we account for certain corporate loans and loan commitments, LHFS, commercial paper and other short-term borrowings, securities financing agreements, asset-backed secured financings, long-term deposits, and long-term debt under the fair value option. For more information, see *Note 20 – Fair Value Measurements* to the Consolidated Financial Statements.

The fair values of assets and liabilities include adjustments for market liquidity, credit quality and other deal specific factors, where appropriate. Valuations of products using models or other techniques are sensitive to assumptions used for the significant inputs. Where market data is available, the inputs used for valuation reflect that information as of our valuation date. Inputs to valuation models are considered unobservable if they are supported by little or no market activity. In periods of extreme volatility, lessened liquidity or in illiquid markets, there may be more variability in market pricing or a lack of market data to use in the valuation process. To ensure the prudent application of estimates and management judgment in determining the fair value of assets and liabilities, we have in place various processes and controls that include: a model validation policy that requires review and approval of quantitative models used for deal pricing; financial statement fair value determination and risk quantification; a trading product valuation policy that requires verification of all traded product valuations; and a periodic review and substantiation of daily profit and loss reporting for all traded products. Primarily through validation controls, we utilize both broker and pricing service inputs which can and do include both market-observable and internally-modeled values and/or value inputs. Our reliance on this information is tempered by the knowledge of how the broker and/or pricing service develops its data with a higher degree of reliance applied to those that are more directly observable and lesser reliance applied to those developed through their own internal modeling. Similarly, broker quotes that are executable are given a higher level of reliance than indicative broker quotes, which are not executable. These processes and controls are performed independently of the business.

Trading account assets and liabilities are carried at fair value based primarily on actively traded markets where prices are from either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair value of trading account assets and liabilities. Market price quotes may not be readily available for some positions, or positions within a market sector where trading activity has slowed significantly or ceased. Situations of illiquidity generally are triggered by market perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more of the ratings agencies.

Trading account profits (losses), which represent the net amount earned from our trading positions, can be volatile and are largely driven by general market conditions and customer demand. Trading account profits (losses) are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment. To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. At a portfolio and corporate level, we use trading limits, stress testing and tools such as VAR modeling, which estimates a potential daily loss that we do not expect to exceed with a specified confidence level, to measure and manage market risk. For more information on VAR, see Trading Risk Management beginning on page 92.

The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the positions. The majority of market inputs are actively quoted and can be validated through external sources including brokers, market transactions and third-party pricing services. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The Corporation incorporates within its fair value measurements of over-the-counter derivatives the net credit differential between the counterparty credit risk and our own credit risk. The value of the credit differential is determined by reference to existing direct market reference costs of credit, or where direct references are not available a proxy is applied consistent with direct references for other counterparties that are similar in credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on historical experience adjusted for any more recent name specific expectations.

Level 3 Assets and Liabilities

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy established in applicable accounting guidance. The Level 3 financial assets and liabilities include private equity investments, consumer MSRs, ABS, highly structured, complex or long-dated derivative contracts, structured notes and certain CDOs, for which there is not an active market for identical assets from which to determine fair value or where sufficient, current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model are not available. In these cases, the fair values of these Level 3 financial assets and liabilities are determined using pricing models, discounted cash flow methodologies, a net asset value approach for certain structured securities, or similar techniques, for which the determination of fair value requires significant management judgment or estimation. In 2009, there were no changes to the quantitative models, or uses of such models, that resulted in a material adjustment to the Consolidated Statement of Income.

Level 3 assets, before the impact of counterparty netting related to our derivative positions, were $103.6 billion and $59.4 billion at December 31, 2009 and 2008 and represented approximately 14 percent and 10 percent of assets measured at fair value (or five percent and three percent of total assets). Level 3 liabilities, before the impact of counterparty netting related to our derivative positions, were $21.8 billion and $8.0 billion as of December 31, 2009 and 2008 and represented approximately 10 percent and nine percent of the liabilities measured at fair value (or approximately one percent of total liabilities). At December 31, 2009, $21.1 billion, or 12 percent, of trading account assets were

classified as Level 3 assets, and $396 million or less than one percent of trading account liabilities were classified as Level 3 liabilities. At December 31, 2009, $23.0 billion, or 29 percent, of derivative assets were classified as Level 3 assets, and $15.2 billion and 35 percent of derivative liabilities were classified as Level 3 liabilities. See *Note 20 – Fair Value Measurements* to the Consolidated Financial Statements for a tabular presentation of the fair values of Level 1, 2 and 3 assets and liabilities at December 31, 2009 and 2008 and detail of Level 3 activity for the years ended December 31, 2009, 2008 and 2007.

In 2009, we recognized gains of $10.6 billion on Level 3 assets and liabilities which were primarily gains on net derivatives and consumer MSRs partially offset by losses on long-term debt. We also recorded unrealized gains of $3.3 billion (pre-tax) in accumulated OCI on Level 3 assets and liabilities during the year, which were driven primarily by improved market-observability as liquidity returned to the market related to non-agency MBS. The gains in net derivatives were driven by high origination volumes of held-for-sale mortgage loans and by positive valuation adjustments on our IRLCs. The increase in the consumer MSR balance benefited from changes in the forward interest rate curve. Losses of $2.3 billion on long-term debt were driven by the impact of market movements and from improved credit spreads on certain Merrill Lynch structured notes.

Level 3 financial instruments, such as our consumer MSRs, may be economically hedged with derivatives not classified as Level 3, therefore, gains or losses associated with Level 3 financial instruments may be offset by gains or losses associated with financial instruments classified in other levels of the fair value hierarchy. The gains and losses recorded in earnings did not have a significant impact on our liquidity or capital resources.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Transfers into or out of Level 3 are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively, in the current marketplace. These transfers are effective as of the beginning of the quarter. In 2009, several transfers were made into or out of Level 3. Long-term debt of $4.3 billion was transferred out of Level 3 due to the decreased significance of unobservable inputs on certain structured notes. Net derivative assets of $5.7 billion were transferred into Level 3 due to the impact of significant unobservable inputs in the overall valuation of certain derivative products in the marketplace.

Global Principal Investments

Global Principal Investments is included within *Equity Investments* in *All Other* on page 53. Global Principal Investments is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages of their life cycle. These investments are made either directly in a company or held through a fund. Some of these companies may need access to additional cash to support their long-term business models. Market conditions and company performance may impact whether funding is available from private investors or the capital markets.

At December 31, 2009, this portfolio totaled $14.1 billion including $12.4 billion, of non-public investments. Investments with active market quotes are carried at estimated fair value; however, the majority of our investments do not have publicly available price quotes and, therefore, the fair value is unobservable. Valuation of these investments requires significant management judgment. We initially value these investments at transaction price and adjust valuations when evidence is available to support such adjustments. Such evidence includes transactions in similar instruments, market comparables, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, and changes in financial ratios or cash flows. Investments are carried at estimated fair value with changes recorded in equity investment income in the Consolidated Statement of Income.

Accrued Income Taxes

Accrued income taxes, reported as a component of accrued expenses and other liabilities on our Consolidated Balance Sheet, represents the net amount of current income taxes we expect to pay to or receive from various taxing jurisdictions attributable to our operations to date. We currently file income tax returns in more than 100 jurisdictions and consider many factors including statutory, judicial and regulatory guidance, in estimating the appropriate accrued income taxes for each jurisdiction.

In applying the applicable accounting guidance, we monitor relevant tax authorities and change our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities. These revisions of our estimate of accrued income taxes, which also may result from our income tax planning and from the resolution of income tax controversies, may be material to our operating results for any given period.

Goodwill and Intangible Assets

The nature of and accounting for goodwill and intangible assets are discussed in detail in *Note 1 – Summary of Significant Accounting Principles* and *Note 10 – Goodwill and Intangible Assets* to the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis which for the Corporation is performed as of June 30 or in interim periods if events or circumstances indicate a potential impairment. A reporting unit is a business segment or one level below. As reporting units are determined after an acquisition or evolve with changes in business strategy, goodwill is assigned and it no longer retains its association with a particular acquisition. All of the revenue streams and related activities of a reporting unit, whether acquired or organic, are available to support the value of the goodwill.

The Corporation's common stock price, consistent with common stock prices in the financial services industry, has been more volatile over the past 18 months primarily due to the deterioration in the financial markets in 2008 as the overall economy moved into a recession, followed in 2009 by stabilization and improvement in some sectors of the economy. During this period, our market capitalization remained below our recorded book value. The fair value of all reporting units as of the June 30, 2009 annual impairment test was estimated to be $262.8 billion and the common stock market capitalization of the Corporation as of that date was $114.2 billion ($149.6 billion at December 31, 2009, including CES). The implied control premium or the amount a buyer is willing to pay over the current market price of a publicly traded stock to obtain control, was 52 percent after taking into consideration the outstanding preferred stock of $58.7 billion as of June 30, 2009. As none of our reporting units are publicly traded, individual reporting unit fair value determinations are not directly correlated to the Corporation's stock price. Although we believe it is reasonable to conclude that market capitalization could be an indicator of fair value over time, we do not believe that recent fluctuations in our market capitalization as a result of the market dislocation are reflective of actual cash flows and the fair value of our individual reporting units.

Estimating the fair value of reporting units and the assets, liabilities and intangible assets of a reporting unit is a subjective process that involves the use of estimates and judgments, particularly related to cash flows, the appropriate discount rates and an applicable control premium. The fair values of the reporting units were determined using a combination of valuation techniques consistent with the market approach and the income approach and included the use of independent valuation specialists. Measurement of the fair values of the assets, liabilities and intangibles of a reporting unit was consistent with the requirements of the

fair value measurements accounting guidance and includes the use of estimates and judgments. The fair values of the intangible assets were determined using the income approach.

The market approach we used results in an estimate of the fair value of the individual reporting units by incorporating any combination of the tangible capital, book capital and earnings multiples from comparable publicly traded companies in similar industries to that of the reporting unit. The relative weight assigned to these multiples varies among the reporting units based upon qualitative and quantitative characteristics, primarily the size and relative profitability of the respective reporting unit as compared to the comparable publicly traded companies. Since the fair values determined under the market approach are representative of a noncontrolling interest, a control premium was added to arrive at the fair values of the reporting units on a controlling basis.

For purposes of the income approach, discounted cash flows were calculated by taking the net present value of estimated cash flows using a combination of historical results, estimated future cash flows and an appropriate terminal value. Our discounted cash flow analysis employs a capital asset pricing model in estimating the discount rate (i.e., cost of equity financing) for each reporting unit. The inputs to this model include the risk-free rate of return; beta, a measure of the level of non-diversifiable risk associated with comparable companies for each specific reporting unit; market equity risk premium and in certain cases an unsystematic (company-specific) risk factor. The unsystematic risk factor is the input that specifically addresses uncertainty related to our projections of earnings and growth, including the uncertainty related to loss expectations. We utilized discount rates that we believe adequately reflect the risk and uncertainty in the financial markets generally and specifically in our internally developed forecasts. Expected rates of equity returns were estimated based on historical market returns and risk/return rates for similar industries to that of the reporting unit. We use our internal forecasts to estimate future cash flows and actual results may differ from forecasted results.

We perform our annual goodwill impairment test for all reporting units as of June 30 each year. In performing the first step of the annual impairment analysis, we compared the fair value of each reporting unit to its current carrying amount, including goodwill. To determine fair value, we used a combination of a market approach and an income approach. Under the market approach, we compared earnings and equity multiples of the individual reporting units to multiples of public companies comparable to the individual reporting units. The control premiums used in the June 30, 2009 annual impairment test ranged from 25 percent to 35 percent. Under the income approach, we updated our assumptions to reflect the current market environment. The discount rates used in the June 30, 2009 annual impairment test ranged from 11 percent to 20 percent depending on the relative risk of a reporting unit. Growth rates developed by management for each reporting unit and/or individual revenue and expense items ranged from two percent to 10 percent. For certain revenue and expense items that have been significantly affected by the current economic environment, management developed separate long-term forecasts.

Based on the results of step one of the impairment test, we determined that the carrying amount of the *Home Loans & Insurance* and *Global Card Services* reporting units, including goodwill, exceeded their fair value. The carrying amount of the reporting unit, fair value of the reporting unit and goodwill for *Home Loans & Insurance* were $16.5 billion, $14.3 billion and $4.8 billion, respectively, and for *Global Card Services* were $41.4 billion, $41.3 billion and $22.3 billion, respectively. Because the carrying amount exceeded the fair value, we performed step two of the goodwill impairment test for these reporting units as of June 30, 2009. For all other reporting units, step two was not required as their fair value exceeded their carrying amount in step one indicating there was no impairment. In step two, we compared the implied fair value of each reporting unit's goodwill with the carrying amount of that goodwill. We determined the implied fair value of goodwill for a reporting unit by assigning the fair value of the reporting unit to all of the assets and liabilities of that unit, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. Based on the results of step two of the impairment test as of June 30, 2009, we determined that goodwill was not impaired in the *Home Loans & Insurance* or *Global Card Services* reporting units.

In estimating the fair value of the reporting units in step one of the goodwill impairment analysis, we note that the fair values can be sensitive to changes in the projected cash flows and assumptions. In some instances, minor changes in the assumptions could impact whether the fair value of a reporting unit is greater than its carrying amount. Furthermore, a prolonged decrease or increase in a particular assumption could eventually lead to the fair value of a reporting unit being less than its carrying amount. Also, to the extent step two of the goodwill analysis is required, changes in the estimated fair values of the individual assets and liabilities may impact other estimates of fair value for assets or liabilities and result in a different amount of implied goodwill, and ultimately the amount of goodwill impairment, if any.

Given the results of our annual impairment test and due to continued stress on *Home Loans & Insurance* and *Global Card Services* as a result of current market conditions, we concluded that we should perform an additional impairment analysis for these two reporting units as of December 31, 2009. In step one of the goodwill impairment analysis, the fair value of *Home Loans & Insurance* was estimated with equal weighting assigned to the market approach and the income approach. The fair value of *Global Card Services* was estimated under the income approach. Under the market approach valuation for *Home Loans & Insurance*, significant assumptions were consistent with the assumptions used in our annual impairment tests as of June 30, 2009 and included market multiples and a control premium. In the *Global Card Services* valuation under the income approach, the significant assumptions included the discount rate, terminal value, expected loss rates and expected new account growth. Consistent with the June 30, 2009 annual impairment test, the carrying amount exceeded the fair value for *Home Loans & Insurance* requiring that we perform step two. Although *Global Card Services* passed step one of the goodwill impairment analysis, to further substantiate the value of the goodwill balance, we also performed the step two analysis for this reporting unit. The carrying amount of the reporting unit, fair value of the reporting unit and goodwill for *Home Loans & Insurance* were $27.3 billion, $20.3 billion and $4.8 billion, respectively, and for *Global Card Services* were $43.4 billion, $47.3 billion and $22.3 billion, respectively. The estimated fair value as a percent of the carrying amount at December 31, 2009 was 74 percent for *Home Loans & Insurance* and 109 percent for *Global Card Services.* The increase in the fair value of *Global Card* Services during the fourth quarter of 2009 was primarily attributable to improvement in market conditions and the economic outlook for the reporting unit. Under step two of the goodwill impairment analysis for both reporting units, significant assumptions in measuring the fair value of the assets and liabilities of the reporting units including discount rates, loss rates, interest rates and new account growth were updated in light of the improvement in economic conditions. Based on the results of step two of our impairment tests, there was no goodwill impairment as of December 31, 2009.

If economic conditions deteriorate or other events adversely impact the business models and the related assumptions including discount

rates, loss rates, interest rates and new account growth used to value these reporting units, there could be a change in the valuation of our goodwill and intangible assets and may possibly result in the recognition of impairment losses. With any assumption change, when a prolonged change in performance causes the fair value of the reporting unit to fall below the carrying amount of goodwill, goodwill impairment will occur.

Consolidation and Accounting for Variable Interest Entities

Under applicable accounting guidance, a VIE is consolidated by the entity that will absorb a majority of the variability created by the assets of the VIE. The calculation of variability is based on an analysis of projected probability-weighted cash flows based on the design of the particular VIE. Scenarios in which expected cash flows are less than or greater than the expected outcomes create expected losses or expected residual returns. The entity that will absorb a majority of expected variability (the sum of the absolute values of the expected losses and expected residual returns) consolidates the VIE and is referred to as the primary beneficiary.

A variety of qualitative and quantitative assumptions are used to estimate projected cash flows and the relative probability of each potential outcome, and to determine which parties will absorb expected losses and expected residual returns. Critical assumptions, which may include projected credit losses and interest rates, are independently verified against market observable data where possible. Where market observable data is not available, the results of the analysis become more subjective.

As certain events occur, we reconsider which parties will absorb variability and whether we have become or are no longer the primary beneficiary. The consolidation status of a VIE may change as a result of such reconsideration events, which occur when VIEs acquire additional assets, issue new variable interests or enter into new or modified contractual arrangements. A reconsideration event may also occur when we acquire new or additional interests in a VIE.

See the Impact of Adopting New Accounting Guidance on Consolidation section on page 64 for a discussion of new accounting that significantly changes the criteria for consolidation effective January 1, 2010.

2008 Compared to 2007

The following discussion and analysis provides a comparison of our results of operations for 2008 and 2007. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes. Tables 6 and 7 contain financial data to supplement this discussion.

Overview

Net Income

Net income totaled $4.0 billion in 2008 compared to $15.0 billion in 2007. Including preferred stock dividends, income applicable to common shareholders was $2.6 billion, or $0.54 per diluted share. Those results compared with 2007 net income available to common shareholders of $14.8 billion, or $3.29 per diluted share. The return on average common shareholders' equity was 1.80 percent in 2008 compared to 11.08 percent in 2007.

Net Interest Income

Net interest income on a FTE basis increased $10.4 billion to $46.6 billion for 2008 compared to 2007. The increase was driven by strong loan growth, as well as the acquisitions of Countrywide and LaSalle, and the contribution from market-based net interest income related to our *Global Markets* business, which benefited from the steepening of the yield curve and product mix. The net interest yield on a FTE basis increased 38 bps to 2.98 percent for 2008 compared to 2007, due to the improvement in market-based yield, the beneficial impact of the current interest rate environment and loan growth. Partially offsetting these increases were the additions of lower yielding assets from the Countrywide and LaSalle acquisitions.

Noninterest Income

Noninterest income decreased $5.0 billion to $27.4 billion in 2008 compared to 2007.

- Card income decreased $763 million primarily due to the negative impact of higher credit costs on securitized credit card loans and the related unfavorable change in value of the interest-only strip as well as decreases in interchange income and late fees. Partially offsetting these decreases was higher debit card income.
- Service charges grew $1.4 billion resulting from growth in new deposit accounts and the beneficial impact of the LaSalle acquisition.
- Investment and brokerage services decreased $175 million primarily due to the absence of fees related to the sale of a business that we sold in late 2007 and the impact of significantly lower valuations in the equity markets, partially offset by the full year impact of the U.S. Trust and LaSalle acquisitions.
- Investment banking income decreased $82 million due to reduced advisory fees related to the slowing economy.
- Equity investment income decreased $3.5 billion due to a reduction in gains from our Global Principal Investments portfolio attributable to the lack of liquidity in the marketplace when compared to 2007 and other-than-temporary impairments taken on certain AFS marketable equity securities.
- Trading account losses increased $1.0 billion in 2008 driven by losses related to CDO exposure and the continuing impact of the market disruptions on various parts of *Global Markets*.
- Mortgage banking income increased $3.2 billion in large part as a result of the Countrywide acquisition which contributed significantly to increases in servicing income of $1.7 billion and production income of $1.5 billion.
- Insurance premiums increased $1.1 billion primarily due to the Countrywide acquisition.
- Gains on sales of debt securities increased $944 million driven by the sales of MBS and CMOs.
- Other income decreased $2.9 billion due to *Global Markets* related write-downs and $1.1 billion associated with the support provided to certain cash funds managed within *GWIM*. In addition, 2008 was impacted by the absence of the $1.5 billion gain from the sale of a business in 2007. These items were partially offset by the gain of $776 million related to the Visa IPO.
- Net impairment losses recognized in earnings on AFS debt securities increased $3.1 billion primarily due to CDO related write-downs.

Provision for Credit Losses

The provision for credit losses increased $18.4 billion to $26.8 billion for 2008 compared to 2007 due to an increase of $9.8 billion in net charge-offs and higher additions to the reserve. The majority of the reserve additions were in consumer and small business portfolios, reflecting increased weakness in the housing markets and the slowing economy. Reserves were also increased on commercial portfolios for deterioration in the homebuilder and non–homebuilder commercial portfolios within *Global Banking*.

Noninterest Expense

Noninterest expense increased $4.0 billion to $41.5 billion for 2008 compared to 2007, primarily due to the acquisitions of Countrywide and LaSalle, which increased various expense categories, partially offset by a reduction in performance-based incentive compensation expense and the impact of certain benefits associated with the Visa IPO transactions.

Income Tax Expense

Income tax expense was $420 million for 2008 compared to $5.9 billion for 2007 resulting in effective tax rates of 9.5 percent and 28.4 percent. The effective tax rate decrease was due to permanent tax preference amounts (e.g., tax exempt income and tax credits) offsetting a higher percentage of our pre-tax income.

Business Segment Operations

Deposits

Net income increased $438 million, or nine percent, to $5.5 billion compared to 2007 driven by higher net interest income and noninterest income partially offset by an increase in noninterest expense. Net interest income increased $755 million, or seven percent, driven by a higher contribution from our ALM activities and growth in average deposits partially offset by the impact of competitive deposit pricing. Average deposits grew $33.3 billion, or 10 percent, due to organic growth, including customers' flight-to-safety, as well as the acquisitions of Countrywide and LaSalle. Organic growth was partially offset by the migration of customer relationships and related deposit balances to *GWIM*. Noninterest income increased $683 million, or 11 percent, to $6.9 billion driven by an increase of $798 million, or 13 percent, in service charges primarily as a result of increased volume, new demand deposit account growth and the addition of LaSalle. Noninterest expense increased $433 million, or five percent, to $8.8 billion compared to 2007, primarily due to the LaSalle and Countrywide acquisitions, combined with an increase in accounts and transaction volumes.

Global Card Services

Net income decreased $3.0 billion, or 71 percent, to $1.2 billion compared to 2007 as growth in net interest income and noninterest income was more than offset by an $8.5 billion increase in provision for credit losses. Net interest income grew $3.0 billion, or 18 percent, to $19.6 billion driven by higher managed average loans of $22.3 billion, or 10 percent, combined with the beneficial impact of the decrease in short-term interest rates on our funding costs. Noninterest income increased $485 million, or four percent, to $11.6 billion as other income benefited from the $388 million gain related to *Global Card Services'* allocation of the Visa IPO gain as well as a $283 million gain on the sale of a card portfolio. These increases were partially offset by the decrease in card income of $137 million, or one percent, due to the unfavorable change in the value of the interest-only strip and decreases in interchange income driven by reduced retail volume and late fees. These decreases were partially offset by higher debit card income due to new account and card growth, increased usage and the addition of LaSalle. Provision for credit losses increased $8.5 billion, or 73 percent, to $20.2 billion compared to 2007 primarily driven by portfolio deterioration and higher bankruptcies from impacts of the slowing economy, a lower level of foreign securitizations and growth-related seasoning of the portfolio. Noninterest expense decreased $217 million, or two percent, to $9.2 billion compared to 2007, as the impact of certain benefits associated with the Visa IPO transactions and lower marketing expense were partially offset by higher personnel and technology-related expenses from increased customer assistance and collections infrastructure.

Home Loans & Insurance

Home Loans & Insurance net income decreased $2.6 billion to a net loss of $2.5 billion compared to 2007 as growth in noninterest income and net interest income was more than offset by higher provision for credit losses and an increase in noninterest expense. Net interest income grew $1.4 billion, or 74 percent, driven primarily by an increase in average home equity loans and LHFS. The growth in average home equity loans of $32.9 billion, or 45 percent, and a $5.5 billion increase in LHFS were attributable to the Countrywide and LaSalle acquisitions as well as increases in our home equity portfolio as a result of slower prepayment speeds and organic growth. Noninterest income increased $4.2 billion to $6.0 billion compared to 2007 driven by increases in mortgage banking income and insurance income. Mortgage banking income grew $3.1 billion due primarily to the acquisition of Countrywide combined with increases in the value of MSR economic hedge instruments partially offset by a decrease in the value of MSRs. Insurance income increased $1.1 billion due to the acquisition of Countrywide. Provision for credit losses increased $5.3 billion to $6.3 billion compared to 2007. This increase was driven primarily by higher losses inherent in the home equity portfolio reflecting deterioration in the housing markets particularly in geographic areas that have experienced higher levels of declines in home prices. This drove more severe charge-offs as borrowers defaulted. Noninterest expense increased $4.4 billion to $7.0 billion primarily driven by the Countrywide acquisition.

Global Banking

Net income increased $341 million, or eight percent, to $4.5 billion in 2008 compared to 2007 as increased total revenue and lower noninterest expense were partially offset by an increase in provision for credit losses. Net interest income increased $2.1 billion, or 24 percent, driven by growth in average loans and leases of $64.1 billion, or 25 percent, and average deposits of $29.6 billion, or 20 percent. The increases in average loans and leases and average deposits were driven by the LaSalle acquisition and organic growth. Noninterest income decreased $42 million, or one percent, as *Global Banking's* share of write-downs on legacy assets was partially offset by an increase in service charges and the $388 million gain related to *Global Banking's* allocation of the Visa IPO gain. The increase in service charges was driven by organic growth, changes in our pricing structure and the LaSalle acquisition. The provision for credit losses increased $2.5 billion to $3.1 billion in 2008 compared to 2007. The increase was primarily driven by reserve additions and higher charge-offs primarily due to the continued weakness in the housing markets on the homebuilder portfolio. Also contributing to this increase were higher commercial – domestic and foreign net charge-offs which increased from very low 2007 levels and higher net charge-offs and reserve increases in the retail dealer-related loan portfolios due to deterioration and seasoning of the portfolio. Noninterest expense decreased $874 million, or 12 percent, primarily due to lower incentive compensation and the impact of certain benefits associated with the Visa IPO transactions, partially offset by the addition of LaSalle.

Global Markets

Global Markets recognized a net loss of $4.9 billion in 2008 compared to a net loss of $3.8 billion in 2007 as increased net interest income and reduced noninterest expense were more than offset by increased sales and trading losses. Sales and trading revenue was a net loss of $6.9 billion in 2008 as compared to a net loss of $2.6 billion in 2007. These decreases were driven by losses related to CDO exposure, our hedging activities including counterparty credit risk valuations and the continuing impact of the market disruptions on various parts of our business including the severe volatility, illiquidity and credit dislocations that

were experienced in the debt and equity markets in the fourth quarter of 2008. Partially offsetting these declines were favorable results in our rates and currencies products which benefited from volatility in interest rates and foreign exchange markets which also drove favorable client flows. Noninterest expense declined $834 million primarily due to lower performance-based incentive compensation.

Global Wealth & Investment Management

Net income decreased $527 million, or 27 percent, to $1.4 billion in 2008 as increases in net interest income and investment and brokerage services income were more than offset by losses associated with the support provided to certain cash funds, increases in provision for credit losses and noninterest expense as well as losses related to the buyback of ARS. Net interest income increased $877 million, or 22 percent, to $4.8 billion due to higher margin on ALM activities, the acquisitions of U.S. Trust Corporation and LaSalle, and growth in average deposit and loan balances partially offset by spread compression driven by deposit mix and competitive deposit pricing. *GWIM* average deposit growth benefited from the migration of customer relationships and related balances from *Deposits*, organic growth and the U.S. Trust Corporation and LaSalle acquisitions. Noninterest income decreased $625 million, or 17 percent, to $3.0 billion driven by $1.1 billion in losses during 2008 related to the support provided to certain cash funds and losses of $181 million related to the buyback of ARS. These losses were partially offset by an increase of $278 million in investment and brokerage services resulting from the U.S. Trust Corporation acquisition partially offset by the impact of significantly lower valuations in the equity markets. Provision for credit losses increased $649 million to $664 million as a result of higher credit costs due to the deterioration in the housing markets and the impacts of a slower economy. Noninterest expense increased $419 million, or nine percent, to $4.9 billion due to the addition of U.S. Trust Corporation and LaSalle, and higher initiative spending partially offset by lower discretionary incentive compensation.

All Other

Net income decreased $4.5 billion to a net loss of $1.2 billion due to a decrease in total revenue combined with increases in provision for credit losses and merger and restructuring charges. Net interest income increased $113 million primarily due to increased net interest income related to our functional activities partially offset by the reclassification to card income related to our funds transfer pricing for *Global Card Services'* securitizations. Noninterest income declined $3.3 billion to $820 million driven by decreases in equity investment income of $3.5 billion and all other income (loss) of $1.2 billion partially offset by increases in gains on sales of debt securities of $953 million and card income of $653 million. Excluding the securitization offset to present *Global Card Services* on a managed basis provision for credit losses increased $3.2 billion to $2.9 billion primarily due to higher credit costs related to our ALM, residential mortgage portfolio reflecting deterioration in the housing markets and the impacts of a slowing economy. Additionally, deterioration in our Countrywide discontinued real estate portfolio subsequent to the July 1, 2008 acquisition as well as the absence of 2007 reserve reductions also contributed to the increase in provision. Merger and restructuring charges increased $525 million to $935 million due to the integration costs associated with the Countrywide and LaSalle acquisitions.

Table I Year-to-date Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	2009 Average Balance	2009 Interest Income/ Expense	2009 Yield/ Rate	2008 Average Balance	2008 Interest Income/ Expense	2008 Yield/ Rate	2007 Average Balance	2007 Interest Income/ Expense	2007 Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments	$ 27,465	$ 713	2.60%	$ 10,696	$ 440	4.11%	$ 13,152	$ 627	4.77%
Federal funds sold and securities borrowed or purchased under agreements to resell	235,764	2,894	1.23	128,053	3,313	2.59	155,828	7,722	4.96
Trading account assets	217,048	8,236	3.79	186,579	9,259	4.96	187,287	9,747	5.20
Debt securities [1]	271,048	13,224	4.88	250,551	13,383	5.34	186,466	10,020	5.37
Loans and leases [2]:									
Residential mortgage [3]	249,335	13,535	5.43	260,244	14,657	5.63	264,650	15,112	5.71
Home equity	154,761	6,736	4.35	135,060	7,606	5.63	98,765	7,385	7.48
Discontinued real estate	17,340	1,082	6.24	10,898	858	7.87	n/a	n/a	n/a
Credit card – domestic	52,378	5,666	10.82	63,318	6,843	10.81	57,883	7,225	12.48
Credit card – foreign	19,655	2,122	10.80	16,527	2,042	12.36	12,359	1,502	12.15
Direct/Indirect consumer [4]	99,993	6,016	6.02	82,516	6,934	8.40	70,009	6,002	8.57
Other consumer [5]	3,303	237	7.17	3,816	321	8.41	4,510	389	8.64
Total consumer	596,765	35,394	5.93	572,379	39,261	6.86	508,176	37,615	7.40
Commercial – domestic	223,813	8,883	3.97	220,561	11,702	5.31	180,102	12,884	7.15
Commercial real estate [6]	73,349	2,372	3.23	63,208	3,057	4.84	42,950	3,145	7.32
Commercial lease financing	21,979	990	4.51	22,290	799	3.58	20,435	1,212	5.93
Commercial – foreign	32,899	1,406	4.27	32,440	1,503	4.63	24,491	1,452	5.93
Total commercial	352,040	13,651	3.88	338,499	17,061	5.04	267,978	18,693	6.98
Total loans and leases	948,805	49,045	5.17	910,878	56,322	6.18	776,154	56,308	7.25
Other earning assets	130,063	5,105	3.92	75,972	4,161	5.48	71,305	4,629	6.49
Total earning assets [7]	1,830,193	79,217	4.33	1,562,729	86,878	5.56	1,390,192	89,053	6.41
Cash and cash equivalents	196,237			45,354			33,091		
Other assets, less allowance for loan and lease losses	411,087			235,896			178,790		
Total assets	$2,437,517			$1,843,979			$1,602,073		
Interest-bearing liabilities									
Domestic interest-bearing deposits:									
Savings	$ 33,671	$ 215	0.64%	$ 32,204	$ 230	0.71%	$ 32,316	$ 188	0.58%
NOW and money market deposit accounts	358,847	1,557	0.43	267,818	3,781	1.41	220,207	4,361	1.98
Consumer CDs and IRAs	218,041	5,054	2.32	203,887	7,404	3.63	167,801	7,817	4.66
Negotiable CDs, public funds and other time deposits	37,661	473	1.26	32,264	1,076	3.33	20,557	974	4.74
Total domestic interest-bearing deposits	648,220	7,299	1.13	536,173	12,491	2.33	440,881	13,340	3.03
Foreign interest-bearing deposits:									
Banks located in foreign countries	19,397	144	0.74	37,657	1,063	2.82	42,788	2,174	5.08
Governments and official institutions	7,580	18	0.23	13,004	311	2.39	16,523	812	4.91
Time, savings and other	55,026	346	0.63	51,363	1,385	2.70	43,443	1,767	4.07
Total foreign interest-bearing deposits	82,003	508	0.62	102,024	2,759	2.70	102,754	4,753	4.63
Total interest-bearing deposits	730,223	7,807	1.07	638,197	15,250	2.39	543,635	18,093	3.33
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	488,644	5,512	1.13	455,710	12,362	2.71	424,814	21,967	5.17
Trading account liabilities	72,207	2,075	2.87	72,915	2,774	3.80	82,721	3,444	4.16
Long-term debt	446,634	15,413	3.45	231,235	9,938	4.30	169,855	9,359	5.51
Total interest-bearing liabilities [7]	1,737,708	30,807	1.77	1,398,057	40,324	2.88	1,221,025	52,863	4.33
Noninterest-bearing sources:									
Noninterest-bearing deposits	250,743			192,947			173,547		
Other liabilities	204,421			88,144			70,839		
Shareholders' equity	244,645			164,831			136,662		
Total liabilities and shareholders' equity	$2,437,517			$1,843,979			$1,602,073		
Net interest spread			2.56%			2.68%			2.08%
Impact of noninterest-bearing sources			0.09			0.30			0.52
Net interest income/yield on earning assets		$48,410	2.65%		$46,554	2.98%		$36,190	2.60%

(1) 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.
(2) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis.
(3) Includes foreign residential mortgages loans of $622 million in 2009. We did not have any material foreign residential mortgage loans prior to January 1, 2009.
(4) Includes foreign consumer loans of $8.0 billion, $2.7 billion and $3.8 billion in 2009, 2008 and 2007, respectively.
(5) Includes consumer finance loans of $2.4 billion, $2.8 billion and $3.2 billion in 2009, 2008 and 2007, respectively; and other foreign consumer loans of $657 million, $774 million and $1.1 billion in 2009, 2008 and 2007, respectively.
(6) Includes domestic commercial real estate loans of $70.7 billion, $62.1 billion and $42.1 billion in 2009, 2008 and 2007, respectively; and foreign commercial real estate loans of $2.7 billion, $1.1 billion and $858 million in 2009, 2008 and 2007.
(7) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets $456 million, $260 million and $542 million in 2009, 2008 and 2007, respectively. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on the underlying liabilities $(3.0) billion, $409 million and $813 million in 2009, 2008 and 2007, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 95.
n/a = not applicable

Table II Analysis of Changes in Net Interest Income – FTE Basis

(Dollars in millions)	From 2008 to 2009 Due to Change in [1] Volume	Rate	Net Change	From 2007 to 2008 Due to Change in [1] Volume	Rate	Net Change
Increase (decrease) in interest income						
Time deposits placed and other short-term investments	$ 689	$ (416)	$ 273	$ (117)	$ (70)	$ (187)
Federal funds sold and securities borrowed or purchased under agreements to resell	2,793	(3,212)	(419)	(1,371)	(3,038)	(4,409)
Trading account assets	1,507	(2,530)	(1,023)	(45)	(443)	(488)
Debt securities	1,091	(1,250)	(159)	3,435	(72)	3,363
Loans and leases:						
Residential mortgage	(619)	(503)	(1,122)	(252)	(203)	(455)
Home equity	1,107	(1,977)	(870)	2,717	(2,496)	221
Discontinued real estate	507	(283)	224	n/a	n/a	858
Credit card – domestic	(1,181)	4	(1,177)	677	(1,059)	(382)
Credit card – foreign	387	(307)	80	506	34	540
Direct/Indirect consumer	1,465	(2,383)	(918)	1,070	(138)	932
Other consumer	(43)	(41)	(84)	(59)	(9)	(68)
Total consumer			(3,867)			1,646
Commercial – domestic	182	(3,001)	(2,819)	2,886	(4,068)	(1,182)
Commercial real estate	493	(1,178)	(685)	1,482	(1,570)	(88)
Commercial lease financing	(12)	203	191	110	(523)	(413)
Commercial – foreign	20	(117)	(97)	472	(421)	51
Total commercial			(3,410)			(1,632)
Total loans and leases			(7,277)			14
Other earning assets	2,966	(2,022)	944	302	(770)	(468)
Total interest income			$(7,661)			$ (2,175)
Increase (decrease) in interest expense						
Domestic interest-bearing deposits:						
Savings	$ 9	$ (24)	$ (15)	$ (1)	$ 43	$ 42
NOW and money market deposit accounts	1,279	(3,503)	(2,224)	942	(1,522)	(580)
Consumer CDs and IRAs	511	(2,861)	(2,350)	1,684	(2,097)	(413)
Negotiable CDs, public funds and other time deposits	178	(781)	(603)	555	(453)	102
Total domestic interest-bearing deposits			(5,192)			(849)
Foreign interest-bearing deposits:						
Banks located in foreign countries	(516)	(403)	(919)	(261)	(850)	(1,111)
Governments and official institutions	(130)	(163)	(293)	(174)	(327)	(501)
Time, savings and other	101	(1,140)	(1,039)	323	(705)	(382)
Total foreign interest-bearing deposits			(2,251)			(1,994)
Total interest-bearing deposits			(7,443)			(2,843)
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	880	(7,730)	(6,850)	1,593	(11,198)	(9,605)
Trading account liabilities	(30)	(669)	(699)	(411)	(259)	(670)
Long-term debt	9,267	(3,792)	5,475	3,382	(2,803)	579
Total interest expense			(9,517)			(12,539)
Net increase in net interest income			$ 1,856			$ 10,364

[1] The changes for each category of interest income and expense are divided between the portion of change attributable to the variance in volume and the portion of change attributable to the variance in rate for that category. The unallocated change in rate or volume variance is allocated between the rate and volume variances.

n/a = not applicable

Table III Preferred Stock Cash Dividend Summary (as of February 26, 2010)

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series B [1]	$ 1	January 27, 2010	April 9, 2010	April 23, 2010	7.00%	$ 1.75
		October 28, 2009	January 11, 2010	January 25, 2010	7.00	1.75
		July 21, 2009	October 9, 2009	October 23, 2009	7.00	1.75
		April 29, 2009	July 10, 2009	July 24, 2009	7.00	1.75
		January 16, 2009	April 10, 2009	April 24, 2009	7.00	1.75
Series D [2]	$ 661	January 4, 2010	February 26, 2010	March 15, 2010	6.204%	$0.38775
		October 2, 2009	November 30, 2009	December 14, 2009	6.204	0.38775
		July 2, 2009	August 31, 2009	September 14, 2009	6.204	0.38775
		April 3, 2009	May 29, 2009	June 15, 2009	6.204	0.38775
		January 5, 2009	February 27, 2009	March 16, 2009	6.204	0.38775
Series E [2]	$ 487	January 4, 2010	January 29, 2010	February 16, 2010	Floating	$0.25556
		October 2, 2009	October 30, 2009	November 16, 2009	Floating	0.25556
		July 2, 2009	July 31, 2009	August 17, 2009	Floating	0.25556
		April 3, 2009	April 30, 2009	May 15, 2009	Floating	0.24722
		January 5, 2009	January 30, 2009	February 17, 2009	Floating	0.25556
Series H [2]	$2,862	January 4, 2010	January 15, 2010	February 1, 2010	8.20%	$0.51250
		October 2, 2009	October 15, 2009	November 2, 2009	8.20	0.51250
		July 2, 2009	July 15, 2009	August 3, 2009	8.20	0.51250
		April 3, 2009	April 15, 2009	May 1, 2009	8.20	0.51250
		January 5, 2009	January 15, 2009	February 2, 2009	8.20	0.51250
Series I [2]	$ 365	January 4, 2010	March 15, 2010	April 1, 2010	6.625%	$0.41406
		October 2, 2009	December 15, 2009	January 4, 2010	6.625	0.41406
		July 2, 2009	September 15, 2009	October 1, 2009	6.625	0.41406
		April 3, 2009	June 15, 2009	July 1, 2009	6.625	0.41406
		January 5, 2009	March 15, 2009	April 1, 2009	6.625	0.41406
Series J [2]	$ 978	January 4, 2010	January 15, 2010	February 1, 2010	7.25%	$0.45312
		October 2, 2009	October 15, 2009	November 2, 2009	7.25	0.45312
		July 2, 2009	July 15, 2009	August 3, 2009	7.25	0.45312
		April 3, 2009	April 15, 2009	May 1, 2009	7.25	0.45312
		January 5, 2009	January 15, 2009	February 2, 2009	7.25	0.45312
Series K [3, 4]	$1,668	January 4, 2010	January 15, 2010	February 1, 2010	Fixed-to-Floating	$ 40.00
		July 2, 2009	July 15, 2009	July 30, 2009	Fixed-to-Floating	40.00
		January 5, 2009	January 15, 2009	January 30, 2009	Fixed-to-Floating	40.00
Series L	$3,349	December 17, 2009	January 1, 2010	February 1, 2010	7.25%	$18.1250
		September 18, 2009	October 1, 2009	October 30, 2009	7.25	18.1250
		June 19, 2009	July 1, 2009	July 30, 2009	7.25	18.1250
		March 17, 2009	April 1, 2009	April 30, 2009	7.25	18.1250
Series M [3, 4]	$1,434	October 2, 2009	October 31, 2009	November 16, 2009	Fixed-to-Floating	$ 40.625
		April 3, 2009	April 30, 2009	May 15, 2009	Fixed-to-Floating	40.625
Series N [1, 5]	$ –	October 2, 2009	October 31, 2009	November 16, 2009	5.00%	$ 312.50
		July 2, 2009	July 31, 2009	August 17, 2009	5.00	312.50
		April 3, 2009	April 30, 2009	May 15, 2009	5.00	312.50
		January 5, 2009[6]	January 31, 2009	February 17, 2009	5.00	371.53
Series Q [1, 5]	$ –	October 2, 2009	October 31, 2009	November 16, 2009	5.00%	$ 312.50
		July 2, 2009	July 31, 2009	August 17, 2009	5.00	312.50
		April 3, 2009	April 30, 2009	May 15, 2009	5.00	312.50
		January 5, 2009[6]	January 31, 2009	February 17, 2009	5.00	125.00
Series R [1, 5]	$ –	October 2, 2009	October 31, 2009	November 16, 2009	8.00%	$ 500.00
		July 2, 2009	July 31, 2009	August 17, 2009	8.00	500.00
		April 3, 2009	April 30, 2009	May 15, 2009	8.00	500.00
		January 5, 2009[6]	January 31, 2009	February 17, 2009	8.00	161.11

Preferred Stock Cash Dividend Summary (as of February 26, 2010) continued

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series 1 [7]	$ 146	January 4, 2010	February 15, 2010	February 26, 2010	Floating	$ 0.19167
		October 2, 2009	November 15, 2009	November 30, 2009	Floating	0.19167
		July 2, 2009	August 15, 2009	August 28, 2009	Floating	0.19167
		April 3, 2009	May 15, 2009	May 28, 2009	Floating	0.18542
		January 5, 2009	February 15, 2009	February 27, 2009	Floating	0.19167
Series 2 [7]	$ 526	January 4, 2010	February 15, 2010	February 26, 2010	Floating	$ 0.19167
		October 2, 2009	November 15, 2009	November 30, 2009	Floating	0.19167
		July 2, 2009	August 15, 2009	August 28, 2009	Floating	0.19167
		April 3, 2009	May 15, 2009	May 28, 2009	Floating	0.18542
		January 5, 2009	February 15, 2009	February 27, 2009	Floating	0.19167
Series 3 [7]	$ 670	January 4, 2010	February 15, 2010	March 1, 2010	6.375%	$ 0.39843
		October 2, 2009	November 15, 2009	November 30, 2009	6.375	0.39843
		July 2, 2009	August 15, 2009	August 28, 2009	6.375	0.39843
		April 3, 2009	May 15, 2009	May 28, 2009	6.375	0.39843
		January 5, 2009	February 15, 2009	March 2, 2009	6.375	0.39843
Series 4 [7]	$ 389	January 4, 2010	February 15, 2010	February 26, 2010	Floating	$ 0.25556
		October 2, 2009	November 15, 2009	November 30, 2009	Floating	0.25556
		July 2, 2009	August 15, 2009	August 28, 2009	Floating	0.25556
		April 3, 2009	May 15, 2009	May 28, 2009	Floating	0.24722
		January 5, 2009	February 15, 2009	February 27, 2009	Floating	0.25556
Series 5 [7]	$ 606	January 4, 2010	February 1, 2010	February 22, 2010	Floating	$ 0.25556
		October 2, 2009	November 1, 2009	November 23, 2009	Floating	0.25556
		July 2, 2009	August 1, 2009	August 21, 2009	Floating	0.25556
		April 3, 2009	May 1, 2009	May 21, 2009	Floating	0.24722
		January 5, 2009	February 1, 2009	February 23, 2009	Floating	0.25556
Series 6 [8]	$ 65	January 4, 2010	March 15, 2010	March 30, 2010	6.70%	$ 0.41875
		October 2, 2009	December 15, 2009	December 30, 2009	6.70	0.41875
		July 2, 2009	September 15, 2009	September 30, 2009	6.70	0.41875
		April 3, 2009	June 15, 2009	June 30, 2009	6.70	0.41875
		January 5, 2009	March 15, 2009	March 30, 2009	6.70	0.41875
Series 7 [8]	$ 17	January 4, 2010	March 15, 2010	March 30, 2010	6.25%	$ 0.39062
		October 2, 2009	December 15, 2009	December 30, 2009	6.25	0.39062
		July 2, 2009	September 15, 2009	September 30, 2009	6.25	0.39062
		April 3, 2009	June 15, 2009	June 30, 2009	6.25	0.39062
		January 5, 2009	March 15, 2009	March 30, 2009	6.25	0.39062
Series 8 [7]	$2,673	January 4, 2010	February 15, 2010	March 1, 2010	8.625%	$ 0.53906
		October 2, 2009	November 15, 2009	November 30, 2009	8.625	0.53906
		July 2, 2009	August 15, 2009	August 28, 2009	8.625	0.53906
		April 3, 2009	May 15, 2009	May 28, 2009	8.625	0.53906
		January 5, 2009	February 15, 2009	March 2, 2009	8.625	0.53906
Series 2 (MC) [9]	$1,200	January 4, 2010	February 15, 2010	March 1, 2010	9.00%	$2,250.00
		October 2, 2009	November 15, 2009	November 30, 2009	9.00	2,250.00
		July 2, 2009	August 15, 2009	August 28, 2009	9.00	2,250.00
		April 3, 2009	May 15, 2009	May 28, 2009	9.00	2,250.00
		January 21, 2009	February 15, 2009	March 2, 2009	9.00	2,250.00
Series 3 (MC) [9]	$ 500	January 4, 2010	February 15, 2010	March 1, 2010	9.00%	$2,250.00
		October 2, 2009	November 15, 2009	November 30, 2009	9.00	2,250.00
		July 2, 2009	August 15, 2009	August 28, 2009	9.00	2,250.00
		April 3, 2009	May 15, 2009	May 28, 2009	9.00	2,250.00
		January 21, 2009	February 15, 2009	March 2, 2009	9.00	2,250.00

(1) Dividends are cumulative.
(2) Dividends per depositary share, each representing a 1/1000th interest in a share of preferred stock.
(3) Initially pays dividends semi-annually.
(4) Dividends per depositary share, each representing 1/25th interest in a share of preferred stock.
(5) In connection with the repurchase of the TARP preferred stock on December 9, 2009, the Corporation paid accrued and unpaid dividends to the date of repurchase of $83.33, $83.33 and $133.33 per share for Series N, Q and R, respectively.
(6) Initial dividends
(7) Dividends per depositary share, each representing a 1/1200th interest in a share of preferred stock.
(8) Dividends per depositary share, each representing 1/40th interest in a share of preferred stock.
(9) Represents preferred stock of Merrill Lynch & Co., Inc. which is mandatorily convertible (MC) on October 15, 2010, but optionally convertible prior to that date.

Table IV Outstanding Loans and Leases

(Dollars in millions)	December 31 2009	2008	2007	2006	2005
Consumer					
Residential mortgage [1]	**$242,129**	$248,063	$274,949	$241,181	$182,596
Home equity	**149,126**	152,483	114,820	87,893	70,229
Discontinued real estate [2]	**14,854**	19,981	n/a	n/a	n/a
Credit card – domestic	**49,453**	64,128	65,774	61,195	58,548
Credit card – foreign	**21,656**	17,146	14,950	10,999	–
Direct/Indirect consumer [3]	**97,236**	83,436	76,538	59,206	37,265
Other consumer [4]	**3,110**	3,442	4,170	5,231	6,819
Total consumer	**577,564**	588,679	551,201	465,705	355,457
Commercial					
Commercial – domestic [5]	**198,903**	219,233	208,297	161,982	140,533
Commercial real estate [6]	**69,447**	64,701	61,298	36,258	35,766
Commercial lease financing	**22,199**	22,400	22,582	21,864	20,705
Commercial – foreign	**27,079**	31,020	28,376	20,681	21,330
Total commercial loans-excluding loans measured at fair value	**317,628**	337,354	320,553	240,785	218,334
Commercial loans measured at fair value [7]	**4,936**	5,413	4,590	n/a	n/a
Total commercial	**322,564**	342,767	325,143	240,785	218,334
Total loans and leases	**$900,128**	$931,446	$876,344	$706,490	$573,791

(1) Includes foreign residential mortgages of $552 million at December 31, 2009 mainly from the Merrill Lynch acquisition. We did not have any material foreign residential mortgage loans prior to January 1, 2009.

(2) Includes $13.4 billion and $18.2 billion of pay option loans and $1.5 billion and $1.8 billion of subprime loans at December 31, 2009 and 2008. The Corporation no longer originates these products.

(3) Includes dealer financial services loans of $41.6 billion, $40.1 billion, $37.2 billion, $33.4 billion and $27.7 billion; consumer lending of $19.7 billion, $28.2 billion, $24.4 billion, $16.3 billion and $0; and foreign consumer loans of $8.0 billion, $1.8 billion, $3.4 billion, $3.9 billion and $48 million at December 31, 2009, 2008, 2007, 2006 and 2005, respectively. The 2009 amount includes securities-based lending margin loans of $12.9 billion.

(4) Includes consumer finance loans of $2.3 billion, $2.6 billion, $3.0 billion, $2.8 billion and $2.8 billion and other foreign consumer loans of $709 million, $618 million, $829 million, $2.3 billion and $3.8 billion at December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

(5) Includes small business commercial – domestic loans, including card related products, of $17.5 billion, $19.1 billion, $19.3 billion, $15.2 billion and $7.2 billion at December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

(6) Includes domestic commercial real estate loans of $66.5 billion, $63.7 billion, $60.2 billion, $35.7 billion and $35.2 billion, and foreign commercial real estate loans of $3.0 billion, $979 million, $1.1 billion, $578 million and $585 million at December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

(7) Certain commercial loans are accounted for under the fair value option and include commercial – domestic loans of $3.0 billion, $3.5 billion and $3.5 billion, commercial – foreign loans of $1.9 billion, $1.7 billion and $790 million, and commercial real estate loans of $90 million, $203 million and $304 million at December 31, 2009, 2008 and 2007, respectively.

n/a = not applicable

Table V Nonperforming Loans, Leases and Foreclosed Properties [1]

(Dollars in millions)	December 31 2009	2008	2007	2006	2005
Consumer					
Residential mortgage	**$16,596**	$ 7,057	$1,999	$ 660	$ 570
Home equity	**3,804**	2,637	1,340	289	151
Discontinued real estate	**249**	77	n/a	n/a	n/a
Direct/Indirect consumer	**86**	26	8	4	3
Other consumer	**104**	91	95	77	61
Total consumer [2]	**20,839**	9,888	3,442	1,030	785
Commercial					
Commercial – domestic [3]	**4,925**	2,040	852	494	550
Commercial real estate	**7,286**	3,906	1,099	118	49
Commercial lease financing	**115**	56	33	42	62
Commercial – foreign	**177**	290	19	13	34
	12,503	6,292	2,003	667	695
Small business commercial – domestic	**200**	205	152	90	31
Total commercial [4]	**12,703**	6,497	2,155	757	726
Total nonperforming loans and leases	**33,542**	16,385	5,597	1,787	1,511
Foreclosed properties	**2,205**	1,827	351	69	92
Total nonperforming loans, leases and foreclosed properties [5]	**$35,747**	$18,212	$5,948	$1,856	$1,603

(1) Balances do not include purchased impaired loans even though the customer may be contractually past due. Loans accounted for as purchased impaired loans were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.

(2) In 2009, $1.4 billion in interest income was estimated to be contractually due on consumer loans and leases classified as nonperforming at December 31, 2009 provided that these loans and leases had been paying according to their terms and conditions, including troubled debt restructured loans of which $3.0 billion were performing at December 31, 2009 and not included in the table above. Approximately $194 million of the estimated $1.4 billion in contractual interest was received and included in earnings for 2009.

(3) Excludes small business commercial – domestic loans.

(4) In 2009, $450 million in interest income was estimated to be contractually due on commercial loans and leases classified as nonperforming at December 31, 2009, including troubled debt restructured loans of which $91 million were performing at December 31, 2009 and not included in the table above. Approximately $128 million of the estimated $450 million in contractual interest was received and included in earnings for 2009.

(5) Balances do not include loans accounted for under the fair value option. At December 31, 2009, there were $15 million of nonperforming loans accounted for under the fair value option. At December 31, 2009, there were $87 million of loans or leases past due 90 days or more and still accruing interest accounted for under the fair value option.

n/a = not applicable

Table VI Accruing Loans and Leases Past Due 90 Days or More [1]

(Dollars in millions)	December 31				
	2009	2008	2007	2006	2005
Consumer					
Residential mortgage [2]	**$11,680**	$ 372	$ 237	$ 118	$ –
Credit card – domestic	**2,158**	2,197	1,855	1,991	1,197
Credit card – foreign	**500**	368	272	184	–
Direct/Indirect consumer	**1,488**	1,370	745	378	75
Other consumer	**3**	4	4	7	15
Total consumer	**15,829**	4,311	3,113	2,678	1,287
Commercial					
Commercial – domestic [3]	**213**	381	119	66	79
Commercial real estate	**80**	52	36	78	4
Commercial lease financing	**32**	23	25	26	15
Commercial – foreign	**67**	7	16	9	32
	392	463	196	179	130
Small business commercial – domestic	**624**	640	427	199	38
Total commercial	**1,016**	1,103	623	378	168
Total accruing loans and leases past due 90 days or more [4]	**$16,845**	$5,414	$3,736	$3,056	$1,455

(1) Accruing loans past due 90 days or more do not include purchased impaired loans which were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.
(2) Balances represent repurchases of insured or guaranteed loans.
(3) Excludes small business commercial – domestic loans.
(4) Balances do not include loans accounted for under the fair value option. At December 31, 2009 there were $87 million of loans past due 90 days or more and still accruing interest accounted for under the fair value option.

Table VII Allowance for Credit Losses

(Dollars in millions)	2009	2008	2007	2006	2005
Allowance for loan and lease losses, January 1	**$ 23,071**	$ 11,588	$ 9,016	$ 8,045	$ 8,626
Loans and leases charged off					
Residential mortgage	**(4,436)**	(964)	(78)	(74)	(58)
Home equity	**(7,205)**	(3,597)	(286)	(67)	(46)
Discontinued real estate	**(104)**	(19)	n/a	n/a	n/a
Credit card – domestic	**(6,753)**	(4,469)	(3,410)	(3,546)	(4,018)
Credit card – foreign	**(1,332)**	(639)	(453)	(292)	–
Direct/Indirect consumer	**(6,406)**	(3,777)	(1,885)	(857)	(380)
Other consumer	**(491)**	(461)	(346)	(327)	(376)
Total consumer charge-offs	**(26,727)**	(13,926)	(6,458)	(5,163)	(4,878)
Commercial – domestic [1]	**(5,237)**	(2,567)	(1,135)	(597)	(535)
Commercial real estate	**(2,744)**	(895)	(54)	(7)	(5)
Commercial lease financing	**(217)**	(79)	(55)	(28)	(315)
Commercial – foreign	**(558)**	(199)	(28)	(86)	(61)
Total commercial charge-offs	**(8,756)**	(3,740)	(1,272)	(718)	(916)
Total loans and leases charged off	**(35,483)**	(17,666)	(7,730)	(5,881)	(5,794)
Recoveries of loans and leases previously charged off					
Residential mortgage	**86**	39	22	35	31
Home equity	**155**	101	12	16	15
Discontinued real estate	**3**	3	n/a	n/a	n/a
Credit card – domestic	**206**	308	347	452	366
Credit card – foreign	**93**	88	74	67	–
Direct/Indirect consumer	**943**	663	512	247	132
Other consumer	**63**	62	68	110	101
Total consumer recoveries	**1,549**	1,264	1,035	927	645
Commercial – domestic [2]	**161**	118	128	261	365
Commercial real estate	**42**	8	7	4	5
Commercial lease financing	**22**	19	53	56	84
Commercial – foreign	**21**	26	27	94	133
Total commercial recoveries	**246**	171	215	415	587
Total recoveries of loans and leases previously charged off	**1,795**	1,435	1,250	1,342	1,232
Net charge-offs	**(33,688)**	(16,231)	(6,480)	(4,539)	(4,562)
Provision for loan and lease losses	**48,366**	26,922	8,357	5,001	4,021
Write-downs on consumer purchased impaired loans [3]	**(179)**	n/a	n/a	n/a	n/a
Other [4]	**(370)**	792	695	509	(40)
Allowance for loan and lease losses, December 31	**37,200**	23,071	11,588	9,016	8,045
Reserve for unfunded lending commitments, January 1	**421**	518	397	395	402
Provision for unfunded lending commitments	**204**	(97)	28	9	(7)
Other [5]	**862**	–	93	(7)	–
Reserve for unfunded lending commitments, December 31	**1,487**	421	518	397	395
Allowance for credit losses, December 31	**$ 38,687**	$ 23,492	$ 12,106	$ 9,413	$ 8,440
Loans and leases outstanding at December 31 [6]	**$895,192**	$926,033	$871,754	$706,490	$573,791
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 [3, 6]	**4.16%**	2.49%	1.33%	1.28%	1.40%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31 [3]	**4.81**	2.83	1.23	1.19	1.27
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 [3]	**2.96**	1.90	1.51	1.44	1.62
Average loans and leases outstanding [3, 6]	**$941,862**	$905,944	$773,142	$652,417	$537,218
Net charge-offs as a percentage of average loans and leases outstanding [3, 6]	**3.58%**	1.79%	0.84%	0.70%	0.85%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 [3, 6]	**111**	141	207	505	532
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [3]	**1.10**	1.42	1.79	1.99	1.76

(1) Includes small business commercial – domestic charge-offs of $3.0 billion, $2.0 billion, $931 million and $424 million in 2009, 2008, 2007 and 2006, respectively. Small business commercial – domestic charge offs were not material in 2005.

(2) Includes small business commercial – domestic recoveries of $65 million, $39 million, $51 million and $54 million in 2009, 2008, 2007 and 2006, respectively. Small business commercial – domestic recoveries were not material in 2005.

(3) Allowance for loan and leases losses includes $3.9 billion and $750 million of valuation allowance for consumer purchased impaired loans at December 31, 2009 and 2008. Excluding the valuation allowance for purchased impaired loans, allowance for loan and leases losses as a percentage of total nonperforming loans and leases would have been 99 percent and 136 percent at December 31, 2009 and 2008. For more information on the impact of purchased impaired loans on asset quality statistics, see Consumer Portfolio Credit Risk Management beginning on page 66 and Commercial Portfolio Credit Risk Management beginning on page 76.

(4) The 2009 amount includes a $750 million reduction in the allowance for loan and lease losses related to credit card loans of $8.5 billion which were exchanged for a $7.8 billion held-to-maturity debt security that was issued by the Corporation's U.S. Credit Card Securitization Trust and retained by the Corporation. This reduction was partially offset by a $340 million increase associated with the reclassification to other assets of the December 31, 2008 amount expected to be reimbursed under residential mortgage cash collateralized synthetic securitizations. The 2008 amount includes the $1.2 billion addition of the Countrywide allowance for loan losses as of July 1, 2008. The 2007 amount includes the $725 million and $25 million additions of the LaSalle and U.S. Trust Corporation allowance for loan losses as of October 1, 2007 and July 1, 2007 and a reduction of $32 million for the adjustment from the adoption of the fair value option accounting guidance. The 2006 amount includes the $577 billion addition of the MBNA Corporation allowance for loan losses as of January 1, 2006

(5) The 2009 amount represents the fair value of the acquired Merrill Lynch unfunded lending commitments excluding those accounted for under the fair value option, net of accretion and the impact of funding previously unfunded positions. The 2007 amount includes the $124 million addition of the LaSalle reserve for unfunded lending commitments as of October 1, 2007 and a $28 million reduction for the adjustment from the adoption of the fair value option accounting guidance.

(6) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option at and for the years ended December 31, 2009, 2008 and 2007. Loans measured at fair value were $4.9 billion, $5.4 billion and $4.6 billion at December 31, 2009, 2008 and 2007, respectively. Average loans accounted for under the fair value option were $6.9 billion, $4.9 billion and $3.0 billion for 2009, 2008 and 2007, respectively.

n/a = not applicable

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

	December 31									
	2009		2008		2007		2006		2005	
(Dollars in millions)	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Allowance for loan and lease losses										
Residential mortgage	**$ 4,607**	**12.38%**	$ 1,382	5.99%	$ 207	1.79%	$ 248	2.75%	$ 277	3.44%
Home equity	**10,160**	**27.31**	5,385	23.34	963	8.31	133	1.48	136	1.69
Discontinued real estate	**989**	**2.66**	658	2.85	n/a	n/a	n/a	n/a	n/a	n/a
Credit card – domestic	**6,017**	**16.18**	3,947	17.11	2,919	25.19	3,176	35.23	3,301	41.03
Credit card – foreign	**1,581**	**4.25**	742	3.22	441	3.81	336	3.73	-	-
Direct/Indirect consumer	**4,227**	**11.36**	4,341	18.81	2,077	17.92	1,378	15.28	421	5.23
Other consumer	**204**	**0.55**	203	0.88	151	1.30	289	3.20	380	4.73
Total consumer	**27,785**	**74.69**	16,658	72.20	6,758	58.32	5,560	61.67	4,515	56.12
Commercial – domestic [1]	**5,152**	**13.85**	4,339	18.81	3,194	27.56	2,162	23.98	2,100	26.10
Commercial real estate	**3,567**	**9.59**	1,465	6.35	1,083	9.35	588	6.52	609	7.57
Commercial lease financing	**291**	**0.78**	223	0.97	218	1.88	217	2.41	232	2.89
Commercial – foreign	**405**	**1.09**	386	1.67	335	2.89	489	5.42	589	7.32
Total commercial [2]	**9,415**	**25.31**	6,413	27.80	4,830	41.68	3,456	38.33	3,530	43.88
Allowance for loan and lease losses	**37,200**	**100.00%**	23,071	100.00%	11,588	100.00%	9,016	100.00%	8,045	100.00%
Reserve for unfunded lending commitments [3]	**1,487**		421		518		397		395	
Allowance for credit losses [4]	**$38,687**		$23,492		$12,106		$9,413		$8,440	

(1) Includes allowance for small business commercial – domestic loans of $2.4 billion, $2.4 billion, $1.4 billion and $578 million at December 31, 2009, 2008, 2007 and 2006, respectively. The allowance for small business commercial – domestic loans was not material in 2005.
(2) Includes allowance for loan and lease losses for impaired commercial loans of $1.2 billion, $691 million, $123 million, $43 million and $55 million at December 31, 2009, 2008, 2007, 2006 and 2005, respectively.
(3) Amounts for 2009 include the Merrill Lynch acquisition. The majority of the increase from December 31, 2008 relates to the fair value of the acquired Merrill Lynch unfunded lending commitments, excluding commitments accounted for under the fair value option.
(4) Includes $3.9 billion and $750 million related to purchased impaired loans at December 31, 2009 and 2008.
n/a = not applicable

Table IX Selected Loan Maturity Data [1, 2]

	December 31, 2009			
(Dollars in millions)	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years	Total
Commercial – domestic	$ 69,112	$ 90,528	$42,239	**$201,879**
Commercial real estate – domestic	30,926	26,463	9,154	**66,543**
Foreign and other [3]	25,157	8,361	262	**33,780**
Total selected loans	$125,195	$125,352	$51,655	**$302,202**
Percent of total	41.4%	41.5%	17.1%	**100.0%**
Sensitivity of selected loans to changes in interest rates for loans due after one year:				
Fixed interest rates		$ 12,612	$28,247	
Floating or adjustable interest rates		112,740	23,408	
Total		**$125,352**	**$51,655**	

(1) Loan maturities are based on the remaining maturities under contractual terms.
(2) Includes loans accounted for under the fair value option.
(3) Loan maturities include other consumer, commercial real estate and commercial – foreign loans.

Table X Non-exchange Traded Commodity Contracts

(Dollars in millions)	December 31, 2009 Asset Positions	Liability Positions
Net fair value of contracts outstanding, January 1, 2009	$ 9,433	$ 6,726
Effects of legally enforceable master netting agreements	30,021	30,021
Gross fair value of contracts outstanding, January 1, 2009	39,454	36,747
Contracts realized or otherwise settled	(19,654)	(18,623)
Fair value of new contracts	9,231	9,284
Other changes in fair value	(6,210)	(5,865)
Gross fair value of contracts outstanding, December 31, 2009	22,821	21,543
Effects of legally enforceable master netting agreements	(17,785)	(17,785)
Net fair value of contracts outstanding, December 31, 2009	**$ 5,036**	**$ 3,758**

Table XI Non-exchange Traded Commodity Contract Maturities

(Dollars in millions)	December 31, 2009 Asset Positions	Liability Positions
Maturity of less than 1 year	$ 16,161	$ 15,431
Maturity of 1-3 years	4,603	4,295
Maturity of 4-5 years	774	542
Maturity in excess of 5 years	1,283	1,275
Gross fair value of contracts outstanding	22,821	21,543
Effects of legally enforceable master netting agreements	(17,785)	(17,785)
Net fair value of contracts outstanding	**$ 5,036**	**$ 3,758**

Table XII Selected Quarterly Financial Data

(Dollars in millions, except per share information)	2009 Quarters				2008 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Income statement								
Net interest income	**$ 11,559**	$ 11,423	$ 11,630	$ 12,497	$ 13,106	$ 11,642	$ 10,621	$ 9,991
Noninterest income	**13,517**	14,612	21,144	23,261	2,574	7,979	9,789	7,080
Total revenue, net of interest expense	**25,076**	26,035	32,774	35,758	15,680	19,621	20,410	17,071
Provision for credit losses	**10,110**	11,705	13,375	13,380	8,535	6,450	5,830	6,010
Noninterest expense, before merger and restructuring charges	**15,852**	15,712	16,191	16,237	10,641	11,413	9,447	9,093
Merger and restructuring charges	**533**	594	829	765	306	247	212	170
Income (loss) before income taxes	**(1,419)**	(1,976)	2,379	5,376	(3,802)	1,511	4,921	1,798
Income tax expense (benefit)	**(1,225)**	(975)	(845)	1,129	(2,013)	334	1,511	588
Net income (loss)	**(194)**	(1,001)	3,224	4,247	(1,789)	1,177	3,410	1,210
Net income (loss) applicable to common shareholders	**(5,196)**	(2,241)	2,419	2,814	(2,392)	704	3,224	1,020
Average common shares issued and outstanding (in thousands)	**8,634,565**	8,633,834	7,241,515	6,370,815	4,957,049	4,543,963	4,435,719	4,427,823
Average diluted common shares issued and outstanding (in thousands)	**8,634,565**	8,633,834	7,269,518	6,431,027	4,957,049	4,547,578	4,444,098	4,461,201
Performance ratios								
Return on average assets	**n/m**	n/m	0.53%	0.68%	n/m	0.25%	0.78%	0.28%
Return on average common shareholders' equity	**n/m**	n/m	5.59	7.10	n/m	1.97	9.25	2.90
Return on average tangible common shareholders' equity [1]	**n/m**	n/m	12.68	16.15	n/m	5.34	23.78	7.37
Return on average tangible shareholders' equity [1]	**n/m**	n/m	8.86	12.42	n/m	6.11	18.12	7.06
Total ending equity to total ending assets	**10.41%**	11.45%	11.32	10.32	9.74%	8.79	9.48	9.00
Total average equity to total average assets	**10.35**	10.71	10.03	9.08	9.06	8.73	9.20	8.77
Dividend payout	**n/m**	n/m	3.56	2.28	n/m	n/m	88.67	n/m
Per common share data								
Earnings (loss)	**$ (0.60)**	$ (0.26)	$ 0.33	$ 0.44	$ (0.48)	$ 0.15	$ 0.72	$ 0.23
Diluted earnings (loss)	**(0.60)**	(0.26)	0.33	0.44	(0.48)	0.15	0.72	0.23
Dividends paid	**0.01**	0.01	0.01	0.01	0.32	0.64	0.64	0.64
Book value	**21.48**	22.99	22.71	25.98	27.77	30.01	31.11	31.22
Tangible book value [1]	**11.94**	12.00	11.66	10.88	10.11	10.50	11.87	11.90
Market price per share of common stock								
Closing	**$ 15.06**	$ 16.92	$ 13.20	$ 6.82	$ 14.08	$ 35.00	$ 23.87	$ 37.91
High closing	**18.59**	17.98	14.17	14.33	38.13	37.48	40.86	45.03
Low closing	**14.58**	11.84	7.05	3.14	11.25	18.52	23.87	35.31
Market capitalization	**$ 130,273**	$ 146,363	$ 114,199	$ 43,654	$ 70,645	$ 159,672	$ 106,292	$ 168,806
Average balance sheet								
Total loans and leases	**$ 905,913**	$ 930,255	$ 966,105	$ 994,121	$ 941,563	$ 946,914	$ 878,639	$ 875,661
Total assets	**2,421,531**	2,390,675	2,420,317	2,519,134	1,948,854	1,905,691	1,754,613	1,764,927
Total deposits	**995,160**	989,295	974,892	964,081	892,141	857,845	786,002	787,623
Long-term debt	**445,440**	449,974	444,131	446,975	255,709	264,934	205,194	198,463
Common shareholders' equity	**197,123**	197,230	173,497	160,739	142,535	142,303	140,243	141,456
Total shareholders' equity	**250,599**	255,983	242,867	228,766	176,566	166,454	161,428	154,728
Asset quality [2]								
Allowance for credit losses [3]	**$ 38,687**	$ 37,399	$ 35,777	$ 31,150	$ 23,492	$ 20,773	$ 17,637	$ 15,398
Nonperforming loans, leases and foreclosed properties [4]	**35,747**	33,825	30,982	25,632	18,212	13,576	9,749	7,827
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [4]	**4.16%**	3.95%	3.61%	3.00%	2.49%	2.17%	1.98%	1.71%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [4]	**111**	112	116	122	141	173	187	203
Net charge-offs	**$ 8,421**	$ 9,624	$ 8,701	$ 6,942	$ 5,541	$ 4,356	$ 3,619	$ 2,715
Annualized net charge-offs as a percentage of average loans and leases outstanding [4]	**3.71%**	4.13%	3.64%	2.85%	2.36%	1.84%	1.67%	1.25%
Nonperforming loans and leases as a percentage of total loans and leases outstanding [4]	**3.75**	3.51	3.12	2.47	1.77	1.25	1.06	0.84
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [4]	**3.98**	3.72	3.31	2.64	1.96	1.45	1.13	0.90
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	**1.11**	0.94	0.97	1.03	1.05	1.17	1.18	1.36
Capital ratios (period end)								
Risk-based capital:								
Tier 1 common	**7.81%**	7.25%	6.90%	4.49%	4.80%	4.23%	4.78%	4.64%
Tier 1	**10.40**	12.46	11.93	10.09	9.15	7.55	8.25	7.51
Total	**14.66**	16.69	15.99	14.03	13.00	11.54	12.60	11.71
Tier 1 leverage	**6.91**	8.39	8.21	7.07	6.44	5.51	6.07	5.59
Tangible equity [1]	**6.42**	7.55	7.39	6.42	5.11	4.13	4.72	4.26
Tangible common equity [1]	**5.57**	4.82	4.67	3.13	2.93	2.75	3.24	3.21

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data beginning on page 37.

(2) For more information on the impact of purchased impaired loans on asset quality statistics, see Consumer Portfolio Credit Risk Management beginning on page 66 and Commercial Portfolio Credit Risk Management beginning on page 76.

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

(4) Balances and ratios do not include loans accounted for under the fair value option.

n/m = not meaningful

Table XIII Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Fourth Quarter 2009 Average Balance	Fourth Quarter 2009 Interest Income/ Expense	Fourth Quarter 2009 Yield/ Rate	Third Quarter 2009 Average Balance	Third Quarter 2009 Interest Income/ Expense	Third Quarter 2009 Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments	$ 28,566	$ 220	3.06%	$ 29,485	$ 133	1.79%
Federal funds sold and securities borrowed or purchased under agreements to resell	244,914	327	0.53	223,039	722	1.28
Trading account assets	218,787	1,800	3.28	212,488	1,909	3.58
Debt securities [1]	279,231	2,921	4.18	263,712	3,048	4.62
Loans and leases [2]:						
Residential mortgage [3]	236,883	3,108	5.24	241,924	3,258	5.38
Home equity	150,704	1,613	4.26	153,269	1,614	4.19
Discontinued real estate	15,152	174	4.58	16,570	219	5.30
Credit card – domestic	49,213	1,336	10.77	49,751	1,349	10.76
Credit card – foreign	21,680	605	11.08	21,189	562	10.52
Direct/Indirect consumer [4]	98,938	1,361	5.46	100,012	1,439	5.71
Other consumer [5]	3,177	50	6.33	3,331	60	7.02
Total consumer	575,747	8,247	5.70	586,046	8,501	5.77
Commercial – domestic	207,050	2,090	4.01	216,332	2,132	3.91
Commercial real estate [6]	71,352	595	3.31	74,276	600	3.20
Commercial lease financing	21,769	273	5.04	22,068	178	3.22
Commercial – foreign	29,995	287	3.78	31,533	297	3.74
Total commercial	330,166	3,245	3.90	344,209	3,207	3.70
Total loans and leases	905,913	11,492	5.05	930,255	11,708	5.01
Other earning assets	130,487	1,222	3.72	131,021	1,333	4.05
Total earning assets [7]	1,807,898	17,982	3.96	1,790,000	18,853	4.19
Cash and cash equivalents	230,618			196,116		
Other assets, less allowance for loan and lease losses	383,015			404,559		
Total assets	$2,421,531			$2,390,675		
Interest-bearing liabilities						
Domestic interest-bearing deposits:						
Savings	$ 33,749	$ 54	0.63%	$ 34,170	$ 49	0.57%
NOW and money market deposit accounts	392,212	388	0.39	356,873	353	0.39
Consumer CDs and IRAs	192,779	835	1.72	214,284	1,100	2.04
Negotiable CDs, public funds and other time deposits	31,758	82	1.04	48,905	118	0.95
Total domestic interest-bearing deposits	650,498	1,359	0.83	654,232	1,620	0.98
Foreign interest-bearing deposits:						
Banks located in foreign countries	16,477	30	0.73	15,941	29	0.73
Governments and official institutions	6,650	4	0.23	6,488	4	0.23
Time, savings and other	54,469	79	0.57	53,013	57	0.42
Total foreign interest-bearing deposits	77,596	113	0.58	75,442	90	0.47
Total interest-bearing deposits	728,094	1,472	0.80	729,674	1,710	0.93
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	450,538	658	0.58	411,063	1,237	1.19
Trading account liabilities	83,118	591	2.82	73,290	455	2.46
Long-term debt	445,440	3,365	3.01	449,974	3,698	3.27
Total interest-bearing liabilities [7]	1,707,190	6,086	1.42	1,664,001	7,100	1.70
Noninterest-bearing sources:						
Noninterest-bearing deposits	267,066			259,621		
Other liabilities	196,676			211,070		
Shareholders' equity	250,599			255,983		
Total liabilities and shareholders' equity	$2,421,531			$2,390,675		
Net interest spread			2.54%			2.49%
Impact of noninterest-bearing sources			0.08			0.12
Net interest income/yield on earning assets		$11,896	2.62%		$11,753	2.61%

(1) 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.
(2) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis. Purchased impaired loans were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.
(3) Includes foreign residential mortgage loans of $550 million, $662 million, $650 million and $627 million for the fourth, third, second and first quarters of 2009, respectively.
(4) Includes foreign consumer loans of $8.6 billion, $8.4 billion, $8.0 billion and $7.1 billion in the fourth, third, second and first quarters of 2009, respectively, and $2.0 billion in the fourth quarter of 2008.
(5) Includes consumer finance loans of $2.3 billion, $2.4 billion, $2.5 billion and $2.6 billion in the fourth, third, second and first quarters of 2009, respectively, and $2.7 billion in the fourth quarter of 2008; and other foreign consumer loans of $689 million, $700 million, $640 million and $596 million in the fourth, third, second and first quarters of 2009, respectively, and $654 million in the fourth quarter of 2008.
(6) Includes domestic commercial real estate loans of $68.2 billion, $70.7 billion, $72.8 billion and $70.9 billion in the fourth, third, second and first quarters of 2009, respectively, and $63.6 billion in the fourth quarter of 2008; and foreign commercial real estate loans of $3.1 billion, $3.6 billion, $2.8 billion and $1.3 billion in the fourth, third, second and first quarters of 2009, respectively, and $964 million in the fourth quarter of 2008.
(7) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on assets $248 million, $136 million, $11 million and $61 million in the fourth, third, second and first quarters of 2009, respectively, and $41 million in the fourth quarter of 2008. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on liabilities $(1.1) billion, $(873) million, $(550) million and $(512) million in the fourth, third, second and first quarters of 2009, respectively, and $237 million in the fourth quarter of 2008. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 95.

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

(Dollars in millions)	Second Quarter 2009 Average Balance	Second Quarter 2009 Interest Income/ Expense	Second Quarter 2009 Yield/ Rate	First Quarter 2009 Average Balance	First Quarter 2009 Interest Income/ Expense	First Quarter 2009 Yield/ Rate	Fourth Quarter 2008 Average Balance	Fourth Quarter 2008 Interest Income/ Expense	Fourth Quarter 2008 Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments	$ 25,604	$ 169	2.64%	$ 26,158	$ 191	2.96%	$ 10,511	$ 158	5.97%
Federal funds sold and securities borrowed or purchased under agreements to resell	230,955	690	1.20	244,280	1,155	1.90	104,843	393	1.50
Trading account assets	199,820	2,028	4.07	237,350	2,499	4.24	179,687	2,170	4.82
Debt securities [1]	255,159	3,353	5.26	286,249	3,902	5.47	280,942	3,913	5.57
Loans and leases [2]:									
Residential mortgage [3]	253,803	3,489	5.50	265,121	3,680	5.57	253,560	3,596	5.67
Home equity	156,599	1,722	4.41	158,575	1,787	4.55	151,943	1,954	5.12
Discontinued real estate	18,309	303	6.61	19,386	386	7.97	21,324	459	8.60
Credit card – domestic	51,721	1,380	10.70	58,960	1,601	11.01	64,906	1,784	10.94
Credit card – foreign	18,825	501	10.66	16,858	454	10.94	17,211	521	12.05
Direct/Indirect consumer [4]	100,302	1,532	6.12	100,741	1,684	6.78	83,331	1,714	8.18
Other consumer [5]	3,298	63	7.77	3,408	64	7.50	3,544	70	7.83
Total consumer	602,857	8,990	5.97	623,049	9,656	6.25	595,819	10,098	6.76
Commercial – domestic	231,639	2,176	3.77	240,683	2,485	4.18	226,095	2,890	5.09
Commercial real estate [6]	75,559	627	3.33	72,206	550	3.09	64,586	706	4.35
Commercial lease financing	22,026	260	4.72	22,056	279	5.05	22,069	242	4.40
Commercial – foreign	34,024	360	4.24	36,127	462	5.18	32,994	373	4.49
Total commercial	363,248	3,423	3.78	371,072	3,776	4.12	345,744	4,211	4.85
Total loans and leases	966,105	12,413	5.15	994,121	13,432	5.46	941,563	14,309	6.06
Other earning assets	134,338	1,251	3.73	124,325	1,299	4.22	99,127	959	3.85
Total earning assets [7]	1,811,981	19,904	4.40	1,912,483	22,478	4.74	1,616,673	21,902	5.40
Cash and cash equivalents	204,354			153,007			77,388		
Other assets, less allowance for loan and lease losses	403,982			453,644			254,793		
Total assets	$2,420,317			$2,519,134			$1,948,854		
Interest-bearing liabilities									
Domestic interest-bearing deposits:									
Savings	$ 34,367	$ 54	0.63%	$ 32,378	$ 58	0.72%	$ 31,561	$ 58	0.73%
NOW and money market deposit accounts	342,570	376	0.44	343,215	440	0.52	285,410	813	1.13
Consumer CDs and IRAs	229,392	1,409	2.46	235,787	1,710	2.93	229,410	1,835	3.18
Negotiable CDs, public funds and other time deposits	39,100	124	1.28	31,188	149	1.94	36,510	270	2.94
Total domestic interest-bearing deposits	645,429	1,963	1.22	642,568	2,357	1.49	582,891	2,976	2.03
Foreign interest-bearing deposits:									
Banks located in foreign countries	19,261	37	0.76	26,052	48	0.75	41,398	125	1.20
Governments and official institutions	7,379	4	0.22	9,849	6	0.25	13,738	30	0.87
Time, savings and other	54,307	78	0.58	58,380	132	0.92	48,836	165	1.34
Total foreign interest-bearing deposits	80,947	119	0.59	94,281	186	0.80	103,972	320	1.22
Total interest-bearing deposits	726,376	2,082	1.15	736,849	2,543	1.40	686,863	3,296	1.91
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	503,451	1,396	1.11	591,928	2,221	1.52	459,743	1,910	1.65
Trading account liabilities	62,778	450	2.87	69,481	579	3.38	65,058	524	3.20
Long-term debt	444,131	4,034	3.64	446,975	4,316	3.89	255,709	2,766	4.32
Total interest-bearing liabilities [7]	1,736,736	7,962	1.84	1,845,233	9,659	2.11	1,467,373	8,496	2.30
Noninterest-bearing sources:									
Noninterest-bearing deposits	248,516			227,232			205,278		
Other liabilities	192,198			217,903			99,637		
Shareholders' equity	242,867			228,766			176,566		
Total liabilities and shareholders' equity	$2,420,317			$2,519,134			$1,948,854		
Net interest spread			2.56%			2.63%			3.10%
Impact of noninterest-bearing sources			0.08			0.07			0.21
Net interest income/yield on earning assets		$11,942	2.64%		$12,819	2.70%		$13,406	3.31%

For Footnotes, see page 118.

Glossary

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

Asset-Backed Commercial Paper Money Market Fund Liquidity Facility (AMLF) – A lending program created by the Federal Reserve on September 19, 2008 that provides nonrecourse loans to U.S. financial institutions for the purchase of U.S. dollar-denominated high-quality asset-backed commercial paper from money market mutual funds under certain conditions. This program is intended to assist money market funds that hold such paper in meeting demands for redemptions by investors and to foster liquidity in the asset-backed commercial paper market and money markets more generally. Financial institutions generally bear no credit risk associated with commercial paper purchased under the AMLF.

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

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

At-the-market Offering – A form of equity issuance where an exchange-listed company incrementally sells newly issued shares into the market through a designated broker/dealer at prevailing market prices, rather than via a traditional underwritten offering of a fixed number of shares at a fixed price all at once.

Bridge Financing – A loan or security that is expected to be replaced by permanent financing (debt or equity securities, loan syndication or asset sales) prior to the maturity date of the loan. Bridge loans may include an unfunded commitment, as well as funded amounts, and are generally expected to be retired in one year or less.

CDO-squared – A type of CDO where the underlying collateral includes tranches of other CDOs.

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

Client Deposits – Includes *GWIM* client deposit accounts representing both consumer and commercial demand, regular savings, time, money market, sweep and foreign accounts.

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

Core Net Interest Income – Managed Basis – Net interest income on a fully taxable-equivalent basis excluding the impact of market-based activities and certain securitizations.

Credit Default Swap (CDS) – A derivative contract that provides protection against the deterioration of credit quality and allows one party to receive payment in the event of default by a third party under a borrowing arrangement.

Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) – Legislation signed into law on May 22, 2009 to provide changes to credit card industry practices including significantly restricting credit card issuers' ability to change interest rates and assess fees to reflect individual consumer risk, change the way payments are applied and requiring changes to consumer credit card disclosures. The majority of the provisions became effective in February 2010.

Derivative – A contract or agreement whose value is derived from changes in an underlying index such as interest rates, foreign exchange rates or prices of securities. Derivatives utilized by the Corporation include swaps, financial futures and forward settlement contracts, and option contracts.

Emergency Economic Stabilization Act of 2008 (EESA) – Legislation signed into law on October 3, 2008 authorizing the U.S. Secretary of the Treasury to, among other things, establish the Troubled Asset Relief Program.

Excess Servicing Income – For certain assets that have been securitized, interest income, fee revenue and recoveries in excess of interest paid to the investors, gross credit losses and other trust expenses related to the securitized receivables are all classified as excess servicing income, which is a component of card income. Excess servicing income also includes the changes in fair value of the Corporation's card related retained interests.

Financial Stability Plan – A plan announced on February 10, 2009 by the U.S. Treasury pursuant to the EESA which outlines a series of initiatives including the Capital Assistance Program (CAP); the creation of a new Public-Private Investment Program (PPIP); the expansion of the Term Asset-Backed Securities Loan Facility (TALF); the extension of the FDIC's Temporary Liquidity Guarantee Program (TLGP) to October 31, 2009; the Small Business and Community Lending Initiative; a broad program to stabilize the housing market by encouraging lower mortgage rates and making it easier for homeowners to refinance and avoid foreclosure; and a new framework of governance and oversight related to the use of funds of the Financial Stability Plan.

Interest-only Strip – A residual interest in a securitization trust representing the right to receive future net cash flows from securitized assets after payments to third party investors and net credit losses. These arise when assets are transferred to a SPE as part of an asset securitization transaction qualifying for sale treatment under GAAP.

Interest Rate Lock Commitment (IRLC) – Commitment with a loan applicant in which the loan terms, including interest rate and price, are guaranteed for a designated period of time subject to credit approval.

Loan-to-value (LTV) – A commonly used credit quality metric that is reported in terms of ending and average LTV. Ending LTV is calculated as the outstanding carrying value of the loan at the end of the period divided by the estimated value of the property securing the loan. Estimated property values are primarily determined by utilizing the Case-Schiller Home Index, a widely used index based on data from repeat sales of single family homes. Case-Schiller indices are updated quarterly and are reported on a three-month or one-quarter lag. An additional metric related to LTV is **combined loan-to-value (CLTV)** which is similar to the LTV metric, yet combines the outstanding balance on the residential mortgage loan and the outstanding carrying value on the home equity loan or available line of credit, both of which are secured by the same property, divided by the estimated value of the property. A LTV of 100 percent reflects a loan that is currently secured by a property valued at an amount exactly equal to the carrying value or available line of the loan. Under certain circumstances, estimated values can also be determined by utilizing an automated valuation method (AVM) or Mortgage Risk Assessment Corporation (MRAC) index. An AVM is a tool that estimates the value of a prop-

erty by reference to large volumes of market data including sales of comparable properties and price trends specific to the MSA in which the property being valued is located. The MRAC index is similar to the Case-Schiller Home Index in that it is an index that is based on data from repeat sales of single family homes and is reported on a lag.

Letter of Credit – A document issued on behalf of a customer to a third party promising to pay the third party upon presentation of specified documents. A letter of credit effectively substitutes the issuer's credit for that of the customer.

Making Home Affordable Program (MHA) – A U.S. Treasury program to reduce the number of foreclosures and make it easier for homeowners to refinance loans. The program is comprised of the Home Affordable Modification Program (HAMP) which provides guidelines on loan modifications and is designed to help at-risk homeowners avoid foreclosure by reducing monthly mortgage payments and provides incentives to lenders to modify all eligible loans that fall under the program guidelines and the Home Affordable Refinance Program (HARP) which is available to homeowners who have a proven payment history on an existing mortgage owned by FNMA or FHLMC and is designed to help eligible homeowners refinance their mortgage loans to take advantage of current lower mortgage rates or to refinance ARMs into more stable fixed-rate mortgages. In addition, the Second Lien Program is a part of the MHA. For more information on this program see the separate definition for the Second Lien Program.

Managed Basis – Managed basis assumes that securitized loans were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Noninterest income, both on a held and managed basis, also includes the impact of adjustments to the interest-only strip that are recorded in card income.

Managed Net Losses – Represent net charge-offs on held loans combined with realized credit losses associated with the securitized loan portfolio.

Mortgage Servicing Right (MSR) – The right to service a mortgage loan when the underlying loan is sold or securitized. Servicing includes collections for principal, interest and escrow payments from borrowers and accounting for and remitting principal and interest payments to investors.

Net Interest Yield – Net interest income divided by average total interest-earning assets.

Nonperforming Loans and Leases – Includes loans and leases that have been placed on nonaccrual status, including nonaccruing loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties (troubled debt restructurings or TDRs). Loans accounted for under the fair value option, purchased impaired loans and loans held-for-sale are not reported as nonperforming loans and leases. Past due consumer credit card loans, consumer loans secured by personal property, unsecured consumer loans, consumer loans secured by real estate where repayments are insured by the Federal Housing Administration and business card loans are not placed on nonaccrual status and are, therefore, not reported as nonperforming loans and leases.

Option-adjusted Spread (OAS) – The spread that is added to the discount rate so that the sum of the discounted cash flows equals the market price, thus, it is a measure of the extra yield over the reference discount factor (i.e., the forward swap curve) that a company is expected to earn by holding the asset.

Primary Dealer Credit Facility (PDCF) – A facility announced on March 16, 2008 by the Federal Reserve to provide discount window loans to primary dealers that settle on the same business day and mature on the following business day, in exchange for a specified range of eligible collateral. The rate paid on the loan is the same as the primary credit rate at the Federal Reserve Bank of New York. In addition, primary dealers are subject to a frequency-based fee after they exceed 45 days of use. The frequency-based fee is calculated on an escalating scale and communicated to the primary dealers in advance. The PDCF was available to primary dealers until February 1, 2010.

Purchased Impaired Loan – A loan purchased as an individual loan, in a portfolio of loans or in a business combination with evidence of deterioration in credit quality since origination for which it is probable, upon acquisition, that the investor will be unable to collect all contractually required payments. These loans are written down to fair value at the acquisition date.

Qualifying Special Purpose Entity (QSPE) – A SPE whose activities are strictly limited to holding and servicing financial assets and which meets the other criteria under applicable accounting guidance. A QSPE is generally not required to be consolidated by any party.

Return on Average Common Shareholders' Equity – Measure of the earnings contribution as a percentage of average common shareholders' equity.

Second Lien Program (2MP) – A MHA program announced on April 28, 2009 by the U.S. Treasury that focuses on creating a comprehensive affordability solution for homeowners. By focusing on shared efforts with lenders to reduce second mortgage payments, pay-for-success incentives for servicers, investors and borrowers, and a payment schedule for extinguishing second mortgages, the 2MP is designed to help up to 1.5 million homeowners. The program is designed to ensure that first and second lien holders are treated fairly and consistently with priority of liens, and offers automatic modification of a second lien when a first lien is modified. Details of the program are still being finalized as of the time of this filing.

Securitize/Securitization – A process by which financial assets are sold to a SPE, which then issues securities collateralized by those underlying assets, and the return on the securities issued is based on the principal and interest cash flow of the underlying assets.

Structured Investment Vehicle (SIV) – An entity that issues short duration debt and uses the proceeds from the issuance to purchase longer-term fixed income securities.

Subprime Loans – Although a standard industry definition for subprime loans (including subprime mortgage loans) does not exist, the Corporation defines subprime loans as specific product offerings for higher risk borrowers, including individuals with one or a combination of high credit risk factors, such as low FICO scores (generally less than 620 for secured products and 660 for unsecured products), high debt to income ratios and inferior payment history.

Super Senior CDO Exposure – Represents the most senior class of commercial paper or notes that are issued by CDO vehicles. These financial instruments benefit from the subordination of all other securities, including AAA-rated securities, issued by CDO vehicles.

Treasury Temporary Guarantee Program for Money Market Funds (TTGP) – A voluntary and temporary program announced on September 19, 2008 by the U.S. Treasury which provided for a guarantee to investors that they would receive $1.00 for each money market fund share held as of September 19, 2008 in the event that a participating fund no longer had a $1.00 per share net asset value and liquidated. With respect to such shares covered by this program, the guarantee payment would have been equal to any shortfall between the amount received by an investor in a liquidation and $1.00 per share. Eligible money market mutual funds paid a fee to the U.S. Treasury to participate in this program which expired on September 18, 2009.

Temporary Liquidity Guarantee Program (TLGP) – A program announced on October 14, 2008 by the FDIC which is comprised of the Debt Guaran-

tee Program (DGP) under which the FDIC guaranteed, for a fee, all newly issued senior unsecured debt (e.g., promissory notes, unsubordinated unsecured notes and commercial paper) up to prescribed limits, issued by participating entities through October 31, 2009, with an emergency guarantee facility available through April 30, 2010; and the Transaction Account Guarantee Program (TAGP) under which the FDIC will guarantee, for a fee, noninterest-bearing deposit accounts held at participating FDIC-insured depository institutions until June 30, 2010.

Term Auction Facility (TAF) – A temporary credit facility announced on December 12, 2007 and implemented by the Federal Reserve that allows a depository institution to place a bid for an advance from its local Federal Reserve Bank at an interest rate that is determined as the result of an auction and is aimed to help ensure that liquidity provisions can be disseminated efficiently even when the unsecured interbank markets are under stress. The TAF typically auctions term funds with 28-day or 84-day maturities and is available to all depository institutions that are judged to be in generally sound financial condition by their local Federal Reserve Bank. Additionally, all TAF credit must be fully collateralized.

Term Securities Lending Facility (TSLF) – A weekly loan facility established and announced by the Federal Reserve on March 11, 2008 to promote liquidity in U.S. Treasury and other collateral markets and foster the functioning of financial markets by offering U.S. Treasury securities held by the System Open Market Account (SOMA) for loan over a one-month term against other program-eligible general collateral. Loans are awarded to primary dealers based on competitive bidding, subject to a minimum fee requirement. The Open Market Trading Desk of the Federal Reserve Bank of New York auctions general U.S. Treasury collateral (treasury bills, notes, bonds and inflation-indexed securities) held by SOMA for loan against all collateral currently eligible for tri-party repurchase agreements arranged by the Open Market Trading Desk and separately against collateral and investment-grade corporate securities, municipal securities, MBS and ABS.

Tier 1 Common Capital – Tier 1 capital including CES, less preferred stock, qualifying trust preferred securities, hybrid securities and qualifying noncontrolling interest in subsidiaries.

Troubled Asset Relief Program (TARP) – A program established under the EESA by the U.S. Treasury to, among other things, invest in financial institutions through capital infusions and purchase mortgages, MBS and certain other financial instruments from financial institutions, in an aggregate amount up to $700 billion, for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

Troubled Debt Restructuring (TDR) – Loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. Concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. TDRs are reported as nonperforming loans and leases while on nonaccrual status. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which they are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout their remaining lives.

Unrecognized Tax Benefit (UTB) – The difference between the benefit recognized for a tax position, which is measured as the largest dollar amount of the position that is more-likely-than-not to be sustained upon settlement, and the tax benefit claimed on a tax return.

Value-at-risk (VAR) – A VAR model estimates a range of hypothetical scenarios to calculate a potential loss which is not expected to be exceeded with a specified confidence level. VAR is a key statistic used to measure and manage market risk.

Variable Interest Entity (VIE) – A term for an entity whose equity investors do not have a controlling financial interest. The entity may not have sufficient equity at risk to finance its activities without additional subordinated financial support from third parties. The equity investors may lack the ability to make significant decisions about the entity's activities, or they may not absorb the losses or receive the residual returns generated by the assets and other contractual arrangements of the VIE. The entity that will absorb a majority of expected variability (the sum of the absolute values of the expected losses and expected residual returns) consolidates the VIE and is referred to as the primary beneficiary.

Acronyms

ABCP	Asset-backed commercial paper
ABS	Asset-backed securities
AFS	Available-for-sale
ALMRC	Asset and Liability Market Risk Committee
ALM	Asset and liability management
ARM	Adjustable-rate mortgage
ARS	Auction rate securities
ASF	American Securitization Forum
BPS	Basis points
CDO	Collateralized debt obligation
CES	Common Equivalent Securities
CMBS	Commercial mortgage-backed securities
CMO	Collateralized mortgage obligation
CRA	Community Reinvestment Act
CRC	Credit Risk Committee
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICC	Fixed income, currencies and commodities
FNMA	Federal National Mortgage Association
FTE	Fully taxable-equivalent
GAAP	Generally accepted accounting principles in the United States of America
GNMA	Government National Mortgage Association
GRC	Global Markets Risk Committee
GSE	Government-sponsored enterprise
IPO	Initial public offering
LHFS	Loans held-for-sale
LIBOR	London InterBank Offered Rate
MBS	Mortgage-backed securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MSA	Metropolitan statistical area
OCI	Other comprehensive income
RMBS	Residential mortgage-backed securities
ROC	Risk Oversight Committee
ROTE	Return on average tangible shareholders' equity
SBA	Small Business Administration
SBLCs	Standby letters of credit
SEC	Securities and Exchange Commission
SPE	Special purpose entity

Report of Management on Internal Control Over Financial Reporting

Bank of America Corporation and Subsidiaries

The management of Bank of America Corporation is responsible for establishing and maintaining adequate internal control over financial reporting.

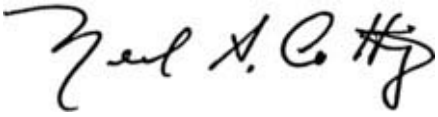
The Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Corporation's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2009, the Corporation's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework*.

The Corporation's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their accompanying report which expresses an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009.

Brian T. Moynihan
Chief Executive Officer and President



Neil A. Cotty
Interim Chief Financial Officer
Chief Accounting Officer

Report of Independent Registered Public Accounting Firm

Bank of America Corporation and Subsidiaries

To the Board of Directors and Shareholders of Bank of America Corporation:

In our opinion, the accompanying Consolidated Balance Sheet and the related Consolidated Statement of Income, Consolidated Statement of Changes in Shareholders' Equity and Consolidated Statement of Cash Flows present fairly, in all material respects, the financial position of Bank of America Corporation and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Corporation's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
February 26, 2010

Consolidated Statement of Income

(Dollars in millions, except per share information)	Year Ended December 31 2009	2008	2007
Interest income			
Interest and fees on loans and leases	$ 48,703	$ 56,017	$ 55,681
Interest on debt securities	12,947	13,146	9,784
Federal funds sold and securities borrowed or purchased under agreements to resell	2,894	3,313	7,722
Trading account assets	7,944	9,057	9,417
Other interest income	5,428	4,151	4,700
Total interest income	77,916	85,684	87,304
Interest expense			
Deposits	7,807	15,250	18,093
Short-term borrowings	5,512	12,362	21,967
Trading account liabilities	2,075	2,774	3,444
Long-term debt	15,413	9,938	9,359
Total interest expense	30,807	40,324	52,863
Net interest income	47,109	45,360	34,441
Noninterest income			
Card income	8,353	13,314	14,077
Service charges	11,038	10,316	8,908
Investment and brokerage services	11,919	4,972	5,147
Investment banking income	5,551	2,263	2,345
Equity investment income	10,014	539	4,064
Trading account profits (losses)	12,235	(5,911)	(4,889)
Mortgage banking income	8,791	4,087	902
Insurance income	2,760	1,833	761
Gains on sales of debt securities	4,723	1,124	180
Other income (loss)	(14)	(1,654)	1,295
Other-than-temporary impairment losses on available-for-sale debt securities:			
Total other-than-temporary impairment losses	(3,508)	(3,461)	(398)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	672	–	–
Net impairment losses recognized in earnings on available-for-sale debt securities	(2,836)	(3,461)	(398)
Total noninterest income	72,534	27,422	32,392
Total revenue, net of interest expense	119,643	72,782	66,833
Provision for credit losses	48,570	26,825	8,385
Noninterest expense			
Personnel	31,528	18,371	18,753
Occupancy	4,906	3,626	3,038
Equipment	2,455	1,655	1,391
Marketing	1,933	2,368	2,356
Professional fees	2,281	1,592	1,174
Amortization of intangibles	1,978	1,834	1,676
Data processing	2,500	2,546	1,962
Telecommunications	1,420	1,106	1,013
Other general operating	14,991	7,496	5,751
Merger and restructuring charges	2,721	935	410
Total noninterest expense	66,713	41,529	37,524
Income before income taxes	4,360	4,428	20,924
Income tax expense (benefit)	(1,916)	420	5,942
Net income	$ 6,276	$ 4,008	$ 14,982
Preferred stock dividends and accretion	8,480	1,452	182
Net income (loss) applicable to common shareholders	$ (2,204)	$ 2,556	$ 14,800
Per common share information			
Earnings (loss)	$ (0.29)	$ 0.54	$ 3.32
Diluted earnings (loss)	(0.29)	0.54	3.29
Dividends paid	0.04	2.24	2.40
Average common shares issued and outstanding (in thousands)	7,728,570	4,592,085	4,423,579
Average diluted common shares issued and outstanding (in thousands)	7,728,570	4,596,428	4,463,213

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

(Dollars in millions)	December 31 2009	2008
Assets		
Cash and cash equivalents	**$ 121,339**	$ 32,857
Time deposits placed and other short-term investments	**24,202**	9,570
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$57,775** and $2,330 measured at fair value and **$189,844** and $82,099 pledged as collateral)	**189,933**	82,478
Trading account assets (includes **$30,921** and $69,348 pledged as collateral)	**182,206**	134,315
Derivative assets	**80,689**	62,252
Debt securities:		
Available-for-sale (includes **$122,708** and $158,939 pledged as collateral)	**301,601**	276,904
Held-to-maturity, at cost (fair value – **$9,684** and $685)	**9,840**	685
Total debt securities	**311,441**	277,589
Loans and leases (includes **$4,936** and $5,413 measured at fair value and **$118,113** and $166,891 pledged as collateral)	**900,128**	931,446
Allowance for loan and lease losses	**(37,200)**	(23,071)
Loans and leases, net of allowance	**862,928**	908,375
Premises and equipment, net	**15,500**	13,161
Mortgage servicing rights (includes **$19,465** and $12,733 measured at fair value)	**19,774**	13,056
Goodwill	**86,314**	81,934
Intangible assets	**12,026**	8,535
Loans held-for-sale (includes **$32,795** and $18,964 measured at fair value)	**43,874**	31,454
Customer and other receivables	**81,996**	37,608
Other assets (includes **$55,909** and $55,113 measured at fair value)	**191,077**	124,759
Total assets	**$2,223,299**	$1,817,943
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	**$ 269,615**	$ 213,994
Interest-bearing (includes **$1,663** and $1,717 measured at fair value)	**640,789**	576,938
Deposits in foreign offices:		
Noninterest-bearing	**5,489**	4,004
Interest-bearing	**75,718**	88,061
Total deposits	**991,611**	882,997
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$37,325** measured at fair value at December 31, 2009)	**255,185**	206,598
Trading account liabilities	**65,432**	51,723
Derivative liabilities	**43,728**	30,709
Commercial paper and other short-term borrowings (includes **$813** measured at fair value at December 31, 2009)	**69,524**	158,056
Accrued expenses and other liabilities (includes **$19,015** and $7,542 measured at fair value and **$1,487** and $421 of reserve for unfunded lending commitments)	**127,854**	42,516
Long-term debt (includes **$45,451** measured at fair value at December 31, 2009)	**438,521**	268,292
Total liabilities	**1,991,855**	1,640,891
Commitments and contingencies (*Note 9 – Variable Interest Entities* and *Note 14 – Commitments and Contingencies*)		
Shareholders' equity		
Preferred stock, $0.01 par value; authorized – **100,000,000** shares; issued and outstanding – **5,246,660** and 8,202,042 shares	**37,208**	37,701
Common stock and additional paid-in capital, $0.01 par value; authorized – **10,000,000,000** shares; issued and outstanding – **8,650,243,926** and 5,017,435,592 shares	**128,734**	76,766
Retained earnings	**71,233**	73,823
Accumulated other comprehensive income (loss)	**(5,619)**	(10,825)
Other	**(112)**	(413)
Total shareholders' equity	**231,444**	177,052
Total liabilities and shareholders' equity	**$2,223,299**	$1,817,943

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other	Total Shareholders' Equity	Comprehensive Income (Loss)
		Shares	Amount					
Balance, December 31, 2006	$ 2,851	4,458,151	$ 61,574	$ 79,024	$ (7,711)	$(466)	$135,272	
Cumulative adjustment for accounting changes:								
Leveraged leases				(1,381)			(1,381)	
Fair value option and measurement				(208)			(208)	
Income tax uncertainties				(146)			(146)	
Net income				14,982			14,982	$14,982
Net change in available-for-sale debt and marketable equity securities					9,269		9,269	9,269
Net change in foreign currency translation adjustments					149		149	149
Net change in derivatives					(705)		(705)	(705)
Employee benefit plan adjustments					127		127	127
Dividends paid:								
Common				(10,696)			(10,696)	
Preferred				(182)			(182)	
Issuance of preferred stock	1,558						1,558	
Common stock issued under employee plans and related tax effects		53,464	2,544			10	2,554	
Common stock repurchased		(73,730)	(3,790)				(3,790)	
Balance, December 31, 2007	4,409	4,437,885	60,328	81,393	1,129	(456)	146,803	23,822
Net income				4,008			4,008	4,008
Net change in available-for-sale debt and marketable equity securities					(8,557)		(8,557)	(8,557)
Net change in foreign currency translation adjustments					(1,000)		(1,000)	(1,000)
Net change in derivatives					944		944	944
Employee benefit plan adjustments					(3,341)		(3,341)	(3,341)
Dividends paid:								
Common				(10,256)			(10,256)	
Preferred				(1,272)			(1,272)	
Issuance of preferred stock and stock warrants	33,242		1,500				34,742	
Stock issued in acquisition		106,776	4,201				4,201	
Issuance of common stock		455,000	9,883				9,883	
Common stock issued under employee plans and related tax effects		17,775	854			43	897	
Other	50			(50)			–	
Balance, December 31, 2008	37,701	5,017,436	76,766	73,823	(10,825)	(413)	177,052	(7,946)
Cumulative adjustment for accounting change:								
Other-than-temporary impairment on debt securities				71	(71)		–	
Net income				6,276			6,276	6,276
Net change in available-for-sale debt and marketable equity securities					3,593		3,593	3,593
Net change in foreign currency translation adjustments					211		211	211
Net change in derivatives					923		923	923
Employee benefit plan adjustments					550		550	550
Dividends paid:								
Common				(326)			(326)	
Preferred				(4,537)			(4,537)	
Issuance of preferred stock and stock warrants	26,800		3,200				30,000	
Repayment of preferred stock	(41,014)			(3,986)			(45,000)	
Issuance of Common Equivalent Securities	19,244						19,244	
Stock issued in acquisition	8,605	1,375,476	20,504				29,109	
Issuance of common stock		1,250,000	13,468				13,468	
Exchange of preferred stock	(14,797)	999,935	14,221	576			–	
Common stock issued under employee plans and related tax effects		7,397	575			308	883	
Other	669			(664)		(7)	(2)	
Balance, December 31, 2009	$ 37,208	8,650,244	$128,734	$ 71,233	$ (5,619)	$(112)	$231,444	$11,553

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(Dollars in millions)	Year Ended December 31 2009	2008	2007
Operating activities			
Net income	$ 6,276	$ 4,008	$ 14,982
Reconciliation of net income to net cash provided by operating activities:			
Provision for credit losses	48,570	26,825	8,385
Gains on sales of debt securities	(4,723)	(1,124)	(180)
Depreciation and premises improvements amortization	2,336	1,485	1,168
Amortization of intangibles	1,978	1,834	1,676
Deferred income tax expense (benefit)	370	(5,801)	(753)
Net decrease (increase) in trading and derivative instruments	59,822	(16,973)	(8,108)
Net decrease (increase) in other assets	28,553	(6,391)	(15,855)
Net (decrease) increase in accrued expenses and other liabilities	(16,601)	(8,885)	4,190
Other operating activities, net	3,150	9,056	5,531
Net cash provided by operating activities	129,731	4,034	11,036
Investing activities			
Net decrease in time deposits placed and other short-term investments	19,081	2,203	2,191
Net decrease in federal funds sold and securities borrowed or purchased under agreements to resell	31,369	53,723	6,294
Proceeds from sales of available-for-sale debt securities	164,155	120,972	28,107
Proceeds from paydowns and maturities of available-for-sale debt securities	59,949	26,068	19,233
Purchases of available-for-sale debt securities	(185,145)	(184,232)	(28,016)
Proceeds from maturities of held-to-maturity debt securities	2,771	741	630
Purchases of held-to-maturity debt securities	(3,914)	(840)	(314)
Proceeds from sales of loans and leases	7,592	52,455	57,875
Other changes in loans and leases, net	21,257	(69,574)	(177,665)
Net purchases of premises and equipment	(2,240)	(2,098)	(2,143)
Proceeds from sales of foreclosed properties	1,997	1,187	104
Cash received (paid) upon acquisition, net	31,804	6,650	(19,816)
Other investing activities, net	9,249	(10,185)	5,040
Net cash provided by (used in) investing activities	157,925	(2,930)	(108,480)
Financing activities			
Net increase in deposits	10,507	14,830	45,368
Net decrease in federal funds purchased and securities loaned or sold under agreements to repurchase	(62,993)	(34,529)	(1,448)
Net (decrease) increase in commercial paper and other short-term borrowings	(126,426)	(33,033)	32,840
Proceeds from issuance of long-term debt	67,744	43,782	67,370
Retirement of long-term debt	(101,207)	(35,072)	(28,942)
Proceeds from issuance of preferred stock	49,244	34,742	1,558
Repayment of preferred stock	(45,000)	–	–
Proceeds from issuance of common stock	13,468	10,127	1,118
Common stock repurchased	–	–	(3,790)
Cash dividends paid	(4,863)	(11,528)	(10,878)
Excess tax benefits of share-based payments	–	42	254
Other financing activities, net	(42)	(56)	(38)
Net cash provided by (used in) financing activities	(199,568)	(10,695)	103,412
Effect of exchange rate changes on cash and cash equivalents	394	(83)	134
Net increase (decrease) in cash and cash equivalents	88,482	(9,674)	6,102
Cash and cash equivalents at January 1	32,857	42,531	36,429
Cash and cash equivalents at December 31	$ 121,339	$ 32,857	$ 42,531
Supplemental cash flow disclosures			
Cash paid for interest	$ 37,602	$ 36,387	$ 51,829
Cash paid for income taxes	2,933	4,700	9,196

During 2009, the Corporation exchanged $14.8 billion of preferred stock by issuing 1.0 billion shares of common stock valued at $11.5 billion.

During 2009, the Corporation transferred credit card loans of $8.5 billion and the related allowance for loan and lease losses of $750 million in exchange for a $7.8 billion held-to-maturity debt security that was issued by the Corporation's U.S. Credit Card Securitization Trust.

The fair values of noncash assets acquired and liabilities assumed in the Merrill Lynch acquisition were $618.4 billion and $626.2 billion at January 1, 2009.

Approximately 1.4 billion shares of common stock, valued at approximately $20.5 billion and 376 thousand shares of preferred stock valued at $8.6 billion were issued in connection with the Merrill Lynch acquisition.

The Corporation securitized $14.0 billion and $26.1 billion of residential mortgage loans into mortgage-backed securities and $0 and $4.9 billion of automobile loans into asset-backed securities which were retained by the Corporation during 2009 and 2008.

The fair values of noncash assets acquired and liabilities assumed in the Countrywide acquisition were $157.4 billion and $157.8 billion at July 1, 2008.

Approximately 107 million shares of common stock, valued at approximately $4.2 billion were issued in connection with the Countrywide acquisition.

The fair values of noncash assets acquired and liabilities assumed in the LaSalle Bank Corporation acquisition were $115.8 billion and $97.1 billion at October 1, 2007.

The fair values of noncash assets acquired and liabilities assumed in the U.S. Trust Corporation acquisition were $12.9 billion and $9.8 billion at July 1, 2007.

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 – Summary of Significant Accounting Principles

Bank of America Corporation (the Corporation), through its banking and nonbanking subsidiaries, provides a diverse range of financial services and products throughout the U.S. and in certain international markets. At December 31, 2009, the Corporation operated its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A.) and FIA Card Services, N.A. In connection with certain acquisitions including Merrill Lynch & Co. Inc. (Merrill Lynch) and Countrywide Financial Corporation (Countrywide), the Corporation acquired banking subsidiaries that have been merged into Bank of America, N.A. with no impact on the Consolidated Financial Statements of the Corporation.

On January 1, 2009, the Corporation acquired Merrill Lynch through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of $29.1 billion. On July 1, 2008, the Corporation acquired all of the outstanding shares of Countrywide through its merger with a subsidiary of the Corporation in exchange for common stock with a value of $4.2 billion. On October 1, 2007, the Corporation acquired all the outstanding shares of ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation (LaSalle), for $21.0 billion in cash. On July 1, 2007, the Corporation acquired all the outstanding shares of U.S. Trust Corporation for $3.3 billion in cash.

The results of operations of the acquired companies were included in the Corporation's results from their dates of acquisition.

Principles of Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the Corporation and its majority-owned subsidiaries, and those variable interest entities (VIEs) where the Corporation is the primary beneficiary. Intercompany accounts and transactions have been eliminated. Results of operations of acquired companies are included from the dates of acquisition and for VIEs, from the dates that the Corporation became the primary beneficiary. Assets held in an agency or fiduciary capacity are not included in the Consolidated Financial Statements. The Corporation accounts for investments in companies for which it owns a voting interest of 20 percent to 50 percent and for which it has the ability to exercise significant influence over operating and financing decisions using the equity method of accounting. These investments are included in other assets and are subject to impairment testing. The Corporation's proportionate share of income or loss is included in equity investment income.

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect reported amounts and disclosures. Realized results could differ from those estimates and assumptions.

The Corporation evaluates subsequent events through the date of filing with the Securities and Exchange Commission (SEC). Certain prior period amounts have been reclassified to conform to current period presentation.

New Accounting Pronouncements

On July 1, 2009, the Corporation adopted new guidance that established the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) as the single source of authoritative GAAP. The Codification establishes a common referencing system for accounting standards and is generally organized by subject matter. Use of the Codification has no impact on the Corporation's financial condition or results of operations. In connection with the use of the Codification, this Form 10-K no longer makes reference to specific accounting standards by number or title.

In June 2009, the FASB issued new accounting guidance on transfers of financial assets and consolidation of VIEs. This new accounting guidance, which was effective on January 1, 2010, revises existing sale accounting criteria for transfers of financial assets and significantly changes the criteria by which an enterprise determines whether it must consolidate a VIE. The adoption of this new accounting guidance on January 1, 2010 resulted in the consolidation of certain qualifying special purpose entities (QSPEs) and VIEs that were not recorded on the Corporation's Consolidated Balance Sheet prior to that date. The adoption of this new accounting guidance resulted in a net incremental increase in assets, on a preliminary basis, of approximately $100 billion, including $70 billion resulting from consolidation of credit card trusts and $30 billion from consolidation of other special purpose entities (SPEs) including multi-seller conduits. These amounts are net of retained interests in securitizations held on the Consolidated Balance Sheet and an $11 billion increase in the allowance for loan losses, the majority of which relates to credit card receivables. This increase in the allowance for loan losses was recorded on January 1, 2010 as a charge net-of-tax to retained earnings for the cumulative effect of the adoption of this new accounting guidance. Initial recording of these assets and related allowance on the Corporation's Consolidated Balance Sheet had no impact on results of operations.

On January 1, 2009, the Corporation elected to early adopt new FASB guidance for determining whether a market is inactive and a transaction is distressed in order to apply the existing fair value measurements guidance. In addition, this new guidance requires enhanced disclosures regarding financial assets and liabilities that are recorded at fair value. The adoption of this new guidance did not have a material impact on the Corporation's financial condition or results of operations. The enhanced disclosures required under this new guidance are included in *Note 20 – Fair Value Measurements*.

On January 1, 2009, the Corporation elected to early adopt new FASB guidance on recognition and presentation of other-than-temporary impairment of debt securities that requires an entity to recognize the credit component of other-than-temporary impairment of a debt security in earnings and the noncredit component in other comprehensive income (OCI) when the entity does not intend to sell the security and it is more-likely-than-not that the entity will not be required to sell the security prior to recovery. This new guidance also requires expanded disclosures. In connection with the adoption of this new guidance, the Corporation recorded a cumulative-effect adjustment to reclassify $71 million, net-of-tax, from retained earnings to accumulated OCI as of January 1,

2009. This new guidance does not change the recognition of other-than-temporary impairment for equity securities. The expanded disclosures required by this new guidance are included in *Note 5 – Securities*.

On January 1, 2009, the Corporation adopted new FASB guidance that modifies the accounting for business combinations and requires, with limited exceptions, the acquirer in a business combination to recognize 100 percent of the assets acquired, liabilities assumed and any noncontrolling interest in the acquired company at the acquisition-date fair value. In addition, the guidance requires that acquisition-related transaction and restructuring costs be charged to expense as incurred, and requires that certain contingent assets acquired and liabilities assumed, as well as contingent consideration, be recognized at fair value. This new guidance also modifies the accounting for certain acquired income tax assets and liabilities.

Further, the new FASB guidance requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies under existing accounting guidance. This new guidance is effective for acquisitions consummated on or after January 1, 2009. The Corporation applied this new guidance to its January 1, 2009 acquisition of Merrill Lynch.

On January 1, 2009, the Corporation adopted new FASB guidance that defines unvested share-based payment awards that contain nonforfeitable rights to dividends as participating securities that should be included in computing earnings per share (EPS) using the two-class method. Additionally, all prior-period EPS data was adjusted retrospectively. The adoption did not have a material impact on the Corporation's financial condition or results of operations.

On January 1, 2009, the Corporation adopted new FASB guidance that requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Corporation's financial position, financial performance and cash flows. The adoption of this new guidance did not impact the Corporation's financial condition or results of operations. The expanded disclosures are included in *Note 4 – Derivatives*.

On January 1, 2009, the Corporation adopted new FASB guidance requiring all entities to report noncontrolling interests in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and noncontrolling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. This new guidance also requires expanded disclosure that distinguishes between the interests of the controlling owners and the interests of the noncontrolling owners of a subsidiary. Consolidated subsidiaries in which there are noncontrolling owners are insignificant to the Corporation.

For 2009, the Corporation adopted new accounting guidance that requires disclosures on plan assets for defined pension and other postretirement plans, including how investment decisions are made, the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of Level 3 measurements on changes in plan assets and concentrations of risk within plan assets. The expanded disclosures are included in *Note 17 – Employee Benefit Plans*.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash items in the process of collection, and amounts due from correspondent banks and the Federal Reserve Bank.

Securities Financing Agreements

Securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase (securities financing agreements) are treated as collateralized financing transactions. These agreements are recorded at the amounts at which the securities were acquired or sold plus accrued interest, except for certain securities financing agreements which the Corporation accounts for under the fair value option. Changes in the value of securities financing agreements that are accounted for under the fair value option are recorded in other income. For more information on securities financing agreements which the Corporation accounts for under the fair value option, see *Note 20 – Fair Value Measurements*. The Corporation's policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. To ensure that the market value of the underlying collateral remains sufficient, collateral is generally valued daily and the Corporation may require counterparties to deposit additional collateral or may return collateral pledged when appropriate.

Substantially all securities financing agreements are transacted under master repurchase agreements which give the Corporation, in the event of default, the right to liquidate securities held and to offset receivables and payables with the same counterparty. The Corporation offsets securities financing agreements with the same counterparty on the Consolidated Balance Sheet where it has such a master agreement. In transactions where the Corporation acts as the lender in a securities lending agreement and receives securities that can be pledged or sold as collateral, it recognizes an asset on the Consolidated Balance Sheet at fair value, representing the securities received, and a liability for the same amount, representing the obligation to return those securities.

Collateral

The Corporation accepts collateral that it is permitted by contract or custom to sell or repledge. At December 31, 2009, the fair value of this collateral was $156.9 billion of which $126.4 billion was sold or repledged. At December 31, 2008, the fair value of this collateral was $144.5 billion of which $117.6 billion was sold or repledged. The primary source of this collateral is repurchase agreements. The Corporation also pledges securities and loans as collateral in transactions that include repurchase agreements, public and trust deposits, U.S. Department of the Treasury (U.S. Treasury) tax and loan notes, and other short-term borrowings. This collateral can be sold or repledged by the counterparties to the transactions.

In addition, the Corporation obtains collateral in connection with its derivative contracts. Required collateral levels vary depending on the credit risk rating and the type of counterparty. Generally, the Corporation accepts collateral in the form of cash, U.S. Treasury securities and other marketable securities. Based on provisions contained in legal netting agreements, the Corporation nets cash collateral against the applicable derivative fair value. The Corporation also pledges collateral on its own derivative positions which can be applied against derivative liabilities.

Trading Instruments

Financial instruments utilized in trading activities are carried at fair value. Fair value is generally based on quoted market prices or quoted market prices for similar assets and liabilities. If these market prices are not available, fair values are estimated based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques where the determination of fair value may require significant management judgment or estimation. Realized and unrealized gains and losses are recognized in trading account profits (losses).

Derivatives and Hedging Activities

Derivatives are held on behalf of customers, for trading, as economic hedges, or as qualifying accounting hedges, with the determination made when the Corporation enters into the derivative contract. The designation may change based upon management's reassessment or changing circumstances. Derivatives utilized by the Corporation include swaps, financial futures and forward settlement contracts, and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Financial futures and forward settlement contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date, and rate or price. An option contract is an agreement that conveys to the purchaser the right, but not the obligation, to buy or sell a quantity of a financial instrument (including another derivative financial instrument), index, currency or commodity at a predetermined rate or price during a period or at a date in the future. Option agreements can be transacted on organized exchanges or directly between parties.

All derivatives are recorded on the Consolidated Balance Sheet at fair value, taking into consideration the effects of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and offset cash collateral held with the same counterparty on a net basis. For exchange-traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Valuations of derivative assets and liabilities reflect the value of the instrument including counterparty credit risk. These values also take into account the Corporation's own credit standing, thus including in the valuation of the derivative instrument the value of the net credit differential between the counterparties to the derivative contract.

Trading Derivatives and Economic Hedges

Derivatives held for trading purposes are included in derivative assets or derivative liabilities with changes in fair value included in trading account profits (losses).

Derivatives used as economic hedges are also included in derivative assets or derivative liabilities. Changes in the fair value of derivatives that serve as economic hedges of mortgage servicing rights (MSRs), interest rate lock commitments (IRLCs) and first mortgage loans held-for-sale (LHFS) that are originated by the Corporation are recorded in mortgage banking income. Changes in the fair value of derivatives that serve as asset and liability management (ALM) economic hedges that do not qualify or were not designated as accounting hedges are recorded in other income (loss). Credit derivatives used by the Corporation as economic hedges do not qualify as accounting hedges despite being effective economic hedges, and changes in the fair value of these derivatives are included in other income (loss).

Derivatives Used For Hedge Accounting Purposes (Accounting Hedges)

For accounting hedges, the Corporation formally documents at inception all relationships between hedging instruments and hedged items, as well as the risk management objectives and strategies for undertaking various accounting hedges. Additionally, the Corporation uses dollar offset or regression analysis at the inception of a hedge and for each reporting period thereafter to assess whether the derivative used in its hedging transaction is expected to be and has been highly effective in offsetting changes in the fair value or cash flows of a hedged item. The Corporation discontinues hedge accounting when it is determined that a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value of the derivative in earnings after termination of the hedge relationship.

The Corporation uses its accounting hedges as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The Corporation manages interest rate and foreign currency exchange rate sensitivity predominantly through the use of derivatives. Fair value hedges are used to protect against changes in the fair value of the Corporation's assets and liabilities that are due to interest rate or foreign exchange volatility. Cash flow hedges are used primarily to minimize the variability in cash flows of assets or liabilities, or forecasted transactions caused by interest rate or foreign exchange fluctuations. For terminated cash flow hedges, the maximum length of time over which forecasted transactions are hedged is 26 years, with a substantial portion of the hedged transactions being less than 10 years. For open or future cash flow hedges, the maximum length of time over which forecasted transactions are or will be hedged is less than seven years.

Changes in the fair value of derivatives designated as fair value hedges are recorded in earnings, together and in the same income statement line item with changes in the fair value of the related hedged item. Changes in the fair value of derivatives designated as cash flow hedges are recorded in accumulated OCI and are reclassified into the line item in the income statement in which the hedged item is recorded and in the same period the hedged item affects earnings. Hedge ineffectiveness and gains and losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in earnings in the same income statement line item. The Corporation records changes in the fair value of derivatives used as hedges of the net investment in foreign operations, to the extent effective, as a component of accumulated OCI.

If a derivative instrument in a fair value hedge is terminated or the hedge designation removed, the previous adjustments to the carrying amount of the hedged asset or liability are subsequently accounted for in the same manner as other components of the carrying amount of that asset or liability. For interest-earning assets and interest-bearing liabilities, such adjustments are amortized to earnings over the remaining life of the respective asset or liability. If a derivative instrument in a cash flow hedge is terminated or the hedge designation is removed, related amounts in accumulated OCI are reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. If it is probable that a forecasted transaction will not occur, any related amounts in accumulated OCI are reclassified into earnings in that period.

Interest Rate Lock Commitments

The Corporation enters into IRLCs in connection with its mortgage banking activities to fund residential mortgage loans at specified times in the future. IRLCs that relate to the origination of mortgage loans that will be held for sale are considered derivative instruments under applicable accounting guidance. As such, these IRLCs are recorded at fair value with changes in fair value recorded in mortgage banking income.

Effective January 1, 2008, the Corporation adopted new accounting guidance that requires that the expected net future cash flows related to servicing of a loan be included in the measurement of all written loan commitments accounted for at fair value through earnings. In estimating the fair value of an IRLC, the Corporation assigns a probability to the loan commitment based on an expectation that it will be exercised and the loan will be funded. The fair value of the commitments is derived from the fair value of related mortgage loans which is based on observable market data. Changes to the fair value of IRLCs are recognized based on interest rate changes, changes in the probability that the commitment will be exercised and the passage of time. Changes from the expected future

cash flows related to the customer relationship are excluded from the valuation of IRLCs. Prior to January 1, 2008, the Corporation did not record any unrealized gain or loss at the inception of a loan commitment, which is the time the commitment is issued to the borrower, as applicable accounting guidance at that time did not allow expected net future cash flows related to servicing of a loan to be included in the measurement of written loan commitments that are accounted for at fair value through earnings.

Outstanding IRLCs expose the Corporation to the risk that the price of the loans underlying the commitments might decline from inception of the rate lock to funding of the loan. To protect against this risk, the Corporation utilizes forward loan sales commitments and other derivative instruments, including interest rate swaps and options, to economically hedge the risk of potential changes in the value of the loans that would result from the commitments. The changes in the fair value of these derivatives are recorded in mortgage banking income.

Securities

Debt securities are classified based on management's intention on the date of purchase and recorded on the Consolidated Balance Sheet as debt securities as of the trade date. Debt securities which management has the intent and ability to hold to maturity are classified as held-to-maturity (HTM) and reported at amortized cost. Debt securities that are bought and held principally for the purpose of resale in the near term are classified as trading and are carried at fair value with unrealized gains and losses included in trading account profits (losses). Other debt securities are classified as available-for-sale (AFS) and carried at fair value with net unrealized gains and losses included in accumulated OCI on an after-tax basis.

The Corporation regularly evaluates each AFS and HTM debt security whose value has declined below amortized cost to assess whether the decline in fair value is other-than-temporary. In determining whether an impairment is other-than-temporary, the Corporation considers the severity and duration of the decline in fair value, the length of time expected for recovery, the financial condition of the issuer, and other qualitative factors, as well as whether the Corporation either plans to sell the security or it is more-likely-than-not that it will be required to sell the security before recovery of its amortized cost. Beginning in 2009, under new accounting guidance for impairments of debt securities that are deemed to be other-than-temporary, the credit component of an other-than-temporary impairment loss is recognized in earnings and the non-credit component is recognized in accumulated OCI in situations where the Corporation does not intend to sell the security and it is more-likely-than-not that the Corporation will not be required to sell the security prior to recovery. Prior to January 1, 2009, unrealized losses (both the credit and non-credit components) on AFS debt securities that were deemed to be other-than-temporary were included in current period earnings. If there is an other-than-temporary impairment in the fair value of any individual security classified as HTM, the Corporation writes down the security to fair value with a corresponding charge to other income.

Interest on debt securities, including amortization of premiums and accretion of discounts, is included in interest income. Realized gains and losses from the sales of debt securities, which are included in gains (losses) on sales of debt securities, are determined using the specific identification method.

Marketable equity securities are classified based on management's intention on the date of purchase and recorded on the Consolidated Balance Sheet as of the trade date. Marketable equity securities that are bought and held principally for the purpose of resale in the near term are classified as trading and are carried at fair value with unrealized gains and losses included in trading account profits (losses). Other marketable equity securities are accounted for as AFS and classified in other assets. All AFS marketable equity securities are carried at fair value with net unrealized gains and losses included in accumulated OCI on an after-tax basis. If there is an other-than-temporary decline in the fair value of any individual AFS marketable equity security, the Corporation reclassifies the associated net unrealized loss out of accumulated OCI with a corresponding charge to equity investment income. Dividend income on all AFS marketable equity securities is included in equity investment income. Realized gains and losses on the sale of all AFS marketable equity securities, which are recorded in equity investment income, are determined using the specific identification method.

Equity investments without readily determinable fair values are recorded in other assets. Impairment testing is based on applicable accounting guidance and the cost basis is reduced when an impairment is deemed to be other-than-temporary.

Certain equity investments held by Global Principal Investments, the Corporation's diversified equity investor in private equity, real estate and other alternative investments, are subject to investment company accounting under applicable accounting guidance, and accordingly, are carried at fair value with changes in fair value reported in equity investment income. These investments are included in other assets. Initially, the transaction price of the investment is generally considered to be the best indicator of fair value. Thereafter, valuation of direct investments is based on an assessment of each individual investment using methodologies that include publicly traded comparables derived by multiplying a key performance metric (e.g., earnings before interest, taxes, depreciation and amortization) of the portfolio company by the relevant valuation multiple observed for comparable companies, acquisition comparables, entry level multiples and discounted cash flows, and are subject to appropriate discounts for lack of liquidity or marketability. Certain factors that may influence changes in fair value include but are not limited to, recapitalizations, subsequent rounds of financing and offerings in the equity or debt capital markets. For fund investments, the Corporation generally records the fair value of its proportionate interest in the fund's capital as reported by the fund's respective managers.

Other investments held by Global Principal Investments are accounted for under either the equity method or at cost, depending on the Corporation's ownership interest, and are reported in other assets.

Loans and Leases

Loans measured at historical cost are reported at their outstanding principal balances net of any unearned income, charge-offs, unamortized deferred fees and costs on originated loans, and for purchased loans, net of any premiums or discounts. Loan origination fees and certain direct origination costs are deferred and recognized as adjustments to income over the lives of the related loans. Unearned income, discounts and premiums are amortized to interest income using a level yield methodology. The Corporation elects to account for certain loans under the fair value option. Fair values for these loans are based on market prices, where available, or discounted cash flow analyses using market-based credit spreads of comparable debt instruments or credit derivatives of the specific borrower or comparable borrowers. Results of discounted cash flow analyses may be adjusted, as appropriate, to reflect other market conditions or the perceived credit risk of the borrower.

Purchased Impaired Loans

The Corporation purchases loans with and without evidence of credit quality deterioration since origination. Evidence of credit quality deterioration as of the purchase date may include statistics such as past due status, refreshed borrower credit scores and refreshed loan-to-value (LTV) ratios, some of which are not immediately available as of the purchase date. The

Corporation continues to evaluate this information and other credit-related information as it becomes available. Interest income on purchased non-impaired loans is recognized using a level yield methodology based on the contractually required payments receivable. For purchased impaired loans, applicable accounting guidance addresses the accounting for differences between contractual cash flows and expected cash flows from the Corporation's initial investment in loans if those differences are attributable, at least in part, to credit quality. The excess of the cash flows expected to be collected measured as of the acquisition date over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loan using a level yield methodology. The difference between contractually required payments as of acquisition date and the cash flows expected to be collected is referred to as the nonaccretable difference.

The initial fair values for purchased impaired loans are determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value. The Corporation estimates the cash flows expected to be collected upon acquisition using internal credit risk, interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and payment speeds.

Subsequent decreases to expected principal cash flows result in a charge to provision for credit losses and a corresponding increase to a valuation allowance included in the allowance for loan and lease losses. Subsequent increases in expected principal cash flows result in a recovery of any previously recorded allowance for loan and lease losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield for any remaining increase. Changes in expected interest cash flows may result in reclassifications to/from the nonaccretable difference. Loan disposals, which may include sales of loans, receipt of payments in full from the borrower, foreclosure or troubled debt restructuring (TDR), result in removal of the loan from the purchased impaired loan pool at its allocated carrying amount.

Leases

The Corporation provides equipment financing to its customers through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments receivable plus estimated residual value of the leased property less unearned income. Leveraged leases, which are a form of financing leases, are carried net of nonrecourse debt. Unearned income on leveraged and direct financing leases is accreted to interest income over the lease terms using methods that approximate the interest method.

Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, represents management's estimate of probable losses inherent in the Corporation's lending activities. The allowance for loan and lease losses and the reserve for unfunded lending commitments exclude amounts for loans and unfunded lending commitments accounted for under the fair value option as the fair values of these instruments already reflect a credit component. The allowance for loan and lease losses represents the estimated probable credit losses in funded consumer and commercial loans and leases while the reserve for unfunded lending commitments, including standby letters of credit (SBLCs) and binding unfunded loan commitments, represents estimated probable credit losses on these unfunded credit instruments based on utilization assumptions. Credit exposures deemed to be uncollectible, excluding derivative assets, trading account assets and loans carried at fair value, are charged against these accounts. Cash recovered on previously charged off amounts is recorded as a recovery to these accounts.

The Corporation performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios. The allowance on certain homogeneous loan portfolios, which generally consist of consumer loans (e.g., consumer real estate and credit card loans) and certain commercial loans (e.g., business card and small business portfolios), is based on aggregated portfolio segment evaluations generally by product type. Loss forecast models are utilized for these portfolios which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic conditions and credit scores. These models are updated on a quarterly basis to incorporate information reflecting the current economic environment. The loss forecasts also incorporate the estimated increased volume and impact of consumer real estate loan modification programs, including losses associated with estimated re-default after modification.

The remaining commercial portfolios are reviewed on an individual loan basis. Loans subject to individual reviews are analyzed and segregated by risk according to the Corporation's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information (including individual valuations on nonperforming loans) result in the estimation of the allowance for credit losses. The historical loss experience is updated quarterly to incorporate the most recent data reflecting the current economic environment.

If necessary, a specific allowance is established for individual impaired loans. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement, and once a loan has been identified as individually impaired, management measures impairment. Individually impaired loans are measured based on the present value of payments expected to be received, observable market prices, or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral less estimated costs to sell. If the recorded investment in impaired loans exceeds this amount, a specific allowance is established as a component of the allowance for loan and lease losses.

Purchased impaired loans are recorded at fair value and applicable accounting guidance prohibits the carrying over or creation of valuation allowances in the initial accounting for impaired loans acquired in a transfer. This applies to the purchase of an individual loan, a pool of loans and portfolios of loans acquired in a purchase business combination. Subsequent to acquisition, decreases in expected principal cash flows of purchased impaired loans are recorded as a valuation allowance included in the allowance for loan and lease losses. Subsequent increases in expected principal cash flows result in a recovery of any previously recorded allowance for loan and lease losses, to the extent applicable. Write-downs on purchased impaired loans in excess of the nonaccretable difference are charged against the allowance for loan and lease losses. For more information on the purchased impaired portfolios associated with acquisitions, see *Note 6 – Outstanding Loans and Leases*.

The allowance for loan and lease losses includes two components that are allocated to cover the estimated probable losses in each loan and lease category based on the results of the Corporation's detailed review process described above. The first component covers those commercial loans that are either nonperforming or impaired and

consumer real estate loans that have been modified as TDRs. These loans are subject to impairment measurement at the loan level based on the present value of expected future cash flows discounted at the loan's contractual effective interest rate. Where the present value is less than the recorded investment in the loan, impairment is recognized through the provision for credit losses with a corresponding increase in the allowance for loan and lease losses. The second component covers consumer loans and performing commercial loans and leases. Included within this second component of the allowance for loan and lease losses and determined separately from the procedures outlined above are reserves which are maintained to cover uncertainties that affect the Corporation's estimate of probable losses including domestic and global economic uncertainty and large single name defaults. Management evaluates the adequacy of the allowance for loan and lease losses based on the combined total of these two components.

In addition to the allowance for loan and lease losses, the Corporation also estimates probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. The reserve for unfunded lending commitments excludes commitments accounted for under the fair value option. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Corporation's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, utilization assumptions, current economic conditions, performance trends within specific portfolio segments and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments.

The allowance for credit losses related to the loan and lease portfolio is reported separately on the Consolidated Balance Sheet whereas the reserve for unfunded lending commitments is reported on the Consolidated Balance Sheet in accrued expenses and other liabilities. Provision for credit losses related to the loan and lease portfolio and unfunded lending commitments is reported in the Consolidated Statement of Income.

Nonperforming Loans and Leases, Charge-offs and Delinquencies

Nonperforming loans and leases generally include loans and leases that have been placed on nonaccrual status including nonaccruing loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. Loans accounted for under the fair value option, purchased impaired loans and LHFS are not reported as nonperforming loans and leases.

In accordance with the Corporation's policies, non-bankrupt credit card loans and unsecured consumer loans are charged off no later than the end of the month in which the account becomes 180 days past due. The outstanding balance of real estate-secured loans that is in excess of the estimated property value, less cost to sell, is charged off no later than the end of the month in which the account becomes 180 days past due unless repayment of the loan is guaranteed by the Federal Housing Administration (FHA). Personal property-secured loans are charged off no later than the end of the month in which the account becomes 120 days past due. Accounts in bankruptcy are charged off for credit card and certain unsecured accounts 60 days after bankruptcy notification. For secured products, accounts in bankruptcy are written down to the collateral value, less cost to sell, by the end of the month in which the account becomes 60 days past due. Consumer credit card loans, consumer loans secured by personal property and unsecured consumer loans are not placed on nonaccrual status prior to charge-off and therefore are not reported as nonperforming loans. Real estate-secured loans are generally placed on nonaccrual status and classified as nonperforming at 90 days past due. However, consumer loans secured by real estate where repayments are guaranteed by the FHA are not placed on nonaccrual status, and therefore, are not reported as nonperforming loans. Interest accrued but not collected is reversed when a consumer loan is placed on nonaccrual status. Interest collections on nonaccruing consumer loans for which the ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to interest income when received. These loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. Consumer loans whose contractual terms have been modified in a TDR and are current at the time of restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and payment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming until there is sustained repayment performance for a reasonable period, generally six months. Consumer TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which the loans are returned to accrual status. In addition, if accruing consumer TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout the remaining lives of the loans.

Commercial loans and leases, excluding business card loans, that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including loans that are individually identified as being impaired, are generally placed on nonaccrual status and classified as nonperforming unless well-secured and in the process of collection. Commercial loans and leases whose contractual terms have been modified in a TDR are placed on nonaccrual status and reported as nonperforming until the loans have performed for an adequate period of time under the restructured agreement. Accruing commercial TDRs are reported as performing TDRs through the end of the calendar year in which the loans are returned to accrual status. In addition, if accruing commercial TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout the remaining lives of the loans. Interest accrued but not collected is reversed when a commercial loan is placed on nonaccrual status. Interest collections on nonaccruing commercial loans and leases for which the ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when received. Commercial loans and leases may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. Business card loans are charged off no later than the end of the month in which the account becomes 180 days past due or where 60 days have elapsed since receipt of notification of bankruptcy filing, whichever comes first. These loans are not placed on nonaccrual status prior to charge-off and therefore are not reported as nonperforming loans.

The entire balance of a consumer and commercial loan is contractually delinquent if the minimum payment is not received by the specified due date on the customer's billing statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

Purchased impaired loans are recorded at fair value at the acquisition date. Although the purchased impaired loans may be contractually delinquent, the Corporation does not classify these loans as nonperforming as the loans were written down to fair value at the acquisition date and the accretable yield is recognized in interest income over the remaining life of

the loan. In addition, reported net charge-offs exclude write-downs on purchased impaired loan pools as the fair value already considers the estimated credit losses.

Loans Held-for-Sale

Loans that are intended to be sold in the foreseeable future, including residential mortgages, loan syndications, and to a lesser degree, commercial real estate, consumer finance and other loans, are reported as LHFS and are carried at the lower of aggregate cost or market value (fair value). The Corporation accounts for certain LHFS, including first mortgage LHFS, under the fair value option. Fair values for LHFS are based on quoted market prices, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans and adjusted to reflect the inherent credit risk. Mortgage loan origination costs related to LHFS which the Corporation accounts for under the fair value option are recognized in noninterest expense when incurred. Mortgage loan origination costs for LHFS carried at the lower of cost or market value (fair value) are capitalized as part of the carrying amount of the loans and recognized as a reduction of mortgage banking income upon the sale of such loans. LHFS that are on nonaccrual status and are reported as nonperforming are reported separately from nonperforming loans and leases.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets. Estimated lives range up to 40 years for buildings, up to 12 years for furniture and equipment, and the shorter of lease term or estimated useful life for leasehold improvements.

Mortgage Servicing Rights

The Corporation accounts for consumer-related MSRs at fair value with changes in fair value recorded in mortgage banking income, while commercial-related and residential reverse mortgage MSRs are accounted for using the amortization method (i.e., lower of cost or market) with impairment recognized as a reduction in mortgage banking income. To reduce the volatility of earnings to interest rate and market value fluctuations, certain securities and derivatives such as options and interest rate swaps may be used as economic hedges of the MSRs, but are not designated as accounting hedges. These economic hedges are carried at fair value with changes in fair value recognized in mortgage banking income.

The Corporation estimates the fair value of the consumer-related MSRs using a valuation model that calculates the present value of estimated future net servicing income. This is accomplished through an option-adjusted spread (OAS) valuation approach that factors in prepayment risk. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key economic assumptions used in valuations of MSRs include weighted-average lives of the MSRs and the OAS levels. The OAS represents the spread that is added to the discount rate so that the sum of the discounted cash flows equals the market price, therefore it is a measure of the extra yield over the reference discount factor (i.e., the forward swap curve) that the Corporation expects to earn by holding the asset. These variables can, and generally do, change from quarter to quarter as market conditions and projected interest rates change, and could have an adverse impact on the value of the MSRs and could result in a corresponding reduction in mortgage banking income.

Goodwill and Intangible Assets

Goodwill is calculated as the purchase premium after adjusting for the fair value of net assets acquired. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or when events or circumstances indicate a potential impairment, at the reporting unit level. A reporting unit, as defined under applicable accounting guidance, is a business segment or one level below a business segment. Under applicable accounting guidance, the goodwill impairment analysis is a two-step test. The first step of the goodwill impairment test involves comparing the fair value of each reporting unit with its carrying amount including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step must be performed to measure potential impairment.

The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. Measurement of the fair values of the assets and liabilities of a reporting unit is consistent with the requirements of the fair value measurements accounting guidance, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adjustments to measure the assets, liabilities and intangibles at fair value are for the purpose of measuring the implied fair value of goodwill and such adjustments are not reflected in the Consolidated Balance Sheet. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit. An impairment loss establishes a new basis in the goodwill and subsequent reversals of goodwill impairment losses are not permitted under applicable accounting guidance. In 2009, 2008 and 2007, goodwill was tested for impairment and it was determined that goodwill was not impaired at any of these dates.

For intangible assets subject to amortization, an impairment loss is recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Special Purpose Financing Entities

In the ordinary course of business, the Corporation supports its customers' financing needs by facilitating customers' access to different funding sources, assets and risks. In addition, the Corporation utilizes certain financing arrangements to meet its balance sheet management, funding, liquidity, and market or credit risk management needs. These financing entities may be in the form of corporations, partnerships, limited liability companies or trusts, and are generally not consolidated on the Corporation's Consolidated Balance Sheet. The majority of these activities are basic term or revolving securitization vehicles for mortgages, credit cards or other types of loans which are generally funded through term-amortizing debt structures. Other SPEs finance their activities by issuing short-term commercial paper. The securities issued by these vehicles are designed to be repaid from the underlying cash flows of the vehicles' assets or the reissuance of commercial paper.

Securitizations

The Corporation securitizes, sells and services interests in residential mortgage loans and credit card loans, and from time to time, automobile, other consumer and commercial loans. The securitization vehicles are typically QSPEs which, in accordance with applicable accounting guidance, are legally isolated, bankruptcy remote and beyond the control of the seller, and are not consolidated in the Corporation's Consolidated Financial Statements. When the Corporation securitizes assets, it may retain a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables and, in some cases, overcollateralization and cash reserve accounts, all of which are generally considered retained interests in the securitized assets. The Corporation may also retain senior tranches in these securitizations. Gains and losses upon sale of assets to a securitization vehicle are based on an allocation of the previous carrying amount of the assets to the retained interests. Carrying amounts of assets transferred are allocated in proportion to the relative fair values of the assets sold and interests retained.

Quoted market prices are primarily used to obtain fair values of senior retained interests. Generally, quoted market prices for retained residual interests are not available; therefore, the Corporation estimates fair values based upon the present value of the associated expected future cash flows. This may require management to estimate credit losses, prepayment speeds, forward interest yield curves, discount rates and other factors that impact the value of retained interests.

Interest-only strips retained in connection with credit card securitizations are classified in other assets and carried at fair value with changes in fair value recorded in card income. Other retained interests are recorded in other assets, AFS debt securities or trading account assets and generally are carried at fair value with changes recorded in income or accumulated OCI, or are recorded as HTM debt securities and carried at amortized cost. If the fair value of such retained interests has declined below carrying amount and there has been an adverse change in estimated contractual cash flows of the underlying assets, then such decline is determined to be other-than-temporary and the retained interest is written down to fair value with a corresponding charge to other income.

Other Special Purpose Financing Entities

Other special purpose financing entities (e.g., Corporation-sponsored multi-seller conduits, collateralized debt obligation vehicles and asset acquisition conduits) are generally funded with short-term commercial paper or long-term debt. These financing entities are usually contractually limited to a narrow range of activities that facilitate the transfer of or access to various types of assets or financial instruments and provide the investors in the transaction with protection from creditors of the Corporation in the event of bankruptcy or receivership of the Corporation. In certain situations, the Corporation provides liquidity commitments and/or loss protection agreements.

The Corporation determines whether these entities should be consolidated by evaluating the degree to which it maintains control over the financing entity and will receive the risks and rewards of the assets in the financing entity. In making this determination, the Corporation considers whether the entity is a QSPE, which is generally not required to be consolidated by the seller or investors in the entity. For non-QSPE structures or VIEs, the Corporation assesses whether it is the primary beneficiary of the entity. In accordance with applicable accounting guidance, the entity that will absorb a majority of expected variability (the sum of the absolute values of the expected losses and expected residual returns) consolidates the VIE and is referred to as the primary beneficiary. As certain events occur, the Corporation reevaluates which parties will absorb variability and whether the Corporation has become or is no longer the primary beneficiary. Reconsideration events may occur when VIEs acquire additional assets, issue new variable interests or enter into new or modified contractual arrangements. A reconsideration event may also occur when the Corporation acquires new or additional interests in a VIE.

Fair Value

The Corporation measures the fair values of its financial instruments in accordance with accounting guidance that requires an entity to base fair value on exit price and maximize the use of observable inputs and minimize the use of unobservable inputs to determine the exit price. The Corporation categorizes its financial instruments, based on the priority of inputs to the valuation technique, into a three-level hierarchy, as described below. Trading account assets and liabilities, derivative assets and liabilities, AFS debt and marketable equity securities, MSRs, and certain other assets are carried at fair value in accordance with applicable accounting guidance. The Corporation has also elected to account for certain assets and liabilities under the fair value option, including certain corporate loans and loan commitments, LHFS, commercial paper and other short-term borrowings, securities financing agreements, asset-backed secured financings, long-term deposits and long-term debt. The following describes the three-level hierarchy.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts where value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage loans and certain LHFS.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the overall fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments for which the determination of fair value requires significant management judgment or estimation. The fair value for such assets and liabilities is generally determined using pricing models, discounted cash flow methodologies or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability. This category generally includes certain private equity investments and other principal investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly structured, complex or long-dated derivative contracts, certain LHFS, IRLCs and certain collateralized debt obligations (CDOs) where independent pricing information cannot be obtained for a significant portion of the underlying assets.

Income Taxes

There are two components of income tax expense: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences in the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements. Deferred tax assets are also recognized for tax attributes such as net operating loss carryforwards and tax credit carryforwards. Valuation allowances are recorded to reduce deferred tax assets to the amounts management concludes are more-likely-than-not to be realized.

Income tax benefits are recognized and measured based upon a two-step model: 1) a tax position must be more-likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more-likely-than-not to be sustained upon settlement. The difference between the benefit recognized and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit (UTB). The Corporation records income tax-related interest and penalties, if applicable, within income tax expense.

Retirement Benefits

The Corporation has established retirement plans covering substantially all full-time and certain part-time employees. Pension expense under these plans is charged to current operations and consists of several components of net pension cost based on various actuarial assumptions regarding future experience under the plans.

In addition, the Corporation has established unfunded supplemental benefit plans and supplemental executive retirement plans (SERPs) for selected officers of the Corporation and its subsidiaries that provide benefits that cannot be paid from a qualified retirement plan due to Internal Revenue Code restrictions. The SERPs have been frozen and the executive officers do not accrue any additional benefits. These plans are nonqualified under the Internal Revenue Code and assets used to fund benefit payments are not segregated from other assets of the Corporation; therefore, in general, a participant's or beneficiary's claim to benefits under these plans is as a general creditor. In addition, the Corporation has established several postretirement healthcare and life insurance benefit plans.

Accumulated Other Comprehensive Income

The Corporation records unrealized gains and losses on AFS debt and marketable equity securities, gains and losses on cash flow accounting hedges, unrecognized actuarial gains and losses, transition obligation and prior service costs on pension and postretirement plans, foreign currency translation adjustments and related hedges of net investments in foreign operations in accumulated OCI, net-of-tax. Unrealized gains and losses on AFS debt and marketable equity securities are reclassified to earnings as the gains or losses are realized upon sale of the securities. Unrealized losses on AFS securities deemed to represent other-than-temporary impairment are reclassified to earnings at the time of the charge. Beginning in 2009, for AFS debt securities that the Corporation does not intend to sell or it is more-likely-than-not that it will not be required to sell, only the credit component of an unrealized loss is reclassified to earnings. Gains or losses on derivatives accounted for as cash flow hedges are reclassified to earnings when the hedged transaction affects earnings. Translation gains or losses on foreign currency translation adjustments are reclassified to earnings upon the substantial sale or liquidation of investments in foreign operations.

Earnings Per Common Share

EPS is computed by dividing net income allocated to common shareholders by the weighted average common shares outstanding. Net income allocated to common shareholders represents net income applicable to common shareholders (net income adjusted for preferred stock dividends including dividends declared, accretion of discounts on preferred stock including accelerated accretion when preferred stock is repaid early, and cumulative dividends related to the current dividend period that have not been declared as of period end) less income allocated to participating securities (see discussion below). Diluted earnings per common share is computed by dividing income allocated to common shareholders by the weighted average common shares outstanding plus amounts representing the dilutive effect of stock options outstanding, restricted stock, restricted stock units, outstanding warrants, and the dilution resulting from the conversion of convertible preferred stock, if applicable.

On January 1, 2009, the Corporation adopted new accounting guidance on earnings per share that defines unvested share-based payment awards that contain nonforfeitable rights to dividends as participating securities that are included in computing EPS using the two-class method. The two-class method is an earnings allocation formula under which EPS is calculated for common stock and participating securities according to dividends declared and participating rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to participating securities and common shares based on their respective rights to receive dividends.

In an exchange of non-convertible preferred stock, income allocated to common shareholders is adjusted for the difference between the carrying value of the preferred stock and the fair value of the common stock exchanged. In an induced conversion of convertible preferred stock, income allocated to common shareholders is reduced by the excess of the fair value of the common stock exchanged over the fair value of the common stock that would have been issued under the original conversion terms.

Foreign Currency Translation

Assets, liabilities and operations of foreign branches and subsidiaries are recorded based on the functional currency of each entity. For certain of the foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated, for consolidation purposes, from the local currency to the U.S. dollar reporting currency at period-end rates for assets and liabilities and generally at average rates for operations. The resulting unrealized gains or losses as well as gains and losses from certain hedges, are reported as a component of accumulated OCI on an after-tax basis. When the foreign entity's functional currency is determined to be the U.S. dollar, the resulting remeasurement currency gains or losses on foreign currency-denominated assets or liabilities are included in earnings.

Credit Card and Deposit Arrangements

Endorsing Organization Agreements

The Corporation contracts with other organizations to obtain their endorsement of the Corporation's loan and deposit products. This endorsement may provide to the Corporation exclusive rights to market to the organization's members or to customers on behalf of the Corporation. These organizations endorse the Corporation's loan and deposit products and provide the Corporation with their mailing lists and marketing activities. These agreements generally have terms that range from two to five years. The Corporation typically pays royalties in exchange for their endorsement. Compensation costs related to the credit card agreements are recorded as contra-revenue in card income.

Cardholder Reward Agreements

The Corporation offers reward programs that allow its cardholders to earn points that can be redeemed for a broad range of rewards including cash, travel and discounted products. The Corporation establishes a rewards liability based upon the points earned that are expected to be redeemed and the average cost per point redeemed. The points to be redeemed are estimated based on past redemption behavior, card product type, account transaction activity and other historical card performance. The liability is reduced as the points are redeemed. The estimated cost of the rewards programs is recorded as contra-revenue in card income.

Insurance Income & Insurance Expense

Property and casualty and credit life and disability premiums are recognized over the term of the policies on a pro-rata basis for all policies except for certain of the lender-placed auto insurance and the guaranteed auto protection (GAP) policies. For GAP insurance, revenue recognition is correlated to the exposure and accelerated over the life of the contract. For lender-placed auto insurance, premiums are recognized when collections become probable due to high cancellation rates experienced early in the life of the policy. Mortgage reinsurance premiums are recognized as earned. Insurance expense includes insurance claims and commissions, both of which are recorded in other general operating expense.

NOTE 2 – Merger and Restructuring Activity

Merrill Lynch

On January 1, 2009, the Corporation acquired Merrill Lynch through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of $29.1 billion, creating a financial services franchise with significantly enhanced wealth management, investment banking and international capabilities. Under the terms of the merger agreement, Merrill Lynch common shareholders received 0.8595 of a share of Bank of America Corporation common stock in exchange for each share of Merrill Lynch common stock. In addition, Merrill Lynch non-convertible preferred shareholders received Bank of America Corporation preferred stock having substantially identical terms. Merrill Lynch convertible preferred stock remains outstanding and is convertible into Bank of America common stock at an equivalent exchange ratio. With the acquisition, the Corporation has one of the largest wealth management businesses in the world with approximately 15,000 financial advisors and more than $2.1 trillion in client assets. Global investment management capabilities include an economic ownership interest of approximately 34 percent in BlackRock, Inc. (BlackRock), a publicly traded investment management company. In addition, the acquisition adds strengths in debt and equity underwriting, sales and trading, and merger and acquisition advice, creating significant opportunities to deepen relationships with corporate and institutional clients around the globe. Merrill Lynch's results of operations were included in the Corporation's results beginning January 1, 2009.

The purchase price was allocated to the acquired assets and liabilities based on their estimated fair values at the Merrill Lynch acquisition date as summarized in the following table. Goodwill of $5.1 billion was calculated as the purchase premium after adjusting for the fair value of net assets acquired and represents the value expected from the synergies created from combining the Merrill Lynch wealth management and corporate and investment banking businesses with the Corporation's capabilities in consumer and commercial banking as well as the economies of scale expected from combining the operations of the two companies. No goodwill is expected to be deductible for federal income tax purposes. The goodwill was allocated principally to the *Global Wealth & Investment Management (GWIM)* and *Global Markets* business segments.

Merrill Lynch Purchase Price Allocation

(Dollars in billions, except per share amounts)	
Purchase price	
Merrill Lynch common shares exchanged (in millions)	1,600
Exchange ratio	0.8595
The Corporation's common shares issued (in millions)	1,375
Purchase price per share of the Corporation's common stock [1]	$ 14.08
Total value of the Corporation's common stock and cash exchanged for fractional shares	$ 19.4
Merrill Lynch preferred stock	8.6
Fair value of outstanding employee stock awards	1.1
Total purchase price	**$ 29.1**
Allocation of the purchase price	
Merrill Lynch stockholders' equity	19.9
Merrill Lynch goodwill and intangible assets	(2.6)
Pre-tax adjustments to reflect acquired assets and liabilities at fair value:	
Derivatives and securities	(1.9)
Loans	(6.1)
Intangible assets [2]	5.4
Other assets/liabilities	(0.8)
Long-term debt	16.0
Pre-tax total adjustments	12.6
Deferred income taxes	(5.9)
After-tax total adjustments	6.7
Fair value of net assets acquired	24.0
Goodwill resulting from the Merrill Lynch acquisition	**$ 5.1**

(1) The value of the shares of common stock exchanged with Merrill Lynch shareholders was based upon the closing price of the Corporation's common stock at December 31, 2008, the last trading day prior to the date of acquisition.

(2) Consists of trade name of $1.5 billion and customer relationship and core deposit intangibles of $3.9 billion. The amortization life is 10 years for the customer relationship and core deposit intangibles which are primarily amortized on a straight-line basis.

Condensed Statement of Net Assets Acquired

The following condensed statement of net assets acquired reflects the values assigned to Merrill Lynch's net assets as of the acquisition date.

(Dollars in billions)	January 1, 2009
Assets	
Federal funds sold and securities borrowed or purchased under agreements to resell	$138.8
Trading account assets	87.9
Derivative assets	96.4
Investment securities	70.5
Loans and leases	55.9
Intangible assets	5.4
Other assets	195.3
Total assets	**$ 650.2**
Liabilities	
Deposits	$ 98.1
Federal funds purchased and securities loaned or sold under agreements to repurchase	111.6
Trading account liabilities	18.1
Derivative liabilities	72.0
Commercial paper and other short-term borrowings	37.9
Accrued expenses and other liabilities	99.6
Long-term debt	188.9
Total liabilities	**626.2**
Fair value of net assets acquired	**$ 24.0**

Contingencies

The fair value of net assets acquired includes certain contingent liabilities that were recorded as of the acquisition date. Merrill Lynch has been named as a defendant in various pending legal actions and proceedings arising in connection with its activities as a global diversified financial services institution. Some of these legal actions and proceedings include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. Merrill Lynch is also involved in investigations and/or proceedings by governmental and self-regulatory agencies. Due to the number of variables and assumptions involved in assessing the possible outcome of these legal actions, sufficient information did not exist to reasonably estimate the fair value of these contingent liabilities. As such, these contingences have been measured in accordance with accounting guidance on contingencies which states that a loss is recognized when it is probable of occurring and the loss amount can be reasonably estimated. For further information, see *Note 14 – Commitments and Contingencies.*

In connection with the Merrill Lynch acquisition, on January 1, 2009, the Corporation recorded certain guarantees, primarily standby liquidity facilities and letters of credit, with a fair value of approximately $1 billion. At the time of acquisition, the maximum amount that could be drawn from these guarantees was approximately $20 billion.

Countrywide

On July 1, 2008, the Corporation acquired Countrywide through its merger with a subsidiary of the Corporation. Under the terms of the merger agreement, Countrywide shareholders received 0.1822 of a share of Bank of America Corporation common stock in exchange for each share of Countrywide common stock. The acquisition of Countrywide significantly expanded the Corporation's mortgage originating and servicing capabilities, making it a leading mortgage originator and servicer. As provided by the merger agreement, 583 million shares of Countrywide common stock were exchanged for 107 million shares of the Corporation's common stock. Countrywide's results of operations were included in the Corporation's results beginning July 1, 2008.

The Countrywide purchase price was allocated to the assets acquired and liabilities assumed based on their fair values at the Countrywide acquisition date as summarized in the following table. No goodwill is deductible for federal income tax purposes. All the goodwill was allocated to the *Home Loans & Insurance* business segment.

Countrywide Purchase Price Allocation

(Dollars in billions)	
Purchase price [1]	**$ 4.2**
Allocation of the purchase price	
Countrywide stockholders' equity [2]	8.4
Pre-tax adjustments to reflect assets acquired and liabilities assumed at fair value:	
Loans	(9.8)
Investments in other financial instruments	(0.3)
Mortgage servicing rights	(1.5)
Other assets	(0.8)
Deposits	(0.2)
Notes payable and other liabilities	(0.9)
Pre-tax total adjustments	(13.5)
Deferred income taxes	4.9
After-tax total adjustments	(8.6)
Fair value of net assets acquired	(0.2)
Goodwill resulting from the Countrywide acquisition	**$ 4.4**

(1) The value of the shares of common stock exchanged with Countrywide shareholders was based upon the average of the closing prices of the Corporation's common stock for the period commencing two trading days before and ending two trading days after January 11, 2008, the date of the Countrywide merger agreement.

(2) Represents the remaining Countrywide shareholders' equity as of the acquisition date after the cancellation of the $2.0 billion of Series B convertible preferred shares owned by the Corporation.

The Corporation acquired certain loans for which there was, at the time of the merger, evidence of deterioration of credit quality since origination and for which it was probable that all contractually required payments would not be collected. For more information, see the Countrywide purchased impaired loan discussion in *Note 6 – Outstanding Loans and Leases.*

Other Acquisitions

On October 1, 2007, the Corporation acquired all the outstanding shares of LaSalle, for $21.0 billion in cash. LaSalle's results of operations were included in the Corporation's results beginning October 1, 2007.

On July 1, 2007, the Corporation acquired all the outstanding shares of U.S. Trust Corporation for $3.3 billion in cash. U.S. Trust Corporation's results of operations were included in the Corporation's results beginning July 1, 2007.

Unaudited Pro Forma Condensed Combined Financial Information

If the Merrill Lynch and Countrywide acquisitions had been completed on January 1, 2008, total revenue, net of interest expense would have been $66.8 billion, net loss from continuing operations would have been $26.0 billion, and basic and diluted loss per common share would have been $5.37 for 2008. These results include the impact of amortizing certain purchase accounting adjustments such as intangible assets as well as fair value adjustments to loans, securities and debt. The pro forma financial information does not include the impact of possible business model changes nor does it consider any potential impacts of current market conditions or revenues, expense efficiencies, asset dispositions, share repurchases or other factors. For 2009, Merrill Lynch contributed $23.3 billion in revenue, net of interest expense, and $4.7 billion in net income. These amounts exclude the impact of intercompany transfers of businesses and are before the consideration of certain merger-related costs, revenue opportunities and certain consolidating tax benefits that were recognized in legacy Bank of America legal entities.

Merger and Restructuring Charges

Merger and restructuring charges are recorded in the Consolidated Statement of Income and include incremental costs to integrate the operations of the Corporation and its recent acquisitions. These charges represent costs associated with these one-time activities and do not represent ongoing costs of the fully integrated combined organization. On January 1, 2009, the Corporation adopted new accounting guidance, on a prospective basis, that requires that acquisition-related transaction and restructuring costs be charged to expense as incurred. Previously, these expenses were recorded as an adjustment to goodwill.

The following table presents severance and employee-related charges, systems integrations and related charges, and other merger-related charges.

(Dollars in millions)	2009	2008	2007
Severance and employee-related charges	**$1,351**	$138	$106
Systems integrations and related charges	**1,155**	640	240
Other	**215**	157	64
Total merger and restructuring charges	**$2,721**	$935	$410

Included for 2009 are merger-related charges of $1.8 billion related to the Merrill Lynch acquisition, $843 million related to the Countrywide acquisition, and $97 million related to the LaSalle acquisition. Included for 2008 are merger-related charges of $623 million related to the LaSalle acquisition, $205 million related to the Countrywide acquisition, and $107 million related to the U.S. Trust Corporation acquisition. Included for 2007 are merger-related charges of $233 million related to the 2006 MBNA Corporation (MBNA) acquisition, $109 million related to the U.S. Trust Corporation acquisition and $68 million related to the LaSalle acquisition.

During 2009, the $1.8 billion merger-related charges for the Merrill Lynch acquisition included $1.2 billion for severance and other employee-related costs, $480 million of system integration costs, and $129 million in other merger-related costs.

Merger-related Exit Cost and Restructuring Reserves

The following table presents the changes in exit cost and restructuring reserves for 2009 and 2008. Exit cost reserves were established in purchase accounting resulting in an increase in goodwill. Restructuring reserves are established by a charge to merger and restructuring charges. Exit costs were not recorded in purchase accounting for the Merrill Lynch acquisition in accordance with amendments to the accounting guidance for business combinations which were effective January 1, 2009.

	Exit Cost Reserves		Restructuring Reserves	
(Dollars in millions)	**2009**	2008	**2009**	2008
Balance, January 1	**$ 523**	$ 377	**$ 86**	$ 108
Exit costs and restructuring charges:				
Merrill Lynch	**n/a**	n/a	**949**	n/a
Countrywide	**–**	588	**191**	71
LaSalle	**(24)**	31	**(6)**	25
U.S. Trust Corporation	**–**	(3)	**(1)**	40
MBNA	**–**	(6)	**–**	(3)
Cash payments	**(387)**	(464)	**(816)**	(155)
Balance, December 31	**$ 112**	$ 523	**$ 403**	$ 86

n/a = not applicable

At December 31, 2008, there were $523 million of exit cost reserves related principally to the Countrywide acquisition, including $347 million for severance, relocation and other employee-related costs and $176 million for contract terminations. During 2009, $24 million of exit cost reserve adjustments were recorded for the LaSalle acquisition primarily due to lower than expected contract terminations. Cash payments of $387 million during 2009 consisted of $271 million in severance, relocation and other employee-related costs and $116 million in contract terminations. At December 31, 2009, exit cost reserves of $112 million related principally to Countrywide.

At December 31, 2008, there were $86 million of restructuring reserves related to the Countrywide, LaSalle and U.S. Trust Corporation acquisitions related to severance and other employee-related costs. During 2009, $1.1 billion was added to the restructuring reserves related to severance and other employee-related costs primarily associated with the Merrill Lynch acquisition. Cash payments of $816 million during 2009 were all related to severance and other employee-related costs. As of December 31, 2009, restructuring reserves of $403 million included $328 million for Merrill Lynch and $74 million for Countrywide.

Payments under exit cost and restructuring reserves associated with the U.S. Trust Corporation acquisition were completed in 2009 while payments associated with the LaSalle, Countrywide and Merrill Lynch acquisitions will continue into 2010.

NOTE 3 – Trading Account Assets and Liabilities

The following table presents the components of trading account assets and liabilities at December 31, 2009 and 2008.

	December 31	
(Dollars in millions)	**2009**	2008
Trading account assets		
U.S. government and agency securities [1]	**$ 44,585**	$ 60,038
Corporate securities, trading loans and other	**57,009**	34,056
Equity securities	**33,562**	20,258
Foreign sovereign debt	**28,143**	13,614
Mortgage trading loans and asset-backed securities	**18,907**	6,349
Total trading account assets	**$182,206**	$134,315
Trading account liabilities		
U.S. government and agency securities	**$ 26,519**	$ 27,286
Equity securities	**18,407**	12,128
Foreign sovereign debt	**12,897**	7,252
Corporate securities and other	**7,609**	5,057
Total trading account liabilities	**$ 65,432**	$ 51,723

[1] Includes $23.5 billion and $52.6 billion at December 31, 2009 and 2008 of government-sponsored enterprise (GSE) obligations.

NOTE 4 – Derivatives

Derivative Balances

Derivatives are held for trading, as economic hedges, or as qualifying accounting hedges. The Corporation enters into derivatives to facilitate client transactions, for proprietary trading purposes and to manage risk exposures. The following table identifies derivative instruments included on the Corporation's Consolidated Balance Sheet in derivative assets and liabilities at December 31, 2009 and 2008. Balances are provided on a gross basis, prior to the application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral applied.

	December 31, 2009						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional [1]	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges [2]	Total	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges [2]	Total
Interest rate contracts							
Swaps	$45,261.5	$1,121.3	$ 5.6	$ 1,126.9	$1,105.0	$0.8	$1,105.8
Futures and forwards	11,842.1	7.1	–	7.1	6.1	–	6.1
Written options	2,865.5	–	–	–	84.1	–	84.1
Purchased options	2,626.7	84.1	–	84.1	–	–	–
Foreign exchange contracts							
Swaps	661.9	23.7	4.6	28.3	27.3	0.5	27.8
Spot, futures and forwards	1,750.8	24.6	0.3	24.9	25.6	0.1	25.7
Written options	383.6	–	–	–	13.0	–	13.0
Purchased options	355.3	12.7	–	12.7	–	–	–
Equity contracts							
Swaps	58.5	2.0	–	2.0	2.0	–	2.0
Futures and forwards	79.0	3.0	–	3.0	2.2	–	2.2
Written options	283.4	–	–	–	25.1	0.4	25.5
Purchased options	273.7	27.3	–	27.3	–	–	–
Commodity contracts							
Swaps	65.3	6.9	0.1	7.0	6.8	–	6.8
Futures and forwards	387.8	10.4	–	10.4	9.6	–	9.6
Written options	54.9	–	–	–	7.9	–	7.9
Purchased options	50.9	7.6	–	7.6	–	–	–
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	2,800.5	105.5	–	105.5	45.2	–	45.2
Total return swaps/other	21.7	1.5	–	1.5	0.4	–	0.4
Written credit derivatives:							
Credit default swaps	2,788.8	44.1	–	44.1	98.4	–	98.4
Total return swaps/other	33.1	1.8	–	1.8	1.1	–	1.1
Gross derivative assets/ liabilities		$1,483.6	$10.6	1,494.2	$1,459.8	$1.8	1,461.6
Less: Legally enforceable master netting agreements				(1,355.1)			(1,355.1)
Less: Cash collateral applied				(58.4)			(62.8)
Total derivative assets/ liabilities				$ 80.7			$ 43.7

[1] Represents the total contract/notional amount of the derivatives outstanding and includes both written and purchased credit derivatives.
[2] Excludes $4.4 billion of long-term debt designated as a hedge of foreign currency risk.

(Dollars in billions)	Contract/ Notional [1]	Gross Derivative Assets: Trading Derivatives and Economic Hedges	Gross Derivative Assets: Qualifying Accounting Hedges [2]	Gross Derivative Assets: Total	Gross Derivative Liabilities: Trading Derivatives and Economic Hedges	Gross Derivative Liabilities: Qualifying Accounting Hedges [2]	Gross Derivative Liabilities: Total
	December 31, 2008						
Interest rate contracts							
Swaps	$26,577.4	$1,213.2	$2.2	$ 1,215.4	$1,186.0	$ –	$1,186.0
Futures and forwards	4,432.1	5.1	–	5.1	7.9	–	7.9
Written options	1,731.1	–	–	–	62.7	–	62.7
Purchased options	1,656.6	60.3	–	60.3	–	–	–
Foreign exchange contracts							
Swaps	438.9	17.5	3.6	21.1	20.5	1.3	21.8
Spot, futures and forwards	1,376.5	52.3	–	52.3	51.3	–	51.3
Written options	199.8	–	–	–	7.5	–	7.5
Purchased options	175.7	8.0	–	8.0	–	–	–
Equity contracts							
Swaps	34.7	1.8	–	1.8	1.0	–	1.0
Futures and forwards	14.1	0.3	–	0.3	0.1	–	0.1
Written options	214.1	–	–	–	31.6	0.1	31.7
Purchased options	217.5	32.6	–	32.6	–	–	–
Commodity contracts							
Swaps	2.1	2.4	–	2.4	2.1	–	2.1
Futures and forwards	9.6	1.2	–	1.2	1.0	–	1.0
Written options	17.6	–	–	–	3.8	–	3.8
Purchased options	15.6	3.7	–	3.7	–	–	–
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	1,025.9	125.7	–	125.7	3.4	–	3.4
Total return swaps	6.6	1.8	–	1.8	0.2	–	0.2
Written credit derivatives:							
Credit default swaps	1,000.0	3.4	–	3.4	118.8	–	118.8
Total return swaps	6.2	0.4	–	0.4	0.1	–	0.1
Gross derivative assets/ liabilities		$1,529.7	$5.8	1,535.5	$1,498.0	$1.4	1,499.4
Less: Legally enforceable master netting agreements				(1,438.4)			(1,438.4)
Less: Cash collateral applied				(34.8)			(30.3)
Total derivative assets/ liabilities				$ 62.3			$ 30.7

[1] Represents the total contract/notional amount of the derivatives outstanding and includes both written and purchased credit derivatives.
[2] Excludes $2.0 billion of long-term debt designated as a hedge of foreign currency risk.

ALM and Risk Management Derivatives

The Corporation's ALM and risk management activities include the use of derivatives to mitigate risk to the Corporation including both derivatives that are designated as hedging instruments and economic hedges. Interest rate, commodity, credit and foreign exchange contracts are utilized in the Corporation's ALM and risk management activities.

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

Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards, are used by the Corporation in the management of its interest rate risk position. Non-leveraged generic interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments based on the contractual underlying notional amount. Basis swaps involve the exchange of interest payments based on the contractual underlying notional amounts, where both the pay rate and the receive rate are floating rates based on different indices. Option products primarily consist of caps, floors and swaptions. Futures contracts used for the Corporation's ALM activities are primarily index futures providing for cash payments based upon the movements of an underlying rate index.

Interest rate and market risk can be substantial in the mortgage business. Market risk is the risk that values of mortgage assets or revenues will be adversely affected by changes in market conditions such as interest rate movements. To hedge interest rate risk in mortgage banking production income, the Corporation utilizes forward loan sale commitments and other derivative instruments including purchased options. The Corporation also utilizes derivatives such as interest rate options, interest rate swaps, forward settlement contracts and euro-dollar futures as economic hedges of the fair value of MSRs. For additional information on MSRs, see *Note 22 – Mortgage Servicing Rights*.

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

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

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

Derivatives Designated as Accounting Hedges

The Corporation uses various types of interest rate, commodity and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates, exchange rates and commodity prices (fair value hedges). The Corporation also uses these types of contracts to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). The Corporation hedges its net investment in consolidated foreign operations determined to have functional currencies other than the U.S. dollar using forward exchange contracts that typically settle in 90 days, cross-currency basis swaps, and by issuing foreign currency-denominated debt.

The following table summarizes certain information related to the Corporation's derivatives designated as fair value hedges for 2009 and 2008.

	Amounts Recognized in Income					
	2009			2008		
(Dollars in millions)	Derivative	Hedged Item	Hedge Ineffectiveness	Derivative	Hedged Item	Hedge Ineffectiveness
Derivatives designated as fair value hedges						
Interest rate risk on long-term debt [1]	$(4,858)	$ 4,082	$ (776)	$4,340	$(4,143)	$ 197
Interest rate and foreign currency risk on long-term debt [1]	932	(858)	74	294	(444)	(150)
Interest rate risk on available-for-sale securities [2, 3]	791	(1,141)	(350)	32	(51)	(19)
Commodity price risk on commodity inventory [4]	(51)	51	—	n/a	n/a	n/a
Total [5]	$(3,186)	$ 2,134	$(1,052)	$4,666	$(4,638)	$ 28

(1) Amounts are recorded in interest expense on long-term debt.
(2) Amounts are recorded in interest income on AFS securities.
(3) Measurement of ineffectiveness in 2009 includes $354 million of interest costs on short forward contracts. The Corporation considers this as part of the cost of hedging, and is offset by the fixed coupon receipt on the AFS security that is recognized in interest income on securities.
(4) Amounts are recorded in trading account profits (losses).
(5) For 2007, hedge ineffectiveness recognized in net interest income was $55 million.
n/a = not applicable

The following table summarizes certain information related to the Corporation's derivatives designated as cash flow hedges and net investment hedges for 2009 and 2008. During the next 12 months, net losses in accumulated OCI of approximately $937 million ($590 million after-tax) on derivative instruments that qualify as cash flow hedges are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to reduce net interest income related to the respective hedged items.

	2009			2008		
(Dollars in millions, amounts pre-tax)	Amounts Recognized in OCI on Derivatives	Amounts Reclassified from OCI into Income	Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing [1]	Amounts Recognized in OCI on Derivatives	Amounts Reclassified from OCI into Income	Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing [1]
Derivatives designated as cash flow hedges						
Interest rate risk on variable rate portfolios [2, 3, 4, 5]	$ 579	$(1,214)	$ 71	$ (82)	$(1,334)	$ (7)
Commodity price risk on forecasted purchases and sales [6]	72	70	(2)	n/a	n/a	n/a
Price risk on equity investments included in available-for-sale securities	(331)	–	–	243	–	–
Total [7]	$ 320	$(1,144)	$ 69	$ 161	$(1,334)	$ (7)
Net investment hedges						
Foreign exchange risk [8]	$(2,997)	$ –	$(142)	$2,814	$ –	$(192)

(1) Amounts related to derivatives designated as cash flow hedges represent hedge ineffectiveness and amounts related to net investment hedges represent amounts excluded from effectiveness testing.
(2) Amounts reclassified from OCI reduced interest income on assets by $110 million and $224 million during 2009 and 2008, and increased interest expense on liabilities by $1.1 billion during both 2009 and 2008.
(3) Hedge ineffectiveness of $73 million and $(10) million was recorded in interest income and $(2) million and $3 million was recorded in interest expense during 2009 and 2008.
(4) Amounts recognized in OCI on derivatives exclude amounts related to terminated hedges of AFS securities of $(9) million and $206 million for 2009 and 2008.
(5) Amounts reclassified from OCI exclude amounts related to derivative interest accruals which increased interest income by $104 million for 2009 and amounts which increased interest expense $73 million for 2008.
(6) Gains reclassified from OCI into income were recorded in trading account profits (losses) during 2009, 2008 and 2007 were $44 million, $0 and $18 million, respectively, related to the discontinuance of cash flow hedging because it was probable that the original forecasted transaction would not occur.
(7) For 2007, hedge ineffectiveness recognized in net interest income was $4 million.
(8) Amounts recognized in OCI on derivatives exclude losses of $387 million related to long-term debt designated as a net investment hedge for 2009.
n/a = not applicable

Economic Hedges

Derivatives designated as economic hedges are used by the Corporation to reduce certain risk exposure but are not accounted for as accounting hedges. The following table presents gains (losses) on these derivatives for 2009 and 2008. These gains (losses) are largely offset by the income or expense that is recorded on the economically hedged item.

(Dollars in millions)	2009	2008
Price risk on mortgage banking production income [1, 2]	$ 8,898	$ 892
Interest rate risk on mortgage banking servicing income [1]	(3,792)	8,610
Credit risk on loans and leases [3]	(698)	309
Interest rate and foreign currency risk on long-term debt and other foreign exchange transactions [3]	1,572	(1,316)
Other [3]	14	34
Total	$ 5,994	$ 8,529

[1] Gains (losses) on these derivatives are recorded in mortgage banking income.
[2] Includes gains on IRLCs related to the origination of mortgage loans that are held for sale, which are considered derivative instruments, of $8.4 billion for 2009 and $1.6 billion for 2008.
[3] Gains (losses) on these derivatives are recorded in other income.

Sales and Trading Revenue

The Corporation enters into trading derivatives to facilitate client transactions, for proprietary trading purposes, and to manage risk exposures arising from trading assets and liabilities. It is the Corporation's policy to include these derivative instruments in its trading activities which include derivative and non-derivative cash instruments. The resulting risk from these derivatives is managed on a portfolio basis as part of the Corporation's *Global Markets* business segment. The related sales and trading revenue generated within *Global Markets* is recorded on different income statement line items including trading account profits (losses) and net interest income as well as other revenue categories. However, the vast majority of income related to derivative instruments is recorded in trading account profits (losses). The following table identifies the amounts in the income statement line items attributable to the Corporation's sales and trading revenue categorized by primary risk for 2009 and 2008.

	2009				2008			
(Dollars in millions)	Trading Account Profits	Other Revenues [1]	Net Interest Income	Total	Trading Account Profits (Losses)	Other Revenues [1]	Net Interest Income	Total
Interest rate risk	$ 3,145	$ 33	$1,068	$ 4,246	$ 1,083	$ 47	$ 276	$ 1,406
Foreign exchange risk	972	6	26	1,004	1,320	6	13	1,339
Equity risk	2,041	2,613	246	4,900	(66)	686	99	719
Credit risk	4,433	(2,576)	4,637	6,494	(8,276)	(6,881)	4,380	(10,777)
Other risk	1,084	13	(469)	628	130	58	(14)	174
Total sales and trading revenue	$11,675	$ 89	$5,508	$17,272	$(5,809)	$(6,084)	$4,754	$(7,139)

[1] Represents investment and brokerage services and other income recorded in *Global Markets* that the Corporation includes in its definition of sales and trading revenue.

Credit Derivatives

The Corporation enters into credit derivatives primarily to facilitate client transactions and to manage credit risk exposures. Credit derivatives derive value based on an underlying third party-referenced obligation or a portfolio of referenced obligations and generally require the Corporation as the seller of credit protection to make payments to a buyer upon the occurrence of a predefined credit event. Such credit events generally include bankruptcy of the referenced credit entity and failure to pay under the obligation, as well as acceleration of indebtedness and payment repudiation or moratorium. For credit derivatives based on a portfolio of referenced credits or credit indices, the Corporation may not be required to make payment until a specified amount of loss has occurred and/or may only be required to make payment up to a specified amount.

Credit derivative instruments in which the Corporation is the seller of credit protection and their expiration at December 31, 2009 and 2008 are summarized below. These instruments are classified as investment and non-investment grade based on the credit quality of the underlying reference obligation. The Corporation considers ratings of BBB- or higher as meeting the definition of investment grade. Non-investment grade includes non-rated credit derivative instruments.

	December 31, 2009				
	Carrying Value				
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade	$ 454	$ 5,795	$ 5,831	$ 24,586	$ 36,666
Non-investment grade	1,342	14,012	16,081	30,274	61,709
Total	1,796	19,807	21,912	54,860	98,375
Total return swaps/other:					
Investment grade	1	20	5	540	566
Non-investment grade	–	194	3	291	488
Total	1	214	8	831	1,054
Total credit derivatives	$ 1,797	$ 20,021	$ 21,920	$ 55,691	$ 99,429
	Maximum Payout/Notional				
Credit default swaps:					
Investment grade	$147,501	$411,258	$596,103	$335,526	$1,490,388
Non-investment grade	123,907	417,834	399,896	356,735	1,298,372
Total	271,408	829,092	995,999	692,261	2,788,760
Total return swaps/other:					
Investment grade	31	60	1,081	8,087	9,259
Non-investment grade	2,035	1,280	2,183	18,352	23,850
Total	2,066	1,340	3,264	26,439	33,109
Total credit derivatives	$273,474	$830,432	$999,263	$718,700	$2,821,869

	December 31, 2008				
	Carrying Value				
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade	$ 1,039	$ 13,062	$ 32,594	$ 29,153	$ 75,848
Non-investment grade	1,483	9,222	19,243	13,012	42,960
Total	2,522	22,284	51,837	42,165	118,808
Total return swaps/other:					
Non-investment grade	36	8	–	13	57
Total credit derivatives	$ 2,558	$ 22,292	$ 51,837	$ 42,178	$ 118,865
	Maximum Payout/Notional				
Credit default swaps:					
Investment grade	$ 49,535	$169,508	$395,768	$187,075	$ 801,886
Non-investment grade	17,217	48,829	89,650	42,452	198,148
Total	66,752	218,337	485,418	229,527	1,000,034
Total return swaps/other:					
Non-investment grade	1,178	628	37	4,360	6,203
Total credit derivatives	$ 67,930	$218,965	$485,455	$233,887	$1,006,237

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

The Corporation economically hedges its market risk exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, the Corporation may purchase credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional amount of written credit derivatives for which the Corporation held purchased credit derivatives with identical underlying referenced names at December 31, 2009 was $79.4 billion and $2.3 trillion compared to $92.4 billion and $819.4 billion at December 31, 2008.

Credit Risk Management of Derivatives and Credit-related Contingent Features

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

Substantially all of the Corporation's derivative contracts contain credit risk-related contingent features, primarily in the form of International Swaps and Derivatives Association, Inc. (ISDA) master agreements that enhance the creditworthiness of these instruments as compared to other obligations of the respective counterparty with whom the Corporation has transacted (e.g., other debt or equity). These contingent features may be for the benefit of the Corporation, as well as its counterparties with respect to changes in the Corporation's creditworthiness. At December 31, 2009, the Corporation received cash and securities collateral of $74.6 billion and posted cash and securities collateral of $69.1 billion in the normal course of business under derivative agreements.

In connection with certain over-the-counter derivatives contracts and other trading agreements, the Corporation could be required to provide additional collateral or to terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of Bank of America Corporation and its subsidiaries. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or the market value of the exposure. At December 31, 2009, the amount of additional collateral and termination payments that would be required for such derivatives and trading agreements was approximately $2.1 billion if the long-term credit rating of Bank of America Corporation and its subsidiaries was incrementally downgraded by one level by all ratings agencies. A second incremental one level downgrade by the ratings agencies would require approximately $1.2 billion in additional collateral.

The Corporation records counterparty credit risk valuation adjustments on derivative assets in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. The Corporation considers collateral and legally enforceable master netting agreements that mitigate its credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments can be reversed or otherwise adjusted in future periods due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparty. During 2009, credit valuation gains of $1.8 billion for counterparty credit risk related to derivative assets and during 2008, losses of $3.2 billion were recognized in trading account profits (losses). At December 31, 2009 and 2008, the cumulative counterparty credit risk valuation adjustment that was included in the derivative asset balance was $7.6 billion and $4.0 billion.

In addition, the fair value of the Corporation's or its subsidiaries' derivative liabilities is adjusted to reflect the impact of the Corporation's credit quality. During 2009, credit valuation losses of $801 million and during 2008, gains of $364 million were recognized in trading account profits (losses) for changes in the Corporation's or its subsidiaries' credit risk. At December 31, 2009 and 2008, the Corporation's cumulative credit risk valuation adjustment that was included in the derivative liabilities balance was $608 million and $573 million.

NOTE 5 – Securities

The amortized cost, gross unrealized gains and losses in accumulated OCI, and fair value of AFS debt and marketable equity securities at December 31, 2009 and 2008 were:

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, December 31, 2009				
U.S. Treasury and agency securities	$ 22,648	$ 414	$ (37)	$ 23,025
Mortgage-backed securities:				
Agency	164,677	2,415	(846)	166,246
Agency-collateralized mortgage obligations	25,330	464	(13)	25,781
Non-agency residential [1]	37,940	1,191	(4,028)	35,103
Non-agency commercial	6,354	671	(116)	6,909
Foreign securities	4,732	61	(896)	3,897
Corporate bonds	6,136	182	(126)	6,192
Other taxable securities [2]	19,475	245	(478)	19,242
Total taxable securities	287,292	5,643	(6,540)	286,395
Tax-exempt securities	15,334	115	(243)	15,206
Total available-for-sale debt securities	$302,626	$5,758	$ (6,783)	$301,601
Available-for-sale marketable equity securities [3]	$ 6,020	$3,895	$ (507)	$ 9,408
Available-for-sale debt securities, December 31, 2008				
U.S. Treasury and agency securities	$ 4,540	$ 121	$ (14)	$ 4,647
Mortgage-backed securities:				
Agency	191,913	3,064	(146)	194,831
Non-agency residential	40,139	860	(8,825)	32,174
Non-agency commercial	3,085	–	(512)	2,573
Foreign securities	5,675	6	(678)	5,003
Corporate bonds	5,560	31	(1,022)	4,569
Other taxable securities [2]	24,832	11	(1,300)	23,543
Total taxable securities	275,744	4,093	(12,497)	267,340
Tax-exempt securities	10,501	44	(981)	9,564
Total available-for-sale debt securities	$286,245	$4,137	$(13,478)	$276,904
Available-for-sale marketable equity securities [3]	$ 18,892	$7,717	$ (1,537)	$ 25,072

[1] Includes approximately 85 percent of prime bonds, 10 percent of Alt-A bonds and five percent of subprime bonds.
[2] Includes substantially all ABS.
[3] Recorded in other assets on the Corporation's Consolidated Balance Sheet.

At December 31, 2009, the amortized cost and fair value of HTM debt securities was $9.8 billion and $9.7 billion, which includes ABS that were issued by the Corporation's credit card securitization trust and retained by the Corporation with an amortized cost of $6.6 billion and a fair value of $6.4 billion. At December 31, 2008, both the amortized cost and fair value of HTM debt securities were $685 million. The accumulated net unrealized gains (losses) on AFS debt and marketable equity securities included in accumulated OCI were $(628) million and $2.1 billion, net of the related income tax expense (benefit) of $(397) million and $1.3 billion. At December 31, 2009 and 2008, the Corporation had nonperforming AFS debt securities of $467 million and $291 million.

During 2009, the Corporation transferred $5.6 billion of auction rate securities (ARS) from trading account assets to AFS debt securities due to the Corporation's decision to hold these securities. During 2008, the Corporation reclassified $12.6 billion of AFS debt securities to trading account assets in connection with the Countrywide acquisition as the Corporation realigned its AFS portfolio. Further, the Corporation transferred $1.7 billion of leveraged lending bonds from trading account assets to AFS debt securities due to the Corporation's decision to hold these bonds.

During 2009, the Corporation recorded other-than-temporary impairment losses on AFS and HTM debt securities as follows:

	2009					
(Dollars in millions)	Non-agency Residential MBS	Non-agency Commercial MBS	Foreign Securities	Corporate Bonds	Other Taxable Securities [1]	Total
Total other-than-temporary impairment losses (unrealized and realized)	$(2,240)	$(6)	$(360)	$(87)	$(815)	**$(3,508)**
Unrealized other-than-temporary impairment losses recognized in OCI [2]	672	–	–	–	–	**672**
Net impairment losses recognized in earnings [3]	$(1,568)	$(6)	$(360)	$(87)	$(815)	**$(2,836)**

[1] Includes $31 million of other-than-temporary impairment losses on HTM debt securities.
[2] Represents the noncredit component of other-than-temporary impairment losses on AFS debt securities. For 2009, for certain securities, the Corporation recognized credit losses in excess of unrealized losses in OCI. In these instances, a portion of the credit losses recognized in earnings has been offset by an unrealized gain. Balances above exclude $582 million of gross gains recorded in OCI related to these securities for 2009.
[3] Represents the credit component of other-than-temporary impairment losses on AFS and HTM debt securities.

Activity related to the credit component recognized in earnings on debt securities held by the Corporation for which a portion of the other-than-temporary impairment loss remains in OCI for 2009 is as follows:

(Dollars in millions)	2009
Balance, January 1, 2009	$ –
Credit component of other-than-temporary impairment not reclassified to OCI in connection with the cumulative-effect transition adjustment [1]	22
Additions for the credit component on debt securities on which other-than temporary impairment was not previously recognized [2]	420
Balance, December 31, 2009	$442

[1] As of January 1, 2009, the Corporation had securities with $134 million of other-than-temporary impairment previously recognized in earnings of which $22 million represented the credit component and $112 million represented the noncredit component which was reclassified to OCI through a cumulative-effect transition adjustment.

[2] During 2009, the Corporation recognized $2.4 billion of other-than-temporary impairment losses on debt securities in which no portion of other-than-temporary impairment loss remained in OCI. Other-than-temporary impairment losses related to these securities are excluded from these amounts.

As of December 31, 2009, those debt securities with other-than-temporary impairment for which a portion of the other-than-temporary impairment loss remains in OCI consisted entirely of non-agency residential Mortgage-backed Securities (MBS). The Corporation estimates the portion of loss attributable to credit using a discounted cash flow model. The Corporation estimates the expected cash flows of the underlying collateral using internal credit risk, interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Assumptions used can vary widely from loan to loan, and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. The Corporation then uses a third party vendor to determine how the underlying collateral cash flows will be distributed to each security issued from the structure. Expected principal and interest cash flows on the impaired debt security are discounted using the book yield of each individual impaired debt security.

Based on the expected cash flows derived from the model, the Corporation expects to recover the unrealized losses in accumulated OCI on non-agency residential MBS. Significant assumptions used in the valuation of non-agency residential MBS were as follows at December 31, 2009.

		Range [1]	
	Weighted-average	10th Percentile [2]	90th Percentile [2]
Prepayment speed [3]	14.0%	3.0%	32.7%
Loss severity [4]	51.0	21.8	61.3
Life default rate [5]	48.4	1.1	98.7

[1] Represents the range of inputs/assumptions based upon the underlying collateral.

[2] The value of a variable below which the indicated percentile of observations will fall.

[3] Annual constant prepayment speed.

[4] Loss severity rates are projected considering collateral characteristics such as LTV, creditworthiness of borrowers (FICO score) and geographic concentration. Weighted-average severity by collateral type was 47 percent for prime bonds, 52 percent for Alt-A bonds and 55 percent for subprime bonds.

[5] Default rates are projected by considering collateral characteristics including, but not limited to LTV, FICO and geographic concentration. Weighted-average life default rate by collateral type was 36 percent for prime bonds, 56 percent for Alt-A bonds and 65 percent for subprime bonds.

The following table presents the current fair value and the associated gross unrealized losses on investments in securities with gross unrealized losses at December 31, 2009 and 2008. The table also discloses whether these securities have had gross unrealized losses for less than twelve months, or for twelve months or longer.

	Less than Twelve Months		Twelve Months or Longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Temporarily-impaired available-for-sale debt securities at December 31, 2009						
U.S. Treasury and agency securities	$ 4,655	$ (37)	$ –	$ –	$ 4,655	$ (37)
Mortgage-backed securities:						
Agency	53,979	(817)	740	(29)	54,719	(846)
Agency-collateralized mortgage obligations	965	(10)	747	(3)	1,712	(13)
Non-agency residential	6,907	(557)	13,613	(3,370)	20,520	(3,927)
Non-agency commercial	1,263	(35)	1,711	(81)	2,974	(116)
Foreign securities	169	(27)	3,355	(869)	3,524	(896)
Corporate bonds	1,157	(71)	294	(55)	1,451	(126)
Other taxable securities	3,779	(70)	932	(408)	4,711	(478)
Total taxable securities	72,874	(1,624)	21,392	(4,815)	94,266	(6,439)
Tax-exempt securities	4,716	(93)	1,989	(150)	6,705	(243)
Total temporarily-impaired available-for-sale debt securities	77,590	(1,717)	23,381	(4,965)	100,971	(6,682)
Temporarily-impaired available-for-sale marketable equity securities	338	(113)	1,554	(394)	1,892	(507)
Total temporarily-impaired available-for-sale securities	77,928	(1,830)	24,935	(5,359)	102,863	(7,189)
Other-than-temporarily impaired available-for-sale debt securities [1]						
Mortgage-backed securities:						
Non-agency residential	51	(17)	1,076	(84)	1,127	(101)
Total temporarily-impaired and other-than-temporarily impaired available-for-sale securities	$ 77,979	$ (1,847)	$26,011	$(5,443)	$103,990	$ (7,290)
Temporarily-impaired available-for-sale debt securities at December 31, 2008						
U.S. Treasury and agency securities	$ 306	$ (14)	$ –	$ –	$ 306	$ (14)
Mortgage-backed securities:						
Agency	2,282	(12)	7,508	(134)	9,790	(146)
Non-agency residential	19,853	(6,750)	1,783	(2,075)	21,636	(8,825)
Non-agency commercial	215	(26)	2,358	(486)	2,573	(512)
Foreign securities	3,491	(562)	1,126	(116)	4,617	(678)
Corporate bonds	2,573	(934)	666	(88)	3,239	(1,022)
Other taxable securities	12,870	(1,077)	501	(223)	13,371	(1,300)
Total taxable securities	41,590	(9,375)	13,942	(3,122)	55,532	(12,497)
Tax-exempt securities	6,386	(682)	1,540	(299)	7,926	(981)
Total temporarily-impaired available-for-sale debt securities	47,976	(10,057)	15,482	(3,421)	63,458	(13,478)
Temporarily-impaired available-for-sale marketable equity securities	3,431	(499)	1,555	(1,038)	4,986	(1,537)
Total temporarily-impaired available-for-sale securities	$51,407	$(10,556)	$17,037	$(4,459)	$ 68,444	$(15,015)

[1] Includes other-than-temporarily impaired available-for-sale debt securities in which a portion of the other-than-temporary impairment loss remains in OCI.

The impairment of AFS debt and marketable equity securities is based on a variety of factors, including the length of time and extent to which the market value has been less than cost, the financial condition of the issuer of the security, and the Corporation's intent and ability to hold the security to recovery.

At December 31, 2009, the amortized cost of approximately 12,000 AFS securities exceeded their fair value by $7.3 billion. Included in the $7.3 billion of gross unrealized losses on AFS securities at December 31, 2009, was $1.9 billion of gross unrealized losses that have existed for less than twelve months and $5.4 billion of gross unrealized losses that have existed for a period of twelve months or longer. Of the gross unrealized losses existing for twelve months or longer, $3.6 billion, or 66 percent, of the gross unrealized losses are related to approximately 500 MBS primarily due to continued deterioration in collateralized mortgage obligation values driven by illiquidity in the markets. In addition, of the gross unrealized losses existing for twelve months or longer, $394 million, or seven percent, is related to approximately 800 AFS marketable equity securities primarily due to the overall decline in the market during 2008. The Corporation has no intent to sell these securities and it is not more-likely-than-not that the Corporation will be required to sell these securities before recovery of amortized cost.

The amortized cost and fair value of the Corporation's investment in AFS debt securities from the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) that exceeded 10 percent of consolidated shareholders' equity at December 31, 2009 and 2008 were:

	December 31			
	2009		2008	
(Dollars in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Federal National Mortgage Association	**$100,321**	**$101,096**	$102,908	$104,126
Government National Mortgage Association	**60,610**	**61,121**	43,713	44,627
Federal Home Loan Mortgage Corporation	**29,076**	**29,810**	46,114	46,859

Securities are pledged or assigned to secure borrowed funds, government and trust deposits and for other purposes. The carrying value of pledged securities was $122.7 billion and $158.9 billion at December 31, 2009 and 2008.

The expected maturity distribution of the Corporation's MBS and the contractual maturity distribution of the Corporation's other debt securities, and the yields of the Corporation's AFS debt securities portfolio at December 31, 2009 are summarized in the following table. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

	December 31, 2009									
	Due in One Year or Less		Due after One Year through Five Years		Due after Five Years through Ten Years		Due after Ten Years		Total	
(Dollars in millions)	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]
Fair value of available-for-sale debt securities										
U.S. Treasury and agency securities	$ 231	1.94%	$ 1,888	3.31%	$ 2,774	4.78%	$18,132	4.73%	$ 23,025	4.59%
Mortgage-backed securities:										
Agency	28	5.48	78,579	4.81	33,351	4.66	54,288	4.52	166,246	4.69
Agency-collateralized mortgage obligations	495	3.83	12,360	2.39	12,778	2.53	148	0.98	25,781	2.48
Non-agency residential	757	8.58	18,068	9.34	4,790	7.61	11,488	4.09	35,103	7.38
Non-agency commercial	132	4.22	3,729	5.91	2,779	10.89	269	6.17	6,909	7.63
Foreign securities	105	3.03	1,828	6.33	96	5.60	1,868	3.21	3,897	4.53
Corporate bonds	592	1.22	3,311	3.68	1,662	7.47	627	2.59	6,192	4.31
Other taxable securities	12,297	1.17	5,921	3.92	203	7.19	821	4.00	19,242	2.24
Total taxable securities	14,637	1.82	125,684	5.24	58,433	4.81	87,641	4.45	286,395	4.73
Tax-exempt securities [2]	6,413	0.28	1,772	6.38	3,450	6.39	3,571	5.29	15,206	3.56
Total available-for-sale debt securities	**$21,050**	**1.35**	**$127,456**	**5.25**	**$61,883**	**4.89**	**$91,212**	**4.48**	**$301,601**	**4.67**
Amortized cost of available-for-sale debt securities	**$21,271**		**$127,395**		**$61,103**		**$92,857**		**$302,626**	

[1] Yields are calculated based on the amortized cost of the securities.
[2] Yields of tax-exempt securities are calculated on a fully taxable-equivalent (FTE) basis.

The components of realized gains and losses on sales of debt securities for 2009, 2008 and 2007 were:

(Dollars in millions)	2009	2008	2007
Gross gains	**$5,047**	$1,367	$197
Gross losses	**(324)**	(243)	(17)
Net gains on sales of debt securities	**$4,723**	$1,124	$180

The income tax expense attributable to realized net gains on sales of debt securities was $1.7 billion, $416 million and $67 million in 2009, 2008 and 2007, respectively.

Certain Corporate and Strategic Investments

At December 31, 2009 and 2008, the Corporation owned approximately 11 percent, or 25.6 billion common shares and 19 percent, or 44.7 billion common shares of China Construction Bank (CCB). During 2009, the Corporation sold its initial investment of 19.1 billion common shares in CCB for a pre-tax gain of $7.3 billion. These shares were accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset, net-of-tax, in accumulated OCI. The remaining investment of 25.6 billion common shares is accounted for at cost, is recorded in other assets and is non-transferable until August 2011. At December 31, 2009 and 2008, the cost of the CCB investment was $9.2 billion and $12.0 billion, the carrying value was $9.2 billion and $19.7 billion, and the fair value was $22.0 billion and $24.5 billion. Dividend income on this investment is recorded in equity investment income. The Corporation remains a significant shareholder in CCB and intends to continue the important long-term strategic alliance with CCB originally entered into in 2005. As part of this alliance, the Corporation expects to continue to provide advice and assistance to CCB.

At December 31, 2009 and 2008, the Corporation owned approximately 188.4 million and 171.3 million preferred shares and 56.5 million and 51.3 million common shares of Itaú Unibanco Holding S.A. (Itaú Unibanco). During 2009, the Corporation received a dividend of 17.1 million preferred shares and 5.2 million common shares. The Itaú Unibanco investment is accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset, net-of-tax, in accumulated OCI. Dividend income on this investment is recorded in

equity investment income. At December 31, 2009 and 2008, the cost of this investment was $2.6 billion and the fair value was $5.4 billion and $2.5 billion.

At December 31, 2009 and 2008, the Corporation had a 24.9 percent, or $2.5 billion and $2.1 billion, investment in Grupo Financiero Santander, S.A., the subsidiary of Grupo Santander, S.A. This investment is recorded in other assets and is accounted for under the equity method of accounting with income being recorded in equity investment income.

As part of the acquisition of Merrill Lynch, the Corporation acquired an economic ownership in BlackRock, a publicly traded investment company. At December 31, 2009, the carrying value was $10.0 billion representing approximately a 34 percent economic ownership interest in BlackRock. This investment is recorded in other assets and is accounted for using the equity method of accounting with income being recorded in equity investment income. During 2009, BlackRock completed its purchase of Barclays Global Investors, an asset management business, from Barclays PLC which had the effect of diluting the Corporation's ownership interest in BlackRock from approximately 50 percent to approximately 34 percent and, for accounting purposes, was treated as a sale of a portion of the Corporation's ownership interest. As a result, upon the closing of this transaction, the Corporation recorded an adjustment to its investment in BlackRock, resulting in a pre-tax gain of $1.1 billion. The summarized earnings information for BlackRock, which represents 100 percent of BlackRock, includes revenues of $4.7 billion, operating income and income before income taxes of $1.3 billion, and net income of $875 million in 2009.

On June 26, 2009, the Corporation entered into a joint venture agreement with First Data Corporation (First Data) creating Banc of America Merchant Services, LLC. Under the terms of the agreement, the Corporation contributed its merchant processing business to the joint venture and First Data contributed certain merchant processing contracts and personnel resources. The Corporation recorded in other income a pre-tax gain of $3.8 billion related to this transaction. The Corporation owns approximately 46.5 percent of this joint venture, 48.5 percent is owned by First Data, with the remaining stake held by a third party investor. The third party investor has the right to put their interest to the joint venture which would have the effect of increasing the Corporation's ownership interest to 49 percent. The investment in the joint venture, which was initially recorded at a fair value of $4.7 billion, is being accounted for under the equity method of accounting with income being recorded in equity investment income. The carrying value at December 31, 2009 was $4.7 billion.

NOTE 6 – Outstanding Loans and Leases

Outstanding loans and leases at December 31, 2009 and 2008 were:

(Dollars in millions)	December 31 2009	2008
Consumer		
Residential mortgage [1]	**$242,129**	$248,063
Home equity	**149,126**	152,483
Discontinued real estate [2]	**14,854**	19,981
Credit card – domestic	**49,453**	64,128
Credit card – foreign	**21,656**	17,146
Direct/Indirect consumer [3]	**97,236**	83,436
Other consumer [4]	**3,110**	3,442
Total consumer	**577,564**	588,679
Commercial		
Commercial – domestic [5]	**198,903**	219,233
Commercial real estate [6]	**69,447**	64,701
Commercial lease financing	**22,199**	22,400
Commercial – foreign	**27,079**	31,020
Total commercial loans	**317,628**	337,354
Commercial loans measured at fair value [7]	**4,936**	5,413
Total commercial	**322,564**	342,767
Total loans and leases	**$900,128**	$931,446

(1) Includes foreign residential mortgages of $552 million at December 31, 2009 mainly from the Merrill Lynch acquisition. The Corporation did not have any material foreign residential mortgage loans prior to January 1, 2009.
(2) Includes $13.4 billion and $18.2 billion of pay option loans and $1.5 billion and $1.8 billion of subprime loans at December 31, 2009 and 2008. The Corporation no longer originates these products.
(3) Includes dealer financial services loans of $41.6 billion and $40.1 billion, consumer lending of $19.7 billion and $28.2 billion, securities-based lending margin loans of $12.9 billion and $0, and foreign consumer loans of $7.8 billion and $1.8 billion at December 31, 2009 and 2008.
(4) Includes consumer finance loans of $2.3 billion and $2.6 billion, and other foreign consumer loans of $709 million and $618 million at December 31, 2009 and 2008.
(5) Includes small business commercial – domestic loans, primarily credit card related, of $17.5 billion and $19.1 billion at December 31, 2009 and 2008.
(6) Includes domestic commercial real estate loans of $66.5 billion and $63.7 billion and foreign commercial real estate loans of $3.0 billion and $979 million at December 31, 2009 and 2008.
(7) Certain commercial loans are accounted for under the fair value option and include commercial – domestic loans of $3.0 billion and $3.5 billion, commercial – foreign loans of $1.9 billion and $1.7 billion, and commercial real estate loans of $90 million and $203 million at December 31, 2009 and 2008. See *Note 20 – Fair Value Measurements* for additional discussion of fair value for certain financial instruments.

The Corporation mitigates a portion of its credit risk through synthetic securitizations which are cash collateralized and provide mezzanine risk protection of $2.5 billion which will reimburse the Corporation in the event that losses exceed 10 bps of the original pool balance. As of December 31, 2009 and 2008, $70.7 billion and $109.3 billion of mortgage loans were protected by these agreements. The decrease in these credit protected pools was due to approximately $12.1 billion in loan sales, a terminated transaction of $6.6 billion and principal payments during the year. During 2009, $669 million was recognized in other income for amounts that will be reimbursed under these structures. As of December 31, 2009, the Corporation had a receivable of $1.0 billion from these structures for reimbursement of losses. In addition, the Corporation has entered into credit protection agreements with GSEs totaling $6.6 billion and $9.6 billion as of December 31, 2009 and 2008, providing full protection on conforming residential mortgage loans that become severely delinquent.

Nonperforming Loans and Leases

The following table presents the Corporation's nonperforming loans and leases, including nonperforming TDRs at December 31, 2009 and 2008. This table excludes performing TDRs and loans accounted for under the fair value option. Nonperforming LHFS are excluded from nonperforming loans and leases as they are recorded at the lower of cost or fair value. In addition, purchased impaired loans and past due consumer credit card, consumer non-real estate-secured loans and leases, and business card loans are not considered nonperforming loans and leases and are therefore excluded from nonperforming loans and leases. Real estate-secured, past due consumer loans repurchased pursuant to the Corporation's servicing agreements with GNMA are not reported as nonperforming as repayments are guaranteed by the FHA.

Nonperforming Loans and Leases

(Dollars in millions)	December 31 2009	2008
Consumer		
Residential mortgage	**$16,596**	$ 7,057
Home equity	**3,804**	2,637
Discontinued real estate	**249**	77
Direct/Indirect consumer	**86**	26
Other consumer	**104**	91
Total consumer	**20,839**	9,888
Commercial		
Commercial – domestic [1]	**5,125**	2,245
Commercial real estate	**7,286**	3,906
Commercial lease financing	**115**	56
Commercial – foreign	**177**	290
Total commercial	**12,703**	6,497
Total nonperforming loans and leases	**$33,542**	$16,385

[1] Includes small business commercial – domestic loans of $200 million and $205 million at December 31, 2009 and 2008.

Included in certain loan categories in the nonperforming table above are TDRs that were classified as nonperforming. At December 31, 2009 and 2008, the Corporation had $2.9 billion and $209 million of residential mortgages, $1.7 billion and $302 million of home equity, $486 million and $44 million of commercial – domestic loans, and $43 million and $5 million of discontinued real estate loans that were TDRs and classified as nonperforming. In addition to these amounts, the Corporation had performing TDRs that were on accrual status of $2.3 billion and $320 million of residential mortgages, $639 million and $1 million of home equity, $91 million and $13 million of commercial – domestic loans, and $35 million and $66 million of discontinued real estate.

Impaired Loans and Troubled Debt Restructurings

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans, commercial performing TDRs, and both performing and nonperforming consumer real estate TDRs. As defined in applicable accounting guidance, impaired loans exclude nonperforming consumer loans not modified in a TDR, and all commercial loans and leases accounted for under the fair value option. Purchased impaired loans are reported and discussed separately below.

At December 31, 2009 and 2008, the Corporation had $12.7 billion and $6.5 billion of commercial impaired loans and $7.7 billion and $903 million of consumer impaired loans. The average recorded investment in the commercial and consumer impaired loans for 2009, 2008 and 2007 was approximately $15.1 billion, $5.0 billion and $1.2 billion, respectively. At December 31, 2009 and 2008, the recorded investment in impaired loans requiring an allowance for loan and lease losses was $18.6 billion and $6.9 billion, and the related allowance for loan and lease losses was $3.0 billion and $720 million. For 2009, 2008 and 2007, interest income recognized on impaired loans totaled $266 million, $105 million and $130 million, respectively.

At December 31, 2009 and 2008, remaining commitments to lend additional funds to debtors whose terms have been modified in a commercial or consumer TDR were immaterial.

The Corporation seeks to assist customers that are experiencing financial difficulty through renegotiating credit card and consumer lending loans while ensuring compliance with Federal Financial Institutions Examination Council (FFIEC) guidelines. At December 31, 2009 and 2008, the Corporation had renegotiated consumer credit card – domestic held loans of $4.2 billion and $2.3 billion of which $3.1 billion and $1.7 billion were current or less than 30 days past due under the modified terms. In addition, at December 31, 2009 and 2008, the Corporation had renegotiated consumer credit card – foreign held loans of $898 million and $517 million of which $471 million and $287 million were current or less than 30 days past due under the modified terms, and consumer lending loans of $2.0 billion and $1.3 billion of which $1.5 billion and $854 million were current or less than 30 days past due under the modified terms. These renegotiated loans are excluded from nonperforming loans.

Purchased Impaired Loans

Purchased impaired loans are acquired loans with evidence of credit quality deterioration since origination for which it is probable at purchase date that the Corporation will be unable to collect all contractually required payments. In connection with the Countrywide acquisition in 2008, the Corporation acquired purchased impaired loans, substantially all of which are residential mortgage, home equity and discontinued real estate, with an unpaid principal balance of $47.7 billion and $55.4 billion and a carrying amount of $37.5 billion and $42.2 billion at December 31, 2009 and 2008. At December 31, 2009, the unpaid principal balance of Merrill Lynch purchased impaired consumer and commercial loans was $2.4 billion and $2.0 billion and the carrying amount of these loans was $2.1 billion and $692 million. As of the acquisition date of January 1, 2009, these loans had an unpaid principal balance of $2.7 billion and $2.9 billion and a fair value of $2.3 billion and $1.9 billion.

The following table provides details on purchased impaired loans obtained in the Merrill Lynch acquisition. This information is provided only for acquisitions that occurred in the current year.

Acquired Loan Information for Merrill Lynch as of January 1, 2009

(Dollars in millions)	
Contractually required payments including interest	$ 6,205
Less: Nonaccretable difference	(1,357)
Cash flows expected to be collected [1]	**4,848**
Less: Accretable yield	(627)
Fair value of loans acquired	**$ 4,221**

[1] Represents undiscounted expected principal and interest cash flows upon acquisition.

Consumer purchased impaired loans are accounted for on a pool basis. Pooled loans that are modified subsequent to acquisition are reviewed to compare modified contractual cash flows to the purchased impaired loan carrying value. If the present value of the modified cash flows is lower than the carrying value, the loan is removed from the purchased impaired loan pool at its carrying value, as well as any related allowance for loan and lease losses, and classified as a TDR. The carrying value of purchased impaired loan TDRs totaled $2.3 billion at December 31, 2009 of which $1.9 billion were on accrual status. The carrying value of these modified loans, net of allowance, was approximately 69 percent of the unpaid principal balance.

The Corporation recorded a $750 million provision for credit losses establishing a corresponding valuation allowance within the allowance for loan and lease losses for purchased impaired loans at December 31, 2008. The Corporation recorded $3.7 billion in provision, including a $3.5 billion addition to the allowance for loan and lease losses, related to the purchased impaired loan portfolio during 2009 due to a decrease in expected principal cash flows. The amount of the allowance for loan and lease losses associated with the purchased impaired loan portfolio was $3.9 billion at December 31, 2009, primarily related to Countrywide.

The following table shows activity for the accretable yield on purchased impaired loans acquired from Countrywide and Merrill Lynch for 2009 and 2008. The decrease in expected cash flows during 2009 of $1.4 billion is primarily attributable to lower expected interest cash flows due to increased credit losses, faster prepayment assumptions and lower rates.

Accretable Yield Activity

(Dollars in millions)	
Accretable yield, July 1, 2008 [1]	$19,549
Accretion	(1,667)
Disposals/transfers	(589)
Reclassifications to nonaccretable difference	(4,433)
Accretable yield, January 1, 2009	**12,860**
Merrill Lynch balance	**627**
Accretion	**(2,859)**
Disposals/transfers [2]	**(1,482)**
Reclassifications to nonaccretable difference	**(1,431)**
Accretable yield, December 31, 2009	**$ 7,715**

[1] Represents the accretable yield of loans acquired from Countrywide at July 1, 2008.
[2] Includes $1.2 billion in accretable yield related to loans restructured in TDRs in which the present value of modified cash flows was lower than expectations upon acquisition. These TDRs were removed from the purchased impaired loan pool.

Loans Held-for-Sale

The Corporation had LHFS of $43.9 billion and $31.5 billion at December 31, 2009 and 2008. Proceeds from sales, securitizations and paydowns of LHFS were $365.1 billion, $142.1 billion and $107.1 billion for 2009, 2008 and 2007. Proceeds used for originations and purchases of LHFS were $369.4 billion, $127.5 billion and $123.0 billion for 2009, 2008 and 2007.

NOTE 7 – Allowance for Credit Losses

The following table summarizes the changes in the allowance for credit losses for 2009, 2008 and 2007.

(Dollars in millions)	**2009**	2008	2007
Allowance for loan and lease losses, January 1	**$ 23,071**	$ 11,588	$ 9,016
Loans and leases charged off	**(35,483)**	(17,666)	(7,730)
Recoveries of loans and leases previously charged off	**1,795**	1,435	1,250
Net charge-offs	**(33,688)**	(16,231)	(6,480)
Provision for loan and lease losses	**48,366**	26,922	8,357
Write-downs on consumer purchased impaired loans [1]	**(179)**	n/a	n/a
Other	**(370)**	792	695
Allowance for loan and lease losses, December 31	**37,200**	23,071	11,588
Reserve for unfunded lending commitments, January 1	**421**	518	397
Provision for unfunded lending commitments	**204**	(97)	28
Other	**862**	—	93
Reserve for unfunded lending commitments, December 31	**1,487**	421	518
Allowance for credit losses, December 31	**$ 38,687**	$ 23,492	$12,106

[1] Represents the write-downs on certain pools of purchased impaired loans that exceed the original purchase accounting adjustments.
n/a = not applicable

The Corporation recorded $3.7 billion in provision, including a $3.5 billion addition to the allowance for loan and leases losses, during 2009 specifically for the purchased impaired loan portfolio. The amount of the allowance for loan and lease losses associated with the purchased impaired loan portfolio was $3.9 billion at December 31, 2009.

In the above table, the 2009 “other” amount under allowance for loan and lease losses includes a $750 million reduction in the allowance for loan and lease losses related to $8.5 billion of credit card loans that were exchanged for a $7.8 billion HTM debt security that was issued by the Corporation’s U.S. Credit Card Securitization Trust and retained by the

Corporation. This reduction was partially offset by a $340 million increase associated with the reclassification to other assets of the December 31, 2008 amount expected to be reimbursable under residential mortgage cash collateralized synthetic securitizations. The 2008 "other" amount under allowance for loan and lease losses, includes the $1.2 billion addition of the Countrywide allowance for loan losses as of July 1, 2008. The 2007 "other" amount under allowance for loan and lease losses includes the $725 million and $25 million additions of the LaSalle and U.S. Trust Corporation allowance for loan losses as of October 1, 2007 and July 1, 2007.

In the previous table, the 2009 "other" amount under the reserve for unfunded lending commitments represents the fair value of the acquired Merrill Lynch reserve excluding those accounted for under the fair value option, net of accretion and the impact of funding previously unfunded portions. The 2007 "other" amount under the reserve for unfunded lending commitments includes the $124 million addition of the LaSalle reserve as of October 1, 2007.

NOTE 8 – Securitizations

The Corporation routinely securitizes loans and debt securities. These securitizations are a source of funding for the Corporation in addition to transferring the economic risk of the loans or debt securities to third parties. In a securitization, various classes of debt securities may be issued and are generally collateralized by a single class of transferred assets which most often consist of residential mortgages, but may also include commercial mortgages, credit card receivables, home equity loans, automobile loans or MBS. The securitized loans may be serviced by the Corporation or by third parties. With each securitization, the Corporation may retain a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables or, in some cases, overcollateralization and cash reserve accounts, all of which are referred to as retained interests. These retained interests are recorded in other assets, AFS debt securities, or trading account assets and are generally carried at fair value or amounts that approximate fair value with changes recorded in income or accumulated OCI, or are recorded as HTM debt securities and carried at amortized cost. Changes in the fair value of credit card related interest- only strips are recorded in card income. In addition, the Corporation may enter into derivatives with the securitization trust to mitigate the trust's interest rate or foreign currency risk. These derivatives are entered into at market terms and are generally senior in payment. The Corporation also may serve as the underwriter and distributor of the securitization, serve as the administrator of the trust, and from time to time, make markets in securities issued by the securitization trusts.

First Lien Mortgage-related Securitizations

As part of its mortgage banking activities, the Corporation securitizes a portion of the residential mortgage loans it originates or purchases from third parties in conjunction with or shortly after loan closing or purchase. In addition, the Corporation may, from time to time, securitize commercial mortgages and first lien residential mortgages that it originates or purchases from other entities.

The following table summarizes selected information related to mortgage securitizations at and for the years ended December 31, 2009 and 2008.

	Residential Mortgage									
			Non-Agency							
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
For the Year Ended December 31										
Cash proceeds from new securitizations [1]	**$ 346,448**	$ 123,653	**$ –**	$ 1,038	**$ –**	$ 1,377	**$ –**	$ –	**$ 313**	$3,557
Gains on securitizations [2,3]	**73**	25	**–**	2	**–**	24	**–**	–	**–**	29
Cash flows received on residual interests	**–**	–	**25**	6	**71**	33	**5**	4	**23**	–
At December 31										
Principal balance outstanding [4]	**1,255,650**	1,123,916	**81,012**	111,683	**83,065**	57,933	**147,072**	136,027	**65,397**	55,403
Residual interests held	**–**	–	**9**	–	**2**	13	**–**	–	**48**	7
Senior securities held [5, 6]:										
Trading account assets	**$ 2,295**	$ 1,308	**$ 201**	$ 367	**$ 12**	$ –	**$431**	$278	**$ 469**	$ 168
Available-for-sale debt securities	**13,786**	12,507	**3,845**	4,559	**188**	121	**561**	569	**1,215**	16
Total senior securities held	**$ 16,081**	$ 13,815	**$ 4,046**	$ 4,926	**$ 200**	$ 121	**$992**	$847	**$1,684**	$ 184
Subordinated securities held [5, 7]:										
Trading account assets	**$ –**	$ –	**$ –**	$ 23	**$ –**	$ 3	**$ –**	$ 1	**$ 122**	$ 136
Available-for-sale debt securities	**–**	–	**13**	20	**22**	1	**4**	17	**23**	–
Total subordinated securities held	**$ –**	$ –	**$ 13**	$ 43	**$ 22**	$ 4	**$ 4**	$ 18	**$ 145**	$ 136

(1) The Corporation sells residential mortgage loans to GSEs in the normal course of business and receives MBS in exchange which may then be sold into the market to third party investors for cash proceeds.
(2) Net of hedges
(3) Substantially all of the residential mortgages securitized are initially classified as LHFS and accounted for under the fair value option. As such, gains are recognized on these LHFS prior to securitization. During 2009 and 2008, the Corporation recognized $5.5 billion and $1.6 billion of gains on these LHFS.
(4) Generally, the Corporation as transferor will service the sold loans and thus recognize a MSR upon securitization.
(5) As a holder of these securities, the Corporation receives scheduled interest and principal payments. During 2009 and 2008, there were no significant other-than-temporary impairment losses recorded on those securities classified as AFS debt securities.
(6) At December 31, 2009 and 2008, substantially all of the residential mortgage held senior securities were valued using quoted market prices. At December 31, 2009, substantially all of the commercial mortgage held senior securities were valued using quoted market prices while at December 31, 2008 substantially all were valued using model valuations.
(7) At December 31, 2009, substantially all of the residential mortgage held subordinated securities and all of the commercial mortgage held subordinated securities were valued using quoted market prices while at December 31, 2008 substantially all were valued using model valuations.

In addition to the amounts included in the table above, during 2009, the Corporation purchased $49.2 billion of MBS from third parties and resecuritized them compared to $12.2 billion during 2008. Net gains, which include net interest income earned during the holding period, totaled $213 million and $80 million in 2009 and 2008. At December 31, 2009 and 2008, the Corporation retained $543 million

and $1.0 billion of the senior securities issued in these transactions which were valued using quoted market prices and recorded in trading account assets.

The Corporation has consumer MSRs from the sale or securitization of mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $6.2 billion and $3.5 billion in 2009 and 2008. Servicing advances on consumer mortgage loans, including securitizations where the Corporation has continuing involvement, were $19.3 billion and $8.8 billion at December 31, 2009 and 2008. In addition, the Corporation has retained commercial MSRs from the sale or securitization of commercial mortgage loans. Servicing fee and ancillary fee income on commercial mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $49 million and $40 million in 2009 and 2008. Servicing advances on commercial mortgage loans, including securitizations where the Corporation has continuing involvement, were $109 million and $14 million at December 31, 2009 and 2008. For more information on MSRs, see *Note 22 – Mortgage Servicing Rights*.

The Corporation sells mortgage loans and, in the past sold home equity loans, with various representations and warranties related to, among other things, the ownership of the loan, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, the process used in selecting the loans for inclusion in a transaction, the loan's compliance with any applicable loan criteria established by the buyer, and the loan's compliance with applicable local, state and federal laws. Under the Corporation's representations and warranties, the Corporation may be required to repurchase the mortgage loans with the identified defects, indemnify or provide other recourse to the investor or insurer. In such cases, the Corporation bears any subsequent credit loss on the mortgage loans. The Corporation's representations and warranties are generally not subject to stated limits and extend over the life of the loan. However, the Corporation's contractual liability arises only if there is a breach of the representations and warranties that materially and adversely affects the interest of the investor or pursuant to such other standard established by the terms of the related selling agreement. The Corporation attempts to limit its risk of incurring these losses by structuring its operations to ensure consistent production of quality mortgages and servicing those mortgages at levels that meet secondary mortgage market standards. In addition, certain of the Corporation's securitizations include corporate guarantees that are contracts written to protect purchasers of the loans from credit losses up to a specified amount. The estimated losses to be absorbed under the guarantees are recorded when the Corporation sells the loans with guarantees. The methodology used to estimate the liability for representations and warranties considers a variety of factors and is a function of the representations and warranties given, estimated defaults, historical loss experience and probability that the Corporation will be required to repurchase the loan. The Corporation records its liability for representations and warranties, and corporate guarantees in accrued expenses and other liabilities and records the related expense in mortgage banking income. During 2009 and 2008, the Corporation recorded representations and warranties expense of $1.9 billion and $246 million. During 2009 and 2008, the Corporation repurchased $1.5 billion and $448 million of loans from first lien securitization trusts under the Corporation's representations and warranties and corporate guarantees and paid $730 million and $77 million to indemnify the investors or insurers. In addition, during 2009, the Corporation repurchased $13.1 billion of loans from first lien securitization trusts as a result of modifications, loan delinquencies or optional clean-up calls.

Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation's continuing involvement includes servicing the receivables, retaining an undivided interest (the "seller's interest") in the receivables, and holding certain retained interests in credit card securitization trusts including senior and subordinated securities, interest-only strips, discount receivables, subordinated interests in accrued interest and fees on the securitized receivables and cash reserve accounts. The securitization trusts' legal documents require the Corporation to maintain a minimum seller's interest of four to five percent, and at December 31, 2009, the Corporation is in compliance with this requirement. The seller's interest in the trusts represents the Corporation's undivided interest in the receivables transferred to the trust and is pari passu to the investors' interest. The seller's interest is not represented by security certificates, is carried at historical cost, and is classified in loans on the Corporation's Consolidated Balance Sheet. At December 31, 2009 and 2008, the Corporation had $10.8 billion and $14.8 billion of seller's interest.

As specifically permitted by the terms of the transaction documents, and in an effort to address the recent decline in the excess spread due to the performance of the underlying credit card receivables in the U.S. Credit Card Securitization Trust, an additional subordinated security with a stated interest rate of zero percent was issued by the trust to the Corporation during 2009 (the Class D security). As the issuance was not treated as a sale, the Class D security was recorded at $7.8 billion representing the carry-over basis of the seller's interest which is comprised of the $8.5 billion book value of the loans exchanged less the associated $750 million allowance for loan and lease losses, and was classified as HTM. Future principal and interest cash flows on the loans exchanged for the Class D security will be returned to the Corporation through its ownership of the Class D security and the U.S. Credit Card Securitization Trust's residual interest. Income on this residual interest is presently recognized in card income as cash is received. The Class D security is subject to review for impairment at least on a quarterly basis. As the Corporation expects to receive all of the contractually due cash flows on the Class D security, there was no other-than-temporary impairment at December 31, 2009. In addition, as permitted by the transaction documents, the Corporation specified that from March 1, 2009 through September 30, 2009 a percentage of new receivables transferred to the trust will be deemed "discount receivables" and collections thereon will be added to finance charges which have increased the yield in the trust. Through the designation of these newly transferred receivables as discount receivables, the Corporation has subordinated a portion of its seller's interest to the investors' interest. The discount receivables were initially accounted for at the carry-over basis of the seller's interest and are subject to impairment review at least on a quarterly basis. No impairment on the discount receivables has been recognized as of December 31, 2009. During 2009, the Corporation extended this agreement through March 31, 2010. The carrying amount and fair value of the discount receivables were both $3.6 billion, and the carrying amount and fair value of the retained Class D security was $6.6 billion and $6.4 billion at December 31, 2009. These actions did not have a significant impact on the Corporation's results of operations.

The following table summarizes selected information related to credit card securitizations at and for the year ended December 31, 2009 and 2008.

(Dollars in millions)	Credit Card 2009	2008
For the Year Ended December 31		
Cash proceeds from new securitizations	**$ 650**	$ 20,148
Gains on securitizations	**—**	81
Collections reinvested in revolving period securitizations	**133,771**	162,332
Cash flows received on residual interests	**5,512**	5,771
At December 31		
Principal balance outstanding [1]	**103,309**	114,141
Senior securities held [2]	**7,162**	4,965
Subordinated securities held [3]	**7,993**	1,837
Other subordinated or residual interests held [4]	**5,195**	2,233

(1) Principal balance outstanding represents the principal balance of credit card receivables that have been legally isolated from the Corporation including those loans represented by the seller's interest that are still held on the Corporation's Consolidated Balance Sheet.

(2) At December 31, 2009 and 2008, held senior securities issued by credit card securitization trusts were valued using quoted market prices and substantially all were classified as AFS debt securities and there were no other-than-temporary impairment losses recorded on those securities.

(3) At December 31, 2009, the $6.6 billion Class D security was carried at amortized cost and classified as HTM debt securities and $1.4 billion of other held subordinated securities were valued using quoted market prices and were classified as AFS debt securities. At December 31, 2008, all of the held subordinated securities were valued using quoted market prices and classified as AFS debt securities.

(4) Other subordinated and residual interests include discount receivables, subordinated interests in accrued interest and fees on the securitized receivables, and cash reserve accounts and interest-only strips which are carried at fair value or amounts that approximate fair value. The residual interests were valued using model valuations. Residual interests associated with the Class D and discount receivables transactions have not been recognized.

Economic assumptions are used in measuring the fair value of certain residual interests that continue to be held by the Corporation. The expected loss rate assumption used to measure the discount receivables at December 31, 2009 was 13 percent. A 10 percent and 20 percent adverse change to the expected loss rate would have caused a decrease of $280 million and $1.2 billion to the fair value of the discount receivables at December 31, 2009. The discount rate assumption used to measure the Class D security at December 31, 2009 was six percent. A 100 bps and 200 bps increase in the discount rate would have caused a decrease of $116 million and $228 million to the fair value of the Class D security. Conversely, a 100 bps and 200 bps decrease in the discount rate would have caused an increase of $120 million and $245 million to the fair value of the Class D security. These sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear.

At December 31, 2009 and 2008, there were no recognized servicing assets or liabilities associated with any of the credit card securitization transactions. The Corporation recorded $2.0 billion and $2.1 billion in servicing fees related to credit card securitizations during 2009 and 2008.

During 2008, the Corporation became one of the liquidity support providers for the Corporation's commercial paper program that obtains financing by issuing tranches of commercial paper backed by credit card receivables to third-party investors from a trust sponsored by the Corporation. During 2009, the Corporation became the sole liquidity support provider for the program and increased its liquidity commitment from $946 million to $2.3 billion. The maximum amount of commercial paper that can be issued under this program given the current level of liquidity support is $8.8 billion, all of which was outstanding at December 31, 2009 and 2008. If certain conditions set forth in the legal documents governing the trust are not met, such as not being able to reissue the commercial paper due to market illiquidity, the commercial paper maturity dates will be extended to 390 days from the original issuance date. This extension would cause the outstanding commercial paper to convert to an interest-bearing note and subsequent credit card receivable collections would be applied to the outstanding note balance. If these notes are still outstanding at the end of the extended maturity period, the liquidity commitment obligates the Corporation and other liquidity support providers, if any, to purchase maturity notes from the trust in order to retire the interest-bearing notes held by investors. As a maturity note holder, the Corporation would be entitled to the remaining cash flows from the collateralizing credit card receivables. At December 31, 2009 and 2008, none of the commercial paper had been extended and there were no maturity notes outstanding. Due to illiquidity in the marketplace, the Corporation held $7.1 billion and $5.0 billion of the outstanding commercial paper as of December 31, 2009 and 2008, which is classified in AFS debt securities on the Corporation's Consolidated Balance Sheet.

Other Securitizations

The Corporation also maintains interests in other securitization trusts to which the Corporation transferred assets including municipal bonds, automobile loans and home equity loans. These retained interests include senior and subordinated securities and residual interests. During 2009, the Corporation had cash proceeds from new securitizations of municipal bonds of $664 million as well as cash flows received on residual interests of $316 million. At December 31, 2009, the principal balance outstanding for municipal bonds securitization trusts was $6.9 billion, senior securities held were $122 million and residual interests held were $203 million. The residual interests were valued using model valuations and substantially all are classified as derivative assets. At December 31, 2009, all of the held senior securities issued by municipal bond securitization trusts were valued using quoted market prices and classified as trading account assets.

During 2009, the Corporation securitized $9.0 billion of automobile loans in a transaction that was structured as a secured borrowing under applicable accounting guidance and the loans are therefore recorded on the Corporation's Consolidated Balance Sheet and excluded from the following table.

There were no new securitizations of home equity loans during 2009 and 2008. The following table summarizes selected information related to home equity and automobile loan securitizations at and for the year ended December 31, 2009 and 2008.

	Home Equity		Automobile	
(Dollars in millions)	**2009**	2008	**2009**	2008
For the Year Ended December 31				
Cash proceeds from new securitizations	**$ –**	$ –	**$ –**	$ 741
Losses on securitizations [1]	**–**	–	**–**	(31)
Collections reinvested in revolving period securitizations	**177**	235	**–**	–
Repurchases of loans from trust [2]	**268**	128	**298**	184
Cash flows received on residual interests	**35**	27	**52**	–
At December 31				
Principal balance outstanding	**46,282**	34,169	**2,656**	5,385
Senior securities held [3, 4]	**15**	–	**2,119**	4,102
Subordinated securities held [5]	**48**	3	**195**	383
Residual interests held [6]	**100**	93	**83**	84

(1) Net of hedges

(2) Repurchases of loans from the trust for home equity loans are typically a result of the Corporation's representations and warranties, modifications or the exercise of an optional clean-up call. In addition, during 2009 and 2008, the Corporation paid $141 million and $34 million to indemnify the investor or insurer under the representations and warranties, and corporate guarantees. For further information regarding representations and warranties, and corporate guarantees, see the First Lien Mortgage-related Securitizations discussion. Repurchases of automobile loans during 2009 and 2008 were due to the exercise of an optional clean-up call.

(3) As a holder of these securities, the Corporation receives scheduled interest and principal payments. During 2009, there were no other-than-temporary impairment losses recorded on those securities classified as AFS debt securities.

(4) At December 31, 2009, all of the held senior securities issued by the home equity securitization trusts were valued using quoted market prices and classified as trading account assets. At December 31, 2009 and 2008, substantially all of the held senior securities issued by the automobile securitization trusts were valued using quoted market prices and classified as AFS debt securities.

(5) At December 31, 2009 and 2008, substantially all of the held subordinated securities issued by the home equity securitization trusts were valued using model valuations and classified as AFS debt securities. At December 31, 2009 and 2008, substantially all of the held subordinated securities issued by the automobile securitization trusts were valued using quoted market prices and classified as AFS debt securities.

(6) Residual interests include the residual asset, overcollateralization and cash reserve accounts, which are carried at fair value or amounts that approximate fair value. The residual interests were derived using model valuations and substantially all are classified in other assets.

Under the terms of the Corporation's home equity securitizations, advances are made to borrowers when they draw on their lines of credit and the Corporation is reimbursed for those advances from the cash flows in the securitization. During the revolving period of the securitization, this reimbursement normally occurs within a short period after the advance. However, when the securitization transaction has begun a rapid amortization period, reimbursement of the Corporation's advance occurs only after other parties in the securitization have received all of the cash flows to which they are entitled. This has the effect of extending the time period for which the Corporation's advances are outstanding. In particular, if loan losses requiring draws on monoline insurers' policies, which protect the bondholders in the securitization, exceed a specified threshold or duration, the Corporation may not receive reimbursement for all of the funds advanced to borrowers, as the senior bondholders and the monoline insurers have priority for repayment.

The Corporation evaluates all of its home equity securitizations for their potential to experience a rapid amortization event by estimating the amount and timing of future losses on the underlying loans, the excess spread available to cover such losses and by evaluating any estimated shortfalls in relation to contractually defined triggers. A maximum funding obligation attributable to rapid amortization cannot be calculated as a home equity borrower has the ability to pay down and redraw balances. At December 31, 2009 and 2008, home equity securitization transactions in rapid amortization had $14.1 billion and $13.1 billion of trust certificates outstanding. This amount is significantly greater than the amount the Corporation expects to fund. At December 31, 2009, an additional $1.1 billion of trust certificates outstanding pertain to home equity securitization transactions that are expected to enter rapid amortization during the next 24 months. The charges that will ultimately be recorded as a result of the rapid amortization events are dependent on the performance of the loans, the amount of subsequent draws, and the timing of related cash flows. At December 31, 2009 and 2008, the reserve for losses on expected future draw obligations on the home equity securitizations in or expected to be in rapid amortization was $178 million and $345 million.

The Corporation has consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded $128 million and $78 million of servicing fee income related to home equity securitizations during 2009 and 2008. For more information on MSRs, see *Note 22 – Mortgage Servicing Rights*. At December 31, 2009 and 2008, there were no recognized servicing assets or liabilities associated with any of the automobile securitization transactions. The Corporation recorded $43 million and $30 million in servicing fees related to automobile securitizations during 2009 and 2008.

The Corporation provides financing to certain entities under asset-backed financing arrangements. These entities are controlled and consolidated by third parties. At December 31, 2009, the principal balance outstanding for these asset-backed financing arrangements was $10.4 billion, the maximum loss exposure was $6.8 billion, and on-balance sheet assets were $6.7 billion which are primarily recorded in loans and leases. The total cash flows for 2009 were $491 million and are primarily related to principal and interest payments received.

NOTE 9 – Variable Interest Entities

The Corporation utilizes SPEs in the ordinary course of business to support its own and its customers' financing and investing needs. These SPEs are typically structured as VIEs and are thus subject to consolidation by the reporting enterprise that absorbs the majority of the economic risks and rewards of the VIE. To determine whether it must consolidate a VIE, the Corporation qualitatively analyzes the design of the VIE to identify the creators of variability within the VIE, including an assessment as to the nature of the risks that are created by the assets and other contractual arrangements of the VIE, and identifies whether it will absorb a majority of that variability.

In addition, the Corporation uses VIEs such as trust preferred securities trusts in connection with its funding activities, as described in more detail in *Note 13 – Long-term Debt*. The Corporation also uses VIEs in the form of synthetic securitization vehicles to mitigate a portion of the credit risk on its residential mortgage loan portfolio as described in

Note 6 – Outstanding Loans and Leases. The Corporation has also provided support to or has loss exposure resulting from its involvement with other VIEs, including certain cash funds managed within *GWIM,* as described in more detail in *Note 14 – Commitments and Contingencies.* These VIEs are not included in the tables below.

The table below presents the assets and liabilities of VIEs that are consolidated on the Corporation's Consolidated Balance Sheet at December 31, 2009, total assets of consolidated VIEs at December 31, 2008, and the Corporation's maximum exposure to loss resulting from its involvement with consolidated VIEs as of December 31, 2009 and 2008. The Corporation's maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation's Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. The Corporation's maximum exposure to loss does not include losses previously recognized through write-downs of assets.

Consolidated VIEs

(Dollars in millions)	Multi-Seller Conduits	Loan and Other Investment Vehicles	CDOs	Leveraged Lease Trusts	Other Vehicles	Total
Consolidated VIEs, December 31, 2009						
Maximum loss exposure	$ 9,388	$ 8,265	$3,863	$5,634	$1,463	**$28,613**
Consolidated Assets [1]						
Trading account assets	$ –	$ 145	$2,785	$ –	$ 548	**$ 3,478**
Derivative assets	–	579	–	–	830	**1,409**
Available-for-sale debt securities	3,492	1,799	1,414	–	23	**6,728**
Held-to-maturity debt securities	2,899	–	–	–	–	**2,899**
Loans and leases	318	11,752	–	5,650	–	**17,720**
All other assets	4	3,087	–	–	184	**3,275**
Total	$ 6,713	$17,362	$4,199	$5,650	$1,585	**$35,509**
Consolidated Liabilities [1]						
Commercial paper and other short-term borrowings	$ 6,748	$ –	$ –	$ –	$ 987	**$ 7,735**
All other liabilities	–	12,127	2,753	17	163	**15,060**
Total	$ 6,748	$12,127	$2,753	$ 17	$1,150	**$22,795**
Consolidated VIEs, December 31, 2008						
Maximum loss exposure	$11,304	$ 3,189	$2,443	$5,774	$1,497	**$24,207**
Total assets of VIEs [1]	9,368	4,449	2,443	5,829	1,631	**23,720**

[1] Total assets and liabilities of consolidated VIEs are reported net of intercompany balances that have been eliminated in consolidation.

At December 31, 2009, the Corporation's total maximum loss exposure to consolidated VIEs was $28.6 billion, which includes $5.9 billion attributable to the addition of Merrill Lynch, primarily loan and other investment vehicles and CDOs.

The table below presents total assets of unconsolidated VIEs in which the Corporation holds a significant variable interest and Corporation-sponsored unconsolidated VIEs in which the Corporation holds a variable interest, even if not significant, at December 31, 2009 and 2008. The table also presents the Corporation's maximum exposure to loss resulting from its involvement with these VIEs at December 31, 2009 and 2008. The Corporation's maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation's Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. The Corporation's maximum exposure to loss does not include losses previously recognized through write-downs of assets. Certain QSPEs, principally municipal bond trusts, in which the Corporation has continuing involvement are discussed in *Note 8 – Securitizations* and are also included in the table. Assets and liabilities of unconsolidated VIEs recorded on the Corporation's Consolidated Balance Sheet at December 31, 2009 are also summarized below.

Unconsolidated VIEs

(Dollars in millions)	Multi-Seller Conduits	Loan and Other Investment Vehicles	Real Estate Investment Vehicles	Municipal Bond Trusts	CDOs	Customer Vehicles	Other Vehicles	Total
Unconsolidated VIEs, December 31, 2009								
Maximum loss exposure	$25,135	$ 5,571	$4,812	$10,143	$ 6,987	$ 9,904	$1,232	**$ 63,784**
Total assets of VIEs	13,893	11,507	4,812	12,247	56,590	13,755	1,232	**114,036**
On-balance sheet assets								
Trading account assets	$ —	$ 216	$ —	$ 191	$ 1,253	$ 1,118	$ —	**$ 2,778**
Derivative assets	—	128	—	167	2,085	4,708	62	**7,150**
Available-for-sale debt securities	—	—	—	—	368	—	—	**368**
Loans and leases	318	933	—	—	—	—	—	**1,251**
All other assets	60	4,287	4,812	—	166	—	—	**9,325**
Total	$ 378	$ 5,564	$4,812	$ 358	$ 3,872	$ 5,826	$ 62	**$ 20,872**
On-balance sheet liabilities								
Derivative liabilities	$ —	$ 139	$ —	$ 287	$ 781	$ 154	$ 54	**$ 1,415**
All other liabilities	—	581	1,460	—	—	856	—	**2,897**
Total	$ —	$ 720	$1,460	$ 287	$ 781	$ 1,010	$ 54	**$ 4,312**
Unconsolidated VIEs, December 31, 2008								
Maximum loss exposure	$42,046	$ 2,789	$5,696	$ 7,145	$ 2,383	$ 5,741	$4,170	**$ 69,970**
Total assets of VIEs	27,922	5,691	5,980	7,997	2,570	6,032	4,211	**60,403**

At December 31, 2009, the Corporation's total maximum loss exposure to unconsolidated VIEs was $63.8 billion, which includes $19.7 billion attributable to the addition of Merrill Lynch, primarily customer vehicles, municipal bond trusts and CDOs.

Except as described below, the Corporation has not provided financial or other support to consolidated or unconsolidated VIEs that it was not previously contractually required to provide, nor does it intend to do so.

Multi-seller Conduits

The Corporation administers four multi-seller conduits which provide a low-cost funding alternative to its customers by facilitating their access to the commercial paper market. These customers sell or otherwise transfer assets to the conduits, which in turn issue short-term commercial paper that is rated high-grade and is collateralized by the underlying assets. The Corporation receives fees for providing combinations of liquidity and SBLCs or similar loss protection commitments to the conduits. The Corporation also receives fees for serving as commercial paper placement agent and for providing administrative services to the conduits. The Corporation's liquidity commitments are collateralized by various classes of assets and incorporate features such as overcollateralization and cash reserves that are designed to provide credit support to the conduits at a level equivalent to investment grade as determined in accordance with internal risk rating guidelines. Third parties participate in a small number of the liquidity facilities on a pari passu basis with the Corporation.

The Corporation determines whether it must consolidate a multi-seller conduit based on an analysis of projected cash flows using Monte Carlo simulations which are driven principally by credit risk inherent in the assets of the conduits. Interest rate risk is not included in the cash flow analysis because the conduits are not designed to absorb and pass along interest rate risk to investors. Instead, the assets of the conduits pay variable rates of interest based on the conduits' funding costs. The assets of the conduits typically carry a risk rating of AAA to BBB based on the Corporation's current internal risk rating equivalent which reflects structural enhancements of the assets including third party insurance. Projected loss calculations are based on maximum binding commitment amounts, probability of default based on the average one-year Moody's Corporate Finance transition table, and recovery rates of 90 percent, 65 percent and 45 percent for senior, mezzanine and subordinate exposures. Approximately 98 percent of commitments in the unconsolidated conduits and 69 percent of commitments in the consolidated conduit are supported by senior exposures. Certain assets funded by one of the unconsolidated conduits benefit from embedded credit enhancement provided by the Corporation. Credit risk created by these assets is deemed to be credit risk of the Corporation which is absorbed by third party investors.

The Corporation does not consolidate three conduits as it does not expect to absorb a majority of the variability created by the credit risk of the assets held in the conduits. On a combined basis, these three conduits have issued approximately $147 million of capital notes and equity interests to third parties, $142 million of which was outstanding at December 31, 2009. These instruments will absorb credit risk on a first loss basis. The Corporation consolidates the fourth conduit which has not issued capital notes or equity interests to third parties.

At December 31, 2009, the assets of the consolidated conduit, which consist primarily of debt securities, and the conduit's unfunded liquidity commitments were mainly collateralized by $2.2 billion in credit card loans (25 percent), $1.1 billion in student loans (12 percent), $1.0 billion in auto loans (11 percent), $680 million in trade receivables (eight percent) and $377 million in equipment loans (four percent). In addition, $3.0 billion of the Corporation's liquidity commitments were collateralized by projected cash flows from long-term contracts (e.g., television broadcast contracts, stadium revenues and royalty payments) which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements will be repaid when cash flows due under the long-term contracts are received. Approximately 74 percent of this exposure is insured. At December 31, 2009, the weighted-average life of assets in the consolidated conduit was estimated to be 3.4 years and the weighted-average maturity of commercial paper issued by this conduit was 33 days. Assets of the Corporation are not available to pay creditors of the consolidated conduit except to the extent the Corporation may be obligated to perform under the liquidity commitments and SBLCs. Assets of the consolidated conduit are not available to pay creditors of the Corporation.

The Corporation's liquidity commitments to the unconsolidated conduits, all of which were unfunded at December 31, 2009, pertained to facilities that were mainly collateralized by $4.4 billion in trade receivables (18 percent), $3.9 billion in auto loans (16 percent), $3.5 billion in credit card loans (15 percent), $2.6 billion in student loans (11 percent), and $2.0 billion in equipment loans (eight percent). In addition, $5.6 billion (24 percent) of the Corporation's commitments were collateralized by the conduits' short-term lending arrangements with investment funds, primarily real estate funds, which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements are secured by a diverse group of high quality equity investors. Outstanding advances under these facilities will be repaid when the investment funds issue capital calls. At December 31, 2009, the weighted-average life of assets in the unconsolidated conduits was estimated to be 2.4 years and the weighted-average maturity of commercial paper issued by these conduits was 37 days. At December 31, 2009 and 2008, the Corporation did not hold any commercial paper issued by the multi-seller conduits other than incidentally and in its role as a commercial paper dealer.

The Corporation's liquidity, SBLCs and similar loss protection commitments obligate it to purchase assets from the conduits at the conduits' cost. Subsequent realized losses on assets purchased from the unconsolidated conduits would be reimbursed from restricted cash accounts that were funded by the issuance of capital notes and equity interests to third party investors. The Corporation would absorb losses in excess of such amounts. If a conduit is unable to re-issue commercial paper due to illiquidity in the commercial paper markets or deterioration in the asset portfolio, the Corporation is obligated to provide funding subject to the following limitations. The Corporation's obligation to purchase assets under the SBLCs and similar loss protection commitments is subject to a maximum commitment amount which is typically set at eight to 10 percent of total outstanding commercial paper. The Corporation's obligation to purchase assets under the liquidity agreements, which comprise the remainder of its exposure, is generally limited to the amount of non-defaulted assets. Although the SBLCs are unconditional, the Corporation is not obligated to fund under other liquidity or loss protection commitments if the conduit is the subject of a voluntary or involuntary bankruptcy proceeding.

One of the unconsolidated conduits holds CDO investments with aggregate outstanding funded amounts of $318 million and $388 million and unfunded commitments of $225 million and $162 million at December 31, 2009 and December 31, 2008. At December 31, 2009, $190 million of the conduit's total exposure pertained to an insured CDO which holds middle market loans. The underlying collateral of the remaining CDO investments includes $33 million of subprime mortgages and other investment grade securities. All of the unfunded commitments are revolving commitments to the insured CDO. During 2009 and 2008, these investments were downgraded or threatened with a downgrade by the ratings agencies. In accordance with the terms of the Corporation's

existing liquidity obligations, the conduit had transferred the funded investments to the Corporation in a transaction that was accounted for as a financing transaction due to the conduit's continuing exposure to credit losses of the investments. As a result of the transfer, the CDO investments no longer serve as collateral for commercial paper issuances.

The transfers were performed in accordance with existing contractual requirements. The Corporation did not provide support to the conduit that was not contractually required nor does it intend to provide support in the future that is not contractually required. The Corporation performs reconsideration analyses for the conduit at least quarterly, and the CDO investments are included in these analyses. The Corporation will be reimbursed for any realized credit losses on these CDO investments up to the amount of capital notes issued by the conduit which totaled $116 million at December 31, 2009 and $66 million at December 31, 2008. Any realized losses on the CDO investments that are caused by market illiquidity or changes in market rates of interest will be borne by the Corporation. The Corporation will also bear any credit-related losses in excess of the amount of capital notes issued by the conduit. The Corporation's maximum exposure to loss from the CDO investments was $428 million at December 31, 2009 and $484 million at December 31, 2008, based on the combined funded amounts and unfunded commitments less the amount of cash proceeds from the issuance of capital notes which are held in a segregated account.

There were no other significant downgrades or losses recorded in earnings from write-downs of assets held by any of the conduits during 2009.

The liquidity commitments and SBLCs provided to unconsolidated conduits are included in *Note 14 – Commitments and Contingencies.*

Loan and Other Investment Vehicles

Loan and other investment vehicles at December 31, 2009 and 2008 include loan securitization trusts that did not meet the requirements to be QSPEs, loan financing arrangements, and vehicles that invest in financial assets, typically debt securities or loans. The Corporation determines whether it is the primary beneficiary of and must consolidate these investment vehicles based principally on a determination as to which party is expected to absorb a majority of the credit risk or market risk created by the assets of the vehicle. Typically, the party holding subordinated or residual interests in a vehicle will absorb a majority of the risk.

Certain loan securitization trusts were designed to meet QSPE requirements but fail to do so, typically as a result of derivatives entered into by the trusts that pertain to interests ultimately retained by the Corporation due to its inability to sell such interests as a result of illiquidity in the market. The assets have been pledged to the investors in the trusts. The Corporation consolidates these loan securitization trusts if it retains the residual interest in the trust and expects to absorb a majority of the variability in cash flows created by the loans held in the trust. Investors in consolidated loan securitization trusts have no recourse to the general credit of the Corporation as their investments are repaid solely from the assets of the vehicle.

The Corporation uses financing arrangements with SPEs administered by third parties to obtain low-cost funding for certain financial assets, principally commercial loans and debt securities. The third party SPEs, typically commercial paper conduits, hold the specified assets subject to total return swaps with the Corporation. If the assets are transferred to the third party from the Corporation, the transfer is accounted for as a secured borrowing. If the third party commercial paper conduit issues a discrete series of commercial paper whose only source of repayment is the specified asset and the total return swap with the Corporation, thus creating a "silo" structure within the conduit, the Corporation consolidates that silo.

The Corporation has made investments in alternative investment funds that are considered to be VIEs because they do not have sufficient legal form equity at risk to finance their activities or the holders of the equity at risk do not have control over the activities of the vehicles. The Corporation consolidates these funds if it holds a majority of the investment in the fund. The Corporation also sponsors funds that provide a guaranteed return to investors at the maturity of the fund. This guarantee may include a guarantee of the return of an initial investment or the initial investment plus an agreed upon return depending on the terms of the fund. Investors in certain of these funds have recourse to the Corporation to the extent that the value of the assets held by the funds at maturity is less than the guaranteed amount. The Corporation consolidates these funds if the Corporation's guarantee is expected to absorb a majority of the variability created by the assets of the fund.

Real Estate Investment Vehicles

The Corporation's investment in real estate investment vehicles at December 31, 2009 and 2008 consisted principally of limited partnership investments in unconsolidated limited partnerships that finance the construction and rehabilitation of affordable rental housing. The Corporation earns a return primarily through the receipt of tax credits allocated to the affordable housing projects.

The Corporation determines whether it must consolidate these limited partnerships based on a determination as to which party is expected to absorb a majority of the risk created by the real estate held in the vehicle, which may include construction, market and operating risk. Typically, the general partner in a limited partnership will absorb a majority of this risk due to the legal nature of the limited partnership structure and accordingly will consolidate the vehicle. The Corporation's risk of loss is mitigated by policies requiring that the project qualify for the expected tax credits prior to making its investment. The Corporation may from time to time be asked to invest additional amounts to support a troubled project. Such additional investments have not been and are not expected to be significant.

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds, some of which are callable prior to maturity. The vast majority of the bonds are rated AAA or AA and some of the bonds benefit from insurance provided by monolines. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third party investors. The Corporation may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days' notice. Should the Corporation be unable to remarket the tendered certificates, it is generally obligated to purchase them at par under standby liquidity facilities. The Corporation is not obligated to purchase the certificates under the standby liquidity facilities if a bond's credit rating declines below investment grade or in the event of certain defaults or bankruptcy of the issuer and insurer. The weighted-average remaining life of bonds held in the trusts at December 31, 2009 was 13.6 years. There were no material write-downs or downgrades of assets or issuers during 2009.

In addition to standby liquidity facilities, the Corporation also provides default protection or credit enhancement to investors in securities issued by certain municipal bond trusts. Interest and principal payments on floating-rate certificates issued by these trusts are secured by an unconditional guarantee issued by the Corporation. In the event that the issuer of the underlying municipal bond defaults on any payment of principal and/or interest when due, the Corporation will make any required payments to the holders of the floating-rate certificates.

Some of these trusts are QSPEs and, as such, are not subject to consolidation by the Corporation. The Corporation consolidates those trusts that are not QSPEs if it holds the residual interests or otherwise expects to absorb a majority of the variability created by changes in market value of assets in the trusts and changes in market rates of interest. The Corporation does not consolidate a trust if the customer holds the residual interest and the Corporation is protected from loss in connection with its liquidity obligations. For example, the Corporation may have the ability to trigger the liquidation of a trust that is not a QSPE if the market value of the bonds held in the trust declines below a specified threshold which is designed to limit market losses to an amount that is less than the customer's residual interest, effectively preventing the Corporation from absorbing the losses incurred on the assets held within the trust.

The Corporation's liquidity commitments to unconsolidated trusts totaled $9.8 billion and $6.8 billion at December 31, 2009 and 2008. The increase is due principally to the addition of unconsolidated trusts acquired through the Merrill Lynch acquisition. At December 31, 2009 and 2008, the Corporation held $155 million and $688 million of floating-rate certificates issued by the municipal bond trusts in trading account assets.

Collateralized Debt Obligation Vehicles

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

The Corporation evaluates whether it must consolidate a CDO based principally on a determination as to which party is expected to absorb a majority of the credit risk created by the assets of the CDO. The Corporation does not typically retain a significant portion of debt securities issued by a CDO. When the Corporation structured certain CDOs, it acquired the super senior tranches, which are the most senior class of securities issued by the CDOs and benefit from the subordination of all other securities issued by the vehicle, or provided commitments to support the issuance of super senior commercial paper to third parties. When the CDOs were first created, the Corporation did not expect its investments or its liquidity commitments to absorb a significant amount of the variability driven by the credit risk within the CDOs and did not consolidate the CDOs. When the Corporation subsequently acquired commercial paper or term securities issued by certain CDOs during 2009 and 2008, principally as a result of its liquidity obligations, updated consolidation analyses were performed. Due to credit deterioration in the pools of securities held by the CDOs, the updated analyses indicated that the Corporation would now be expected to absorb a majority of the variability, and accordingly, these CDOs were consolidated. Consolidation did not have a significant impact on the Corporation's results of operations, as the Corporation's investments and liquidity obligations were recorded at fair value prior to consolidation. The creditors of the consolidated CDOs have no recourse to the general credit of the Corporation.

The December 31, 2009 CDO balances include a portfolio of liquidity exposures obtained in connection with the Merrill Lynch acquisition, including $1.9 billion notional amount of liquidity support provided to certain synthetic CDOs in the form of unfunded lending commitments related to super senior securities. The lending commitments obligate the Corporation to purchase the super senior CDO securities at par value if the CDOs need cash to make payments due under credit default swaps held by the CDOs. This portfolio also includes an additional $1.3 billion notional amount of liquidity exposure to non-SPE third parties that hold super senior cash positions on the Corporation's behalf. The Corporation's net exposure to loss on these positions, after write-downs and insurance, was $88 million at December 31, 2009.

Liquidity-related commitments also include $1.4 billion notional amount of derivative contracts with unconsolidated SPEs, principally CDO vehicles, which hold non-super senior CDO debt securities or other debt securities on the Corporation's behalf. These derivatives are typically in the form of total return swaps which obligate the Corporation to purchase the securities at the SPE's cost to acquire the securities, generally as a result of ratings downgrades. The underlying securities are senior securities and substantially all of the Corporation's exposures are insured. Accordingly, the Corporation's exposure to loss consists principally of counterparty risk to the insurers. These derivatives are included in the $2.8 billion notional amount of derivative contracts through which the Corporation obtains funding from third party SPEs, discussed in *Note 14 – Commitments and Contingencies*.

The $4.6 billion of liquidity exposure described above is included in the Unconsolidated VIEs table to the extent that the Corporation's involvement with the CDO vehicle meets the requirements for disclosure. For example, if the Corporation did not sponsor a CDO vehicle and does not hold a significant variable interest, the vehicle is not included in the table.

Including such liquidity commitments, the portfolio of CDO investments obtained in connection with the Merrill Lynch acquisition and included in the Unconsolidated VIEs table pertains to CDO vehicles with total assets of $55.6 billion. The Corporation's maximum exposure to loss with regard to these positions is $6.0 billion. This amount is significantly less than the total assets of the CDO vehicles because the Corporation typically has exposure to only a portion of the total assets. The Corporation has also purchased credit protection from some of the same CDO vehicles in which it invested, thus reducing net exposure to future loss.

At December 31, 2008, liquidity commitments provided to CDOs included written put options with a notional amount of $542 million. All of these written put options were terminated in the first quarter of 2009.

Leveraged Lease Trusts

The Corporation's net involvement with consolidated leveraged lease trusts totaled $5.6 billion and $5.8 billion at December 31, 2009 and 2008. The trusts hold long-lived equipment such as rail cars, power generation and distribution equipment, and commercial aircraft. The Corporation consolidates these trusts because it holds a residual interest which is expected to absorb a majority of the variability driven by credit risk of the lessee and, in some cases, by the residual risk of the leased property. The net investment represents the Corporation's maximum loss exposure to the trusts in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is nonrecourse to the Corporation. The Corporation has no liquidity exposure to these leveraged lease trusts.

Customer Vehicles

Customer vehicles include credit-linked and equity-linked note vehicles, repackaging vehicles, and asset acquisition vehicles, which are typically created on behalf of customers who wish to obtain market or credit exposure to a specific company or financial instrument.

Credit-linked and equity-linked note vehicles issue notes which pay a return that is linked to the credit or equity risk of a specified company or debt instrument. The vehicles purchase high-grade assets as collateral and enter into credit default swaps or equity derivatives to synthetically create the credit or equity risk to pay the specified return on the notes. The Corporation is typically the counterparty for some or all of the credit and equity derivatives and, to a lesser extent, it may invest in securities issued by the vehicles. The Corporation may also enter into interest rate or foreign currency derivatives with the vehicles. The Corporation does not typically consolidate the vehicles because the derivatives create variability which is absorbed by the third party investors. The Corporation is exposed to loss if the collateral held by the vehicle declines in value and is insufficient to cover the vehicle's obligation to the Corporation under the above-referenced derivatives. In addition, the Corporation has entered into derivative contracts, typically total return swaps, with certain vehicles which obligate the Corporation to purchase securities held as collateral at the vehicle's cost, typically as a result of ratings downgrades. These exposures were obtained in connection with the Merrill Lynch acquisition. The underlying securities are senior securities and substantially all of the Corporation's exposures are insured. Accordingly, the Corporation's exposure to loss consists principally of counterparty risk to the insurers. The Corporation consolidates these vehicles if the variability in cash flows expected to be generated by the collateral is greater than the variability in cash flows expected to be generated by the credit or equity derivatives. At December 31, 2009, the notional amount of such derivative contracts with unconsolidated vehicles was $1.4 billion. This amount is included in the $2.8 billion notional amount of derivative contracts through which the Corporation obtains funding from unconsolidated SPEs, described in *Note 14 – Commitments and Contingencies*. The Corporation also has approximately $628 million of other liquidity commitments, including written put options and collateral value guarantees, with credit-linked and equity-linked vehicles at December 31, 2009.

Repackaging vehicles are created to provide an investor with a specific risk profile. The vehicles typically hold a security and a derivative that modify the interest rate or currency of that security, and issues one class of notes to a single investor. These vehicles are generally QSPEs and as such are not subject to consolidation by the Corporation.

Asset acquisition vehicles acquire financial instruments, typically loans, at the direction of a single customer and obtain funding through the issuance of structured notes to the Corporation. At the time the vehicle acquires an asset, the Corporation enters into a total return swap with the customer such that the economic returns of the asset are passed through to the customer. As a result, the Corporation does not consolidate the vehicles. The Corporation is exposed to counterparty credit risk if the asset declines in value and the customer defaults on its obligation to the Corporation under the total return swap. The Corporation's risk may be mitigated by collateral or other arrangements.

Other Vehicles

Other consolidated vehicles primarily include asset acquisition conduits and real estate investment vehicles. Other unconsolidated vehicles include asset acquisition conduits and other corporate conduits.

The Corporation administers three asset acquisition conduits which acquire assets on behalf of the Corporation or its customers. Two of the conduits, which are unconsolidated, acquire assets at the request of customers who wish to benefit from the economic returns of the specified assets on a leveraged basis, which consist principally of liquid exchange-traded equity securities. The consolidated conduit holds subordinated debt securities for the Corporation's benefit. The conduits obtain funding by issuing commercial paper and subordinated certificates to third party investors. Repayment of the commercial paper and certificates is assured by total return swaps between the Corporation and the conduits and for unconsolidated conduits the Corporation is reimbursed through total return swaps with its customers. The weighted-average maturity of commercial paper issued by the conduits at December 31, 2009 was 68 days. The Corporation receives fees for serving as commercial paper placement agent and for providing administrative services to the conduits. At December 31, 2009 and 2008, the Corporation did not hold any commercial paper issued by the asset acquisition conduits other than incidentally and in its role as a commercial paper dealer.

The Corporation determines whether it must consolidate an asset acquisition conduit based on the design of the conduit and whether the third party investors are exposed to the Corporation's credit risk or the market risk of the assets. Interest rate risk is not included in the cash flow analysis because the conduits are not designed to absorb and pass along interest rate risk to investors who receive current rates of interest that are appropriate for the tenor and relative risk of their investments. When a conduit acquires assets for the benefit of the Corporation's customers, the Corporation enters into back-to-back total return swaps with the conduit and the customer such that the economic returns of the assets are passed through to the customer. The Corporation's performance under the derivatives is collateralized by the underlying assets and as such the third party investors are exposed primarily to the credit risk of the Corporation. The Corporation's exposure to the counterparty credit risk of its customers is mitigated by the aforementioned collateral arrangements and the ability to liquidate an asset held in the conduit if the customer defaults on its obligation. When a conduit acquires assets on the Corporation's behalf and the Corporation absorbs the market risk of the assets, it consolidates the conduit. Derivatives related to unconsolidated conduits are carried at fair value with changes in fair value recorded in trading account profits (losses).

Other corporate conduits at December 31, 2008 included several commercial paper conduits which held primarily high-grade, long-term municipal, corporate and mortage-backed securities. During the second quarter of 2009, the Corporation was unable to remarket the conduits' commercial paper and, in accordance with existing contractual arrangements, the conduits were liquidated. Due to illiquidity in the financial markets, the Corporation purchased a majority of these assets. At December 31, 2009, the Corporation held $207 million of assets acquired from the liquidation of other corporate conduits and previous mandatory sales of assets out of the conduits. These assets are recorded on the Consolidated Balance Sheet in trading account assets.

NOTE 10 – Goodwill and Intangible Assets

The following table presents goodwill at December 31, 2009 and 2008, which includes $5.1 billion of goodwill from the acquisition of Merrill Lynch and $4.4 billion of goodwill from the acquisition of Countrywide. As discussed in more detail in *Note 23 – Business Segment Information*, the Corporation changed its basis of presentation from three segments to six segments effective January 1, 2009 in connection with the Merrill Lynch acquisition. The reporting units utilized for goodwill impairment tests are the business segments or one level below the business segments.

	December 31	
(Dollars in millions)	**2009**	2008
Deposits	**$17,875**	$17,805
Global Card Services	**22,292**	22,271
Home Loans & Insurance	**4,797**	4,797
Global Banking	**27,550**	28,409
Global Markets	**3,358**	2,080
Global Wealth & Investment Management	**10,411**	6,503
All Other	**31**	69
Total goodwill	**$86,314**	$81,934

No goodwill impairment was recognized for 2009 and 2008. For more information on goodwill impairment testing, see the *Goodwill and Intangible Assets* section of *Note 1 – Summary of Significant Accounting Principles*.

Based on the results of the annual impairment test at June 30, 2009, and due to continued stress on *Home Loans & Insurance* and *Global Card Services* as a result of current market conditions, the Corporation concluded that an additional impairment analysis should be performed for these two reporting units as of December 31, 2009. In performing the first step of the additional impairment analysis, the Corporation compared the fair value of each reporting unit to its carrying amount, including goodwill. Consistent with the annual test, the Corporation utilized a combination of the market approach and the income approach for *Home Loans & Insurance* and the income approach for *Global Card Services*. For *Home Loans & Insurance* the carrying value exceeded the fair value, and accordingly, the second step analysis of comparing the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill was performed. Although *Global Card Services* passed step one of the goodwill impairment analysis, to further substantiate the value of the goodwill balance, the Corporation also performed the step two analysis for this reporting unit. The results of the second step of the goodwill impairment test, which were consistent with the results of the annual impairment test, indicated that no goodwill was impaired for 2009.

The following table presents the gross carrying values and accumulated amortization related to intangible assets at December 31, 2009 and 2008. Gross carrying amounts include $5.4 billion of intangible assets related to the Merrill Lynch acquisition consisting of $800 million of core deposit intangibles, $3.1 billion of customer relationships and $1.5 billion of non-amortizing other intangibles.

	December 31			
	2009		2008	
(Dollars in millions)	**Gross Carrying Value**	**Accumulated Amortization**	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	**$ 7,179**	**$3,452**	$ 7,080	$2,740
Core deposit intangibles	**5,394**	**3,722**	4,594	3,284
Customer relationships	**4,232**	**760**	1,104	259
Affinity relationships	**1,651**	**751**	1,638	587
Other intangibles	**3,438**	**1,183**	2,009	1,020
Total intangible assets	**$21,894**	**$9,868**	$16,425	$7,890

Amortization of intangibles expense was $2.0 billion, $1.8 billion and $1.7 billion in 2009, 2008 and 2007, respectively. The Corporation estimates aggregate amortization expense will be approximately $1.8 billion, $1.6 billion, $1.4 billion, $1.2 billion and $1.0 billion for 2010 through 2014, respectively.

NOTE 11 – Deposits

The Corporation had domestic certificates of deposit and other domestic time deposits of $100 thousand or more totaling $99.4 billion and $136.6 billion at December 31, 2009 and 2008. Foreign certificates of deposit and other foreign time deposits of $100 thousand or more totaled $67.2 billion and $85.4 billion at December 31, 2009 and 2008.

Time deposits of $100 thousand or more

(Dollars in millions)	Three months or less	Over three months to twelve months	Thereafter	Total
Domestic certificates of deposit and other time deposits	$44,723	$45,651	$9,058	**$99,432**
Foreign certificates of deposit and other time deposits	62,473	3,488	1,282	**67,243**

At December 31, 2009, the scheduled maturities for total time deposits were as follows:

(Dollars in millions)	Domestic	Foreign	Total
Due in 2010	$174,731	$72,507	**$247,238**
Due in 2011	14,511	402	**14,913**
Due in 2012	3,256	312	**3,568**
Due in 2013	3,284	216	**3,500**
Due in 2014	2,873	40	**2,913**
Thereafter	2,282	342	**2,624**
Total time deposits	$200,937	$73,819	**$274,756**

NOTE 12 – Short-term Borrowings

Bank of America, N.A. maintains a global program to offer up to a maximum of $75.0 billion outstanding at any one time, of bank notes with fixed or floating rates and maturities of at least seven days from the date of issue. Short-term bank notes outstanding under this program totaled $20.6 billion at December 31, 2009 compared to $10.5 billion at December 31, 2008. These short-term bank notes, along with Federal Home Loan Bank advances, U.S. Treasury tax and loan notes, and term federal funds purchased, are reflected in commercial paper and other short-term borrowings on the Consolidated Balance Sheet. See *Note 13 – Long-term Debt* for information regarding the long-term notes that may be issued under the $75.0 billion bank note program.

The following table presents information for short-term borrowings.

Short-term Borrowings

	2009		2008		2007	
(Dollars in millions)	Amount	Rate	Amount	Rate	Amount	Rate
Federal funds purchased						
At December 31	**$ 4,814**	**0.09%**	$ 14,432	0.11%	$ 14,187	4.15%
Average during year	**4,239**	**0.05**	8,969	1.67	7,595	4.84
Maximum month-end balance during year	**4,814**	**—**	18,788	—	14,187	—
Securities loaned or sold under agreements to repurchase						
At December 31	**250,371**	**0.39**	192,166	0.84	207,248	4.63
Average during year	**365,624**	**0.96**	264,012	2.54	245,886	5.21
Maximum month-end balance during year	**430,067**	**—**	295,537	—	277,196	—
Commercial paper						
At December 31	**13,131**	**0.65**	37,986	1.80	55,596	4.85
Average during year	**26,697**	**1.03**	57,337	3.09	57,712	5.03
Maximum month-end balance during year	**37,025**	**—**	65,399	—	69,367	—
Other short-term borrowings						
At December 31	**56,393**	**1.72**	120,070	2.07	135,493	4.95
Average during year	**92,083**	**1.87**	125,392	2.99	113,621	5.18
Maximum month-end balance during year	**169,602**	**—**	160,150	—	142,047	—

NOTE 13 – Long-term Debt

Long-term debt consists of borrowings having an original maturity of one year or more. The following table presents the balance of long-term debt at December 31, 2009 and 2008 and the related rates and maturity dates at December 31, 2009.

(Dollars in millions)	December 31 2009	2008
Notes issued by Bank of America Corporation		
Senior notes:		
Fixed, with a weighted-average rate of 4.80%, ranging from 0.61% to 7.63%, due 2010 to 2043	**$ 78,282**	$ 64,799
Floating, with a weighted-average rate of 1.17%, ranging from 0.15% to 4.57%, due 2010 to 2041	**47,731**	51,488
Structured notes	**8,897**	5,565
Subordinated notes:		
Fixed, with a weighted-average rate of 5.69%, ranging from 2.40% to 10.20%, due 2010 to 2038	**28,017**	29,618
Floating, with a weighted-average rate of 1.60%, ranging from 0.60% to 4.39%, due 2016 to 2019	**681**	650
Junior subordinated notes (related to trust preferred securities):		
Fixed, with a weighted-average rate of 6.71%, ranging from 5.25% to 11.45%, due 2026 to 2055	**15,763**	15,606
Floating, with a weighted-average rate of 0.88%, ranging from 0.50% to 3.63%, due 2027 to 2056	**3,517**	3,736
Total notes issued by Bank of America Corporation	**182,888**	171,462
Notes issued by Merrill Lynch & Co., Inc. and subsidiaries		
Senior notes:		
Fixed, with a weighted-average rate of 5.24%, ranging from 0.05% to 8.83%, due 2010 to 2066	**52,506**	–
Floating, with a weighted-average rate of 0.80%, ranging from 0.13% to 5.29%, due 2010 to 2044	**36,624**	–
Structured notes	**48,518**	–
Subordinated notes:		
Fixed, with a weighted-average rate of 6.07%, ranging from 0.12% to 8.13%, due 2010 to 2038	**9,258**	–
Floating, with a weighted-average rate of 1.12%, ranging from 0.83% to 1.26%, due 2017 to 2037	**1,857**	–
Junior subordinated notes (related to trust preferred securities):		
Fixed, with a weighted-average rate of 6.93%, ranging from 6.45% to 7.38%, due 2062 to 2066	**3,552**	–
Other long-term debt	**2,636**	–
Total notes issued by Merrill Lynch & Co., Inc. and subsidiaries	**154,951**	–
Notes issued by Bank of America, N.A. and other subsidiaries		
Senior notes:		
Fixed, with a weighted-average rate of 2.16%, ranging from 0.40% to 8.10%, due 2010 to 2027	**12,461**	6,103
Floating, with a weighted-average rate of 0.38%, ranging from 0.15% to 3.31%, due 2010 to 2051	**24,846**	28,467
Subordinated notes:		
Fixed, with a weighted-average rate of 5.91%, ranging from 5.30% to 7.13%, due 2012 to 2036	**5,193**	5,593
Floating, with a weighted-average rate of 0.73%, ranging from 0.25% to 3.76%, due 2010 to 2027	**2,272**	2,796
Total notes issued by Bank of America, N.A. and other subsidiaries	**44,772**	42,959
Notes issued by NB Holdings Corporation		
Junior subordinated notes (related to trust preferred securities):		
Floating, 0.85%, due 2027	**258**	258
Total notes issued by NB Holdings Corporation	**258**	258
Notes issued by BAC North America Holding Company and subsidiaries		
Senior notes:		
Fixed, with a weighted-average rate of 5.40%, ranging from 3.00% to 7.00%, due 2010 to 2026	**420**	562
Junior subordinated notes (related to trust preferred securities):		
Fixed, 6.97%, perpetual	**490**	491
Floating, with a weighted-average rate of 1.54%, ranging from 0.31% to 2.03%, perpetual	**945**	940
Total notes issued by BAC North America Holding Company and subsidiaries	**1,855**	1,993
Other debt		
Advances from Federal Home Loan Banks:		
Fixed, with a weighted-average rate of 4.08%, ranging from 0.36% to 8.29%, due 2010 to 2028	**53,032**	48,495
Floating, with a weighted-average rate of 0.14%, ranging from 0.13% to 0.14%, due 2011 to 2013	**750**	2,750
Other	**15**	375
Total other debt	**53,797**	51,620
Total long-term debt	**$438,521**	$268,292

The majority of the floating rates are based on three- and six-month London InterBank Offered Rates (LIBOR).

Bank of America Corporation, Merrill Lynch & Co., Inc. and subsidiaries, and Bank of America, N.A. maintain various domestic and international debt programs to offer both senior and subordinated notes. The notes may be denominated in U.S. dollars or foreign currencies. At December 31, 2009 and 2008, the amount of foreign currency-denominated debt translated into U.S. dollars included in total long-term debt was $156.8 billion and $53.3 billion. Foreign currency contracts are used to convert certain foreign currency-denominated debt into U.S. dollars.

At December 31, 2009 and 2008, Bank of America Corporation was authorized to issue approximately $119.1 billion and $92.9 billion of additional corporate debt and other securities under its existing domestic shelf registration statements. At December 31, 2009 and 2008, Bank of America, N.A. was authorized to issue $35.3 billion and $48.3 billion of additional bank notes. Long-term bank notes outstanding under Bank of America, N.A.'s $75.0 billion bank note program totaled $19.1 billion and $16.2 billion at December 31, 2009 and 2008. In addition, Bank of America, N.A. was authorized to issue $20.6 billion of additional mortgage notes under the $30.0 billion mortgage bond program at both December 31, 2009 and 2008.

The weighted-average effective interest rates for total long-term debt (excluding structured notes), total fixed-rate debt and total floating-rate debt (based on the rates in effect at December 31, 2009) were 3.62 percent, 4.93 percent and 0.80 percent, respectively, at December 31, 2009 and (based on the rates in effect at December 31, 2008) were 4.26 percent, 5.05 percent and 2.80 percent, respectively, at December 31, 2008.

The weighted-average interest rate for debt (excluding structured notes) issued by Merrill Lynch & Co., Inc. and subsidiaries was 3.73 percent at December 31, 2009. The Corporation has not assumed or guaranteed the $154 billion of long-term debt that was issued or guaranteed by Merrill Lynch & Co., Inc. or its subsidiaries prior to the acquisition of Merrill Lynch by the Corporation. Beginning late in the third quarter of 2009, in connection with the update or renewal of certain Merrill Lynch international securities offering programs, the Corporation agreed to guarantee debt securities, warrants and/or certificates issued by certain subsidiaries of Merrill Lynch & Co., Inc. on a going forward basis. All existing Merrill Lynch & Co., Inc. guarantees of securities issued by those same Merrill Lynch subsidiaries under various international securities offering programs will remain in full force and effect as long as those securities are outstanding, and the Corporation has not assumed any of those prior Merrill Lynch & Co., Inc. guarantees or otherwise guaranteed such securities.

In addition, certain structured notes acquired in the acquisition of Merrill Lynch are accounted for under the fair value option. For more information on these structured notes, see *Note 20 – Fair Value Measurements*.

Aggregate annual maturities of long-term debt obligations at December 31, 2009 are as follows:

(Dollars in millions)	2010	2011	2012	2013	2014	Thereafter	Total
Bank of America Corporation	$23,354	$15,711	$39,880	$ 7,714	$16,119	$ 80,110	**$182,888**
Merrill Lynch & Co., Inc. and subsidiaries	31,680	19,867	18,760	21,246	17,210	46,188	**154,951**
Bank of America, N.A. and other subsidiaries	20,779	58	5,759	3,240	99	14,837	**44,772**
NB Holdings Corporation	—	—	—	—	—	258	**258**
BAC North America Holding Company and subsidiaries	74	43	15	26	45	1,652	**1,855**
Other	23,257	18,364	5,597	5,132	1,272	175	**53,797**
Total	**$99,144**	**$54,043**	**$70,011**	**$37,358**	**$34,745**	**$143,220**	**$438,521**

Certain structured notes contain provisions whereby the borrowings are redeemable at the option of the holder (put options) at specified dates prior to maturity. Other structured notes have coupon or repayment terms linked to the performance of debt or equity securities, indices, currencies or commodities and the maturity may be accelerated based on the value of a referenced index or security. In both cases, the Corporation or a subsidiary, may be required to settle the obligation for cash or other securities prior to the contractual maturity date. These borrowings are reflected in the above table as maturing at their earliest put or redemption date.

Trust Preferred and Hybrid Securities

Trust preferred securities (Trust Securities) are issued by trust companies (the Trusts) that are not consolidated. These Trust Securities are mandatorily redeemable preferred security obligations of the Trusts. The sole assets of the Trusts generally are junior subordinated deferrable interest notes of the Corporation or its subsidiaries (the Notes). The Trusts generally are 100 percent owned finance subsidiaries of the Corporation. Obligations associated with the Notes are included in the Long-term Debt table on the previous page.

Certain of the Trust Securities were issued at a discount and may be redeemed prior to maturity at the option of the Corporation. The Trusts generally have invested the proceeds of such Trust Securities in the Notes. Each issue of the Notes has an interest rate equal to the corresponding Trust Securities distribution rate. The Corporation has the right to defer payment of interest on the Notes at any time or from time to time for a period not exceeding five years provided that no extension period may extend beyond the stated maturity of the relevant Notes. During any such extension period, distributions on the Trust Securities will also be deferred and the Corporation's ability to pay dividends on its common and preferred stock will be restricted.

The Trust Securities generally are subject to mandatory redemption upon repayment of the related Notes at their stated maturity dates or their earlier redemption at a redemption price equal to their liquidation amount plus accrued distributions to the date fixed for redemption and the premium, if any, paid by the Corporation upon concurrent repayment of the related Notes.

Periodic cash payments and payments upon liquidation or redemption with respect to Trust Securities are guaranteed by the Corporation or its subsidiaries to the extent of funds held by the Trusts (the Preferred Securities Guarantee). The Preferred Securities Guarantee, when taken together with the Corporation's other obligations including its obligations under the Notes, generally will constitute a full and unconditional guarantee, on a subordinated basis, by the Corporation of payments due on the Trust Securities.

Hybrid Income Term Securities (HITS) totaling $1.6 billion were also issued by the Trusts to institutional investors in 2007. The BAC Capital Trust XIII Floating Rate Preferred HITS have a distribution rate of three-month LIBOR plus 40 bps and the BAC Capital Trust XIV Fixed-to-Floating Rate Preferred HITS have an initial distribution rate of 5.63 percent. Both series of HITS represent beneficial interests in the assets of the respective capital trust, which consist of a series of the Corporation's junior subordinated notes and a stock purchase contract for a specified series of the Corporation's preferred stock. The Corporation will remarket the junior subordinated notes underlying each series of HITS on or about the five-year anniversary of the issuance to obtain sufficient funds for the capital trusts to buy the Corporation's preferred stock under the stock purchase contracts.

In connection with the HITS, the Corporation entered into two replacement capital covenants for the benefit of investors in certain series of the Corporation's long-term indebtedness (Covered Debt). As of December 31, 2009, the Corporation's 6.625% Junior Subordinated Notes due 2036 constitute the Covered Debt under the covenant corresponding to the Floating Rate Preferred HITS and the Corporation's 5.625% Junior Subordinated Notes due 2035 constitute the Covered Debt under the covenant corresponding to the Fixed-to-Floating Rate Preferred HITS. These covenants generally restrict the ability of the Corporation and its subsidiaries to redeem or purchase the HITS and related securities unless the Corporation has obtained the prior approval of the Board of Governors of the Federal Reserve System (Federal Reserve) if required under the Federal Reserve's capital guidelines, the redemption or purchase price of the HITS does not exceed the amount received by the Corporation from the sale of certain qualifying securities, and such replacement securities qualify as Tier 1 Capital and are not "restricted core capital elements" under the Federal Reserve's guidelines.

Also included in the outstanding Trust Securities and Notes in the following table are non-consolidated wholly owned subsidiary funding vehicles of BAC North America Holding Company (BACNAH, formerly ABN

AMRO North America Holding Company) and its subsidiary, LaSalle, that issued preferred securities (Funding Securities). These subsidiary funding vehicles have invested the proceeds of their Funding Securities in separate series of preferred securities of BACNAH or LaSalle, as applicable (BACNAH Preferred Securities). The BACNAH Preferred Securities (and the corresponding Funding Securities) are non-cumulative and permit nonpayment of dividends within certain limitations. The issuance dates for the BACNAH Preferred Securities (and the related Funding Securities) range from 2000 to 2001. These Funding Securities are subject to mandatory redemption upon repayment by the issuer of the corresponding series of BACNAH Preferred Securities at a redemption price equal to their liquidation amount plus accrued and unpaid distributions for up to one quarter.

For additional information on Trust Securities for regulatory capital purposes, *see Note 16 – Regulatory Requirements and Restrictions*.

The following table is a summary of the outstanding Trust and Hybrid Securities and the related Notes at December 31, 2009 as originated by Bank of America Corporation and its predecessor companies and subsidiaries.

(Dollars in millions) Issuer	Issuance Date	Aggregate Principal Amount of Trust Securities	Aggregate Principal Amount of the Notes	Stated Maturity of the Notes	Per Annum Interest Rate of the Notes	Interest Payment Dates	Redemption Period
Bank of America							
Capital Trust I	December 2001	$ 575	**$ 593**	December 2031	7.00%	3/15,6/15,9/15,12/15	On or after 12/15/06
Capital Trust II	January 2002	900	**928**	February 2032	7.00	2/1,5/1,8/1,11/1	On or after 2/01/07
Capital Trust III	August 2002	500	**516**	August 2032	7.00	2/15,5/15,8/15,11/15	On or after 8/15/07
Capital Trust IV	April 2003	375	**387**	May 2033	5.88	2/1,5/1,8/1,11/1	On or after 5/01/08
Capital Trust V	November 2004	518	**534**	November 2034	6.00	2/3,5/3,8/3,11/3	On or after 11/03/09
Capital Trust VI	March 2005	1,000	**1,031**	March 2035	5.63	3/8,9/8	Any time
Capital Trust VII [1]	August 2005	1,415	**1,415**	August 2035	5.25	2/10,8/10	Any time
Capital Trust VIII	August 2005	530	**546**	August 2035	6.00	2/25,5/25,8/25,11/25	On or after 8/25/10
Capital Trust X	March 2006	900	**928**	March 2055	6.25	3/29,6/29,9/29,12/29	On or after 3/29/11
Capital Trust XI	May 2006	1,000	**1,031**	May 2036	6.63	5/23,11/23	Any time
Capital Trust XII	August 2006	863	**890**	August 2055	6.88	2/2,5/2,8/2,11/2	On or after 8/02/11
Capital Trust XIII	February 2007	700	**700**	March 2043	3-mo. LIBOR +40 bps	3/15,6/15,9/15,12/15	On or after 3/15/17
Capital Trust XIV	February 2007	850	**850**	March 2043	5.63	3/15,9/15	On or after 3/15/17
Capital Trust XV	May 2007	500	**500**	June 2056	3-mo. LIBOR +80 bps	3/1,6/1,9/1,12/1	On or after 6/01/37
NationsBank							
Capital Trust II	December 1996	365	**376**	December 2026	7.83	6/15,12/15	On or after 12/15/06
Capital Trust III	February 1997	500	**515**	January 2027	3-mo. LIBOR +55 bps	1/15,4/15,7/15,10/15	On or after 1/15/07
Capital Trust IV	April 1997	500	**515**	April 2027	8.25	4/15,10/15	On or after 4/15/07
BankAmerica							
Institutional Capital A	November 1996	450	**464**	December 2026	8.07	6/30,12/31	On or after 12/31/06
Institutional Capital B	November 1996	300	**309**	December 2026	7.70	6/30,12/31	On or after 12/31/06
Capital II	December 1996	450	**464**	December 2026	8.00	6/15,12/15	On or after 12/15/06
Capital III	January 1997	400	**412**	January 2027	3-mo. LIBOR +57 bps	1/15,4/15,7/15,10/15	On or after 1/15/02
Barnett							
Capital III	January 1997	250	**258**	February 2027	3-mo. LIBOR +62.5 bps	2/1,5/1,8/1,11/1	On or after 2/01/07
Fleet							
Capital Trust II	December 1996	250	**258**	December 2026	7.92	6/15,12/15	On or after 12/15/06
Capital Trust V	December 1998	250	**258**	December 2028	3-mo. LIBOR +100 bps	3/18,6/18,9/18,12/18	On or after 12/18/03
Capital Trust VIII	March 2002	534	**550**	March 2032	7.20	3/15,6/15,9/15,12/15	On or after 3/08/07
Capital Trust IX	July 2003	175	**180**	August 2033	6.00	2/1,5/1,8/1,11/1	On or after 7/31/08
BankBoston							
Capital Trust III	June 1997	250	**258**	June 2027	3-mo. LIBOR +75 bps	3/15,6/15,9/15,12/15	On or after 6/15/07
Capital Trust IV	June 1998	250	**258**	June 2028	3-mo. LIBOR +60 bps	3/8,6/8,9/8,12/8	On or after 6/08/03
Progress							
Capital Trust I	June 1997	9	**9**	June 2027	10.50	6/1,12/1	On or after 6/01/07
Capital Trust II	July 2000	6	**6**	July 2030	11.45	1/19,7/19	On or after 7/19/10
Capital Trust III	November 2002	10	**10**	November 2032	3-mo. LIBOR +335 bps	2/15,5/15,8/15,11/15	On or after 11/15/07
Capital Trust IV	December 2002	5	**5**	January 2033	3-mo. LIBOR +335 bps	1/7,4/7,7/7,10/7	On or after 1/07/08
MBNA							
Capital Trust A	December 1996	250	**258**	December 2026	8.28	6/1,12/1	On or after 12/01/06
Capital Trust B	January 1997	280	**289**	February 2027	3-mo. LIBOR +80 bps	2/1,5/1,8/1,11/1	On or after 2/01/07
Capital Trust D	June 2002	300	**309**	October 2032	8.13	1/1,4/1,7/1,10/1	On or after 10/01/07
Capital Trust E	November 2002	200	**206**	February 2033	8.10	2/15,5/15,8/15,11/15	On or after 2/15/08
ABN AMRO North America							
Series I	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	2/15,5/15,8/15,11/15	On or after 11/8/12
Series II	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	3/15,6/15,9/15,12/15	On or after 11/8/12
Series III	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	1/15,4/15,7/15,10/15	On or after 11/8/12
Series IV	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	2/28,5/30,8/30,11/30	On or after 11/8/12
Series V	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	3/30,6/30,9/30,12/30	On or after 11/8/12
Series VI	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	1/30,4/30,7/30,10/30	On or after 11/8/12
Series VII	May 2001	88	**88**	Perpetual	3-mo. LIBOR +175 bps	3/15,6/15,9/15,12/15	On or after 11/8/12
Series IX	June 2001	70	**70**	Perpetual	3-mo. LIBOR +175 bps	3/5,6/5,9/5,12/5	On or after 11/8/12
Series X	June 2001	53	**53**	Perpetual	3-mo. LIBOR +175 bps	3/12,6/12,9/12,12/12	On or after 11/8/12
Series XI	June 2001	27	**27**	Perpetual	3-mo. LIBOR +175 bps	3/26,6/26,9/26,12/26	On or after 11/8/12
Series XII	June 2001	80	**80**	Perpetual	3-mo. LIBOR +175 bps	1/10,4/10,7/10,10/10	On or after 11/8/12
Series XIII	June 2001	70	**70**	Perpetual	3-mo. LIBOR +175 bps	1/24,4/24,7/24,10/24	On or after 11/8/12
LaSalle							
Series I	August 2000	491	**491**	Perpetual	6.97% through 9/15/2010; 3-mo. LIBOR +105.5 bps thereafter	3/15,6/15,9/15,12/15	On or after 9/15/10
Series J	September 2000	95	**95**	Perpetual	3-mo. LIBOR +5.5 bps through 9/15/2010; 3-mo. LIBOR +105.5 bps thereafter	3/15,6/15,9/15,12/15	On or after 9/15/10
Countrywide							
Capital III	June 1997	200	**206**	June 2027	8.05	6/15,12/15	Only under special event
Capital IV	April 2003	500	**515**	April 2033	6.75	1/1,4/1,7/1,10/1	On or after 4/11/08
Capital V	November 2006	1,495	**1,496**	November 2036	7.00	2/1,5/1,8/1,11/1	On or after 11/1/11
Merrill Lynch							
Preferred Capital Trust III	January 1998	750	**900**	Perpetual	7.00	3/30,6/30,9/30,12/30	On or after 3/08
Preferred Capital Trust IV	June 1998	400	**480**	Perpetual	7.12	3/30,6/30,9/30,12/30	On or after 6/08
Preferred Capital Trust V	November 1998	850	**1,021**	Perpetual	7.28	3/30,6/30,9/30,12/30	On or after 9/08
Capital Trust I	December 2006	1,050	**1,051**	December 2066	6.45	3/15,6/15,9/15,12/15	On or after 12/11
Capital Trust II	May 2007	950	**951**	June 2062	6.45	3/15,6/15,9/15,12/15	On or after 6/12
Capital Trust III	August 2007	750	**751**	September 2062	7.375	3/15,6/15,9/15,12/15	On or after 9/12
Total		$24,991	**$25,823**				

[1] Aggregate principal amount of notes were issued in British Pound. Presentation currency is U.S. Dollar.

NOTE 14 – Commitments and Contingencies

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those instruments recorded on the Corporation's Consolidated Balance Sheet.

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, SBLCs and commercial letters of credit to meet the financing needs of its customers. The unfunded legally binding lending commitments shown in the following table are net of amounts distributed (e.g., syndicated) to other financial institutions of $30.9 billion and $46.9 billion at December 31, 2009 and 2008. At December 31, 2009, the carrying amount of these commitments, excluding commitments accounted for under the fair value option, was $1.5 billion, including deferred revenue of $34 million and a reserve for unfunded legally binding lending commitments of $1.5 billion. At December 31, 2008, the comparable amounts were $454 million, $33 million and $421 million. The carrying amount of these commitments is recorded in accrued expenses and other liabilities.

The table below also includes the notional amount of commitments of $27.0 billion and $16.9 billion at December 31, 2009 and 2008, which are accounted for under the fair value option. However, the table below excludes the fair value adjustment of $950 million and $1.1 billion on these commitments that was recorded in accrued expenses and other liabilities. For information regarding the Corporation's loan commitments accounted for at fair value, see *Note 20 – Fair Value Measurements.*

(Dollars in millions)	Expires in 1 Year or Less	Expires after 1 Year through 3 Years	Expires after 3 Years through 5 Years	Expires after 5 Years	Total
Credit extension commitments, December 31, 2009					
Loan commitments	**$ 149,248**	**$ 187,585**	**$ 30,897**	**$ 28,489**	**$ 396,219**
Home equity lines of credit	**1,810**	**3,272**	**10,667**	**76,924**	**92,673**
Standby letters of credit and financial guarantees [1]	**29,794**	**27,789**	**4,923**	**13,739**	**76,245**
Commercial letters of credit	**2,020**	**40**	**–**	**1,465**	**3,525**
Legally binding commitments [2]	**182,872**	**218,686**	**46,487**	**120,617**	**568,662**
Credit card lines [3]	**541,919**	**–**	**–**	**–**	**541,919**
Total credit extension commitments	**$ 724,791**	**$ 218,686**	**$ 46,487**	**$ 120,617**	**$ 1,110,581**
Credit extension commitments, December 31, 2008					
Loan commitments	$128,992	$120,234	$67,111	$ 31,200	$ 347,537
Home equity lines of credit	3,883	2,322	4,799	96,415	107,419
Standby letters of credit and financial guarantees [1]	33,350	26,090	8,328	9,812	77,580
Commercial letters of credit	2,228	29	1	1,507	3,765
Legally binding commitments [2]	168,453	148,675	80,239	138,934	536,301
Credit card lines [3]	827,350	–	–	–	827,350
Total credit extension commitments	$995,803	$148,675	$80,239	$138,934	$1,363,651

[1] At December 31, 2009, the notional amount of SBLC and financial guarantees classified as investment grade and non-investment grade based on the credit quality of the underlying reference name within the instrument were $45.1 billion and $31.2 billion compared to $54.4 billion and $23.2 billion at December 31, 2008.

[2] Includes commitments to unconsolidated VIEs and certain QSPEs disclosed in *Note 9 – Variable Interest Entities*, including $25.1 billion and $41.6 billion to multi-seller conduits, and $9.8 billion and $6.8 billion to municipal bond trusts at December 31, 2009 and 2008. Also includes commitments to SPEs that are not disclosed in *Note 9 – Variable Interest Entities* because the Corporation does not hold a significant variable interest, including $368 million and $980 million to customer-sponsored conduits at December 31, 2009 and 2008.

[3] Includes business card unused lines of credit.

Legally binding commitments to extend credit generally have specified rates and maturities. Certain of these commitments have adverse change clauses that help to protect the Corporation against deterioration in the borrowers' ability to pay.

Other Commitments

Global Principal Investments and Other Equity Investments

At December 31, 2009 and 2008, the Corporation had unfunded equity investment commitments of approximately $2.8 billion and $1.9 billion. These commitments generally relate to the Corporation's Global Principal Investments business 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. Bridge equity commitments provide equity bridge financing to facilitate clients' investment activities. These conditional commitments are generally retired prior to or shortly following funding via syndication or the client's decision to terminate. Where the Corporation has a binding equity bridge commitment and there is a market disruption or other unexpected event, there is heightened exposure in the portfolio and higher potential for loss, unless an orderly disposition of the exposure can be made. At December 31, 2009, the Corporation did not have any unfunded bridge equity commitments. The Corporation had funded equity bridges of $1.2 billion that were committed prior to the market disruption. These equity bridges are considered held for investment and recorded in other assets. In 2009, the Corporation recorded a total of $670 million in losses in equity investment income related to these investments. At December 31, 2009, these equity bridges had a zero balance.

Loan Purchases

In 2005, the Corporation entered into an agreement for the committed purchase of retail automotive loans over a five-year period, ending June 30, 2010. The Corporation purchased $6.6 billion of such loans in 2009 and purchased $12.0 billion of such loans in 2008 under this agreement. As of December 31, 2009, the Corporation was committed for additional purchases of $6.5 billion over the remaining term of the agreement. All loans purchased under this agreement are subject to a comprehensive set of credit criteria. This agreement is accounted for as a derivative liability with a fair value of $189 million and $316 million at December 31, 2009 and 2008.

At December 31, 2009, the Corporation had commitments to purchase loans (e.g., residential mortgage and commercial real estate) of $2.2 billion which upon settlement will be included in loans or LHFS.

Operating Leases

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases are approximately $3.1 billion, $2.8 billion, $2.3 billion, $1.9 billion and $1.5 billion for 2010 through 2014, respectively, and $8.1 billion for all years thereafter.

Other Commitments

At December 31, 2009, the Corporation had commitments to enter into forward-dated resale and securities borrowing agreements of $51.8 billion. In addition, the Corporation had commitments to enter into forward-dated repurchase and securities lending agreements of $58.3 billion. All of these commitments expire within the next 12 months.

Beginning in the second half of 2007, the Corporation provided support to certain cash funds managed within *GWIM*. The funds for which the Corporation provided support typically invested in high quality, short-term securities with a portfolio weighted-average maturity of 90 days or less, including securities issued by SIVs and senior debt holdings of financial service companies. Due to market disruptions, certain investments in SIVs and senior debt securities were downgraded by the ratings agencies and experienced a decline in fair value. The Corporation entered into capital commitments under which the Corporation provided cash to these funds as a result of the net asset value per unit of a fund declining below certain thresholds. All capital commitments to these cash funds have been terminated. In 2009 and 2008, the Corporation recorded losses of $195 million and $1.1 billion related to these capital commitments.

The Corporation does not consolidate the cash funds managed within *GWIM* because the subordinated support provided by the Corporation did not absorb a majority of the variability created by the assets of the funds. In reaching this conclusion, the Corporation considered both interest rate and credit risk. The cash funds had total assets under management of $104.4 billion and $185.9 billion at December 31, 2009 and 2008.

In connection with federal and state securities regulators, the Corporation agreed to purchase at par ARS held by certain customers. During 2009, the Corporation purchased a net $3.8 billion of ARS from its customers. At December 31, 2009, the Corporation's outstanding buyback commitment was $291 million.

In addition, the Corporation has entered into agreements with providers of market data, communications, systems consulting and other office-related services. At December 31, 2009, the minimum fee commitments over the remaining life of these agreements totaled $2.3 billion.

Other Guarantees

Bank-owned Life Insurance Book Value Protection

The Corporation sells products that offer book value protection to insurance carriers who offer group life insurance policies to corporations, primarily banks. The book value protection is provided on portfolios of intermediate investment-grade fixed income securities and is intended to cover any shortfall in the event that policyholders surrender their policies and market value is below book value. To manage its exposure, the Corporation imposes significant restrictions on surrenders and the manner in which the portfolio is liquidated and the funds are accessed. In addition, investment parameters of the underlying portfolio are restricted. These constraints, combined with structural protections, including a cap on the amount of risk assumed on each policy, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At December 31, 2009 and 2008, the notional amount of these guarantees totaled $15.6 billion and $15.1 billion and the Corporation's maximum exposure related to these guarantees totaled $4.9 billion and $4.8 billion with estimated maturity dates between 2030 and 2040. As of December 31, 2009 and 2008, the Corporation has not made a payment under these products. The probability of surrender has increased due to investment manager underperformance and the deteriorating financial health of policyholders, but remains a small percentage of total notional.

Employee Retirement Protection

The Corporation sells products that offer book value protection primarily to plan sponsors of Employee Retirement Income Security Act of 1974 (ERISA) governed pension plans, such as 401(k) plans and 457 plans. The book value protection is provided on portfolios of intermediate/short-term investment-grade fixed income securities and is intended to cover any shortfall in the event that plan participants continue to withdraw funds after all securities have been liquidated and there is remaining book value. The Corporation retains the option to exit the contract at any time. If the Corporation exercises its option, the purchaser can require the Corporation to purchase high quality fixed income securities, typically government or government-backed agency securities, with the proceeds of the liquidated assets to assure the return of principal. To manage its exposure, the Corporation imposes significant restrictions and constraints on the timing of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed, and the investment parameters of the underlying portfolio. These constraints, combined with structural protections, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At December 31, 2009 and 2008, the notional amount of these guarantees totaled $36.8 billion and $37.4 billion with estimated maturity dates between 2010 and 2014 if the exit option is exercised on all deals. As of December 31, 2009 and 2008, the Corporation has not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

Indemnifications

In the ordinary course of business, the Corporation enters into various agreements that contain indemnifications, such as tax indemnifications, whereupon payment may become due if certain external events occur, such as a change in tax law. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business based on an assessment that the risk of loss would be remote. These agreements typically contain an early termination clause that permits the Corporation to exit the agreement upon these events. The maximum potential future payment under indemnification agreements is difficult to assess for several reasons, including the occurrence of an external event, the inability to predict future changes in tax and other laws, the difficulty in determining how such laws would apply to parties in contracts, the absence of exposure limits contained in standard contract language and the timing of the early termination clause. Historically, any payments made under these guarantees have been de minimis. The Corporation has assessed the probability of making such payments in the future as remote.

Merchant Services

On June 26, 2009, the Corporation contributed its merchant processing business to a joint venture in exchange for a 46.5 percent ownership interest in the joint venture. The Corporation indemnified the joint venture for any losses resulting from transactions processed through June 26, 2009 on the contributed merchant portfolio.

The Corporation, on behalf of the joint venture, provides credit and debit card processing services to various merchants by processing credit and debit card transactions on the merchants' behalf. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the

cardholder's favor and the merchant defaults upon its obligation to reimburse the cardholder. A cardholder, through its issuing bank, generally has until the later of up to six months after the date a transaction is processed or the delivery of the product or service to present a chargeback to the joint venture as the merchant processor. If the joint venture is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. The joint venture is primarily liable for any losses on transactions from the contributed portfolio that occur after June 26, 2009. However, if the joint venture fails to meet its obligation to reimburse the cardholder for disputed transactions, then the Corporation could be held liable for the disputed amount. In 2009 and 2008, the Corporation processed $323.8 billion and $369.4 billion of transactions and recorded losses as a result of these chargebacks of $26 million and $21 million.

At December 31, 2009 and 2008, the Corporation, on behalf of the joint venture, held as collateral $26 million and $38 million of merchant escrow deposits which may be used to offset amounts due from the individual merchants. The joint venture also has the right to offset any payments with cash flows otherwise due to the merchant. Accordingly, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure. The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of December 31, 2009 and 2008, the maximum potential exposure totaled approximately $131.0 billion and $147.1 billion. The Corporation does not expect to make material payments in connection with these guarantees. The maximum potential exposure disclosed above does not include volumes processed by First Data contributed portfolios.

Brokerage Business

For a portion of the Corporation's brokerage business, the Corporation has contracted with a third party to provide clearing services that include underwriting margin loans to the Corporation's clients. This contract stipulates that the Corporation will indemnify the third party for any margin loan losses that occur in its issuing margin to the Corporation's clients. The maximum potential future payment under this indemnification was $657 million and $577 million at December 31, 2009 and 2008. Historically, any payments made under this indemnification have not been material. As these margin loans are highly collateralized by the securities held by the brokerage clients, the Corporation has assessed the probability of making such payments in the future as remote. This indemnification would end with the termination of the clearing contract.

Other Derivative Contracts

The Corporation funds selected assets, including securities issued by CDOs and CLOs, through derivative contracts, typically total return swaps, with third parties and SPEs that are not consolidated on the Corporation's Consolidated Balance Sheet. At December 31, 2009, the total notional amount of these derivative contracts was approximately $4.9 billion with commercial banks and $2.8 billion with SPEs. The underlying securities are senior securities and substantially all of the Corporation's exposures are insured. Accordingly, the Corporation's exposure to loss consists principally of counterparty risk to the insurers. In certain circumstances, generally as a result of ratings downgrades, the Corporation may be required to purchase the underlying assets, which would not result in additional gain or loss to the Corporation as such exposure is already reflected in the fair value of the derivative contracts.

Other Guarantees

The Corporation sells products that guarantee the return of principal to investors at a preset future date. These guarantees cover a broad range of underlying asset classes and are designed to cover the shortfall between the market value of the underlying portfolio and the principal amount on the preset future date. To manage its exposure, the Corporation requires that these guarantees be backed by structural and investment constraints and certain pre-defined triggers that would require the underlying assets or portfolio to be liquidated and invested in zero-coupon bonds that mature at the preset future date. The Corporation is required to fund any shortfall at the preset future date between the proceeds of the liquidated assets and the purchase price of the zero-coupon bonds. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At December 31, 2009 and 2008, the notional amount of these guarantees totaled $2.1 billion and $1.3 billion. These guarantees have various maturities ranging from two to five years. At December 31, 2009 and 2008, the Corporation had not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

The Corporation has entered into additional guarantee agreements, including lease end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately $3.6 billion and $7.3 billion at December 31, 2009 and 2008. The estimated maturity dates of these obligations are between 2010 and 2033. The Corporation has made no material payments under these guarantees.

In addition, the Corporation has guaranteed the payment obligations of certain subsidiaries of Merrill Lynch on certain derivative transactions. The aggregate amount of such derivative liabilities was approximately $2.5 billion at December 31, 2009.

Litigation and Regulatory Matters

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to many pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. Certain of these actions and proceedings are based on alleged violations of consumer protection, securities, environmental, banking, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries.

In the ordinary course of business, the Corporation and its subsidiaries are also subject to regulatory examinations, information gathering requests, inquiries and investigations. Certain subsidiaries of the Corporation are registered broker/dealers or investment advisors and are subject to regulation by the SEC, the Financial Industry Regulatory Authority (FINRA), the New York Stock Exchange, the Financial Services Authority and other domestic, international and state securities regulators. In connection with formal and informal inquiries by those agencies, such subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Corporation cannot state with confidence what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with applicable accounting guidance, the Corporation establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, the Corporation does not establish reserves. In some of the matters described below, including but not limited to the Lehman Brothers Holdings, Inc. matters, loss contingencies are not both probable and estimable in the view of management, and accordingly, reserves have not been established for those matters. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending litigation and regulatory matters, including the litigation and regulatory matters described below, will have a material adverse effect on the consolidated financial position or liquidity of the Corporation, but may be material to the Corporation's results of operations for any particular reporting period.

Adelphia Litigation

Adelphia Recovery Trust is the plaintiff in a lawsuit pending in the U.S. District Court for the Southern District of New York, entitled *Adelphia Recovery Trust v. Bank of America, N.A., et al*. The lawsuit was filed on July 6, 2003 and originally named over 700 defendants, including Bank of America, N.A. (BANA), Banc of America Securities LLC (BAS), Merrill Lynch, Merrill Lynch Capital Corp., Fleet National Bank and Fleet Securities, Inc. (collectively Fleet) and other affiliated entities, and asserted over 50 claims under federal statutes and state common law relating to loans and other services provided to various affiliates of Adelphia Communications Corporation (ACC) and entities owned by members of the founding family of ACC. The plaintiff seeks compensatory damages of approximately $5 billion, plus fees, costs and exemplary damages. The District Court granted in part defendants' motions to dismiss, which resulted in the dismissal of approximately 650 defendants from the lawsuit. The plaintiff appealed the dismissal decision. The primary claims remaining against BANA, BAS, Merrill Lynch, Merrill Lynch Capital Corp. and Fleet include fraud, aiding and abetting fraud and aiding and abetting breach of fiduciary duty. There are several pending defense motions for summary judgment. Trial is scheduled for September 13, 2010.

Auction Rate Securities Claims

On March 25, 2008, a putative class action, entitled *Burton v. Merrill Lynch & Co., Inc., et al.*, was filed in the U.S. District Court for the Southern District of New York against Merrill Lynch Pierce, Fenner and Smith Incorporated (MLPF&S) and Merrill Lynch on behalf of persons who purchased and continue to hold ARS offered for sale by MLPF&S between March 25, 2003 and February 13, 2008. The complaint alleges, among other things, that MLPF&S failed to disclose material facts about ARS. A similar action, entitled *Stanton v. Merrill Lynch & Co., Inc., et al.*, was filed the next day in the same court. On October 31, 2008, the two cases, entitled *In Re Merrill Lynch Auction Rate Securities Litigation*, were consolidated, and, on December 10, 2008, plaintiffs filed a consolidated class action amended complaint. Plaintiffs seek to recover alleged losses in the market value of ARS allegedly caused by the decision of MLPF&S and Merrill Lynch to discontinue supporting auctions for ARS. Plaintiffs seek unspecified damages, including rescission, other compensatory and consequential damages, costs, fees and interest. On February 27, 2009, defendants filed a motion to dismiss the consolidated amended complaint in *In Re Merrill Lynch Auction Rate Securities Litigation*. On May 22, 2009, the plaintiffs filed a second amended consolidated complaint. On July 24, 2009, Merrill Lynch filed a motion to dismiss the second amended consolidated complaint.

On May 22, 2008, a putative class action, entitled *Bondar v. Bank of America Corporation*, was filed in the U.S. District Court for the Northern District of California against the Corporation, Banc of America Investment Services, Inc. (BAI) and BAS on behalf of persons who purchased ARS from the defendants. The amended complaint, which was filed on January 22, 2009, alleges, among other things, that the Corporation, BAI and BAS manipulated the market for, and failed to disclose material facts about ARS, and seeks to recover unspecified damages for losses in the market value of ARS allegedly caused by the decision of BAS and other broker/dealers to discontinue supporting auctions for ARS. On February 12, 2009, the Judicial Panel on Multidistrict Litigation (MDL Panel) consolidated Bondar and two related, individual federal actions into one proceeding in the U.S. District Court for the Northern District of California. On September 9, 2009, defendants filed their motion to dismiss the second amended consolidated complaint.

On September 4, 2008, two civil antitrust putative class actions, *Mayor and City Council of Baltimore, Maryland v. Citigroup et al., and Mayfield et al. v. Citigroup Inc. et al.*, were filed in the U.S. District Court for the Southern District of New York against the Corporation, Merrill Lynch, and other financial institutions alleging that the defendants conspired to restrain trade in ARS by artificially supporting auctions and later withdrawing that support. *City Council of Baltimore* is filed on behalf of a class of issuers of ARS underwritten by the defendants between May 12, 2003 and February 13, 2008 who seek to recover the alleged above-market interest payments they claim they were forced to make when the Corporation, Merrill Lynch and others allegedly discontinued supporting ARS. In addition, the plaintiffs who also purchased ARS seek to recover claimed losses in the market value of those securities allegedly caused by the decision of the financial institutions to discontinue supporting auctions for the securities. These plaintiffs seek treble damages and seek to rescind at par their purchases of ARS. *Mayfield* is filed on behalf of a class of persons who acquired ARS directly from defendants and who held those securities as of February 13, 2008. Plaintiffs seek to recover alleged losses in the market value of ARS allegedly caused by the decision of the Corporation and Merrill Lynch and others to discontinue supporting auctions for the securities. Plaintiffs seek treble damages and seek to rescind at par their purchases of ARS. On January 15, 2009, defendants, including the Corporation and Merrill Lynch, filed a motion to dismiss the complaints. On January 25, 2010, the District Court dismissed the two cases with prejudice.

Since October 2007, numerous arbitrations and individual lawsuits have been filed against the Corporation, BANA, BAS, BAI, MLPF&S and in some cases Merrill Lynch by parties who purchased ARS. Plaintiffs in these cases, which assert substantially the same types of claims, allege that defendants manipulated the market for, and failed to disclose material facts about, ARS. Plaintiffs seek compensatory and punitive damages totaling in excess of $2.6 billion as well as rescission, among other relief.

Countrywide Bond Insurance Litigation

On September 30, 2008, Countrywide Financial Corporation (CFC) and other Countrywide entities were named as defendants in an action filed by MBIA Insurance Corporation (MBIA), entitled *MBIA Insurance Corporation, Inc. v. Countrywide Home Loans, et al.*, in New York Supreme Court, New York County. The action relates to bond insurance policies provided by MBIA with regard to certain securitized pools of home equity lines of credit and fixed-rate second lien mortgage loans. MBIA allegedly has paid claims as a result of defaults in the underlying loans, and claims that these defaults are the result of improper underwriting. On August 24, 2009, MBIA filed an amended complaint in the action, which includes allegations regarding five additional securitizations, and adds the Corporation and Countrywide Home Loans Servicing, LP as defendants. The amended complaint alleges misrepresentation and breach of contract,

among other claims, and seeks unspecified actual and punitive damages, and attorneys' fees from the Countrywide defendants and from the Corporation as an alleged successor to the Countrywide defendants. On October 9, 2009, the Corporation and the Countrywide defendants filed a motion to dismiss certain claims asserted in the amended complaint.

On January 28, 2009, Syncora Guarantee Inc. (Syncora) filed suit, entitled *Syncora Guarantee Inc. v. Countrywide Home Loans, Inc., et al.*, in New York Supreme Court, New York County against CFC and certain other Countrywide entities. The action relates to bond insurance policies provided by Syncora with regard to certain securitized pools of home equity lines of credit. Syncora allegedly has paid claims as a result of defaults in the underlying loans, and claims that these defaults are the result of improper loan underwriting. The complaint alleges misrepresentation and breach of contract, among other claims, and seeks unspecified actual and punitive damages, and attorneys' fees. The defendants have moved to dismiss certain of the claims.

On July 10, 2009, MBIA filed a complaint, entitled *MBIA Insurance Corporation, Inc. v. Bank of America Corporation, Countrywide Financial Corporation, Countrywide Home Loans, Inc., Countrywide Securities Corporation, et al.,* in Superior Court of the State of California, County of Los Angeles, against the Corporation, CFC, various Countrywide entities and other individuals and entities. MBIA, which amended the complaint on November 3, 2009, purports to bring the action as subrogee to the note holders for certain securitized pools of home equity lines of credit and fixed-rate second lien mortgage loans. The complaint is based upon the same allegations set forth in the complaints filed in the *MBIA Insurance Corporation Inc., v. Countrywide Home Loan et al.,* action and asserts claims for, among other things, misrepresentation, breach of contract, and violations of certain California statutes. The complaint seeks unspecified damages and declaratory relief. On December 4, 2009, the Corporation and various defendants filed demurrers in response to the amended complaint.

On December 11, 2009, Financial Guaranty Insurance Company (FGIC) filed a complaint, entitled *Financial Guaranty Insurance Co., v. Countrywide Home Loans, Inc.*, in New York Supreme Court, New York County, against Countrywide Home Loans, Inc. The action relates to bond insurance policies provided by FGIC with regard to certain securitized pools of home equity lines of credit and fixed-rate second lien mortgage loans. FGIC allegedly has paid claims as a result of defaults in the underlying loans, and claims that these defaults are the result of improper loan underwriting. The complaint alleges misrepresentation and breach of contract, among other claims, and seeks unspecified actual and punitive damages, and attorneys' fees.

Countrywide Equity and Debt Securities Matters

CFC, certain other Countrywide entities, and certain former officers and directors of CFC, among others, have been named as defendants in two putative class actions filed in the U.S. District Court for the Central District of California relating to certain CFC equity and debt securities. One case, entitled *In re Countrywide Financial Corp. Securities Litigation*, was filed on January 25, 2008 by certain New York state and municipal pension funds on behalf of purchasers of CFC's common stock and certain other equity and debt securities. The complaint alleges, among other things, that CFC made misstatements (including in certain SEC filings) concerning the nature and quality of its loan underwriting practices and its financial results, in violation of the antifraud provisions of the Securities Exchange Act of 1934 and Sections 11 and 12 of the Securities Act of 1933. Plaintiffs also assert claims against BAS, MLPF&S and other underwriter defendants under Sections 11 and 12 of the Securities Act of 1933. Plaintiffs seek unspecified compensatory damages, among other remedies. On December 1, 2008, the court granted in part and denied in part the defendants' motions to dismiss the first consolidated amended complaint, with leave to amend certain claims. Plaintiffs filed a second consolidated amended complaint. On April 6, 2009, the District Court denied the motions to dismiss the amended complaint made by CFC and the underwriters. On December 9, 2009, the District Court granted in part and denied in part plaintiffs' motion for class certification. On December 23, 2009, defendants sought interlocutory appeal of certain aspects of the District Court's class certification decision. Trial is scheduled for August 2010.

The other case, entitled *Argent Classic Convertible Arbitrage Fund L.P. v. Countrywide Financial Corp. et al.*, was filed in the U.S. District Court for the Central District of California on October 5, 2007 against CFC on behalf of purchasers of certain Series A and B debentures issued in various private placements pursuant to a May 16, 2007 CFC offering memorandum. This matter involves allegations similar to those in the *In re Countrywide Financial Corporation Securities Litigation* case, asserts claims under the antifraud provisions of the Securities Exchange Act of 1934 and California state law, and seeks unspecified damages. Plaintiff filed an amended complaint that added the Corporation as a defendant. On March 9, 2009, the District Court dismissed the Corporation from the case; CFC remains as a named defendant. On December 9, 2009, the District Court denied plaintiff's motion for class certification. CFC and Argent Classic, on its own behalf, have reached a settlement in principle to dismiss the case with prejudice subject to execution of a definitive settlement agreement. Trial is scheduled for July 2010.

CFC has also responded to subpoenas from the SEC and the U.S. Department of Justice (the DOJ).

Countrywide FTC Investigation

On June 20, 2008, the Federal Trade Commission (FTC) issued Civil Investigative Demands to CFC regarding Countrywide's mortgage servicing practices. On January 6, 2010, FTC Staff sent a letter to the Corporation offering an opportunity to discuss settlement and enclosing a proposed consent order and draft complaint that reflects FTC Staff's views that certain servicing practices of Countrywide Home Loans, Inc., and Countrywide Home Loans Servicing, LP, which is now known as BAC Home Loans Servicing, LP, violate Section 5 of the Federal Trade Commission Act (the FTC Act) and the Fair Debt Collection Practices Act. FTC Staff also advised that if consent negotiations are not successful, it will recommend that an enforcement action seeking injunctive relief and consumer redress be filed against Countrywide Home Loans, Inc. and BAC Home Loans Servicing, LP for violations of Section 5 of the FTC Act and the Fair Debt Collections Practices Act. The Corporation believes that the servicing practices of Countrywide Home Loans, Inc. and BAC Home Loans Servicing, LP did not and do not violate Section 5 of the FTC Act and the Fair Debt Collections Practices Act. The Corporation is currently involved in discussions with FTC Staff concerning the Staff's views.

Countrywide Mortgage-Backed Securities Litigation

CFC, certain other Countrywide entities, certain former CFC officers and directors, as well as BAS and MLPF&S, are named as defendants in a consolidated putative class action, entitled *Luther v. Countrywide Home Loans Servicing LP, et al.*, filed on November 14, 2007 in the Superior Court of the State of California, County of Los Angeles, that relates to public offerings of various MBS. The consolidated complaint alleges, among other things, that the mortgage loans underlying these securities were improperly underwritten and failed to comply with the guidelines and processes described in the applicable registration statements and prospectus supplements, in violation of Sections 11 and 12 of the Securities Act of 1933, and seeks unspecified compensatory damages, among other relief. In March 2009, defendants moved to dismiss the case in the

Superior Court. On June 15, 2009, the Superior Court entered an order staying the state court proceeding and directing the plaintiffs to file suit in Federal Court. On August 24, 2009, the plaintiffs filed a complaint in the U.S. District Court for the Central District of California seeking a declaratory judgment that the Superior Court had subject matter jurisdiction over their claims. The District Court dismissed the declaratory judgment action. On January 6, 2010, the Superior Court lifted the stay entered on June 15, 2009 and dismissed plaintiffs' consolidated complaint with prejudice for lack of subject matter jurisdiction. On January 14, 2010, one of the plaintiffs in the *Luther case*, the Maine State Retirement System, filed a new putative class action complaint in the U.S. District Court for the Central District of California entitled *Maine State Retirement System v. Countrywide Financial Corporation, et al*. The complaint names CFC, certain other Countrywide entities, certain former CFC officers and directors, as well as BAS and MLPF&S as defendants. Plaintiff's allegations, claims and remedies sought are substantially similar and concern the same offerings of MBS at issue in the *Luther case* that was dismissed by the Superior Court.

On August 15, 2008, a complaint, entitled *New Mexico State Investment Council, et al. v. Countrywide Financial Corporation, et al.*, was filed in the First Judicial Court for the County of Santa Fe against CFC, certain other CFC entities and certain former officers and directors of CFC by three New Mexico governmental entities that allegedly acquired certain of the MBS also at issue in the *Luther case*. The complaint initially asserted claims under the Securities Act of 1933 and New Mexico state law and seeks unspecified compensatory damages and rescission. On March 25, 2009, the court denied the motion to dismiss the complaint. The individual defendants were dismissed based on lack of personal jurisdiction. On November 13, 2009, plaintiffs voluntarily dismissed the New Mexico state law claims. Trial is scheduled for October 2010.

On October 13, 2009, the Federal Home Loan Bank of Pittsburgh (FHLB Pittsburgh) filed a complaint, entitled *Federal Home Loan Bank of Pittsburgh v. Countrywide Securities Corporation et al.*, in the Court of Common Pleas of Allegheny County Pennsylvania against CFC, Countrywide Securities Corporation (CSC), Countrywide Home Loans, Inc., CWALT, Inc. and CWMBS, Inc., among other defendants, alleging violations of the Securities Act of 1933 and the Pennsylvania Securities Act of 1972, as well as fraud and negligent misrepresentation under Pennsylvania common law in connection with various offerings of MBS. The complaint asserts, among other things, misstatements and omissions concerning the credit quality of the mortgage loans underlying the securities and the loan origination practices associated with those loans and seeks unspecified damages and rescission, among other relief. The Countrywide defendants moved to dismiss the complaint on February 26, 2010.

On December 23, 2009, the Federal Home Loan Bank of Seattle (FHLB Seattle) filed three complaints in the Superior Court of Washington for King County alleging violations of the Securities Act of Washington in connection with various offerings of MBS and makes allegations similar to those in the FHLB Pittsburgh matter. The complaints seek rescission, interest, costs and attorneys' fees. The case, entitled *Federal Home Loan Bank of Seattle v. Banc of America Securities LLC, et al.*, was filed against CFC, CWALT, Inc., BAS, Banc of America Funding Corporation, and the Corporation. The case, entitled *Federal Home Loan Bank of Seattle v. Countrywide Securities Corporation, et al.*, was filed against CFC, CSC, CWALT, Inc., Merrill Lynch Mortgage Investors, Inc., and Merrill Lynch Mortgage Capital, Inc. The case, entitled *Federal Home Loan Bank of Seattle v. UBS Securities LLC, et al.*, was filed against CFC, CWMBS, Inc., CWALT, Inc., and UBS Securities LLC.

Data Treasury Litigation

The Corporation and BANA were named as defendants in two cases filed by Data Treasury Corporation (Data Treasury) in the U.S. District Court for the Eastern District of Texas. In one case filed on June 25, 2005 (Ballard), Data Treasury alleged that defendants "provided, sold, installed, utilized, and assisted others to use and utilize image-based banking and archival solutions" in a manner that infringed United States Patent Nos. 5,910,988 and 6,032,137. In the other case filed on February 24, 2006 (Huntington), Data Treasury alleged that the Corporation and BANA, along with LaSalle Bank Corporation and LaSalle Bank, N.A., were "making, using, selling, offering for sale, and/or importing into the United States, directly, contributory, and/or by inducement, without authority, products and services that fall within the scope of the claims of" United States Patent Nos. 5,265,007; 5,583,759; 5,717,868; and 5,930,778. The Huntington case also claimed infringement against the LaSalle defendants of the patents at issue in the Ballard case. The Ballard and Huntington cases are now consolidated in the *Data Treasury Corporation v. Wells Fargo, et al.*, action, although the claims related to the Huntington patents are currently stayed. Data Treasury seeks significant compensatory damages and equitable relief in the Ballard case and unspecified compensatory damages and injunctive relief in the Huntington case. The District Court has scheduled the Ballard case for trial in October 2010.

Enron Litigation

On April 8, 2002, Merrill Lynch and MLPF&S were added as defendants in a consolidated class action, entitled *Newby v. Enron Corp. et al.*, filed in the U.S. District Court for the Southern District of Texas on behalf of certain purchasers of Enron's publicly traded equity and debt securities. The complaint alleges, among other things, that Merrill Lynch and MLPF&S engaged in improper transactions that helped Enron misrepresent its earnings and revenues. On March 5, 2009, the District Court granted Merrill Lynch and MLPF&S's motion for summary judgment and dismissed the claims against Merrill Lynch and MLPF&S with prejudice. Subsequently, the lead plaintiff, Merrill Lynch and certain other defendants filed a motion to dismiss and for entry of final judgment. The District Court granted the motion on December 2, 2009 and dismissed all claims against Merrill Lynch and MLPF&S with prejudice.

Heilig-Meyers Litigation

In *AIG Global Securities Lending Corp., et al. v. Banc of America Securities LLC*, filed on December 7, 2001 and formerly pending in the U.S. District Court for the Southern District of New York, the plaintiffs purchased ABS issued by a trust formed by Heilig-Meyers Co., and allege that BAS, as underwriter, made misrepresentations in connection with the sale of those securities in violation of the federal securities laws and New York common law. The case was tried and a jury rendered a verdict against BAS in favor of the plaintiffs for violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 and for common law fraud. The jury awarded aggregate compensatory damages of $84.9 million plus prejudgment interest totaling approximately $59 million. On May 14, 2009, the District Court denied BAS's post trial motions to set aside the verdict. BAS has filed an appeal in the U.S. Court of Appeals for the Second Circuit.

IndyMac Litigation

On January 20, 2009, BAS and MLPF&S, in their capacity as underwriters, along with IndyMac MBS, IndyMac ABS, and other underwriters and individuals, were named as defendants in a putative class action complaint, entitled *IBEW Local 103 v. Indymac MBS et al.*, filed in the Superior Court of the State of California, County of Los Angeles, by purchasers of IndyMac mortgage pass-through certificates. The complaint

alleges, among other things, that the mortgage loans underlying these securities were improperly underwritten and failed to comply with the guidelines and processes described in the applicable registration statements and prospectus supplements, in violation of Sections 11 and 12 of the Securities Act of 1933, and seeks unspecified compensatory damages and rescission, among other relief.

On May 14, 2009, the Corporation (as the alleged successor-in-interest to MLPF&S), CSC, IndyMac MBS, IndyMac ABS, and other underwriters and individuals, were named as defendants in a putative class action complaint, entitled *Police & Fire Retirement System of the City of Detroit v. IndyMac MBS, Inc., et al.*, filed in the U.S. District Court for the Southern District of New York. On June 29, 2009, the Corporation (as the alleged successor-in-interest to CSC and MLPF&S) and other underwriters and individuals were named as defendants in another putative class action complaint, entitled *Wyoming State Treasurer, et al. v. John Olinski, et al.*, also filed in the U.S. District Court for the Southern District of New York. The allegations, claims, and remedies sought in these cases are substantially similar to those in the *IBEW Local 103* case. On July 29, 2009, *Police & Fire Retirement System* and *Wyoming State Treasurer* were consolidated by the U.S. District Court for the Southern District of New York and a consolidated amended complaint was filed on October 9, 2009. The consolidated complaint named the Corporation as a defendant based on allegations that the Corporation is the "successor-in-interest" to CSC and MLPF&S. BAS and CSC were not named as defendants. Prior to the consolidation of these matters, the *IBEW Local 103* case was voluntarily dismissed by plaintiffs and its allegations and claims were incorporated into the consolidated amended complaint. A motion to dismiss the consolidated amended complaint was filed on November 23, 2009.

In re Initial Public Offering Securities Litigation

Beginning in 2001, BAS, Merrill Lynch, MLPF&S, other underwriters, and various issuers and others, were named as defendants in certain putative class action lawsuits that have been consolidated in the U.S. District Court for the Southern District of New York as *In re Initial Public Offering Securities Litigation*. Plaintiffs contend that the defendants failed to make certain required disclosures and manipulated prices of securities sold in initial public offerings through, among other things, alleged agreements with institutional investors receiving allocations to purchase additional shares in the aftermarket and seek unspecified damages. On December 5, 2006, the U.S. Court of Appeals for the Second Circuit reversed the District Court's order certifying the proposed classes. On September 27, 2007, plaintiffs filed a motion to certify modified classes, which defendants opposed. On October 10, 2008, the District Court granted plaintiffs' request to withdraw without prejudice their class certification motion. The parties agreed to settle the matter in an amount that is not material to the Corporation's Consolidated Financial Statements and, on October 5, 2009, the District Court granted final approval of the settlement. Certain objectors to the settlement have filed an appeal of the District Court's certification of the settlement class to the U.S. Court of Appeals for the Second Circuit.

Interchange and Related Litigation

The Corporation, BANA, BA Merchant Services LLC (f/k/a National Processing, Inc.) and MBNA America Bank, N.A. are defendants in putative class actions filed on behalf of retail merchants that accept Visa and MasterCard payment cards. Additional defendants include Visa, MasterCard, and other financial institutions. Plaintiffs seeking unspecified treble damages and injunctive relief, allege that the defendants conspired to fix the level of interchange and merchant discount fees and that certain other practices, including various Visa and MasterCard rules, violate federal and California antitrust laws. The class actions, the first of which was filed on June 22, 2005, are coordinated for pre-trial proceedings in the U.S. District Court for the Eastern District of New York, together with individual actions brought only against Visa and MasterCard, under the caption *In Re Payment Card Interchange Fee and Merchant Discount Anti-Trust Litigation*. On January 8, 2008, the District Court dismissed all claims for pre-2004 damages. On May 8, 2008, plaintiffs filed a motion for class certification, which the defendants opposed. On January 29, 2009, the class plaintiffs filed a second amended consolidated complaint.

The class plaintiffs have also filed two supplemental complaints against certain defendants, including the Corporation, BANA, BA Merchant Services LLC (f/k/a National Processing, Inc.) and MBNA America Bank, N.A., relating to MasterCard's 2006 initial public offering (MasterCard IPO) and Visa's 2008 initial public offering (Visa IPO). The supplemental complaints, which seek unspecified treble damages and injunctive relief, assert, among other things, claims under federal antitrust laws. On November 25, 2008, the District Court granted defendants' motion to dismiss the supplemental complaint relating to the MasterCard IPO, with leave to amend. On January 29, 2009, plaintiffs amended the MasterCard IPO supplemental complaint and also filed a supplemental complaint relating to the Visa IPO.

Defendants have filed motions to dismiss the second amended consolidated complaint and the MasterCard IPO and Visa supplemental complaints.

The Corporation and certain of its affiliates have entered into agreements with Visa and other financial institutions that provide for sharing liabilities in connection with certain antitrust litigation against Visa, including the Interchange case (the Visa-Related Litigation). Under these agreements, the Corporation's obligations to Visa in the Visa-Related Litigation are capped at the Corporation's membership interest in Visa USA, which currently is 12.9 percent. Under these agreements, Visa Inc. placed a portion of the proceeds from the Visa IPO into an escrow to fund liabilities arising from the Visa-Related Litigation, including the 2008 settlement of *Discover Financial Services v. Visa USA, et al.* and the 2007 settlement of *American Express Travel Related Services Company v. Visa USA, et al.* Since the Visa IPO, Visa Inc. has added funds to the escrow, which has the effect of repurchasing Visa Inc. Class A common stock equivalents from the Visa USA members, including the Corporation.

Lehman Brothers Holdings, Inc. Litigation

Beginning in September 2008, BAS, MLPF&S, CSC and LaSalle Financial Services Inc., along with other underwriters and individuals, were named as defendants in several putative class action complaints filed in the U.S. District Court for the Southern District of New York and state courts in Arkansas, California, New York and Texas. Plaintiffs allege that the underwriter defendants violated Sections 11 and 12 of the Securities Act of 1933 by making false or misleading disclosures in connection with various debt and convertible stock offerings of Lehman Brothers Holdings, Inc. and seek unspecified damages. All cases against the defendants have now been transferred or conditionally transferred to the multi-district litigation captioned *In re Lehman Brothers Securities and ERISA Litigation* pending in the U.S. District Court for the Southern District of New York. BAS, MLPF&S and other defendants moved to dismiss the consolidated amended complaint.

Lehman Set-off Litigation

On November 26, 2008, BANA commenced an adversary proceeding against Lehman Brothers Holdings, Inc. (LBHI) and Lehman Brothers Special Financing, Inc. (LBSF) in LBHI's and LBSF's Chapter 11 bankruptcy proceedings in the U.S. Bankruptcy Court for the Southern District

of New York. In the adversary proceeding, BANA is seeking a declaration that it properly set-off funds held in Lehman deposit accounts against monies owed to BANA by LBSF and LBHI under various derivatives and guarantee agreements. LBSF and LBHI answered the complaint, and LBHI filed counterclaims against BANA and Bank of America Trust and Banking Corporation (Cayman) Limited (BofA Cayman) on January 2, 2009, alleging that BANA's set-off was improper and violated the automatic stay in bankruptcy. LBHI's counterclaims sought among other relief, the return of the set-off funds. BANA and BofA Cayman filed their answer to LBHI's counterclaims, which denied the material allegations of the counterclaims, on February 9, 2009. On July 23, 2009, LBHI voluntarily dismissed its counterclaims against BofA Cayman, but BANA remains a defendant. On September 14, 2009, LBHI, LBSF and BANA submitted cross-motions for summary judgment.

Lyondell Litigation

On July 23, 2009, an adversary proceeding, entitled *Official Committee of Unsecured Creditors v. Citibank, N.A., et al.*, was filed in the U.S. Bankruptcy Court for the Southern District of New York. This adversary proceeding, in which MLPF&S, Merrill Lynch Capital Corporation and more than 50 other individuals and entities were named as defendants, relates to ongoing Chapter 11 bankruptcy proceedings in *In re Lyondell Chemical Company, et al*. The plaintiff in the adversary proceeding, the Official Committee of Unsecured Creditors of Lyondell Chemical Company (the Committee), alleged in its complaint that certain loans made and liens granted in connection with the December 20, 2007 merger between Lyondell Chemical Company and Basell AF S.C.A. were avoidable fraudulent transfers under state and federal fraudulent transfer laws. MLPF&S is named as a defendant in its capacity as: (i) a joint lead arranger under a senior credit facility and individually as lender thereunder; and (ii) a joint lead arranger under a bridge loan facility and individually as lender thereunder. Merrill Capital Corporation is named as a defendant in its capacity as: (i) a joint lead arranger under the senior credit facility and individually as lender thereunder; and (ii) administrative agent under the bridge loan facility. The Committee sought both to avoid the obligations under the loans made under the facilities and to recover fees and interest paid in connection therewith. The Committee also sought unspecified damages from MLPF&S for allegedly aiding and abetting a breach of fiduciary duty in connection with its role as advisor to Basell's parent company, Access Industries.

On October 1, 2009, a second adversary proceeding, entitled *The Wilmington Trust Co. v. LyondellBasell Industries AF S.C.A., et al.*, was filed in the U.S. Bankruptcy Court for the Southern District of New York. This adversary proceeding, in which MLPF&S, Merrill Lynch Capital Corporation and Merrill Lynch International Bank Limited (MLIB) along with more than 70 other entities are named defendants, was filed by the successor trustee for holders of certain Lyondell senior notes, and asserts causes of action for declaratory judgment, breach of contract, and equitable subordination. The complaint alleges that the 2007 leveraged buyout of Lyondell violated a 2005 intercreditor agreement executed in connection with the August 2005 issuance of the Lyondell senior notes and therefore asks the Bankruptcy Court to declare the 2007 intercreditor agreement, and specifically the debt priority provisions contained therein, null and void. The breach of contract action, brought against Merrill Lynch Capital Corporation and one other entity as signatories to the 2005 intercreditor agreement, seeks unspecified damages. The equitable subordination action is brought against all defendants and seeks to subordinate the bankruptcy claims of those defendants to the claims of the holders of the Lyondell senior notes. A motion to dismiss this complaint was filed.

On February 16, 2010, certain defendants, including MLPF&S, Merrill Lynch Capital Corporation and MLIB, advised the Bankruptcy Court that they have reached a settlement in principal with the Lyondell debtors in bankruptcy, the Committee and Wilmington Trust that would dispose of all claims asserted against MLPF&S, Merrill Lynch Capital Corporation and MLIB in these adversary proceedings. This settlement is not material to the Corporation's Consolidated Financial Statements and is subject to Bankruptcy Court approval.

MBIA Insurance Corporation CDO Litigation

On April 30, 2009, MBIA and LaCrosse Financial Products, LLC filed a complaint against MLPF&S and Merrill Lynch International, entitled *MBIA Insurance Corporation and LaCrosse Financial Products LLC, v. Merrill Lynch Pierce Fenner & Smith, Inc., et al.*, in New York Supreme Court, New York County. The complaint relates to certain credit default swap (CDS) agreements and insurance agreements by which plaintiffs provided credit protection to the Merrill Lynch entities and other parties on certain CDO securities held by them. Plaintiffs claim that the Merrill Lynch entities did not adequately disclose the credit quality and other risks of the CDO securities and underlying collateral. The complaint alleges claims for fraud, negligent misrepresentation and breach of contract, among other claims, and seeks rescission and unspecified compensatory and punitive damages, among other relief. Defendants filed a motion to dismiss on July 1, 2009.

Mediafiction Litigation

Approximately a decade ago, MLIB acted as manager for a $284 million issuance of notes for an Italian library of movies, backed by the future flow of receivables to such movie rights. Mediafiction S.p.A (Mediafiction) was responsible for collecting payments in connection with the rights to the movies and forwarding the payments to MLIB for distribution to note holders. Mediafiction failed to make the required payments to MLIB and a declaration of bankruptcy under Italian law was made with respect to Mediafiction on March 9, 2006. On July 18, 2006, MLIB filed an opposition to have its claims recognized in the Mediafiction bankruptcy proceeding for amounts that Mediafiction failed to pay on the notes. Thereafter, Mediafiction filed a counterclaim alleging that the agreement between MLIB and Mediafiction was null and void and seeking return of the payments previously made by Mediafiction to MLIB. In October 2008, the Court of Rome granted Mediafiction's counter claim against MLIB in the amount of $137 million. MLIB has appealed the ruling to the Court of Appeals of the Court of Rome.

Merrill Lynch Acquisition-related Matters

Since January 2009, the Corporation and certain of its current and former officers and directors, among others, have been named as defendants in putative class actions, referred to as the securities actions, brought by shareholders alleging violations of federal securities laws in connection with certain public statements and the proxy statement with respect to the Corporation's acquisition of Merrill Lynch (the Acquisition). Several of these actions have been consolidated and a consolidated amended class action complaint has been filed in the U.S. District Court for the Southern District of New York, as described below.

In addition, several derivative actions, referred to as the derivative actions, have been filed against certain current and former directors and officers of the Corporation, and certain other parties, and the Corporation as nominal defendant, in the federal and state courts, as described below.

Other putative class actions, referred to as the ERISA actions, have been filed in the U.S. District Court for the Southern District of New York against the Corporation and certain of its current and former officers and directors seeking recovery for losses from the Bank of America 401(k) Plan pursuant to ERISA and a consolidated amended class action com-

plaint in these ERISA actions has been filed, as described below.

In Re Bank of America Securities, Derivative & ERISA Litigation

On June 10, 2009, the MDL Panel issued an order transferring the actions related to the Acquisition pending in federal courts outside the U.S. District Court for the Southern District of New York for coordinated or consolidated pretrial proceedings with the securities actions, ERISA actions, and derivative actions pending in the U.S. District Court for the Southern District of New York. The securities actions, ERISA actions and derivative actions have been separately consolidated and are now pending under the caption *In re Bank of America Securities, Derivative, and Employment Retirement Income Security Act (ERISA) Litigation*.

On September 25, 2009, plaintiffs in the securities actions in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation* filed a consolidated amended class action complaint. The amended complaint is brought on behalf of a purported class, which consists of purchasers of the Corporation's common and preferred securities between September 15, 2008 and January 21, 2009, holders of the Corporation's common stock or Series B Preferred Stock as of October 10, 2008 and purchasers of the Corporation's common stock issued in the offering that occurred on or about October 7, 2008, and names as defendants the Corporation, Merrill Lynch and certain of their current and former directors, officers and affiliates. The amended complaint alleges violations of Sections 10(b), 14(a) and 20(a) of the Securities Exchange Act of 1934, and SEC rules promulgated thereunder, based on, among other things, alleged false statements and omissions related to: (i) the financial condition and 2008 fourth quarter losses experienced by the Corporation and Merrill Lynch; (ii) due diligence conducted in connection with the Acquisition; (iii) bonus payments to Merrill Lynch employees; and (iv) the Corporation's contacts with government officials regarding the Corporation's consideration of invoking the material adverse change clause in the merger agreement and the possibility of obtaining government assistance in completing the Acquisition. The amended complaint also alleges violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 related to an offering of the Corporation's common stock announced on or about October 6, 2008, and based on, among other things, alleged false statements and omissions related to bonus payments to Merrill Lynch employees and the benefits and impact of the Acquisition on the Corporation, and names BAS and MLPF&S, among others, as defendants on the Section 11 and 12(a)(2) claims. The amended complaint seeks unspecified damages and other relief. On November 24, 2009, the Corporation, BAS, Merrill Lynch, MLPF&S and the officer and director defendants moved to dismiss the consolidated amended class action complaint.

On October 9, 2009, plaintiffs in the derivative actions in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation* filed a consolidated amended derivative and class action complaint. The amended complaint names as defendants certain of the Corporation's current and former directors, officers and financial advisors, and certain of Merrill Lynch's current and former directors and officers. The amended complaint alleges, among other things, that: (i) certain of the Corporation's officers breached fiduciary duties by conducting an inadequate due diligence process surrounding the Acquisition, failing to make adequate disclosures regarding Merrill Lynch's 2008 fourth quarter losses and an alleged agreement to permit Merrill Lynch to pay bonuses, and failing to invoke the material adverse change clause or otherwise renegotiate the Acquisition; (ii) certain of the Corporation's officers and certain Merrill Lynch officers received incentive compensation that was inappropriate in view of the work performed and the results achieved and, therefore, that such person should return unearned compensation; (iii) certain of the Corporation's officers and directors exposed the Corporation to significant liability under state and federal law and should be held responsible to the Corporation for contribution; (iv) certain Merrill Lynch officers and directors and certain financial advisors to the Corporation aided and abetted breaches of fiduciary duties by causing and/or assisting with the consummation of the Acquisition; and (v) certain of the Corporation's officers and directors, certain of the Merrill Lynch officers and directors and certain of the Corporation's financial advisors violated Section 14(a) of the Securities Exchange Act of 1934 and Rule 14a-9 promulgated thereunder by allegedly making material misrepresentations and/or material omissions in the proxy statement for the Acquisition and related materials and failing to update those materials to reflect, among other things, Merrill Lynch's 2008 fourth quarter losses and Merrill Lynch's ability and intention to pay bonuses to its employees in 2008. The amended complaint also purports to bring a direct class action claim for breach of a duty of full disclosure and complete candor by failing to correct or update disclosures made in the proxy statement for the Acquisition and for concealing an alleged agreement authorizing Merrill Lynch to pay bonuses. The direct claim is brought on behalf of a purported class of all persons who owned shares of the Corporation's common stock as of October 10, 2008 and is brought against certain of the Corporation's current and former officers and directors. The Corporation is named as a nominal defendant with respect to the derivative claims and is not named as a defendant in the direct class action claim. The amended complaint seeks an unspecified amount of monetary damages, equitable remedies, and other relief. On December 8, 2009, the Corporation, the officer and director defendants and the financial advisors moved to dismiss the consolidated amended derivative and class complaint. On February 8, 2010, the plaintiffs voluntarily dismissed their claims against each of the former Merrill Lynch officers and directors without prejudice.

On October 9, 2009, plaintiffs in the ERISA actions in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation* filed a consolidated amended complaint for breaches of duty under ERISA. The amended complaint is brought on behalf of a purported class that consists of participants in the Corporation's 401(k) Plan, the Corporation's 401(k) Plan for Legacy Companies, the Countrywide Financial Corporation 401(k) Plan (collectively the 401(k) Plans), and the Corporation's Pension Plan. The amended complaint names as defendants the Corporation, members of the Corporation's Corporate Benefits Committee, members of the Compensation and Benefits Committee of the Corporation's Board of Directors and certain of the Corporation's current and former directors and officers. The amended complaint alleges violations of ERISA, based on, among other things: (i) an alleged failure to prudently and loyally manage the 401(k) Plans and Pension Plan by continuing to offer the Corporation's common stock as an investment option or measure for participant contributions; (ii) an alleged failure to monitor the fiduciaries of the 401(k) Plans and Pension Plan; (iii) an alleged failure to provide complete and accurate information to the 401(k) Plans and Pension Plan participants with respect to the Merrill Lynch and Countrywide acquisitions and related matters; and (iv) alleged co-fiduciary liability for these purported fiduciary breaches. The amended complaint seeks an unspecified amount of monetary damages, equitable remedies, and other relief. On December 8, 2009, the Corporation and the officer and director defendants moved to dismiss the consolidated amended complaint.

Other Acquisition-related Litigation

Since January 21, 2009, the Corporation and certain of its current and former directors have been named as defendants in several putative class and derivative actions, including *Rothbaum v. Lewis, Southeastern Pennsylvania Transportation Authority v. Lewis, Tremont Partners LLC v.*

Lewis, Kovacs v. Lewis, Stern v. Lewis, and *Houx v. Lewis*, brought by shareholders in the Delaware Court of Chancery alleging breaches of fiduciary duties in connection with the Acquisition. On April 27, 2009, the Delaware Court of Chancery consolidated the derivative actions under the caption *In re Bank of America Corporation Stockholder Derivative Litigation.* On April 30, 2009, the putative class claims in the actions, entitled *Stern v. Lewis* and *Houx v. Lewis*, were voluntarily dismissed without prejudice by order of the Chancery Court. On May 8, 2009, plaintiffs filed an amended consolidated complaint in the Chancery Court, asserting claims derivatively on behalf of the Corporation that the defendants breached their fiduciary duty of loyalty by, among other things, failing to make adequate disclosures regarding Merrill Lynch's 2008 fourth quarter losses and bonuses paid to Merrill Lynch employees in 2008 and breached their fiduciary duty of loyalty and committed waste by failing to invoke the material adverse change clause in the merger agreement or otherwise renegotiate the Acquisition. The amended consolidated complaint seeks damages sustained as a result of the alleged wrongdoing, disgorgement of bonuses paid to the defendants and to the Corporation's management team or to former Merrill Lynch executives, as well as attorneys' fees and costs and other equitable relief. On June 19, 2009, the Corporation and the individual defendants filed motions to dismiss. On October 12, 2009, the Chancery Court denied defendants' motions to dismiss.

On February 17, 2009, an additional derivative action, entitled *Cunniff v. Lewis, et al.*, was filed in North Carolina Superior Court. The complaint, which names certain of the Corporation's current and former officers and directors as defendants and names the Corporation as a nominal defendant, alleges that defendants violated fiduciary duties in connection with the Acquisition by, among other things, failing to disclose: (i) the financial condition and 2008 fourth quarter losses experienced by Merrill Lynch and (ii) the extent of the due diligence conducted in connection with the Acquisition. The complaint also brings a cause of action for waste of corporate assets for, among other things, allegedly subjecting the Corporation to potential material liability for securities fraud. The complaint seeks unspecified damages and other relief. On October 6, 2009, the Superior Court granted defendants' motion to stay the action in favor of derivative actions pending in the Delaware Court of Chancery.

On September 25, 2009, an alleged shareholder of the Corporation filed an action against the Corporation, and its then Chief Executive Officer in Superior Court of the State of California, San Francisco County. The complaint alleges state law causes of action for breach of fiduciary duty, misrepresentation and fraud in connection with plaintiff's purchase of the Corporation's common stock, based on alleged failures to disclose information regarding Merrill Lynch's value. The action, entitled *Catalano v. Bank of America*, seeks unspecified damages and other relief. Defendants have removed the action to the U. S. District Court for the Northern District of California, and have requested that the MDL Panel transfer the action to the U.S. District Court for the Southern District of New York for coordinated or consolidated pre-trial proceedings with the related litigation pending in that Court. On December 11, 2009, defendants removed the action to the U.S. District Court for the Northern District of California. On February 5, 2010, the MDL Panel transferred the action to the U.S. District Court for the Southern District of New York for coordinated or consolidated pre-trial proceedings with the related litigation pending in that Court.

On December 22, 2009, the Corporation and certain of its officers were named in a purported class action filed in the U.S. District Court for the Southern District of New York, entitled *Iron Workers of Western Pennsylvania Pension Plan v. Bank of America Corp., et al.* The action is purportedly brought on behalf of all persons who purchased or acquired certain Corporation debt securities between September 15, 2008 and January 21, 2009 and alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and SEC rules promulgated thereunder, based on, among other things, alleged false statements and omissions related to: (i) the financial condition and 2008 fourth quarter losses experienced by the Corporation and Merrill Lynch; (ii) due diligence conducted in connection with the Acquisition; (iii) bonus payments to Merrill Lynch employees; and (iv) certain defendants' contacts with government officials regarding the Corporation's consideration of invoking the material adverse change clause in the merger agreement and the possibility of obtaining additional government assistance in completing the Acquisition. The complaint seeks unspecified damages and other relief. The parties in the securities actions in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation* have requested that the District Court consolidate this action with their actions.

On January 13, 2010, the Corporation, Merrill Lynch and certain of the Corporation's current and former officers and directors were named in a purported class action filed in the U.S. District Court for the Southern District of New York entitled *Dornfest v. Bank of America Corp., et al.* The action is purportedly brought on behalf of investors in Corporation option contracts between September 15, 2008 and January 22, 2009 and alleges that during the class period approximately 9.5 million Corporation call option contracts and approximately eight million Corporation put option contracts were already traded on seven of the Options Clearing Corporation exchanges. The complaint alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and SEC rules promulgated thereunder, based on, among other things, alleged false statements and omissions related to: (i) the financial condition and 2008 fourth quarter losses experienced by the Corporation and Merrill Lynch; (ii) due diligence conducted in connection with the Acquisition; (iii) bonus payments to Merrill Lynch employees; and (iv) certain defendants' contacts with government officials regarding the Corporation's consideration of invoking the material adverse change clause in the merger agreement and the possibility of obtaining additional government assistance in completing the Acquisition. The plaintiff class allegedly suffered damages because they invested in Corporation option contracts at allegedly artificially inflated prices and were adversely affected as the artificial inflation was removed from the market price of the securities. The complaint seeks unspecified damages and other relief. Plaintiffs in the securities actions in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation* have requested that the District Court consolidate this action with their actions.

On February 17, 2010, an alleged shareholder of the Corporation filed a purported derivative action, entitled *Bahnmeier v. Lewis, et al.*, in the U.S. District Court for the Southern District of New York. The complaint names as defendants certain of the Corporation's current and former directors and officers, and one of Merrill Lynch's former officers. The complaint alleges, among other things, that the individual defendants breached their fiduciary duties by failing to provide accurate and complete information to shareholders regarding, among other things: (i) the potential for litigation resulting from Countrywide's lending practices and the risk posed to the Corporation's capital levels as a result of Countrywide's loan losses; (ii) the deterioration of Merrill Lynch's financial condition during the fourth quarter of 2008, which was allegedly sufficient to trigger the material adverse change clause in the merger agreement with Merrill Lynch; (iii) the agreement to permit Merrill Lynch to pay up to $5.8 billion in bonuses to its employees; and (iv) the discussions with regulators in December 2008 concerning possibly receiving additional government assistance in completing the Acquisition. The complaint also asserts claims against the individual defendants for breach of fiduciary duty by failing to maintain adequate internal controls, unjust enrichment, abuse

of control and gross mismanagement in connection with the supervision and management of the operations, business and disclosure controls of the Corporation. The Corporation is named as a nominal defendant only and no monetary relief is sought against it. The complaint seeks, among other things, an unspecified amount of monetary damages, equitable remedies and other relief.

Regulatory Matters

The Corporation and Merrill Lynch have also received and are responding to inquiries from a variety of regulators and governmental authorities relating to among other things: (i) the payment by Merrill Lynch of bonuses for 2008 and disclosures related thereto; (ii) disclosures relating to Merrill Lynch's losses in the fourth quarter of 2008; (iii) disclosures relating to the Corporation's consideration of whether there had been a material adverse change relating to Merrill Lynch and discussions with U.S. government officials in late December 2008; and (iv) the Acquisition and related proxy statement.

On August 3, 2009, the SEC filed a complaint against the Corporation, entitled *SEC v. Bank of America*, in the U.S. District Court for the Southern District of New York, alleging that the Corporation's proxy statement filed on November 3, 2008 failed to disclose the discretionary incentive compensation that Merrill Lynch could award to its employees prior to completion of the Acquisition. On September 14, 2009, the District Court declined to approve a proposed consent judgment agreed to by the Corporation and the SEC. On October 9, 2009, the Corporation's Board of Directors approved a limited waiver of the Corporation's attorney-client and attorney work product privileges as to certain subject matters under investigation by the U.S. Congress, and federal and state regulatory authorities.

On January 12, 2010, the SEC filed a second complaint against the Corporation, entitled *SEC v. Bank of America Corp.*, in the U.S. District Court for the Southern District of New York alleging that the Corporation violated the federal proxy rules for failing to disclose information concerning Merrill Lynch's known and estimated losses prior to the shareholder vote on December 5, 2008, to approve the Acquisition. The SEC alleges that the Corporation was required to describe in its proxy and registration statement any material changes in Merrill Lynch's affairs that were not already reflected in Merrill Lynch's quarterly reports or certain other public filings, and to update shareholders on any "fundamental change" arising after the effective date of the registration statement. The SEC alleges that the Corporation's failure to provide such an update violated Section 14(a) of the Securities Exchange Act of 1934 and Rule 14a-9 thereunder. The SEC is seeking an injunction against the Corporation to prohibit any future violations of Section 14(a) and Rule 14a-9, as well as an unspecified civil monetary penalty.

On February 1, 2010, the Corporation entered into a proposed settlement with the SEC to resolve all cases filed by the SEC relating to the Acquisition. Also, on February 4, 2010, the Corporation entered into an agreement with the Office of the Attorney General for the State of North Carolina (NC AG) to resolve all matters that are the subject of an investigation by that Office relating to the Acquisition. Under the terms of the proposed settlements, the Corporation agreed, without admitting or denying any wrongdoing, to pay $150 million as a civil penalty to be distributed to former Bank of America shareholders as part of the SEC's Fair Fund program and a payment of $1 million to be made to the NC AG for its consumer protection purposes. The payment to the NC AG is not a penalty or a fine. As part of the settlements, the Corporation also agreed to implement a number of additional undertakings for a period of three years, including: engaging an independent auditor to perform an assessment and provide an attestation report on the effectiveness of the Corporation's disclosure controls and procedures; furnishing management certifications signed by the CEO and CFO with respect to proxy statements; retaining disclosure counsel to the Audit Committee of the Corporation's Board; adopting independence requirements beyond those already applicable for all members of the Compensation and Benefits Committee of the Board; continuing to retain an independent compensation consultant to the Compensation and Benefits Committee; implementing and disclosing written incentive compensation principles on the Corporation's website and providing the Corporation's shareholders with an advisory vote concerning any proposed changes to such principles; and providing the Corporation's shareholders with an annual "say on pay" advisory vote regarding the compensation of senior executives. These proposed undertakings may be amended or modified in light of any new regulation or requirement that comes into effect during the three-year period and is applicable to the Corporation with respect to the same subject matter. On February 22, 2010, the District Court approved the settlement subject to the Corporation and the SEC making certain modifications to the settlement to require agreement between the SEC and the Corporation on the selection of the independent auditor and disclosure counsel and to clarify certain issues regarding the distribution of the civil penalty. The parties made the modifications and on February 24, 2010, the District Court entered the Consent Judgment encompassing the settlement terms.

On February 4, 2010, the Office of the New York State Attorney General (NY AG) filed a civil complaint in the Supreme Court of New York State, entitled *People of the State of New York v. Bank of America, et al*. The complaint names as defendants the Corporation and the Corporation's former chief executive and chief financial officers, Kenneth D. Lewis, and Joseph L. Price, and alleges violations of Sections 352, 352-c(1)(a), 352-c(1)(c), and 353 of the New York General Business Law, commonly known as the Martin Act, and Section 63(12) of the New York Executive Law. The complaint is based on, among other things, alleged false statements and omissions and fraudulent practices related to: (i) the disclosure of Merrill Lynch's financial condition and its interim and projected losses during the fourth quarter of 2008; (ii) the Corporation's contacts with federal government officials regarding the Corporation's consideration of invoking the material adverse effect clause in the merger agreement and the possibility of obtaining additional government assistance; (iii) the disclosure of the payment and timing of year-end incentive compensation to Merrill Lynch employees; and (iv) public statements regarding the due diligence conducted in connection with the Acquisition and positive statements regarding the Acquisition. The complaint seeks an unspecified amount in disgorgement, penalties, restitution, and damages and other equitable relief.

Merrill Lynch Subprime-related Matters

Louisiana Sheriffs' Pension & Relief Fund v. Conway, et al.

On October 3, 2008, a putative class action was filed against Merrill Lynch, Merrill Lynch Capital Trust I, Merrill Lynch Capital Trust II, Merrill Lynch Capital Trust III, MLPF&S (collectively the Merrill Lynch entities), and certain present and former Merrill Lynch officers and directors, and underwriters, including BAS, in New York Supreme Court, New York County. The complaint seeks relief on behalf of all persons who purchased or otherwise acquired debt securities issued by the Merrill Lynch entities pursuant to a shelf registration statement dated March 31, 2006. The complaint alleged that prospectuses misstated the financial condition of the Merrill Lynch entities and failed to disclose their exposure to losses from investments tied to subprime and other mortgages, as well as their liability arising from its participation in the ARS market. On October 22, 2008, the action was removed to the U.S. District Court for the Southern District of New York and on November 5, 2008 it was accepted as a

related case to *In re Merrill Lynch & Co., Inc. Securities, Derivative, and ERISA Litigation*. On April 21, 2009, the parties reached an agreement in principle to settle the Louisiana Sheriff's matter in an amount that is not material to the Corporation's Consolidated Financial Statements and dismiss all claims with prejudice. On November 30, 2009, the U.S. District Court for the Southern District of New York granted final approval of the settlement.

Connecticut Carpenters Pension Fund, et al. v. Merrill Lynch & Co., Inc., et al.; Iron Workers Local No. 25 Pension Fund v. Credit-Based Asset Servicing and Securitization LLC, et al.; Public Employees' Ret. System of Mississippi v. Merrill Lynch & Co. Inc. et al.; Wyoming State Treasurer v. Merrill Lynch & Co. Inc.

Beginning in December 2008, Merrill Lynch affiliated entities, including Merrill Lynch Mortgage Investors, Inc., and officers and directors of Merrill Lynch Mortgage Investors, Inc., and others were named in four putative class actions arising out of the underwriting and sale of more than $55 billion of MBS. The complaints alleged, among other things, that the relevant registration statements and accompanying prospectuses or prospectus supplements misrepresented or omitted material facts regarding the underwriting standards used to originate the mortgages in the mortgage pools underlying the MBS, the process by which the mortgage pools were acquired, and the appraisals of the homes secured by the mortgages. Plaintiffs seek to recover alleged losses in the market value of the MBS allegedly caused by the performance of the underlying mortgages or to rescind their purchases of the MBS. These cases were consolidated under the caption *Public Employees' Ret. System of Mississippi v. Merrill Lynch & Co. Inc.* and, on May 20, 2009, a consolidated amended complaint was filed. On June 17, 2009, all defendants filed a motion to dismiss the consolidated amended complaint.

Federal Home Loan Bank of Seattle Litigation

On December 23, 2009, FHLB Seattle filed a complaint, entitled *Federal Home Loan Bank of Seattle v. Merrill Lynch, Pierce, Fenner & Smith, Inc., et al.*, in the Superior Court of Washington for King County against MLPF&S, Merrill Lynch Mortgage Investors, Inc., and Merrill Lynch Mortgage Capital, Inc. The complaint alleges violations of the Securities Act of Washington in connection with the offering of various MBS and asserts, among other things, misstatements and omissions concerning the credit quality of the mortgage loans underlying the MBS and the loan origination practices associated with those loans. The complaint seeks rescission, interest, costs and attorneys' fees.

Merrill Lynch & Co., Inc. is cooperating with the SEC and other governmental authorities investigating subprime mortgage-related activities.

Montgomery

On January 19, 2010, a putative class action entitled *Montgomery v. Bank of America, et al.*, was filed in the U.S. District Court for the Southern District of New York against the Corporation, BAS, MLPF&S and a number of its current and former officers and directors on behalf of all persons who acquired certain preferred stock offered pursuant to a shelf registration statement dated May 5, 2006, specifically two offerings dated January 24, 2008 and another dated May 20, 2008. The *Montgomery* complaint asserts claims under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, and alleges that the prospectus supplements associated with the offerings: (i) failed to disclose that the Corporation's loans, leases, CDOs, and commercial MBS were impaired to a greater extent than disclosed; (ii) misrepresented the extent of the impaired assets by failing to establish adequate reserves or properly record losses for its impaired assets; and (iii) misrepresented the adequacy of the Corporation's internal controls, and the Corporation's capital base in light of the alleged impairment of its assets.

Municipal Derivatives Matters

The Antitrust Division of the DOJ, the SEC, and the Internal Revenue Service (IRS) are investigating possible anticompetitive bidding practices in the municipal derivatives industry involving various parties, including BANA, dating back to the early 1990s. The activities at issue in these industry-wide government investigations concern the bidding process for municipal derivatives that are offered to states, municipalities and other issuers of tax-exempt bonds. The Corporation has cooperated, and continues to cooperate, with the DOJ, the SEC and the IRS. On January 11, 2007, the Corporation entered into a Corporate Conditional Leniency Letter (the Letter) with DOJ. Under the Letter and subject to the Corporation's continuing cooperation, the DOJ will not bring any criminal antitrust prosecution against the Corporation in connection with the matters that the Corporation reported to DOJ. Subject to satisfying the DOJ and the court presiding over any civil litigation of the Corporation's cooperation, the Corporation is eligible for: (i) a limit on liability to single, rather than treble, damages in certain types of related civil antitrust actions; and (ii) relief from joint and several antitrust liability with other civil defendants.

On February 4, 2008, BANA received a Wells notice advising that the SEC staff is considering recommending that the SEC bring a civil injunctive action and/or an administrative proceeding against BANA "in connection with the bidding of various financial instruments associated with municipal securities." An SEC action or proceeding could seek a permanent injunction, disgorgement plus prejudgment interest, civil penalties and other remedial relief. Merrill Lynch is also being investigated by the SEC and the DOJ concerning bidding practices in the municipal derivatives industry.

Beginning in March 2008, the Corporation, BANA and other financial institutions, including Merrill Lynch, have been named as defendants in complaints filed in federal courts in the District of Columbia, New York and elsewhere. Plaintiffs in those cases purport to represent classes of government and private entities that purchased municipal derivatives from defendants. The complaints allege that defendants conspired to allocate customers and fix or stabilize the prices of certain municipal derivatives from 1992 through the present. The plaintiffs' complaints seek unspecified damages, including treble damages. These lawsuits were consolidated for pre-trial proceedings in the *In re Municipal Derivatives Antitrust Litigation*, pending in the U.S. District Court for the Southern District of New York. BANA, BAS, Merrill Lynch and other financial institutions have also been named in several related individual suits originally filed in California state courts on behalf of a number of cities and counties in California and asserting state law causes of action. All of these cases have been removed to the U.S. District Court for the Southern District of New York and are now part of *In re Municipal Derivatives Antitrust Litigation*. The amended complaints filed in these actions continue to allege a substantially similar conspiracy and now assert violations of the Sherman Act and California's Cartwright Act. Six individual actions have been filed in the U.S. District Courts for the Eastern and Central Districts of California. All of these cases allege a substantially similar conspiracy and violations of the Sherman and Cartwright Acts, and seek unspecified damages, and in some cases, treble damages. All six cases are in the process of being transferred for consolidation in the *In re Municipal Derivatives Antitrust Litigation.*

On September 3, 2009, BANA was sued by the West Virginia Attorney General on behalf of the State of West Virginia for the same conspiracy alleged in the *In re Municipal Derivatives Antitrust Litigation*. The suit was originally filed in the Circuit Court of Mason County, West Virginia. BANA removed the case to the U.S. District Court for the Southern District of West Virginia (Huntington Division). The State's motion to remand is fully briefed. Upon removal, BANA noticed the State's case as a tag-along action subject to transfer by the MDL Panel. The MDL Panel has issued a Conditional Transfer Order transferring the action to the U.S. District Court for the Southern District of New York. The State objected and filed a motion to vacate. That motion was denied on February 2, 2010.

Beginning in April 2008, the Corporation and BANA received subpoenas, interrogatories and/or civil investigative demands from a number of state attorneys general requesting documents and information regarding municipal derivatives transactions from 1992 through the present.

The Corporation and BANA are cooperating with the state attorneys general.

Ocala Litigation

On November 25, 2009, BANA was named as a defendant in two related lawsuits filed in the U.S. District Court for the Southern District of New York. In *BNP Paribas Mortgage Corporation v. Bank of America, N.A.* and *Deutsche Bank, AG v. Bank of America, N.A.*, plaintiffs assert breach of contract, negligence and indemnification claims in connection with BANA's roles as, among other things, collateral agent, custodian and indenture trustee of Ocala Funding, LLC (Ocala). Ocala was a mortgage warehousing facility that provided funding to Taylor, Bean & Whitaker Mortgage Corp. (TBW) by issuing commercial paper and term securities backed by mortgage loans originated by TBW. Plaintiffs claim that they purchased in excess of $1.6 billion in securities issued by Ocala and that BANA allegedly failed, among other things, to protect the collateral backing plaintiffs' securities. Plaintiffs seek unspecified compensatory damages, among other relief. On February 4, 2010, BANA moved to dismiss the complaints.

Parmalat Finanziaria S.p.A. Matters

On December 24, 2003, Parmalat Finanziaria S.p.A. (Parmalat) was admitted into insolvency proceedings in Italy, known as "extraordinary administration." The Corporation, through certain of its subsidiaries, including BANA, provided financial services and extended credit to Parmalat and its related entities. On June 21, 2004, Extraordinary Commissioner Dr. Enrico Bondi filed with the Italian Ministry of Production Activities a plan of reorganization for the restructuring of the companies of the Parmalat group that are included in the Italian extraordinary administration proceeding. In July 2004, the Italian Ministry of Production Activities approved the Extraordinary Commissioner's restructuring plan, as amended, for the Parmalat group companies that are included in the Italian extraordinary administration proceeding. This plan was approved by the voting creditors and the Court of Parma, Italy in October of 2005.

Litigation and investigations relating to Parmalat are pending in both Italy and the United States.

Proceedings in Italy

On May 26, 2004, the Public Prosecutor's Office for the Court of Milan, Italy filed criminal charges against Luca Sala, Luis Moncada, and Antonio Luzi, three former employees of the Corporation, alleging the crime of market manipulation in connection with a press release issued by Parmalat. On December 18, 2008, the Court of Milan, Italy fully acquitted each of the former employees of all charges. On June 17, 2009, the Public Prosecutor's Office for the Court of Milan, Italy filed an appeal of the decision. The initial hearing date for the appeal is set for January 26, 2010. The Public Prosecutor's Office also filed a related charge in May 2004 against the Corporation asserting administrative liability based on an alleged failure to maintain an organizational model sufficient to prevent the alleged criminal activities of its former employees. The trial on this administrative charge is ongoing, with hearing dates scheduled in 2010.

On July 31, 2009, the Public Prosecutor's Office for the Court of Parma, Italy filed formal charges against 10 former employees and one current employee of the Corporation, alleging the commission of crimes of fraudulent bankruptcy, fraud, usury and embezzlement in connection with the insolvency of Parmalat. The first preliminary hearing was held on November 16, 2009, with further hearings in 2010.

Proceedings in the United States

All cases listed herein have been transferred to the U.S. District Court for the Southern District of New York for coordinated pre-trial purposes under the caption *In re Securities Litigation Parmalat.*

Since December 2003, certain purchasers of Parmalat-related private placement offerings have filed complaints against the Corporation and various related entities in the following actions: *Principal Global Investors, LLC, et al. v. Bank of America Corporation, et al.* in the U.S. District Court for the Southern District of Iowa; *Monumental Life Insurance Company, et al. v. Bank of America Corporation, et al.* in the U.S. District Court for the Northern District of Iowa; *Prudential Insurance Company of America and Hartford Life Insurance Company v. Bank of America Corporation, et al.* in the U.S. District Court for the Northern District of Illinois; *Allstate Life Insurance Company v. Bank of America Corporation, et al.* in the U.S. District Court for the Northern District of Illinois; *Hartford Life Insurance v. Bank of America Corporation, et al.* in the U.S. District Court for the Southern District of New York; and *John Hancock Life Insurance Company, et al. v. Bank of America Corporation et al.* in the U.S. District Court for the District of Massachusetts. The actions variously allege violations of federal and state securities laws and state common law, and seek rescission and unspecified damages based upon the Corporation's and related entities' alleged roles in certain private placement offerings issued by Parmalat-related companies. The plaintiffs seek rescission and unspecified damages resulting from alleged purchases of approximately $305 million in private placement instruments.

On November 23, 2005, the Official Liquidators of Food Holdings Limited and Dairy Holdings Limited, two entities in liquidation proceedings in the Cayman Islands, filed a complaint, entitled *Food Holdings Ltd, et al. v. Bank of America Corp., et al.* (the Food Holdings Action), in the U.S. District Court for the Southern District of New York against the Corporation and several related entities. The complaint in the Food Holdings Action alleges that the Corporation and other defendants conspired with Parmalat in carrying out transactions involving the plaintiffs in connection with the funding of Parmalat's Brazilian entities, and asserts claims for fraud, negligent misrepresentation, breach of fiduciary duty and other related claims. The complaint seeks in excess of $400 million in compensatory damages and interest, among other relief. A bench trial was held the week of September 14, 2009. On February 17, 2010, the District Court issued an Opinion and Order dismissing all of the claims.

Pender Litigation

The Corporation is a defendant in a putative class action entitled *William L. Pender, et al. v. Bank of America Corporation, et al.* (formerly captioned *Anita Pothier, et al. v. Bank of America Corporation, et al.*), which is pending in the U.S. District Court for the Western District of North Carolina. The action, filed on June 30, 2004, is brought on behalf of participants in or beneficiaries of The Bank of America Pension Plan (formerly known as the NationsBank Cash Balance Plan) and The Bank of America 401(k) Plan (formerly known as the NationsBank 401(k) Plan). The Corporation, BANA, The Bank of America Pension Plan, The Bank of America 401(k) Plan, the Bank of America Corporation Corporate Benefits Committee and various members thereof, and PricewaterhouseCoopers LLP are defendants. The complaint alleges violations of ERISA, including that the design of The Bank of America Pension Plan violated ERISA's defined benefit pension plan standards and that such plan's definition of normal retirement age is invalid. In addition, the complaint alleges age discrimination by The Bank of America Pension Plan, unlawful lump sum benefit calculation, violation of ERISA's "anti-backloading" rule, that certain voluntary transfers of assets by participants in The Bank of America 401(k) Plan to The Bank of America Pension Plan violated ERISA, and other related claims. The complaint alleges that plan participants are entitled to greater benefits and seeks declaratory relief, monetary relief in an unspecified amount, equitable relief, including an order reforming The Bank of America Pension Plan, attorneys' fees and interest. On September 26, 2005, the bank defendants filed a motion to dismiss. On December 1, 2005, the plaintiffs moved to certify classes consisting of, among others, (i) all persons who accrued or who are currently accruing benefits under The Bank of America Pension Plan and (ii) all persons who elected to have amounts representing their account balances under The Bank of America 401(k) Plan transferred to The Bank of America Pension Plan.

NOTE 15 – Shareholders' Equity and Earnings Per Common Share

Common Stock

In January 2009, the Corporation issued 1.4 billion shares of common stock in connection with its acquisition of Merrill Lynch. For additional information regarding the Merrill Lynch acquisition, see *Note 2 – Merger and Restructuring Activity*. During 2009 and 2008, in connection with preferred stock issuances to the U.S. government under TARP, the Corporation issued warrants to purchase 121.8 million shares of common stock at an exercise price of $30.79 per share and 150.4 million shares of common stock at an exercise price of $13.30 per share. The U.S. Treasury recently announced its intention to auction, during March 2010, these warrants.

During the second quarter of 2009, the Corporation issued 1.25 billion shares of its common stock at an average price of $10.77 per share through an at-the-market issuance program resulting in gross proceeds of approximately $13.5 billion.

The Corporation may repurchase shares, subject to certain restrictions, from time to time, in the open market or in private transactions through the Corporation's approved repurchase program. In 2009, the Corporation did not repurchase any shares of common stock and issued approximately 7.4 million shares under employee stock plans. At December 31, 2009, the Corporation had reserved 1.3 billion of unissued common shares for future issuances.

In October 2009, the Board declared a fourth quarter cash dividend of $0.01 per common share which was paid on December 24, 2009 to common shareholders of record on December 4, 2009. In July 2009, the Board declared a third quarter cash dividend of $0.01 per common share which was paid on September 25, 2009 to common shareholders of record on September 4, 2009. In April 2009, the Board declared a second quarter cash dividend of $0.01 per common share which was paid on June 26, 2009 to shareholders of record on June 5, 2009. In January 2009, the Board declared a first quarter cash dividend of $0.01 per common share which was paid on March 27, 2009 to shareholders of record on March 6, 2009.

In addition, in January 2010, the Board declared a regular quarterly cash dividend on common stock of $0.01 per share, payable on March 26, 2010 to common shareholders of record on March 5, 2010.

Preferred Stock

During 2009, the Corporation entered into agreements with certain holders of non-government perpetual preferred stock to exchange their holdings of approximately $7.3 billion aggregate liquidation preference of perpetual preferred stock for approximately 545 million shares of common stock. In addition, the Corporation exchanged approximately $3.9 billion aggregate liquidation preference of non-government preferred stock for approximately 200 million shares of common stock in an exchange offer. In total, these exchanges resulted in the exchange of approximately $11.3 billion aggregate liquidation preference of preferred stock into approximately 745 million shares of common stock. The table below provides further detail on the non-convertible perpetual preferred stock exchanges.

(Dollars in millions, actual shares) Series	Preferred Shares Exchanged	Carrying Value [1]	Common Shares Issued	Fair Value of Stock Issued
Negotiated Exchanges				
Series K	173,298	$ 4,332	328,193,964	$3,635
Series M	102,643	2,566	192,970,068	2,178
Series 4	7,024	211	11,642,232	131
Series D	6,566	164	10,104,798	114
Series 7	33,404	33	2,069,047	23
Total Negotiated Exchanges	322,935	7,306	544,980,109	6,081
Exchange Offer				
Series E	61,509	1,538	78,670,451	1,003
Series 5	29,810	894	45,753,525	583
Series 1	16,139	484	22,866,796	292
Series 2	19,453	584	27,562,975	351
Series 3	4,664	140	7,490,194	95
Series I	7,416	185	10,215,305	130
Series J	2,289	57	3,378,098	43
Series H	2,517	63	4,062,655	52
Total Exchange Offer	143,797	3,945	199,999,999	2,549
Total Preferred Exchanges	**466,732**	**$11,251**	**744,980,108**	**$8,630**

[1] Amounts shown are before third party issuance costs.

During 2009, in addition to the exchanges detailed in the table above, the Corporation exchanged 3.6 million shares, or $3.6 billion aggregate liquidation preference of Series L 7.25% Non-Cumulative Perpetual Convertible Preferred Stock into 255 million shares of common stock valued at $2.8 billion, which was accounted for as an induced conversion of preferred stock.

As a result of the exchange, the Corporation recorded an increase to retained earnings and net income applicable to common shareholders of approximately $580 million. This represents the net of a $2.62 billion benefit due to the excess of the carrying value of the Corporation's non-convertible preferred stock over the fair value of the common stock exchanged. This was partially offset by a $2.04 billion inducement representing the excess of the fair value of the common stock exchanged over the fair value of the common stock that would have been issued under the original conversion terms.

In connection with the Merrill Lynch acquisition, Merrill Lynch non-convertible preferred shareholders received Bank of America Corporation preferred stock having substantially identical terms. Merrill Lynch convertible preferred stock remains outstanding and is now convertible into Bank of America common stock at an exchange ratio equivalent to the exchange ratio for Merrill Lynch common stock in connection with the acquisition.

The following table presents a summary of preferred stock previously issued by the Corporation and remaining outstanding (including the series of preferred stock issued and remaining outstanding in connection with the acquisition of Merrill Lynch), after consideration of the exchanges discussed on the previous page.

Preferred Stock Summary

(Dollars in millions, except as noted) Series	Description	Initial Issuance Date	Total Shares Outstanding	Liquidation Preference per Share (in dollars)	Carrying Value [1]	Per Annum Dividend Rate	Redemption Period
Series B [2]	7% Cumulative Redeemable	June 1997	7,571	$ 100	$ 1	7.00%	n/a
Series D [3, 9]	6.204% Non-Cumulative	September 2006	26,434	25,000	661	6.204%	On or after September 14, 2011
Series E [3, 9]	Floating Rate Non-Cumulative	November 2006	19,491	25,000	487	Annual rate equal to the greater of (a) 3-mo. LIBOR + 35 bps and (b) 4.00%	On or after November 15, 2011
Series H [3, 9]	8.20% Non-Cumulative	May 2008	114,483	25,000	2,862	8.20%	On or after May 1, 2013
Series I [3, 9]	6.625% Non-Cumulative	September 2007	14,584	25,000	365	6.625%	On or after October 1, 2017
Series J [3, 9]	7.25% Non-Cumulative	November 2007	39,111	25,000	978	7.25%	On or after November 1, 2012
Series K [3,10]	Fixed-to-Floating Rate Non-Cumulative	January 2008	66,702	25,000	1,668	8.00% through 1/29/18; 3-mo. LIBOR + 363 bps thereafter	On or after January 30, 2018
Series L	7.25% Non-Cumulative Perpetual Convertible	January 2008	3,349,321	1,000	3,349	7.25%	n/a
Series M [3, 10]	Fixed-to-Floating Rate Non-Cumulative	April 2008	57,357	25,000	1,434	8.125% through 5/14/18; 3-mo. LIBOR + 364 bps thereafter	On or after May 15, 2018
Series S	Common Equivalent Stock	December 2009	1,286,000	15,000	19,290	Same as dividend per common share	n/a
Series 1 [3, 4]	Floating Rate Non-Cumulative	November 2004	4,861	30,000	146	3-mo LIBOR + 75 bps [5]	On or after November 28, 2009
Series 2 [3, 4]	Floating Rate Non-Cumulative	March 2005	17,547	30,000	526	3-mo LIBOR + 65 bps [5]	On or after November 28, 2009
Series 3 [3, 4]	6.375% Non-Cumulative	November 2005	22,336	30,000	670	6.375%	On or after November 28, 2010
Series 4 [3, 4]	Floating Rate Non-Cumulative	November 2005	12,976	30,000	389	3-mo LIBOR + 75 bps [6]	On or after November 28, 2010
Series 5 [3, 4]	Floating Rate Non-Cumulative	March 2007	20,190	30,000	606	3-mo LIBOR + 50 bps [6]	On or after May 21, 2012
Series 6 [3, 7]	6.70% Non-Cumulative Perpetual	September 2007	65,000	1,000	65	6.70%	On or after February 03, 2009
Series 7 [3, 7]	6.25% Non-Cumulative Perpetual	September 2007	16,596	1,000	17	6.25%	On or after March 18, 2010
Series 8 [3, 4]	8.625% Non-Cumulative	April 2008	89,100	30,000	2,673	8.625%	On or after May 28, 2013
Series 2 (MC) [3, 8]	9.00% Non-Voting Mandatory Convertible Non-Cumulative	July 2008	12,000	100,000	1,200	9.00%	On October 15, 2010
Series 3 (MC) [3, 8]	9.00% Non-Voting Mandatory Convertible Non-Cumulative	July 2008	5,000	100,000	500	9.00%	On October 15, 2010
Total			**5,246,660**		**$ 37,887**		

(1) Amounts shown are before third party issuance costs and other Merrill Lynch purchase accounting related adjustments of $679 million.
(2) Series B Preferred Stock does not have early redemption/call rights.
(3) The Corporation may redeem series of preferred stock on or after the redemption date, in whole or in part, at its option, at the liquidation preference plus declared and unpaid dividends.
(4) Ownership is held in the form of depositary shares, each representing a 1/1200th interest in a share of preferred stock, paying a quarterly cash dividend, if and when declared.
(5) Subject to 3.00% minimum rate per annum.
(6) Subject to 4.00% minimum rate per annum.
(7) Ownership is held in the form of depositary shares, each representing a 1/40th interest in a share of preferred stock, paying a quarterly cash dividend, if and when declared.
(8) Represents shares outstanding of Merrill Lynch & Co., Inc. Each share of Mandatory Convertible Preferred Stock Series 2 and Series 3 will be converted on October 15, 2010 into a maximum of 2,605 and 3,820 shares of the Corporation's common stock plus cash in lieu of fractional shares and are optionally convertible prior to that time into 2,227 and 3,265 shares.
(9) Ownership is held in the form of depositary shares each representing a 1/1000th interest in a share of preferred stock paying a quarterly cash dividend, if and when declared.
(10) Ownership is held in the form of depositary shares each representing a 1/25th interest in a share of preferred stock, paying a semi-annual cash dividend, if and when declared, until the redemption date adjusts to a quarterly cash dividend, if and when declared, thereafter.

n/a = not applicable

Series L Preferred Stock does not have early redemption/call rights. Each share of the Series L Preferred Stock may be converted at any time, at the option of the holder, into 20 shares of the Corporation's common stock plus cash in lieu of fractional shares. On or after January 30, 2013, the Corporation may cause some or all of the Series L Preferred Stock, at its option, at any time or from time to time, to be converted into shares of common stock at the then-applicable conversion rate if, for 20 trading days during any period of 30 consecutive trading days, the closing price of common stock exceeds 130 percent of the then-applicable conversion price of the Series L Preferred Stock. If the Corporation exercises its rights to cause the automatic conversion of Series L Preferred Stock on January 30, 2013, it will still pay any accrued dividends payable on January 30, 2013 to the applicable holders of record.

Common Equivalent Junior Preferred Stock Series S (Common Equivalent Stock) does not have early redemption/call rights. Each share of the Common Equivalent Stock is automatically convertible into 1,000 shares of the Corporation's common stock following effectiveness of an amendment to the Corporation's certificate of incorporation to increase the amount of authorized common stock. Ownership of the Common Equivalent Stock is held in the form of depositary shares each representing a 1/1000th interest in a share of preferred stock, paying cash dividends, on an as converted basis, with the Corporation's common stock, if and when declared. In certain circumstances following the failure of the Corporation's stockholders to approve the amendment to the certificate of incorporation, the Common Equivalent Stock will partially convert into common stock, the liquidation preference per share will be proportionally reduced, and the shares will be entitled to additional quarterly cash dividends, if and when declared.

All series of preferred stock in the previous table have a par value of $0.01 per share. The shares of the series of preferred stock above are not subject to the operation of a sinking fund, and other than the right of the Series S Preferred Stock to participate in certain common dividends and liquidating distributions, have no participation rights. With the exception of the Series L Preferred Stock, Common Equivalent Stock, and Mandatory Convertible Preferred Stock Series 2 and 3, the shares of the series of preferred stock in the previous table are not convertible. The holders of the Series B Preferred Stock, Common Equivalent Stock and Series 1-8 Preferred Stock have general voting rights, and the holders of the other series included in the previous table have no general voting rights. All preferred stock of the Corporation outstanding has preference over the Corporation's common stock with respect to the payment of dividends and distribution of the Corporation's assets in the event of a liquidation or dissolution except the Series S, which ranks equally with the common stock in certain circumstances. If any dividend payable on these series is in arrears for three or more semi-annual or six or more quarterly dividend periods, as applicable (whether consecutive or not), the holders of these series and any other class or series of preferred stock ranking equally as to payment of dividends and upon which equivalent voting rights have been conferred and are exercisable (voting as a single class) will be entitled to vote for the election of two additional directors. These voting rights terminate when the Corporation has paid in full dividends on these series for at least two semi-annual or four quarterly dividend periods, as applicable, following the dividend arrearage.

In October 2008, in connection with TARP, the Corporation issued to the U.S. Treasury non-voting perpetual preferred stock and warrants for $15.0 billion. In addition, in January 2009, in connection with TARP and the Merrill Lynch acquisition, the Corporation issued additional preferred stock for $30.0 billion. On December 2, 2009, the Corporation received approval from the U.S. Treasury and Federal Reserve to repay the U.S. government's $45.0 billion preferred stock investment provided under TARP. In accordance with the authorization, on December 9, 2009, the Corporation repurchased all outstanding shares of Fixed-Rate Cumulative Perpetual Preferred Stock Series N, Series Q and Series R preferred stock (collectively, TARP Preferred Stock) previously issued to the U.S. Treasury. The U.S. Treasury recently announced its intention to auction, during March 2010, the common stock warrants the Corporation issued in connection with the sale of the TARP Preferred Stock.

The Corporation repurchased the TARP Preferred Stock through use of $25.7 billion in excess liquidity and $19.2 billion in proceeds from the sale of 1.3 billion Common Equivalent Securities (CES) valued at $15.00 per unit. The Common Equivalent Securities consist of depositary shares representing interests in shares of Common Equivalent Stock, and warrants (Contingent Warrants) to purchase an aggregate of 60 million shares of the Corporation's common stock. Each CES consisted of one depositary share representing a 1/1000th interest in a share of Common Equivalent Stock and each Contingent Warrant granted the holder the right to purchase 0.0467 of a share of a common stock for $0.01 per share. Each depositary share entitled the holder, through the depository to a proportional fractional interest in all rights and preferences of the Common Equivalent Stock, including conversion, dividend, liquidation and voting rights.

The Corporation held a special meeting of stockholders on February 23, 2010 at which it obtained stockholder approval of an amendment to the amended and restated certificate of incorporation to increase the number of authorized shares of common stock, and accordingly the Common Equivalent Stock automatically converted in full into 1.286 billion shares of common stock on February 24, 2010 following the filing of the amendment with the Delaware Secretary of State on February 23, 2010. In addition, as a result, the Contingent Warrants expired without having become exercisable and the CES ceased to exist.

During 2009, 2008 and 2007, the aggregate dividends declared on preferred stock were $4.5 billion, $1.3 billion and $182 million, respectively. This included $536 million in 2009 related to preferred stock issued or remaining outstanding as a part of the Merrill Lynch acquisition.

Accumulated OCI

The following table presents the changes in accumulated OCI for 2009, 2008 and 2007, net-of-tax.

(Dollars in millions)	Available-for-Sale Debt Securities	Available-for-Sale Marketable Equity Securities	Derivatives	Employee Benefit Plans [1]	Foreign Currency [2]	Total
Balance, December 31, 2008	**$(5,956)**	**$ 3,935**	**$(3,458)**	**$(4,642)**	**$ (704)**	**$(10,825)**
Cumulative adjustment for accounting change – OTTI [3]	(71)	–	–	–	–	(71)
Net change in fair value recorded in accumulated OCI	6,364	2,651	197	318	211	9,741
Net realized (gains) losses reclassified into earnings	(965)	(4,457)	726	232	–	(4,464)
Balance, December 31, 2009	**$ (628)**	**$ 2,129**	**$(2,535)**	**$(4,092)**	**$ (493)**	**$ (5,619)**
Balance, December 31, 2007	$(1,880)	$ 8,416	$(4,402)	$(1,301)	$ 296	$ 1,129
Net change in fair value recorded in accumulated OCI [4]	(5,496)	(4,858)	104	(3,387)	(1,000)	(14,637)
Net realized losses reclassified into earnings	1,420	377	840	46	–	2,683
Balance, December 31, 2008	$(5,956)	$ 3,935	$(3,458)	$(4,642)	$ (704)	$(10,825)
Balance, December 31, 2006	$(3,117)	$ 384	$(3,697)	$(1,428)	$ 147	$ (7,711)
Net change in fair value recorded in accumulated OCI	1,100	8,316	(1,252)	4	142	8,310
Net realized losses reclassified into earnings	137	(284)	547	123	7	530
Balance, December 31, 2007	$(1,880)	$ 8,416	$(4,402)	$(1,301)	$ 296	$ 1,129

(1) Net change in fair value represents after-tax adjustments based on the final year-end actuarial valuations.
(2) Net change in fair value represents only the impact of changes in foreign exchange rates on the Corporation's net investment in foreign operations.
(3) Effective January 1, 2009, the Corporation adopted new accounting guidance on the recognition of other-than-temporary impairment losses on debt securities. For additional information on the adoption of this accounting guidance, see *Note 1 – Summary of Significant Accounting Principles* and *Note 5 – Securities*.
(4) For more information on employee benefit plans, see *Note 17 – Employee Benefit Plans*.

Earnings Per Common Share

On January 1, 2009, the Corporation adopted new accounting guidance on EPS which defines unvested share-based payment awards that contain nonforfeitable rights to dividends as participating securities that are included in computing EPS using the two-class method. Prior period EPS amounts have been reclassified to conform to current period presentation. See *Note 1 – Summary of Significant Accounting Principles* for additional information.

For 2009, 2008 and 2007, average options to purchase 315 million, 181 million and 28 million shares, respectively, of common stock were outstanding but not included in the computation of earnings per common share because they were antidilutive under the treasury stock method. For 2009, 147 million average dilutive potential common shares associated with the convertible Series L Preferred Stock and Mandatory Convertible Preferred Stock Series 2 and Series 3 were excluded from the diluted share count because the result would have been antidilutive under the "if-converted" method. For 2009, 81 million average potential dilutive common shares associated with the Common Equivalent Securities were also excluded from the diluted share count because the result would have been antidilutive under the "if-converted" method. For 2009, average warrants to purchase 265 million shares of common stock were outstanding but not included in the computation of earnings per common share because they were antidilutive under the treasury stock method. For 2008, 128 million average dilutive potential common shares associated with the convertible Series L Preferred Stock issued in January 2008 were excluded from the diluted share count because the result would have been antidilutive under the "if-converted" method.

The calculation of earnings per common share and diluted earnings per common share for 2009, 2008 and 2007 is presented below.

(Dollars in millions, except per share information; shares in thousands)	2009	2008	2007
Earnings (loss) per common share			
Net income	**$ 6,276**	$ 4,008	$ 14,982
Preferred stock dividends	**(4,494)**	(1,452)	(182)
Accelerated accretion from redemption of preferred stock issued to the U.S. Treasury	**(3,986)**	–	–
Net income (loss) applicable to common shareholders	**$ (2,204)**	$ 2,556	$ 14,800
Income (loss) allocated to participating securities	**(6)**	(69)	(108)
Net income (loss) allocated to common shareholders	**$ (2,210)**	$ 2,487	$ 14,692
Average common shares issued and outstanding	**7,728,570**	4,592,085	4,423,579
Earnings (loss) per common share	**$ (0.29)**	$ 0.54	$ 3.32
Diluted earnings (loss) per common share			
Net income (loss) applicable to common shareholders[1]	**$ (2,204)**	$ 2,556	$ 14,800
Income (loss) allocated to participating securities	**(6)**	(69)	(108)
Net income (loss) allocated to common shareholders	**$ (2,210)**	$ 2,487	$ 14,692
Average common shares issued and outstanding	**7,728,570**	4,592,085	4,423,579
Dilutive potential common shares [2]	**–**	4,343	39,634
Total diluted average common shares issued and outstanding	**7,728,570**	4,596,428	4,463,213
Diluted earnings (loss) per common share	**$ (0.29)**	$ 0.54	$ 3.29

(1) For 2009, the Corporation recorded an increase to retained earnings and net income applicable to common shareholders of approximately $580 million related to the Corporation's preferred stock exchange for common stock.
(2) Includes incremental shares from restricted stock units, restricted stock shares, stock options and warrants. Due to a net loss applicable to common shareholders for 2009, no dilutive potential common shares were included in the calculations of diluted EPS because they were antidilutive.

NOTE 16 – Regulatory Requirements and Restrictions

The Federal Reserve requires the Corporation's banking subsidiaries to maintain reserve balances based on a percentage of certain deposits. Average daily reserve balances required by the Federal Reserve were $10.9 billion and $7.1 billion for 2009 and 2008. Currency and coin residing in branches and cash vaults (vault cash) are used to partially satisfy the reserve requirement. The average daily reserve balances, in excess of vault cash, held with the Federal Reserve amounted to $3.4 billion and $133 million for 2009 and 2008.

The primary sources of funds for cash distributions by the Corporation to its shareholders are dividends received from its banking subsidiaries, Bank of America, N.A. and FIA Card Services, N.A. In 2009, the Corporation received $3.4 billion in dividends from Bank of America, N.A. In 2010, Bank of America, N.A. and FIA Card Services, N.A. can declare and pay dividends to the Corporation of $1.4 billion and $0 plus an additional amount equal to their net profits for 2010, as defined by statute, up to the date of any such dividend declaration. The other subsidiary national banks can initiate aggregate dividend payments in 2010 of $373 million plus an additional amount equal to their net profits for 2010, as defined by statute, up to the date of any such dividend declaration. The amount of dividends that each subsidiary bank may declare in a calendar year without approval by the Office of the Comptroller of the Currency (OCC) is the subsidiary bank's net profits for that year combined with its net retained profits, as defined, for the preceding two years.

The Federal Reserve, OCC, Federal Deposit Insurance Corporation (FDIC) and Office of Thrift Supervision (collectively, joint agencies) have in place regulatory capital guidelines for U.S. banking organizations. Failure to meet the capital requirements can initiate certain mandatory and discretionary actions by regulators that could have a material effect on the Corporation's financial position. The regulatory capital guidelines measure capital in relation to the credit and market risks of both on- and off-balance sheet items using various risk weights. Under the regulatory capital guidelines, Total capital consists of three tiers of capital. Tier 1 capital includes common shareholders' equity, Trust Securities, noncontrolling interests and qualifying preferred stock, less goodwill and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatorily convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to 1.25 percent of risk-weighted assets and other adjustments. Tier 3 capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank's risk-based capital ratio to fall or remain below the required minimum. Tier 3 capital can only be used to satisfy the Corporation's market risk capital requirement and may not be used to support its credit risk requirement. At December 31, 2009 and 2008, the Corporation had no subordinated debt that qualified as Tier 3 capital.

Certain corporate-sponsored trust companies which issue Trust Securities are not consolidated. In accordance with Federal Reserve guidance, the Federal Reserve allows Trust Securities to qualify as Tier 1 capital with revised quantitative limits that will be effective on March 31, 2011. As a result, the Corporation includes Trust Securities in Tier 1 capital. Current limits restrict core capital elements to 15 percent of total core capital elements for internationally active bank holding companies. In addition, the Federal Reserve revised the qualitative standards for capital instruments included in regulatory capital. Internationally active bank holding companies are those that have significant activities in non-U.S. markets with consolidated assets greater than $250 billion or on-balance sheet foreign exposure greater than $10 billion. At December 31, 2009, the Corporation's restricted core capital elements comprised 11.8 percent of total core capital elements. The Corporation expects to remain fully compliant with the revised limits prior to the implementation date of March 31, 2011.

To meet minimum, adequately-capitalized regulatory requirements, an institution must maintain a Tier 1 capital ratio of four percent and a Total capital ratio of eight percent. A "well-capitalized" institution must generally maintain capital ratios 200 bps higher than the minimum guidelines. The risk-based capital rules have been further supplemented by a Tier 1 leverage ratio, defined as Tier 1 capital divided by adjusted quarterly average total assets, after certain adjustments. "Well-capitalized" bank holding companies must have a minimum Tier 1 leverage ratio of four percent. National banks must maintain a Tier 1 leverage ratio of at least five percent to be classified as "well-capitalized."

Net unrealized gains (losses) on AFS debt securities, net unrealized gains on AFS marketable equity securities, net unrealized gains (losses) on derivatives, and employee benefit plan adjustments in shareholders' equity are excluded from the calculations of Tier 1 common capital, Tier 1 capital and leverage ratios. The Total capital ratio excludes all of the above with the exception of up to 45 percent of net unrealized pre-tax gains on AFS marketable equity securities.

The Corporation calculates Tier 1 common capital as Tier 1 capital including CES less qualifying trust preferred securities, hybrid securities and qualifying noncontrolling interest in subsidiaries. CES is included in Tier 1 common capital based upon applicable regulatory guidance and the expectation that the underlying Common Equivalent Stock would convert into common stock following shareholder approval of additional authorized shares. Tier 1 common capital was $120.4 billion and $63.3 billion and the Tier 1 common capital ratio was 7.81 percent and 4.80 percent at December 31, 2009 and 2008.

Regulatory Capital

(Dollars in millions)	December 31					
	2009			2008		
	Actual		Minimum	Actual		Minimum
	Ratio	Amount	Required [1]	Ratio	Amount	Required [1]
Risk-based capital						
Tier 1 common						
Bank of America Corporation	**7.81%**	**$120,394**	**n/a**	4.80%	$ 63,339	n/a
Tier 1						
Bank of America Corporation	**10.40**	**160,388**	**$ 61,676**	9.15	120,814	$ 52,833
Bank of America, N.A.	**10.30**	**111,916**	**43,472**	8.51	88,979	41,818
FIA Card Services, N.A.	**15.21**	**28,831**	**7,584**	13.90	19,573	5,632
Total						
Bank of America Corporation	**14.66**	**226,070**	**123,401**	13.00	171,661	105,666
Bank of America, N.A.	**13.76**	**149,528**	**86,944**	11.71	122,392	83,635
FIA Card Services, N.A.	**17.01**	**32,244**	**15,168**	16.25	22,875	11,264
Tier 1 leverage						
Bank of America Corporation	**6.91**	**160,388**	**92,882**	6.44	120,814	56,155
Bank of America, N.A.	**7.38**	**111,916**	**60,626**	5.94	88,979	44,944
FIA Card Services, N.A.	**23.09**	**28,831**	**4,994**	14.28	19,573	4,113

[1] Dollar amount required to meet guidelines for adequately capitalized institutions.
n/a = not applicable

Regulatory Capital Developments

In June 2004, the Basel II Accord was published with the intent of more closely aligning regulatory capital requirements with underlying risks, similar to economic capital. While economic capital is measured to cover unexpected losses, the Corporation also manages regulatory capital to adhere to regulatory standards of capital adequacy. The Basel II Final Rule (Basel II Rules), which was published on December 7, 2007, established requirements for the U.S. implementation and provided detailed capital requirements for credit and operational risk under Pillar 1, supervisory requirements under Pillar 2 and disclosure requirements under Pillar 3. The Corporation will begin Basel II parallel implementation during the second quarter of 2010.

In July 2009, the Basel Committee on Banking Supervision released a consultative document entitled "Revisions to the Basel II Market Risk Framework" that would significantly increase the capital requirements for trading book activities if adopted as proposed. The proposal recommended implementation by December 31, 2010, but regulatory agencies have not yet issued a notice of proposed rulemaking, which is required before establishing final rules. As a result, the Corporation cannot determine the implementation date or the final capital impact.

In December 2009, the Basel Committee on Banking Supervision issued a consultative document entitled "Strengthening the Resilience of the Banking Sector." If adopted as proposed, this could increase significantly the aggregate equity that bank holding companies are required to hold by disqualifying certain instruments that previously have qualified as Tier 1 capital. In addition, it would increase the level of risk-weighted assets. The proposal could also increase the capital charges imposed on certain assets potentially making certain businesses more expensive to conduct. Regulatory agencies have not opined on the proposal for implementation. The Corporation continues to assess the potential impact of the proposal.

As part of the Capital Assistance Program (CAP), the Corporation, as well as several other large financial institutions, are subject to the SCAP conducted by the federal regulators. The objective of the SCAP is to assess losses that could occur under certain economic scenarios, including economic conditions more severe than the Corporation currently anticipates. As a result of the SCAP, in May 2009 federal regulators determined that the Corporation required an additional $33.9 billion of Tier 1 common capital to sustain the most severe economic circumstances assuming a more prolonged and deeper recession over a two-year period than both private and government economists currently project. The Corporation achieved the increased capital requirement during 2009 through strategic transactions that increased common capital by approximately $39.7 billion which significantly exceeded the SCAP buffer. This included a gain from the sale of shares in CCB, direct sale of common stock, reduced dividends on preferred shares associated with shares exchanged for common stock and related deferred tax disallowances.

NOTE 17 – Employee Benefit Plans

Pension and Postretirement Plans

The Corporation sponsors noncontributory trusteed pension plans that cover substantially all officers and employees, a number of noncontributory nonqualified pension plans, and postretirement health and life plans. The plans provide defined benefits based on an employee's compensation and years of service. The Bank of America Pension Plan (the Pension Plan) provides participants with compensation credits, generally based on years of service. For account balances based on compensation credits prior to January 1, 2008, the Pension Plan allows participants to select from various earnings measures, which are based on the returns of certain funds or common stock of the Corporation. The participant-selected earnings measures determine the earnings rate on the individual participant account balances in the Pension Plan. Participants may elect to modify earnings measure allocations on a periodic basis subject to the provisions of the Pension Plan. For account balances based on compensation credits subsequent to December 31, 2007, the account balance earnings rate is based on a benchmark rate. For eligible employees in the Pension Plan on or after January 1, 2008, the benefits become vested upon completion of three years of service. It is the policy of the Corporation to fund not less than the minimum funding amount required by ERISA.

The Pension Plan has a balance guarantee feature for account balances with participant-selected earnings, applied at the time a benefit payment is made from the plan that effectively provides principal protection for participant balances transferred and certain compensation credits. The Corporation is responsible for funding any shortfall on the guarantee feature.

In May 2008, the Corporation and the IRS entered into a closing agreement resolving all matters relating to an audit by the IRS of the Pension Plan and the Bank of America 401(k) Plan. The audit included a review of voluntary transfers by participants of 401(k) Plan accounts to the Pension Plan. In connection with the agreement, the Pension Plan transferred approximately $1.2 billion of assets and liabilities associated with the transferred accounts to a newly established defined contribution plan during 2009.

As a result of recent acquisitions, the Corporation assumed the obligations related to the pension plans of FleetBoston, MBNA, U.S. Trust Corporation, LaSalle and Countrywide. These plans, together with the Pension Plan, are referred to as the Qualified Pension Plans. The Bank of America Pension Plan for Legacy Fleet (the FleetBoston Pension Plan) and the Bank of America Pension Plan for Legacy U.S. Trust Corporation (the U.S. Trust Pension Plan) are substantially similar to the Pension Plan discussed above; however, these plans do not allow participants to select various earnings measures; rather the earnings rate is based on a benchmark rate. In addition, both plans include participants with benefits determined under formulas based on average or career compensation and years of service rather than by reference to a pension account. The Bank of America Pension Plan for Legacy MBNA (the MBNA Pension Plan), the Bank of America Pension Plan for Legacy LaSalle (the LaSalle Pension Plan) and the Countrywide Financial Corporation Inc. Defined Benefit Pension Plan (the Countrywide Pension Plan) provide retirement benefits based on the number of years of benefit service and a percentage of the participant's average annual compensation during the five highest paid consecutive years of the last ten years of employment. Effective December 31, 2008, the Countrywide Pension Plan, LaSalle Pension Plan, MBNA Pension Plan and U.S. Trust Pension Plan merged into the FleetBoston Pension Plan, which was renamed the Bank of America Pension Plan for Legacy Companies. The plan merger did not change participant benefits or benefit accruals as the Bank of America Pension Plan for Legacy Companies continues the respective benefit structures of the five plans for their respective participant groups.

As a result of the Merrill Lynch acquisition, the Corporation assumed the obligations related to the plans of Merrill Lynch. These plans include a terminated U.S. pension plan, non-U.S. pension plans, nonqualified pension plans and postretirement plans. The non-U.S. pension plans vary based on the country and local practices. The terminated U.S. pension plan and the non-U.S. pension plans are referred to as the Other Pension Plans.

In 1988, Merrill Lynch purchased a group annuity contract that guarantees the payment of benefits vested under the terminated U.S. pension plan. The Corporation, under a supplemental agreement, may be responsible for, or benefit from actual experience and investment performance of the annuity assets. The Corporation contributed $120 million under this agreement during 2009. Additional contributions may be required in the future under this agreement.

The Corporation sponsors a number of noncontributory, nonqualified pension plans (the Nonqualified Pension Plans). As a result of acquisitions, the Corporation assumed the obligations related to the noncontributory, nonqualified pension plans of former FleetBoston, MBNA, U.S. Trust Corporation, LaSalle, Countrywide and Merrill Lynch. These plans, which are unfunded, provide defined pension benefits to certain employees.

In addition to retirement pension benefits, full-time, salaried employees and certain part-time employees may become eligible to continue participation as retirees in health care and/or life insurance plans sponsored by the Corporation. Based on the other provisions of the individual plans, certain retirees may also have the cost of these benefits partially paid by the Corporation. The obligations assumed as a result of the acquisitions are substantially similar to the Corporation's postretirement health and life plans, except for Countrywide which did not have a postretirement health and life plan. Collectively, these plans are referred to as the Postretirement Health and Life Plans.

The tables within this Note include the information related to the Countrywide plans beginning July 1, 2008 and the Merrill Lynch plans beginning January 1, 2009.

The following table summarizes the changes in the fair value of plan assets, changes in the projected benefit obligation (PBO), the funded status of both the accumulated benefit obligation (ABO) and the PBO, and the weighted-average assumptions used to determine benefit obligations for the pension plans and postretirement plans at December 31, 2009 and 2008. Amounts recognized at December 31, 2009 and 2008 are reflected in other assets, and accrued expenses and other liabilities on the Consolidated Balance Sheet. The discount rate assumption is based on a cash flow matching technique and is subject to change each year. This technique utilizes yield curves that are based on Aa-rated corporate bonds with cash flows that match estimated benefit payments of each of the plans to produce the discount rate assumptions. The asset valuation method for the Qualified Pension Plans recognizes 60 percent of the prior year's market gains or losses at the next measurement date with the remaining 40 percent spread equally over the subsequent four years.

	Qualified Pension Plans [1]		Nonqualified and Other Pension Plans [1]		Postretirement Health and Life Plans [1]	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
Change in fair value of plan assets						
Fair value, January 1	**$14,254**	$18,720	**$ 2**	$ 2	**$ 110**	$ 165
Countrywide balance, July 1, 2008	**–**	305	**–**	–	**–**	–
Merrill Lynch balance, January 1, 2009	**–**	–	**3,788**	–	**–**	–
Actual return on plan assets	**2,238**	(5,310)	**(58)**	–	**21**	(43)
Company contributions [2]	**–**	1,400	**322**	154	**92**	83
Plan participant contributions	**–**	–	**2**	–	**141**	117
Benefits paid	**(791)**	(861)	**(309)**	(154)	**(272)**	(227)
Plan transfer	**(1,174)**	–	**–**	–	**–**	–
Federal subsidy on benefits paid	**n/a**	n/a	**n/a**	n/a	**21**	15
Foreign currency exchange rate changes	**n/a**	n/a	**100**	n/a	**–**	–
Fair value, December 31	**$14,527**	$14,254	**$3,847**	$ 2	**$ 113**	$ 110
Change in projected benefit obligation						
Projected benefit obligation, January 1	**$13,724**	$14,200	**$1,258**	$ 1,307	**$ 1,404**	$ 1,576
Countrywide balance, July 1, 2008	**–**	439	**–**	53	**–**	–
Merrill Lynch balance, January 1, 2009	**–**	–	**2,963**	–	**226**	–
Service cost	**387**	343	**34**	7	**16**	16
Interest cost	**740**	837	**243**	77	**93**	87
Plan participant contributions	**–**	–	**2**	–	**141**	117
Plan amendments	**37**	5	**–**	–	**–**	–
Actuarial loss (gain)	**89**	(1,239)	**137**	(32)	**(11)**	(180)
Benefits paid	**(791)**	(861)	**(309)**	(154)	**(272)**	(227)
Plan transfer	**(1,174)**	–	**–**	–	**–**	–
Termination benefits	**36**	–	**–**	–	**–**	–
Curtailments	**–**	–	**(3)**	–	**–**	–
Federal subsidy on benefits paid	**n/a**	n/a	**n/a**	n/a	**21**	15
Foreign currency exchange rate changes	**n/a**	n/a	**111**	n/a	**2**	–
Projected benefit obligation, December 31	**$13,048**	$13,724	**$4,436**	$ 1,258	**$ 1,620**	$ 1,404
Amount recognized, December 31	**$ 1,479**	$ 530	**$ (589)**	$(1,256)	**$(1,507)**	$(1,294)
Funded status, December 31						
Accumulated benefit obligation	**$12,198**	$12,864	**$4,317**	$ 1,246	**n/a**	n/a
Overfunded (unfunded) status of ABO	**2,329**	1,390	**(470)**	(1,244)	**n/a**	n/a
Provision for future salaries	**850**	860	**119**	12	**n/a**	n/a
Projected benefit obligation	**13,048**	13,724	**4,436**	1,258	**$ 1,620**	$ 1,404
Weighted-average assumptions, December 31						
Discount rate	**5.75%**	6.00%	**5.63%**	6.00%	**5.75%**	6.00%
Rate of compensation increase	**4.00**	4.00	**4.69**	4.00	**n/a**	n/a

[1] The measurement date for the Qualified Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans was December 31 of each year reported.

[2] The Corporation's best estimate of its contributions to be made to the Qualified Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans in 2010 is $0, $230 million and $116 million, respectively.

n/a = not applicable

Amounts recognized in the Consolidated Financial Statements at December 31, 2009 and 2008 were as follows:

	Qualified Pension Plans		Nonqualified and Other Pension Plans		Postretirement Health and Life Plans	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
Other assets	**$1,479**	$607	**$ 831**	$ –	**$ –**	$ –
Accrued expenses and other liabilities	**–**	(77)	**(1,420)**	(1,256)	**(1,507)**	(1,294)
Net amount recognized at December 31	**$1,479**	$530	**$ (589)**	$(1,256)	**$(1,507)**	$(1,294)

Net periodic benefit cost (income) for 2009, 2008 and 2007 included the following components:

(Dollars in millions)	Qualified Pension Plans			Nonqualified and Other Pension Plans			Postretirement Health and Life Plans		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Components of net periodic benefit cost (income)									
Service cost	**$ 387**	$ 343	$ 316	**$ 34**	$ 7	$ 9	**$ 16**	$ 16	$ 16
Interest cost	**740**	837	761	**243**	77	71	**93**	87	84
Expected return on plan assets	**(1,231)**	(1,444)	(1,312)	**(222)**	–	–	**(8)**	(13)	(8)
Amortization of transition obligation	**–**	–	–	**–**	–	–	**31**	31	32
Amortization of prior service cost (credits)	**39**	33	47	**(8)**	(8)	(7)	**–**	–	–
Amortization of net actuarial loss (gain)	**377**	83	156	**5**	14	17	**(77)**	(81)	(60)
Recognized loss (gain) due to settlements and curtailments	**–**	–	–	**–**	–	14	**–**	–	(2)
Recognized termination benefit costs	**36**	–	–	**–**	–	–	**–**	–	–
Net periodic benefit cost (income)	**$ 348**	$ (148)	$ (32)	**$ 52**	$ 90	$104	**$ 55**	$ 40	$ 62
Weighted-average assumptions used to determine net cost for the years ended December 31									
Discount rate	**6.00%**	6.00%	5.75%	**5.86%**	6.00%	5.75%	**6.00%**	6.00%	5.75%
Expected return on plan assets	**8.00**	8.00	8.00	**5.66**	n/a	n/a	**8.00**	8.00	8.00
Rate of compensation increase	**4.00**	4.00	4.00	**4.61**	4.00	4.00	**n/a**	n/a	n/a

n/a = not applicable

The net periodic benefit cost (income) for each of the Plans in 2009 includes the results of Merrill Lynch. The net periodic benefit cost (income) of the Merrill Lynch Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans was $(20) million and $18 million in 2009 using a blended discount rate of 5.59 percent at January 1, 2009. The net periodic benefit cost (income) for 2009 and 2008 includes the results of Countrywide. The net periodic benefit cost of the Countrywide Qualified Pension Plan was $29 million in 2008 using a discount rate of 6.75 percent at July 1, 2008. The net periodic benefit cost of the Countrywide Nonqualified Pension Plan was $1 million. Countrywide did not have a Postretirement Health and Life Plan.

Net periodic postretirement health and life expense was determined using the "projected unit credit" actuarial method. Gains and losses for all benefits except postretirement health care are recognized in accordance with the standard amortization provisions of the applicable accounting guidance. For the Postretirement Health Care Plans, 50 percent of the unrecognized gain or loss at the beginning of the fiscal year (or at subsequent remeasurement) is recognized on a level basis during the year.

Assumed health care cost trend rates affect the postretirement benefit obligation and benefit cost reported for the Postretirement Health Care Plans. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the Postretirement Health Care Plans was 8.00 percent for 2010, reducing in steps to 5.00 percent in 2017 and later years. A one-percentage-point increase in assumed health care cost trend rates would have increased the service and interest costs and the benefit obligation by $4 million and $57 million in 2009, $4 million and $35 million in 2008, and $5 million and $64 million in 2007. A one-percentage-point decrease in assumed health care cost trend rates would have lowered the service and interest costs and the benefit obligation by $4 million and $50 million in 2009, $4 million and $31 million in 2008, and $4 million and $54 million in 2007.

Pre-tax amounts included in accumulated OCI at December 31, 2009 and 2008 were as follows:

(Dollars in millions)	Qualified Pension Plans		Nonqualified and Other Pension Plans		Postretirement Health and Life Plans		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Net actuarial (gain) loss	**$5,937**	$7,232	**$479**	$ 70	**$(106)**	$(158)	**$6,310**	$7,144
Transition obligation	**–**	–	**–**	–	**95**	126	**95**	126
Prior service cost (credits)	**126**	129	**(22)**	(30)	**–**	–	**104**	99
Amounts recognized in accumulated OCI	**$6,063**	$7,361	**$457**	$ 40	**$ (11)**	$ (32)	**$6,509**	$7,369

Pre-tax amounts recognized in OCI for 2009 included the following components:

(Dollars in millions)	Qualified Pension Plans	Nonqualified and Other Pension Plans	Postretirement Health and Life Plans	Total
Other changes in plan assets and benefit obligations recognized in OCI				
Current year actuarial (gain) loss	$ (918)	$416	$(24)	**$(526)**
Amortization of actuarial gain (loss)	(377)	(8)	77	**(308)**
Current year prior service cost	36	–	–	**36**
Amortization of prior service credit (cost)	(39)	8	–	**(31)**
Amortization of transition obligation	–	–	(31)	**(31)**
Total recognized in OCI	**$(1,298)**	**$416**	**$ 22**	**$(860)**

The estimated net actuarial loss and prior service cost (credits) for the Qualified Pension Plans that will be amortized from accumulated OCI into net periodic benefit cost (income) during 2010 are pre-tax amounts of $358 million and $28 million. The estimated net actuarial loss and prior service cost for the Nonqualified and Other Pension Plans that will be amortized from accumulated OCI into net periodic benefit cost (income) during 2010 are pre-tax amounts of $2 million and $(8) million. The estimated net actuarial loss and transition obligation for the Postretirement Health and Life Plans that will be amortized from accumulated OCI into net periodic benefit cost (income) during 2010 are pre-tax amounts of $(32) million and $31 million.

Plan Assets

The Qualified Pension Plans have been established as retirement vehicles for participants, and trusts have been established to secure benefits promised under the Qualified Pension Plans. The Corporation's policy is to invest the trust assets in a prudent manner for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administration. The Corporation's investment strategy is designed to provide a total return that, over the long term, increases the ratio of assets to liabilities. The strategy attempts to maximize the investment return on assets at a level of risk deemed appropriate by the Corporation while complying with ERISA and any applicable regulations and laws. The investment strategy utilizes asset allocation as a principal determinant for establishing the risk/reward profile of the assets. Asset allocation ranges are established, periodically reviewed, and adjusted as funding levels and liability characteristics change. Active and passive investment managers are employed to help enhance the risk/return profile of the assets. An additional aspect of the investment strategy used to minimize risk (part of the asset allocation plan) includes matching the equity exposure of participant-selected earnings measures. For example, the common stock of the Corporation held in the trust is maintained as an offset to the exposure related to participants who selected to receive an earnings measure based on the return performance of common stock of the Corporation. No plan assets are expected to be returned to the Corporation during 2010.

The assets of the non-U.S. plans are primarily attributable to the U.K. pension plan. The U.K. pension plan's assets are invested prudently so that the benefits promised to members are provided with consideration given to the nature and the duration of the plan's liabilities. The current planned investment strategy was set following an asset-liability study and advice from the Trustee's investment advisors. The selected asset allocation strategy is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the plan's liabilities.

The Expected Return on Asset assumption (EROA assumption) was developed through analysis of historical market returns, historical asset class volatility and correlations, current market conditions, anticipated future asset allocations, the funds' past experience, and expectations on potential future market returns. The EROA assumption is determined using the calculated market-related value for the Qualified Pension Plans and the fair value for the Postretirement Health and Life Plans. The EROA assumption represents a long-term average view of the performance of the assets in the Qualified Pension Plans, the Nonqualified and Other Pension Plans, and the Postretirement Health and Life Plans, a return that may or may not be achieved during any one calendar year. Some of the building blocks used to arrive at the long-term return assumption include an implied return from equity securities of 8.75 percent, debt securities of 5.75 percent, and real estate of 7.00 percent for the Qualified Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans. The terminated U.S. pension plan is solely invested in a group annuity contract which was primarily invested in fixed income securities structured such that asset maturities match the duration of the plan's obligations.

The target allocations for 2010 by asset category for the Qualified Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans are as follows:

Asset Category	2010 Target Allocation		
	Qualified Pension Plans	Nonqualified and Other Pension Plans	Postretirement Health and Life Plans
Equity securities	60 – 80%	5 – 15%	50 – 75%
Debt securities	20 – 40	65 – 80	25 – 45
Real estate	0 – 5	0 – 5	0 – 5
Other	0 – 10	5 – 20	0 – 5

Equity securities for the Qualified Pension Plans include common stock of the Corporation in the amounts of $224 million (1.54 percent of total plan assets) and $269 million (1.88 percent of total plan assets) at December 31, 2009 and 2008.

Fair Value Measurements

For information on fair value measurements, including descriptions of Level 1, 2 and 3 of the fair value hierarchy and the valuation methods employed by the Corporation, see *Note 1 – Summary of Significant Accounting Principles* and *Note 20 – Fair Value Measurements*.

Plan investment assets measured at fair value by level and in total at December 31, 2009 are summarized in the table below.

(Dollars in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Money market and interest-bearing cash	$1,282	$ –	$ –	**$ 1,282**
U.S. government and government agency obligations	1,460	1,422	–	**2,882**
Corporate debt	–	1,301	–	**1,301**
Asset-backed securities	–	1,116	–	**1,116**
Mutual funds [1]	777	–	–	**777**
Common and collective trusts [2]	–	2,764	18	**2,782**
Common and preferred stocks	5,424	–	–	**5,424**
Foreign equity securities	653	–	–	**653**
Foreign debt securities	268	611	6	**885**
Foreign common collective trusts	–	289	–	**289**
Foreign other	–	18	266	**284**
Real estate	–	–	119	**119**
Participant loans	–	–	74	**74**
Other investments	30	402	187	**619**
Total plan investment assets, at fair value	**$ 9,894**	**$ 7,923**	**$670**	**$18,487**

[1] Balance as of December 31, 2009 includes $386 million of international equity developed markets funds, $230 million of U.S. large cap equity funds, $68 million of U.S. small cap equity funds, $55 million of emerging market bond funds, $23 million of real estate funds, $13 million of emerging market equity funds and $2 million of short-term bond funds.

[2] Balance as of December 31, 2009 includes $1 billion of U.S. large cap equity funds, $646 million of international equity developed markets funds, $883 million of intermediate-term bond funds, $149 million of short-term bond funds, $39 million of U.S. mid cap equity funds, $18 million of real estate funds, $14 million of alternative commodities funds, $10 million of emerging markets equity funds and $23 million of U.S. small cap equity funds.

The table below presents a reconciliation of all Plan investment assets measured at fair value using significant unobservable inputs (Level 3) during 2009.

Level 3 – Fair Value Measurements

(Dollars in millions)	Balance January 1, 2009	Actual Return on Plan Assets Still Held at the Reporting Date [1]	Purchases, Sales and Settlements	Transfers into / (out of) Level 3	Balance December 31, 2009
Common and Collective Trusts	$ 26	$ (8)	$ –	$ –	**$ 18**
Foreign debt securities	7	(1)	–	–	**6**
Foreign other	328	(100)	38	–	**266**
Real estate	149	(30)	–	–	**119**
Participant loans	74	–	–	–	**74**
Other investments	237	(75)	5	20	**187**
Total	**$821**	**$(214)**	**$43**	**$20**	**$670**

[1] The Corporation did not sell any level 3 plan assets during the year.

Projected Benefit Payments

Benefit payments projected to be made from the Qualified Pension Plans, the Nonqualified and Other Pension Plans, and the Postretirement Health and Life Plans are as follows:

(Dollars in millions)	Qualified Pension Plans [1]	Nonqualified and Other Pension Plans [2]	Postretirement Health and Life Plans Net Payments [3]	Medicare Subsidy
2010	$ 883	$ 309	$163	$ 20
2011	896	265	166	20
2012	902	287	167	20
2013	900	285	167	21
2014	900	278	167	21
2015 - 2019	4,582	1,461	785	100

[1] Benefit payments expected to be made from the plans' assets.

[2] Benefit payments expected to be made from the Corporation's assets.

[3] Benefit payments (net of retiree contributions) expected to be made from a combination of the plans' and the Corporation's assets.

Defined Contribution Plans

The Corporation maintains qualified defined contribution retirement plans and nonqualified defined contribution retirement plans. As a result of the Merrill Lynch acquisition, the Corporation also maintains the defined contribution plans of Merrill Lynch which include the 401(k) Savings & Investment Plan, the Retirement and Accumulation Plan (RAP) and the Employee Stock Ownership Plan (ESOP). The Corporation contributed approximately $605 million, $454 million and $420 million in 2009, 2008 and 2007, respectively, in cash, to the qualified defined contribution plans. At December 31, 2009 and 2008, 203 million shares and 104 million shares of the Corporation's common stock were held by plans. Payments to the plans for dividends on common stock were $8 million, $214 million and $228 million in 2009, 2008 and 2007, respectively.

In addition, certain non-U.S. employees within the Corporation are covered under defined contribution pension plans that are separately administered in accordance with local laws.

NOTE 18 – Stock-Based Compensation Plans

The compensation cost for the plans described below was $2.8 billion, $885 million and $1.2 billion in 2009, 2008 and 2007, respectively. The related income tax benefit was $1.0 billion, $328 million and $438 million for 2009, 2008 and 2007, respectively.

The table below presents the assumptions used to estimate the fair value of stock options granted on the date of grant using the lattice option-pricing model. Lattice option-pricing models incorporate ranges of assumptions for inputs and those ranges are disclosed in the table below. The risk-free interest rate for periods within the contractual life of the stock option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatilities are based on implied volatilities from traded stock options on the Corporation's common stock, historical volatility of the Corporation's common stock, and other factors. The Corporation uses historical data to estimate stock option exercise and employee termination within the model. The expected term of stock options granted is derived from the output of the model and represents the period of time that stock options granted are expected to be outstanding. The estimates of fair value from these models are theoretical values for stock options and changes in the assumptions used in the models could result in materially different fair value estimates. The actual value of the stock options will depend on the market value of the Corporation's common stock when the stock options are exercised. No stock options were granted in 2009.

	2008	2007
Risk-free interest rate	2.05 – 3.85%	4.72 – 5.16%
Dividend yield	5.30	4.40
Expected volatility	26.00 – 36.00	16.00 – 27.00
Weighted-average volatility	32.80	19.70
Expected lives (years)	6.6	6.5

Excluded from the table above are assumptions used to estimate the fair value of approximately 108 million stock options assumed in connection with the Merrill Lynch acquisition. The fair value of these awards was estimated using a Black-Scholes option pricing model. Similar to options valued using the lattice option-pricing model described above, key assumptions used include the implied volatility based on the Corporation's common stock of 75 percent, the risk-free interest rate based on the U.S. Treasury yield curve in effect at December 31, 2008, an expected dividend yield of 4.2 percent and the expected life of the options based on their actual remaining term.

The Corporation has equity compensation plans which include the Key Employee Stock Plan, the Key Associate Stock Plan and the Merrill Lynch Employee Stock Compensation Plan. Descriptions of the material features of the equity compensation plans follow.

Key Employee Stock Plan

The Key Employee Stock Plan, as amended and restated, provided for different types of awards including stock options, restricted stock shares and restricted stock units. Under the plan, 10-year options to purchase approximately 260 million shares of common stock were granted through December 31, 2002 to certain employees at the closing market price on the respective grant dates. At December 31, 2009, approximately 45 million fully vested options were outstanding under this plan. No further awards may be granted.

Key Associate Stock Plan

On April 24, 2002, the shareholders approved the Key Associate Stock Plan to be effective January 1, 2003. This approval authorized and reserved 200 million shares for grant in addition to the remaining amount under the Key Employee Stock Plan as of December 31, 2002, which was approximately 34 million shares plus any shares covered by awards under the Key Employee Stock Plan that terminate, expire, lapse or are cancelled after December 31, 2002. Subsequently, the shareholders authorized an additional 282 million shares for grant under the Key Associate Stock Plan. In conjunction with the Merrill Lynch acquisition, the shareholders authorized an additional 105 million shares for grant under the Key Associate Stock Plan. At December 31, 2009, approximately 152 million options were outstanding under this plan. Approximately 90 million shares of restricted stock and restricted stock units were granted in 2009. These shares of restricted stock generally vest in three equal annual installments beginning one year from the grant date with the exception of financial advisor awards that vest eight years from grant date.

Employee Stock Compensation Plan

The Corporation assumed the Merrill Lynch Employee Stock Compensation Plan. Future shares can be granted under this plan. Approximately 34 million shares of restricted stock units were granted in 2009 which generally vest in three equal annual installments beginning one year from the grant date. Awards granted prior to 2009 generally vest in four equal annual installments beginning one year from the grant date. At December 31, 2009, there were approximately 48 million shares outstanding.

The following table presents the status of all option plans at December 31, 2009, and changes during 2009.

Employee stock options

	Shares	Weighted-average Exercise Price
Outstanding at January 1, 2009	232,429,057	$43.08
Merrill Lynch acquisition, January 1, 2009	107,521,280	62.89
Exercised	(2,835)	12.56
Forfeited	(36,224,754)	46.31
Outstanding at December 31, 2009 [1]	303,722,748	49.71
Options exercisable at December 31, 2009	275,180,674	49.45
Options vested and expected to vest [2]	303,640,869	49.71

[1] Includes 45 million options under the Key Employee Stock Plan, 152 million options under the Key Associate Stock Plan and 107 million options to employees of predecessor companies assumed in mergers.

[2] Includes vested shares and nonvested shares after a forfeiture rate is applied.

At December 31, 2009, the Corporation had no aggregate intrinsic value of options outstanding, exercisable, and vested and expected to vest. The weighted-average remaining contractual term of options outstanding was 3.7 years, options exercisable was 3.2 years, and options vested and expected to vest was 3.7 years at December 31, 2009.

The weighted-average grant-date fair value of options granted in 2008 and 2007 was $8.92 and $8.44. No options were granted in 2009.

The following table presents the status of the restricted stock/unit awards at December 31, 2009, and changes during 2009.

Restricted stock/unit awards	Shares	Weighted-average Grant Date Fair Value
Outstanding at January 1, 2009	32,715,964	$45.45
Merrill Lynch acquisition, January 1, 2009	83,446,110	14.08
Granted	124,146,773	10.57
Vested	(31,181,360)	31.46
Cancelled	(34,099,465)	14.39
Outstanding at December 31, 2009	**175,028,022**	**14.30**

At December 31, 2009, there was $677 million of total unrecognized compensation cost related to share-based compensation arrangements for all awards that is expected to be recognized over a weighted-average period of 0.89 years. The total fair value of restricted stock vested in 2009 was $203 million. In 2009, the amount of cash used to settle equity instruments was $397 million.

Other Stock Plans

As a result of the Merrill Lynch acquisition, the Corporation assumed the obligations of outstanding awards granted under the Merrill Lynch Financial Advisor Capital Accumulation Award Plans (FACAAP) and the Merrill Lynch Employee Stock Purchase Plan (ESPP). The FACAAP is no longer an active plan and no awards were granted in 2009. Awards granted in 2003 and thereafter are generally payable eight years from the grant date in a fixed number of the Corporation's common stock. For outstanding awards granted prior to 2003, payment is generally made ten years from the grant date in a fixed number of the Corporation's common stock unless the fair value of such shares is less than a specified minimum value, in which case, the minimum value is paid in cash. At December 31, 2009, there were 23 million shares outstanding under this plan.

The ESPP allows eligible associates to invest from one percent to 10 percent of eligible compensation to purchase the Corporation's common stock, subject to legal limits. Purchases were made at a discount of up to five percent of the average high and low market price on the relevant purchase date and the maximum annual contribution per employee was $23,750 in 2009. Up to 107 million shares have been authorized for issuance under the ESPP in 2009. The activity during 2009 is as follows:

	Shares
Available at January 1, 2009	16,449,696
Purchased through plan	(4,019,593)
Available at December 31, 2009	**12,430,103**

The weighted-average fair value of the ESPP stock purchase rights (i.e. the five percent discount on the Corporation's common stock purchases) exercised by employees in 2009 is $0.57 per stock purchase right.

NOTE 19 – Income Taxes

The components of income tax expense (benefit) for 2009, 2008 and 2007 were as follows:

(Dollars in millions)	2009	2008	2007
Current income tax expense (benefit)			
Federal	$(3,576)	$ 5,075	$5,210
State	555	561	681
Foreign	735	585	804
Total current expense (benefit)	(2,286)	6,221	6,695
Deferred income tax expense (benefit)			
Federal	792	(5,269)	(710)
State	(620)	(520)	(18)
Foreign	198	(12)	(25)
Total deferred expense (benefit)	370	(5,801)	(753)
Total income tax expense (benefit) [1]	$(1,916)	$ 420	$5,942

[1] Does not reflect the deferred tax effects of unrealized gains and losses on AFS debt and marketable equity securities, foreign currency translation adjustments, derivatives and employee benefit plan adjustments that are included in accumulated OCI. As a result of these tax effects, accumulated OCI decreased $1.6 billion in 2009, increased $5.9 billion in 2008 and decreased $5.0 billion in 2007. Also, does not reflect the tax effects associated with the Corporation's employee stock plans which decreased common stock and additional paid-in capital $295 million and $9 million in 2009 and 2008, and increased common stock and additional paid-in capital $251 million in 2007. Goodwill was reduced $0, $9 million and $47 million in 2009, 2008 and 2007, respectively, reflecting certain tax benefits attributable to exercises of employee stock options issued by acquired companies which had vested prior to the merger dates.

Income tax expense (benefit) for 2009, 2008 and 2007 varied from the amount computed by applying the statutory income tax rate to income before income taxes. A reconciliation between the expected federal income tax expense using the federal statutory tax rate of 35 percent to the Corporation's actual income tax expense (benefit) and resulting effective tax rate for 2009, 2008 and 2007 is presented in the following table.

	2009		2008		2007	
(Dollars in millions)	Amount	Percent	Amount	Percent	Amount	Percent
Expected federal income tax expense	$ 1,526	35.0%	$1,550	35.0%	$7,323	35.0%
Increase (decrease) in taxes resulting from:						
State tax expense (benefit), net of federal effect	(42)	(1.0)	27	0.6	431	2.1
Tax-exempt income, including dividends	(863)	(19.8)	(631)	(14.3)	(683)	(3.3)
Foreign tax differential	(709)	(16.3)	(192)	(4.3)	(485)	(2.3)
Low income housing credits/other credits	(668)	(15.3)	(722)	(16.3)	(590)	(2.8)
Change in U.S. federal valuation allowance	(650)	(14.9)	–	–	–	–
Loss on certain foreign subsidiary stock	(595)	(13.7)	–	–	–	–
Non-U.S. leasing — restructuring	–	–	–	–	(221)	(1.1)
Leveraged lease tax differential	59	1.4	216	4.9	148	0.7
Changes in prior period UTBs (including interest)	87	2.0	169	3.8	143	0.7
Other	(61)	(1.4)	3	0.1	(124)	(0.6)
Total income tax expense (benefit)	$(1,916)	(44.0)%	$ 420	9.5%	$5,942	28.4%

The reconciliation of the beginning unrecognized tax benefits (UTB) balance to the ending balance is presented in the following table.

Reconciliation of the Change in Unrecognized Tax Benefits

(Dollars in millions)	2009	2008	2007
Beginning balance	$3,541	$3,095	$2,667
Increases related to positions taken during prior years	791	688	67
Increases related to positions taken during the current year	181	241	456
Positions acquired or assumed in business combinations	1,924	169	328
Decreases related to positions taken during prior years	(554)	(371)	(227)
Settlements	(615)	(209)	(108)
Expiration of statute of limitations	(15)	(72)	(88)
Ending balance	$5,253	$3,541	$3,095

As of December 31, 2009, 2008 and 2007, the balance of the Corporation's UTBs which would, if recognized, affect the Corporation's effective tax rate was $4.0 billion, $2.6 billion and $1.8 billion, respectively. Included in the UTB balance are some items, the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences, the portion of gross state UTBs that would be offset by the tax benefit of the associated federal deduction and the portion of gross foreign UTBs that would be offset by tax reductions in other jurisdictions.

The Corporation is under examination by the IRS and other tax authorities in countries and states in which it has significant business operations. The table below summarizes the status of significant U.S. federal examinations (unless otherwise noted) for the Corporation and various acquired subsidiaries as of December 31, 2009.

	Years under examination [1]	Status at December 31, 2009
Bank of America Corporation	2000-2002	In Appeals process
Bank of America Corporation	2003-2005	Field examination
Merrill Lynch – U.S.	2004	In Appeals process
Merrill Lynch – U.S.	2005-2007	Field examination
Merrill Lynch – U.K.	2007	Field examination
FleetBoston	1997-2000	In Appeals process
FleetBoston	2001-2004	Field examination
LaSalle	2003-2005	Field examination
Countrywide	2005-2006	Field examination
Countrywide	2007	Field examination

[1] All tax years in material jurisdictions subsequent to the above years remain open to examination.

In addition to the above examinations, the Corporation is in the process of appealing an adverse decision by the U.S. Tax Court with respect to a 1987 Merrill Lynch transaction. The income tax associated with this matter has been remitted and is included in the UTB balance above.

With the exception of the 2003 through 2005 tax years of Bank of America and the issues for which protests have been filed for Bank of America and Merrill Lynch as described below, it is reasonably possible that all above U.S. federal examinations will be concluded during the next twelve months.

During 2008, the IRS announced a settlement initiative related to lease-in, lease-out (LILO) and sale-in, lease-out (SILO) leveraged lease transactions. The Corporation executed closing agreements under this settlement initiative in late 2009 for all of these transactions for Bank of America Corporation and predecessor companies. Determinations of final tax and interest are expected to be finalized by the end of the first quarter of 2010. As a result of prior remittances, the Corporation does not expect to pay additional tax and interest related to the settlement initiative.

The remaining unagreed proposed adjustment for Bank of America Corporation for 2000 through 2002 tax years is the disallowance of foreign tax credits related to certain structured investment transactions. The Corporation continues to believe the crediting of these foreign taxes against U.S. income taxes was appropriate and has filed a protest to that effect with the Appeals Office.

The IRS proposed adjustments for two issues in the audit of Merrill Lynch for the tax year 2004 which have been protested to the Appeals Office. The issues involve eligibility for the dividends received deduction

and foreign tax credits with respect to a structured investment transaction. The Corporation also intends to protest any adjustments the IRS proposes for these same issues in tax years 2005 through 2007.

In 2005 and 2008, Merrill Lynch paid income tax assessments for the fiscal years April 1, 1998 through March 31, 2007 in relation to the taxation of income that was originally reported in other jurisdictions, primarily the U.S. Upon making these payments, Merrill Lynch began the process of obtaining clarification from international tax authorities on the appropriate allocation of income among multiple jurisdictions (Competent Authority) to prevent double taxation of the income. During 2009, an agreement was reached between Japan and the U.S. on the allocation of income during these years. The impact of these settlements resulted in UTB decreases that are reflected in the previous table. All tax years in Japan subsequent to those settled remain open to examination.

The Corporation files income tax returns in more than 100 state and foreign jurisdictions each year and is under continuous examination by various state and foreign taxing authorities. While many of these examinations are resolved every year, the Corporation does not anticipate that resolutions occurring within the next twelve months would result in a material change to the Corporation's financial position.

During 2009, the Corporation resolved many state examinations and issues under state audits. The most significant of these settlements, all of which resulted in UTB decreases, were with California and New York.

Considering all federal and foreign examinations, it is reasonably possible that the UTB balance will decrease by as much as $1.3 billion during the next twelve months, since resolved items would be removed from the balance whether their resolution resulted in payment or recognition.

During 2009 and 2008, the Corporation recognized in income tax expense, $184 million and $147 million of interest and penalties, net of tax. As of December 31, 2009 and 2008, the Corporation's accrual for interest and penalties that related to income taxes, net of taxes and remittances, was $1.1 billion and $677 million.

Significant components of the Corporation's net deferred tax assets and liabilities at December 31, 2009 and 2008 are presented in the following table.

	December 31	
(Dollars in millions)	**2009**	2008
Deferred tax assets		
Net operating loss carryforwards (NOL)	**$17,236**	$ 1,263
Allowance for credit losses	**13,011**	8,042
Security and loan valuations	**4,590**	5,590
Employee compensation and retirement benefits	**4,021**	2,409
Capital loss carryforwards	**3,187**	–
Other tax credit carryforwards	**2,263**	–
Accrued expenses	**2,134**	2,271
State income taxes	**1,636**	279
Available-for-sale securities	**–**	1,149
Other	**2,308**	1,987
Gross deferred tax assets	**50,386**	22,990
Valuation allowance	**(4,315)**	(272)
Total deferred tax assets, net of valuation allowance	**46,071**	22,718
Deferred tax liabilities		
Mortgage servicing rights	**5,663**	3,404
Long-term borrowings	**3,320**	–
Intangibles	**2,497**	1,712
Equipment lease financing	**2,411**	5,720
Fee income	**1,382**	1,637
Available-for-sale securities	**878**	–
Other	**2,641**	1,549
Gross deferred liabilities	**18,792**	14,022
Net deferred tax assets [1]	**$27,279**	$ 8,696

[1] The Corporation's net deferred tax assets were adjusted during 2009 and 2008 to include $20.6 billion and $3.5 billion of net deferred tax assets related to business combinations.

The following table summarizes the deferred tax assets and related valuation allowances recognized for the net operating and other loss carryforwards and tax credit carryforwards at December 31, 2009.

(Dollars in millions)	Deferred Tax Asset	Valuation Allowance	Net Deferred Tax Asset	First Year Expiring
Net operating losses – U.S.	**$7,378**	$ –	$7,378	After 2027
Net operating losses – U.K.	**9,817**	–	9,817	None [1]
Net operating losses – U.S. states [2]	**1,232**	(443)	789	Various
Net operating losses – other	**41**	(41)	–	Various
Capital losses	**3,187**	(3,187)	–	After 2013
General business credits	**1,525**	–	1,525	After 2027
Alternative minimum tax credits	**123**	–	123	None
Foreign tax credits	**615**	(306)	309	After 2017

[1] The U.K. NOL may be carried forward indefinitely. Due to change-in-control limitations in the three years prior to and following the change in ownership, this unlimited carryforward period may be jeopardized by certain major changes in the nature or conduct of the U.K. businesses.

[2] The NOL and related valuation allowance for U.S. states before considering the benefit of federal deductions were $1.9 billion and $682 million.

With the acquisition of Merrill Lynch on January 1, 2009, the Corporation established a valuation allowance to reduce certain deferred tax assets to the amount more-likely-than-not to be realized before their expiration. During 2009, the Corporation released $650 million of the valuation allowance attributable to Merrill Lynch's capital loss carryforward due to utilization against net capital gains generated in 2009. The valuation allowance also increased by $139 million due to increases in operating loss carryforwards and other deferred tax assets generated in certain state and foreign jurisdictions for which management believes it is more-likely-than-not that realization of these assets will not occur.

The Corporation concluded that no valuation allowance is necessary to reduce the U.K. NOL, U.S. federal NOL, and general business credit carryforwards since estimated future taxable income will be sufficient to utilize these assets prior to their expiration. Merrill Lynch also has U.S. federal capital loss and foreign tax credit carryforwards against which valuation allowances have been recorded to reduce the assets to the amounts the Corporation believes are more-likely-than-not to be realized.

At December 31, 2009 and 2008, federal income taxes had not been provided on $16.7 billion and $6.5 billion of undistributed earnings of foreign subsidiaries earned prior to 1987 and after 1997 that have been reinvested for an indefinite period of time. If the earnings were distributed, an additional $2.5 billion and $1.1 billion of tax expense, net of credits for foreign taxes paid on such earnings and for the related foreign withholding taxes, would have resulted as of December 31, 2009 and 2008.

NOTE 20 – Fair Value Measurements

Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value. The Corporation accounts for certain corporate loans and loan commitments, LHFS, structured reverse repurchase agreements, long-term deposits and long-term debt under the fair value option. For a detailed discussion regarding the fair value hierarchy and how the Corporation measures fair value, see *Note 1 – Summary of Significant Accounting Principles*.

Level 1, 2 and 3 Valuation Techniques

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

The Corporation also uses market indices for direct inputs to certain models where the cash settlement is directly linked to appreciation or depreciation of that particular index (primarily in the context of structured credit products). In those cases, no material adjustments are made to the index-based values. In other cases, market indices are also used as inputs to valuation, but are adjusted for trade specific factors such as rating, credit quality, vintage and other factors.

Trading Account Assets and Liabilities and Available-for-Sale Debt Securities

The fair values of trading account assets and liabilities are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. The fair values of AFS debt securities are generally based on quoted market prices or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of trading account assets and liabilities and AFS debt securities. Market price quotes may not be readily available for some positions, or positions within a market sector where trading activity has slowed significantly or ceased such as certain CDO positions and other ABS. Some of these instruments are valued using a net asset value approach which considers the value of the underlying securities. Underlying assets are valued using external pricing services, where available, or matrix pricing based on the vintages and ratings. Situations of illiquidity generally are triggered by the market's perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more ratings agencies.

Derivative Assets and Liabilities

The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other deal specific factors, where appropriate. The Corporation incorporates within its fair value measurements of over-the-counter derivatives the net credit differential between the counterparty credit risk and the Corporation's own credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on market data.

Corporate Loans and Loan Commitments

The fair values of loans and loan commitments are based on market prices, where available, or discounted cash flow analyses using market-based credit spreads of comparable debt instruments or credit derivatives of the specific borrower or comparable borrowers. Results of discounted cash flow calculations may be adjusted, as appropriate, to reflect other market conditions or the perceived credit risk of the borrower.

Mortgage Servicing Rights

The fair values of MSRs are determined using models which depend on estimates of prepayment rates, the resultant weighted-average lives of the MSRs and the OAS levels. For more information on MSRs, see *Note 22 – Mortgage Servicing Rights*.

Loans Held-for-Sale

The fair values of LHFS are based on quoted market prices, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans adjusted to reflect the inherent credit risk.

Other Assets

The Corporation estimates the fair values of certain other assets including AFS marketable equity securities and certain retained residual interests in securitization vehicles. The fair values of AFS marketable equity securities are generally based on quoted market prices or market prices for similar assets. However, non-public investments are initially valued at the transaction price and subsequently adjusted when evidence is available to support such adjustments. The fair value of retained residual interests in securitization vehicles are based on certain observable inputs such as interest rates and credit spreads, as well as unobservable inputs such as estimated net charge-off and payment rates.

Securities Financing Agreements

The fair values of certain reverse repurchase arrangements, repurchase arrangements and securities borrowed transactions are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services.

Deposits, Commercial Paper and Other Short-term Borrowings, and Certain Structured Notes Classified as Long-term Debt

The fair values of deposits, commercial paper and other short-term borrowings, and certain structured notes that are classified as long-term debt are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. The Corporation considers the impact of its own creditworthiness in the valuation of these liabilities. The credit risk is determined by reference to observable credit spreads in the secondary cash market.

Asset-backed Secured Financings

The fair values of asset-backed secured financings are based on external broker bids, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans adjusted to reflect the inherent credit risk.

Recurring Fair Value

Assets and liabilities carried at fair value on a recurring basis at December 31, 2009, including financial instruments which the Corporation accounts for under the fair value option, are summarized in the table below.

	December 31, 2009				
	Fair Value Measurements Using				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments [1]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ –	$ 57,775	$ –	$ –	$ 57,775
Trading account assets:					
U.S. government and agency securities	17,140	27,445	–	–	44,585
Corporate securities, trading loans and other	4,772	41,157	11,080	–	57,009
Equity securities	25,274	7,204	1,084	–	33,562
Foreign sovereign debt	18,353	8,647	1,143	–	28,143
Mortgage trading loans and asset-backed securities	–	11,137	7,770	–	18,907
Total trading account assets	65,539	95,590	21,077	–	182,206
Derivative assets	3,326	1,467,855	23,048	(1,413,540)	80,689
Available-for-sale debt securities:					
U.S. Treasury securities and agency debentures	19,571	3,454	–	–	23,025
Mortgage-backed securities:					
Agency	–	166,246	–	–	166,246
Agency-collateralized mortgage obligations	–	25,781	–	–	25,781
Non-agency residential	–	27,887	7,216	–	35,103
Non-agency commercial	–	6,651	258	–	6,909
Foreign securities	158	3,271	468	–	3,897
Corporate/Agency bonds	–	5,265	927	–	6,192
Other taxable securities	676	14,017	4,549	–	19,242
Tax-exempt securities	–	8,278	6,928	–	15,206
Total available-for-sale debt securities	20,405	260,850	20,346	–	301,601
Loans and leases	–	–	4,936	–	4,936
Mortgage servicing rights	–	–	19,465	–	19,465
Loans held-for-sale	–	25,853	6,942	–	32,795
Other assets	35,411	12,677	7,821	–	55,909
Total assets	$124,681	$1,920,600	$103,635	$(1,413,540)	$735,376
Liabilities					
Interest-bearing deposits in domestic offices	$ –	$ 1,663	$ –	$ –	$ 1,663
Federal funds purchased and securities loaned or sold under agreements to repurchase	–	37,325	–	–	37,325
Trading account liabilities:					
U.S. government and agency securities	22,339	4,180	–	–	26,519
Equity securities	17,300	1,107	–	–	18,407
Foreign sovereign debt	12,028	483	386	–	12,897
Corporate securities and other	282	7,317	10	–	7,609
Total trading account liabilities	51,949	13,087	396	–	65,432
Derivative liabilities	2,925	1,443,494	15,185	(1,417,876)	43,728
Commercial paper and other short-term borrowings	–	813	–	–	813
Accrued expenses and other liabilities	16,797	620	1,598	–	19,015
Long-term debt	–	40,791	4,660	–	45,451
Total liabilities	$ 71,671	$1,537,793	$ 21,839	$(1,417,876)	$213,427

[1] Amounts represent the impact of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

Assets and liabilities carried at fair value on a recurring basis at December 31, 2008, including financial instruments which the Corporation accounts for under the fair value option, are summarized in the table below.

	December 31, 2008				
	Fair Value Measurements Using				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments [1]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ –	$ 2,330	$ –	$ –	$ 2,330
Trading account assets	44,571	83,011	6,733	–	134,315
Derivative assets	2,109	1,525,106	8,289	(1,473,252)	62,252
Available-for-sale debt securities	2,789	255,413	18,702	–	276,904
Loans and leases	–	–	5,413	–	5,413
Mortgage servicing rights	–	–	12,733	–	12,733
Loans held-for-sale	–	15,582	3,382	–	18,964
Other assets	25,407	25,549	4,157	–	55,113
Total assets	$74,876	$1,906,991	$59,409	$(1,473,252)	$568,024
Liabilities					
Interest-bearing deposits in domestic offices	$ –	$ 1,717	$ –	$ –	$ 1,717
Trading account liabilities	37,410	14,313	–	–	51,723
Derivative liabilities	4,872	1,488,509	6,019	(1,468,691)	30,709
Accrued expenses and other liabilities	5,602	–	1,940	–	7,542
Total liabilities	$47,884	$1,504,539	$ 7,959	$(1,468,691)	$ 91,691

[1] Amounts represent the impact of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

The tables below present a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2009, 2008 and 2007, including realized and unrealized gains (losses) included in earnings and accumulated OCI.

Level 3 Fair Value Measurements

	2009						
(Dollars in millions)	Balance January 1, 2009 [1]	Merrill Lynch Acquisition	Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances and Settlements	Transfers into / (out of) Level 3 [1]	Balance December 31, 2009 [1]
Trading account assets:							
Corporate securities, trading loans and other	$ 4,540	$ 7,012	$ 370	$ –	$(2,015)	$ 1,173	$11,080
Equity securities	546	3,848	(396)	–	(2,425)	(489)	1,084
Foreign sovereign debt	–	30	136	–	167	810	1,143
Mortgage trading loans and asset-backed securities	1,647	7,294	(262)	–	933	(1,842)	7,770
Total trading account assets	6,733	18,184	(152)	–	(3,340)	(348)	21,077
Net derivative assets [2]	2,270	2,307	5,526	–	(7,906)	5,666	7,863
Available-for-sale debt securities:							
Non-agency MBS:							
Residential	5,439	2,509	(1,159)	2,738	(4,187)	1,876	7,216
Commercial	657	–	(185)	(7)	(155)	(52)	258
Foreign securities	1,247	–	(79)	(226)	(73)	(401)	468
Corporate/Agency bonds	1,598	–	(22)	127	324	(1,100)	927
Other taxable securities	9,599	–	(75)	669	(4,490)	(1,154)	4,549
Tax-exempt securities	162	–	2	26	6,093	645	6,928
Total available-for-sale debt securities	18,702	2,509	(1,518)	3,327	(2,488)	(186)	20,346
Loans and leases [3]	5,413	2,452	515	–	(3,718)	274	4,936
Mortgage servicing rights	12,733	209	5,286	–	1,237	–	19,465
Loans held-for-sale [3]	3,382	3,872	678	–	(1,048)	58	6,942
Other assets [4]	4,157	2,696	1,273	–	(308)	3	7,821
Trading account liabilities:							
Foreign sovereign debt	–	–	(38)	–	–	(348)	(386)
Corporate securities and other	–	–	–	–	4	(14)	(10)
Total trading account liabilities	–	–	(38)	–	4	(362)	(396)
Accrued expenses and other liabilities [3]	(1,940)	(1,337)	1,385	–	294	–	(1,598)
Long-term debt [3]	–	(7,481)	(2,310)	–	830	4,301	(4,660)

	2008						
(Dollars in millions)	Balance January 1, 2008 [1]	Countrywide Acquisition	Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances and Settlements	Transfers into / (out of) Level 3 [1]	Balance December 31, 2008 [1]
Trading account assets	$ 4,027	$ –	$(3,222)	$ –	$(1,233)	$ 7,161	$ 6,733
Net derivative assets [2]	(1,203)	(185)	2,531	–	1,380	(253)	2,270
Available-for-sale debt securities	5,507	528	(2,509)	(1,688)	2,754	14,110	18,702
Loans and leases [3]	4,590	–	(780)	–	1,603	–	5,413
Mortgage servicing rights	3,053	17,188	(7,115)	–	(393)	–	12,733
Loans held-for-sale [3]	1,334	1,425	(1,047)	–	(542)	2,212	3,382
Other assets [4]	3,987	1,407	175	–	(1,372)	(40)	4,157
Accrued expenses and other liabilities [3]	(660)	(1,212)	(169)	–	101	–	(1,940)

(1) Assets (liabilities)
(2) Net derivatives at December 31, 2009 and 2008 include derivative assets of $23.0 billion and $8.3 billion and derivative liabilities of $15.2 billion and $6.0 billion, respectively.
(3) Amounts represent items which are accounted for under the fair value option including commercial loans, loan commitments and LHFS.
(4) Other assets is primarily comprised of AFS marketable equity securities and other equity investments.

Level 3 Fair Value Measurements

(Dollars in millions)	2007					
	Balance January 1, 2007 [1]	Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances, and Settlements	Transfers into / (out of) Level 3 [1]	Balance December 31, 2007 [1]
Trading account assets [2]	$ 303	$(2,959)	$ –	$ 708	$ 5,975	$ 4,027
Net derivative assets [3]	788	(341)	–	(333)	(1,317)	(1,203)
Available-for-sale debt securities [2]	1,133	(398)	(206)	4,588	390	5,507
Loans and leases	3,947	(140)	–	783	–	4,590
Mortgage servicing rights [2]	2,869	231	–	(47)	–	3,053
Loans held-for-sale [2]	–	(90)	–	(1,259)	2,683	1,334
Other assets [4]	6,605	2,149	(79)	(4,638)	(50)	3,987
Accrued expenses and other liabilities	(349)	(279)	–	(32)	–	(660)

[1] Assets (liabilities)
[2] Amounts represent items which were carried at fair value prior to the adoption of the fair value option.
[3] Net derivatives at December 31, 2007 included derivative assets of $9.0 billion and derivative liabilities of $10.2 billion. Amounts at January 1, 2007 were accounted for at fair value prior to the adoption of the fair value option.
[4] Other assets is primarily comprised of AFS marketable equity securities and other equity investments.

The tables below summarize gains and losses due to changes in fair value, including both realized and unrealized gains (losses), recorded in earnings for Level 3 assets and liabilities during 2009, 2008 and 2007. These amounts include those gains (losses) generated by loans, LHFS, loan commitments and structured notes which are accounted for under the fair value option.

Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings

(Dollars in millions)	Card Income (Loss)	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
			2009			
Trading account assets:						
Corporate securities, trading loans and other	$ –	$ –	$ 370	$ –	$ –	$ 370
Equity securities	–	–	(396)	–	–	(396)
Foreign sovereign debt	–	–	136	–	–	136
Mortgage trading loans and asset-backed securities	–	–	(262)	–	–	(262)
Total trading account assets	–	–	(152)	–	–	(152)
Net derivative assets	–	–	(2,526)	8,052	–	5,526
Available-for-sale debt securities:						
Non-agency MBS:						
Residential	–	–	–	(20)	(1,139)	(1,159)
Commercial	–	–	–	–	(185)	(185)
Foreign securities	–	–	–	–	(79)	(79)
Corporate/Agency bonds	–	–	–	–	(22)	(22)
Other taxable securities	–	–	–	–	(75)	(75)
Tax-exempt securities	–	–	–	–	2	2
Total available-for-sale debt securities	–	–	–	(20)	(1,498)	(1,518)
Loans and leases [2]	–	–	(11)	–	526	515
Mortgage servicing rights	–	–	–	5,286	–	5,286
Loans held-for-sale [2]	–	–	(216)	306	588	678
Other assets	21	947	–	244	61	1,273
Trading account liabilities – Foreign sovereign debt	–	–	(38)	–	–	(38)
Accrued expenses and other liabilities [2]	–	–	36	(11)	1,360	1,385
Long-term debt [2]	–	–	(2,083)	–	(227)	(2,310)
Total	$ 21	$ 947	$(4,990)	$13,857	$ 810	$ 10,645
			2008			
Trading account assets	$ –	$ –	$(3,044)	$ (178)	$ –	$ (3,222)
Net derivative assets	–	–	103	2,428	–	2,531
Available-for-sale debt securities	–	–	–	(74)	(2,435)	(2,509)
Loans and leases [2]	–	–	(5)	–	(775)	(780)
Mortgage servicing rights	–	–	–	(7,115)	–	(7,115)
Loans held-for-sale [2]	–	–	(195)	(848)	(4)	(1,047)
Other assets	55	110	–	–	10	175
Accrued expenses and other liabilities [2]	–	–	9	295	(473)	(169)
Total	$ 55	$ 110	$(3,132)	$(5,492)	$(3,677)	$(12,136)
			2007			
Trading account assets [3]	$ –	$ –	$(2,959)	$ –	$ –	$ (2,959)
Net derivative assets [3]	–	–	(515)	174	–	(341)
Available-for-sale debt securities [3, 4]	–	–	–	–	(398)	(398)
Loans and leases [2]	–	–	(1)	–	(139)	(140)
Mortgage servicing rights [3]	–	–	–	231	–	231
Loans held-for-sale [2]	–	–	(61)	(29)	–	(90)
Other assets [5]	103	1,971	–	–	75	2,149
Accrued expenses and other liabilities [2]	–	–	(5)	–	(274)	(279)
Total	$103	$1,971	$(3,541)	$ 376	$ (736)	$ (1,827)

(1) Mortgage banking income does not reflect the impact of Level 1 and Level 2 hedges against MSRs.
(2) Amounts represent items which are accounted for under the fair value option.
(3) Amounts represent items which are carried at fair value prior to the adoption of the fair value option.
(4) Amounts represent write-downs on certain securities that were deemed to be other-than-temporarily impaired during 2007.
(5) Amounts represent items which are accounted for under the fair value option.

The tables below summarize changes in unrealized gains (losses) recorded in earnings during 2009, 2008 and 2007 for Level 3 assets and liabilities that were still held at December 31, 2009, 2008 and 2007. These amounts include changes in fair value generated by loans, LHFS, loan commitments and structured notes which are accounted for under the fair value option.

Level 3 Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Still Held at Reporting Date

(Dollars in millions)	Card Income (Loss)	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
	2009					
Trading account assets:						
Corporate securities, trading loans and other	$ –	$ –	$ 89	$ –	$ –	$ 89
Equity securities	–	–	(328)	–	–	(328)
Foreign sovereign debt	–	–	137	–	–	137
Mortgage trading loans and asset-backed securities	–	–	(332)	–	–	(332)
Total trading account assets	–	–	(434)	–	–	(434)
Net derivative assets	–	–	(2,761)	348	–	(2,413)
Available-for-sale debt securities:						
Mortgage-backed securities:						
Non-agency MBS:						
Residential	–	–	–	(20)	(659)	(679)
Other taxable securities	–	–	(11)	–	(3)	(14)
Tax-exempt securities	–	–	(2)	–	(8)	(10)
Total available-for-sale debt securities	–	–	(13)	(20)	(670)	(703)
Loans and leases [2]	–	–	–	–	210	210
Mortgage servicing rights	–	–	–	4,100	–	4,100
Loans held-for-sale [2]	–	–	(195)	164	695	664
Other assets	(71)	(106)	–	6	1,061	890
Trading account liabilities – Foreign sovereign debt	–	–	(38)	–	–	(38)
Accrued expenses and other liabilities [2]	–	–	–	(11)	1,740	1,729
Long-term debt [2]	–	–	(2,303)	–	(225)	(2,528)
Total	$ (71)	$(106)	$ (5,744)	$ 4,587	$ 2,811	$ 1,477
	2008					
Trading account assets	$ –	$ –	$(2,144)	$ (178)	$ –	$ (2,322)
Net derivative assets	–	–	2,095	1,154	–	3,249
Available-for-sale debt securities	–	–	–	(74)	(1,840)	(1,914)
Loans and leases [2]	–	–	–	–	(1,003)	(1,003)
Mortgage servicing rights	–	–	–	(7,378)	–	(7,378)
Loans held-for-sale [2]	–	–	(154)	(423)	(4)	(581)
Other assets	(331)	(193)	–	–	–	(524)
Accrued expenses and other liabilities [2]	–	–	–	292	(880)	(588)
Total	$(331)	$(193)	$ (203)	$(6,607)	$(3,727)	$(11,061)
	2007					
Trading account assets [3]	$ –	$ –	$(2,857)	$ –	$ –	$ (2,857)
Net derivative assets [3]	–	–	(196)	139	–	(57)
Available-for-sale debt securities [3]	–	–	–	–	(398)	(398)
Loans and leases [2]	–	–	–	–	(167)	(167)
Mortgage servicing rights [3]	–	–	–	(43)	–	(43)
Loans held-for-sale [2]			(58)	(22)		(80)
Other assets [4]	(136)	(65)	–	–	–	(201)
Accrued expenses and other liabilities [4]	–	–	(1)	–	(395)	(396)
Total	$(136)	$ (65)	$(3,112)	$ 74	$ (960)	$ (4,199)

[1] Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.
[2] Amounts represent items which are accounted for under the fair value option.
[3] Amounts represent items which were accounted for prior to the adoption of the fair value option.
[4] Amounts represent items which were carried at fair value prior to the adoption of the fair value option and certain portfolios of LHFS which are accounted for under the fair value option.

Nonrecurring Fair Value

Certain assets and liabilities are measured at fair value on a nonrecurring basis and are not included in the previous tables in this Note. These assets and liabilities primarily include LHFS, unfunded loan commitments held-for-sale, and foreclosed properties. The amounts below represent only balances measured at fair value during the year and still held as of the reporting date.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

	At and for the Year Ended December 31, 2009			At and for the Year Ended December 31, 2008		
(Dollars in millions)	Level 2	Level 3	(Losses)	Level 2	Level 3	(Losses)
Assets						
Loans held-for-sale	**$2,320**	**$7,248**	**$(1,288)**	$1,828	$9,782	$(1,699)
Loans and leases [1]	**7**	**8,426**	**(4,858)**	–	2,131	(1,164)
Foreclosed properties [2]	**–**	**644**	**(322)**	–	590	(171)
Other assets	**31**	**322**	**(268)**	–	–	–

[1] Gains (losses) represent charge-offs associated with real estate-secured loans that exceed 180 days past due which are netted against the allowance for loan and lease losses.

[2] Amounts are included in other assets on the Consolidated Balance Sheet and represent fair value and related losses of foreclosed properties that were written down subsequent to their initial classification as foreclosed properties.

Fair Value Option Elections

Corporate Loans and Loan Commitments

The Corporation elected to account for certain large corporate loans and loan commitments which exceeded the Corporation's single name credit risk concentration guidelines under the fair value option. Lending commitments, both funded and unfunded, are actively managed and monitored and, as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation's credit view and market perspectives determining the size and timing of the hedging activity. These credit derivatives do not meet the requirements for derivatives designated as hedging instruments and are therefore carried at fair value with changes in fair value recorded in other income. Electing the fair value option allows the Corporation to carry these loans and loan commitments at fair value, which is more consistent with management's view of the underlying economics and the manner in which they are managed. In addition, accounting for these loans and loan commitments at fair value reduces the accounting asymmetry that would otherwise result from carrying the loans at historical cost and the credit derivatives at fair value.

At December 31, 2009 and 2008, funded loans which the Corporation elected to carry at fair value had an aggregate fair value of $4.9 billion and $5.4 billion recorded in loans and leases and an aggregate outstanding principal balance of $5.4 billion and $6.4 billion. At December 31, 2009 and 2008, unfunded loan commitments that the Corporation has elected to carry at fair value had an aggregate fair value of $950 million and $1.1 billion recorded in accrued expenses and other liabilities and an aggregate committed exposure of $27.0 billion and $16.9 billion. Interest income on these loans is recorded in interest and fees on loans and leases.

Loans Held-for-Sale

The Corporation also elected to account for certain LHFS at fair value. Electing to use fair value allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them. The Corporation has not elected to fair value other LHFS primarily because these loans are floating rate loans that are not economically hedged using derivative instruments. At December 31, 2009 and 2008, residential mortgage loans, commercial mortgage loans, and other LHFS for which the fair value option was elected had an aggregate fair value of $32.8 billion and $18.9 billion and an aggregate outstanding principal balance of $36.5 billion and $20.7 billion. Interest income on these loans is recorded in other interest income. These changes in fair value are mostly offset by hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

Other Assets

The Corporation elected the fair value option for certain other assets. Other assets primarily represents non-marketable convertible preferred shares for which the Corporation has economically hedged a majority of the position with derivatives. At December 31, 2009, these assets had a fair value of $253 million.

Securities Financing Agreements

The Corporation elected the fair value option for certain securities financing agreements. The fair value option election was made for certain securities financing agreements based on the tenor of the agreements which reflects the magnitude of the interest rate risk. The majority of securities financing agreements collateralized by U.S. government securities were excluded from the fair value option election as these contracts are generally short-dated and therefore the interest rate risk is not considered significant. At December 31, 2009, securities financing agreements for which the fair value option has been elected had an aggregate fair value of $95.1 billion and a principal balance of $94.6 billion.

Long-term Deposits

The Corporation elected to fair value certain long-term fixed-rate and rate-linked deposits which are economically hedged with derivatives. At December 31, 2009 and 2008, these instruments had an aggregate fair value of $1.7 billion for both years ended and principal balance of $1.6 billion and $1.7 billion recorded in interest-bearing deposits. Interest paid on these instruments continues to be recorded in interest expense. Election of the fair value option will allow the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation did not elect to fair value other financial instruments within the same balance sheet category because they were not economically hedged using derivatives.

Commercial Paper and Other Short-term Borrowings

The Corporation elected to fair value certain commercial paper and other short-term borrowings that were acquired as part of the Merrill Lynch acquisition. This debt is risk-managed on a fair value basis. At December 31, 2009, this debt had both an aggregate fair value and a principal balance of $813 million recorded in commercial paper and other short-term borrowings.

Long-term Debt

The Corporation elected to fair value certain long-term debt, primarily structured notes, that were acquired as part of the Merrill Lynch acquisition. This long-term debt is risk-managed on a fair value basis. Election of the fair value option will allow the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation did not elect to fair value other financial instruments within the same balance sheet category because they were not economically hedged using derivatives. At December 31, 2009, this long-term debt had an aggregate fair value of $45.5 billion and a principal balance of $48.6 billion recorded in long-term debt.

Asset-backed Secured Financings

The Corporation elected to fair value certain asset-backed secured financings that were acquired as part of the Countrywide acquisition. At December 31, 2009, these secured financings had an aggregate fair value of $707 million and principal balance of $1.5 billion recorded in accrued expenses and other liabilities. Using the fair value option election allows the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the asset-backed secured financings at historical cost and the corresponding mortgage LHFS securing these financings at fair value.

The following table provides information about where changes in the fair value of assets or liabilities for which the fair value option has been elected are included in the Consolidated Statement of Income for 2009 and 2008.

Gains (Losses) Relating to Assets and Liabilities Accounted for Using Fair Value Option

	2009								
(Dollars in millions)	Corporate Loans and Loan Commitments	Loans Held-for-Sale	Securities Financing Agreements	Other Assets	Long-term Deposits	Asset-backed Secured Financings	Commercial Paper and Other Short-term Borrowings	Long-term Debt	Total
Trading account profits (losses)	$ 25	$ (211)	$ –	$ 379	$ –	$ –	$(236)	$(3,938)	$(3,981)
Mortgage banking income (loss)	–	8,251	–	–	–	(11)	–	–	8,240
Equity investment income (loss)	–	–	–	(177)	–	–	–	–	(177)
Other income (loss)	1,886	588	(292)	–	35	–	–	(4,900)	(2,683)
Total	$ 1,911	$8,628	$(292)	$ 202	$ 35	$ (11)	$(236)	$(8,838)	$ 1,399
	2008								
Trading account profits (losses)	$ 4	$ (680)	$ –	$ –	$ –	$ –	$ –	$ –	$ (676)
Mortgage banking income	–	281	–	–	–	295	–	–	576
Other income (loss)	(1,248)	(215)	(18)	–	(10)	–	–	–	(1,491)
Total	$(1,244)	$ (614)	$ (18)	$ –	$(10)	$295	$ –	$ –	$(1,591)

NOTE 21 – Fair Value of Financial Instruments

The fair values of financial instruments have been derived, in part, by the Corporation's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable values could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Corporation.

The following disclosures represent financial instruments in which the ending balance at December 31, 2009 and 2008 are not carried at fair value in its entirety on the Corporation's Consolidated Balance Sheet.

Short-term Financial Instruments

The carrying value of short-term financial instruments, including cash and cash equivalents, time deposits placed, federal funds sold and purchased, resale and certain repurchase agreements, commercial paper and other short-term investments and borrowings, approximates the fair value of these instruments. These financial instruments generally expose the Corporation to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. The Corporation elected to account for certain structured reverse repurchase agreements under the fair value option. See *Note 20 – Fair Value Measurements* for additional information on these structured reverse repurchase agreements.

Loans

Fair values were generally determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that the Corporation believes a market participant would consider in determining fair value. The Corporation estimates the cash flows expected to be collected using internal credit risk, interest rate and prepayment risk models that incorporate the Corporation's best estimate of current key assumptions, such as default rates, loss severity and prepayment speeds for the life of the loan. The Corporation elected to account for certain large corporate loans which exceeded the Corporation's single name credit risk concentration guidelines under the fair value option. See *Note 20 – Fair Value Measurements* for additional information on loans for which the Corporation adopted the fair value option.

Deposits

The fair value for certain deposits with stated maturities was calculated by discounting contractual cash flows using current market rates for instruments with similar maturities. The carrying value of foreign time deposits approximates fair value. For deposits with no stated maturities, the carrying amount was considered to approximate fair value and does not take into account the significant value of the cost advantage and stability of the Corporation's long-term relationships with depositors. The Corporation elected to account for certain long-term fixed-rate deposits which are economically hedged with derivatives under the fair value option. See *Note 20 – Fair Value Measurements* for additional information on these long-term fixed-rate deposits.

Long-term Debt

The Corporation uses quoted market prices for its long-term debt when available. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar maturities. The Corporation elected to account for certain structured notes under the fair value option. See *Note 20 – Fair Value Measurements* for additional information on these structured notes.

The carrying and fair values of certain financial instruments at December 31, 2009 and 2008 were as follows:

	December 31			
	2009		2008	
(Dollars in millions)	Carrying Value [1]	Fair Value	Carrying Value [1]	Fair Value
Financial assets				
Loans [2]	**$841,020**	**$813,596**	$886,198	$841,629
Financial liabilities				
Deposits	**991,611**	**991,768**	882,997	883,987
Long-term debt	**438,521**	**440,246**	268,292	260,291

[1] The carrying value of loans is presented net of allowance for loan and lease losses. Amounts exclude leases.

[2] Fair value is determined based on the present value of future cash flows using credit spreads or risk adjusted rates of return that a buyer of the portfolio would require at December 31, 2009 and 2008. However, the Corporation expects to collect the principal cash flows underlying the book values as well as the related interest cash flows.

NOTE 22 – Mortgage Servicing Rights

The Corporation accounts for consumer MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income in mortgage banking income. The Corporation economically hedges these MSRs with certain derivatives and securities including MBS and U.S. Treasuries. The securities that economically hedge the MSRs are recorded in other assets with changes in the fair value of the securities and the related interest income recorded as mortgage banking income.

The following table presents activity for residential first mortgage MSRs for 2009 and 2008.

(Dollars in millions)	2009	2008
Balance, January 1	**$12,733**	$ 3,053
Merrill Lynch balance, January 1, 2009	**209**	—
Countrywide balance, July 1, 2008	**—**	17,188
Additions / sales	**5,728**	2,587
Impact of customer payments	**(3,709)**	(3,313)
Other changes in MSR market value	**4,504**	(6,782)
Balance, December 31	**$19,465**	$12,733
Mortgage loans serviced for investors (in billions)	**$ 1,716**	$ 1,654

During 2009 and 2008, other changes in MSR market value were $4.5 billion and $(6.8) billion. These amounts reflect the change in discount rates and prepayment speed assumptions, mostly due to changes in interest rates, as well as the effect of changes in other assumptions. The amounts do not include $782 million in gains in 2009 resulting from lower than expected prepayments and $(333) million in losses in 2008 resulting from higher than expected prepayments. The net amounts of $5.3 billion and $(7.1) billion are included in the line "mortgage banking income (loss)" in the table "Level 3 – Total Realized and Unrealized Gains (Losses) Included in Earnings" in *Note 20 – Fair Value Measurements.*

At December 31, 2009 and 2008, the fair value of consumer MSRs was $19.5 billion and $12.7 billion. The Corporation uses an OAS valuation approach to determine the fair value of MSRs which factors in prepayment risk. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key economic assumptions used in valuations of MSRs include weighted-average lives of the MSRs and the OAS levels.

Key economic assumptions used in determining the fair value of MSRs at December 31, 2009 and 2008 were as follows:

	December 31			
	2009		2008	
(Dollars in millions)	Fixed	Adjustable	Fixed	Adjustable
Weighted-average option adjusted spread	**1.67%**	**4.64%**	1.71%	6.40%
Weighted-average life, in years	**5.62**	**3.26**	3.26	2.71

The following table presents the sensitivity of the weighted-average lives and fair value of MSRs to changes in modeled assumptions. The sensitivities in the following table are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of a MSR that continues to be held by the Corporation is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the Corporation has the ability to hedge interest rate and market valuation fluctuations associated with MSRs. The below sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

	December 31, 2009		
	Change in Weighted-average Lives		
(Dollars in millions)	Fixed	Adjustable	Change in Fair Value
Prepayment rates			
Impact of 10% decrease	0.32 years	0.14 years	$ 895
Impact of 20% decrease	0.68	0.31	1,895
Impact of 10% increase	(0.29)	(0.12)	(807)
Impact of 20% increase	(0.54)	(0.22)	(1,540)
OAS level			
Impact of 100 bps decrease	n/a	n/a	$ 900
Impact of 200 bps decrease	n/a	n/a	1,882
Impact of 100 bps increase	n/a	n/a	(828)
Impact of 200 bps increase	n/a	n/a	(1,592)

n/a = not applicable

Commercial and residential reverse mortgage MSRs are accounted for using the amortization method (i.e., lower of cost or market). Commercial and residential reverse mortgage MSRs totaled $309 million and $323 million at December 31, 2009 and 2008 and are not included in the tables above.

NOTE 23 – Business Segment Information

The Corporation reports the results of its operations through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*. The Corporation may periodically reclassify business segment results based on modifications to its management reporting methodologies and changes in organizational alignment. Prior period amounts have been reclassified to conform to current period presentation.

Deposits

Deposits includes the results of consumer deposits activities which consist of a comprehensive range of products provided to consumers and small businesses. In addition, *Deposits* includes student lending results and the net effect of its ALM activities. *Deposits* products include traditional savings accounts, money market savings accounts, CDs and IRAs, and noninterest- and interest-bearing checking accounts. These products provide a relatively stable source of funding and liquidity. The Corporation earns 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 a funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. Deposits also generate fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees. In addition, *Deposits* includes the impact of migrating customers and their related deposit balances between *GWIM* and *Deposits*. As of the date of migration, the associated net interest income, service fees and noninterest expense are recorded in the segment to which deposits were transferred.

Global Card Services

Global Card Services provides a broad offering of products including U.S. consumer and business card, consumer lending, international card and debit card to consumers and small businesses. The Corporation reports *Global Card Services* results on a managed basis which is consistent with the way that management evaluates the results of *Global Card Services*. Managed basis assumes that securitized loans were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet QSPE that is excluded from the Corporation's Consolidated Financial Statements in accordance with applicable accounting guidance.

The performance of the managed portfolio is important in understanding *Global Card Services* results as it demonstrates the results of the entire portfolio serviced by the business. Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. *Global Card Services* managed income statement line items differ from a held basis as follows:

- Managed net interest income includes *Global Card Services* net interest income on held loans and interest income on the securitized loans less the internal funds transfer pricing allocation related to securitized loans.
- Managed noninterest income includes *Global Card Services* noninterest income on a held basis less the reclassification of certain components of card income (e.g., excess servicing income) to record securitized net interest income and provision for credit losses. Noninterest income, both on a held and managed basis, also includes the impact of adjustments to the interest-only strips that are recorded in card income as management continues to manage this impact within *Global Card Services*.
- Provision for credit losses represents the provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

Home Loans & Insurance

Home Loans & Insurance provides an extensive line of consumer real estate products and services to customers nationwide. *Home Loans & Insurance* products include fixed and adjustable rate first-lien mortgage loans for home purchase and refinancing needs, reverse mortgages, home equity lines of credit and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors, while retaining MSRs and the Bank of America customer relationships, or are held on the Corporation's balance sheet in *All Other* for ALM purposes. *Home Loans & Insurance* is not impacted by the Corporation's mortgage production retention decisions as *Home Loans & Insurance* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other*. In addition, *Home Loans & Insurance* offers property, casualty, life, disability and credit insurance. *Home Loans & Insurance* also includes the impact of migrating customers and their related loan balances between *GWIM* and *Home Loans &*

Insurance. As of the date of migration, the associated net interest income and noninterest expense are recorded in the segment to which loans were transferred.

Global Banking

Global Banking provides a wide range of lending-related products and services, integrated working capital management, treasury solutions and investment banking services to clients worldwide. Lending products and services include commercial loans and commitment facilities, real estate lending, leasing, trade finance, short-term credit facilities, asset-based lending and indirect consumer loans. Capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Investment banking services provide the Corporation's commercial and corporate issuer clients with debt and equity underwriting and distribution capabilities as well as merger-related and other advisory services. *Global Banking* also includes the results of economic hedging of the credit risk to certain exposures utilizing various risk mitigation tools. Product specialists within *Global Markets* work closely with *Global Banking* on the underwriting and distribution of debt and equity securities and certain other products. In order to reflect the efforts of *Global Markets* and *Global Banking* in servicing the Corporation's clients with the best product capabilities, the Corporation allocates revenue and expenses to the two segments based on relative contribution.

Global Markets

Global Markets provides financial products, advisory services, financing, securities clearing, settlement and custody services globally to institutional investor clients in support of their investing and trading activities. *Global Markets* also works with commercial and corporate issuer clients to provide debt and equity underwriting and distribution capabilities and risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed income and mortgage-related products. The business may take positions in these products and participate in market-making activities dealing in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, MBS and ABS. Product specialists within *Global Markets* work closely with *Global Banking* on the underwriting and distribution of debt and equity securities and certain other products. In order to reflect the efforts of *Global Markets* and *Global Banking* in servicing the Corporation's clients with the best product capabilities, the Corporation allocates revenue and expenses to the two segments based on relative contribution.

Global Wealth & Investment Management

GWIM offers investment and brokerage services, estate management, financial planning services, fiduciary management, credit and banking expertise, and diversified asset management products to institutional clients, as well as affluent and high net-worth individuals. In addition, *GWIM* includes the results of Retirement and Philanthropic Services, the Corporation's approximately 34 percent economic ownership of BlackRock, and other miscellaneous items. *GWIM* also reflects the impact of migrating customers, and their related deposit and loan balances, between *GWIM* and *Deposits* and *GWIM* and *Home Loans & Insurance*. As of the date of migration, the associated net interest income, noninterest income and noninterest expense are recorded in the segment to which deposits and loans were transferred.

All Other

All Other consists of equity investment activities including Global Principal Investments, corporate investments and strategic investments, the residential mortgage portfolio associated with ALM activities, the residual impact of the cost allocation processes, merger and restructuring charges, and the results of certain businesses that are expected to be or have been sold or are in the process of being liquidated. *All Other* also includes certain amounts associated with ALM activities, foreign exchange rate fluctuations related to revaluation of foreign currency-denominated debt issuances, certain gains (losses) on sales of whole mortgage loans, gains (losses) on sales of debt securities and a securitization offset which removes the securitization impact of sold loans in *Global Card Services* in order to present the consolidated results of the Corporation on a GAAP basis (i.e., held basis). Effective January 1, 2009, as part of the Merrill Lynch acquisition, *All Other* includes the results of First Republic Bank and fair value adjustments related to certain Merrill Lynch structured notes.

Basis of Presentation

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. Net interest income of the business segments also includes an allocation of net interest income generated by the Corporation's ALM activities.

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.

The Corporation's ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. ALM activities are recorded in the business segments such as external product pricing decisions, including deposit pricing strategies, the effects of the Corporation's internal funds transfer pricing process as well as the net effects of other ALM activities. Certain residual impacts of the funds transfer pricing process are retained in *All Other*.

Certain expenses not directly attributable to a specific business segment are allocated to the segments. 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 following tables present total revenue, net of interest expense, on a FTE basis and net income (loss) for 2009, 2008 and 2007, and total assets at December 31, 2009 and 2008 for each business segment, as well as *All Other*.

Business Segments

At and for the Year Ended December 31	Total Corporation [1]			Deposits [2]			Global Card Services [3]		
(Dollars in millions)	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Net interest income [4]	**$ 48,410**	$ 46,554	$36,190	**$ 7,160**	$ 10,970	$10,215	**$ 20,264**	$ 19,589	$16,627
Noninterest income	**72,534**	27,422	32,392	**6,848**	6,870	6,187	**9,078**	11,631	11,146
Total revenue, net of interest expense	**120,944**	73,976	68,582	**14,008**	17,840	16,402	**29,342**	31,220	27,773
Provision for credit losses [5]	**48,570**	26,825	8,385	**380**	399	227	**30,081**	20,164	11,678
Amortization of intangibles	**1,978**	1,834	1,676	**238**	297	294	**911**	1,048	1,040
Other noninterest expense	**64,735**	39,695	35,848	**9,455**	8,486	8,056	**7,050**	8,112	8,337
Income (loss) before income taxes	**5,661**	5,622	22,673	**3,935**	8,658	7,825	**(8,700)**	1,896	6,718
Income tax expense (benefit) [4]	**(615)**	1,614	7,691	**1,429**	3,146	2,751	**(3,145)**	662	2,457
Net income (loss)	**$ 6,276**	$ 4,008	$14,982	**$ 2,506**	$ 5,512	$ 5,074	**$ (5,555)**	$ 1,234	$ 4,261
Year end total assets	**$2,223,299**	$1,817,943		**$445,363**	$390,487		**$217,139**	$252,683	

(Dollars in millions)	Home Loans & Insurance			Global Banking [2]			Global Markets		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Net interest income [4]	**$ 4,974**	$ 3,311	$ 1,899	**$ 11,250**	$ 10,755	$ 8,679	**$ 6,120**	$ 5,151	$ 2,308
Noninterest income (loss)	**11,928**	5,999	1,806	**11,785**	6,041	6,083	**14,506**	(8,982)	(3,618)
Total revenue, net of interest expense	**16,902**	9,310	3,705	**23,035**	16,796	14,762	**20,626**	(3,831)	(1,310)
Provision for credit losses	**11,244**	6,287	1,015	**8,835**	3,130	658	**400**	(50)	2
Amortization of intangibles	**63**	39	2	**187**	217	182	**65**	2	3
Other noninterest expense	**11,620**	6,923	2,527	**9,352**	6,467	7,376	**9,977**	3,904	4,737
Income (loss) before income taxes	**(6,025)**	(3,939)	161	**4,661**	6,982	6,546	**10,184**	(7,687)	(6,052)
Income tax expense (benefit) [4]	**(2,187)**	(1,457)	60	**1,692**	2,510	2,415	**3,007**	(2,771)	(2,241)
Net income (loss)	**$ (3,838)**	$ (2,482)	$ 101	**$ 2,969**	$ 4,472	$ 4,131	**$ 7,177**	$ (4,916)	$ (3,811)
Year end total assets	**$ 232,706**	$ 205,046		**$398,061**	$394,541		**$538,456**	$306,693	

(Dollars in millions)	GWIM [2]			All Other [2, 3]		
	2009	2008	2007	**2009**	2008	2007
Net interest income [4]	**$ 5,564**	$ 4,797	$ 3,920	**$ (6,922)**	$ (8,019)	$ (7,458)
Noninterest income	**12,559**	3,012	3,637	**5,830**	2,851	7,151
Total revenue, net of interest expense	**18,123**	7,809	7,557	**(1,092)**	(5,168)	(307)
Provision for credit losses [5]	**1,061**	664	15	**(3,431)**	(3,769)	(5,210)
Amortization of intangibles	**512**	231	150	**2**	–	5
Other noninterest expense	**12,565**	4,679	4,341	**4,716**	1,124	474
Income (loss) before income taxes	**3,985**	2,235	3,051	**(2,379)**	(2,523)	4,424
Income tax expense (benefit) [4]	**1,446**	807	1,096	**(2,857)**	(1,283)	1,153
Net income (loss)	**$ 2,539**	$ 1,428	$ 1,955	**$ 478**	$ (1,240)	$ 3,271
Year end total assets	**$ 254,192**	$ 189,073		**$137,382**	$ 79,420	

(1) There were no material intersegment revenues.
(2) Total assets include asset allocations to match liabilities (i.e., deposits).
(3) *Global Card Services* is presented on a managed basis with a corresponding offset recorded in *All Other*.
(4) FTE basis
(5) Provision for credit losses represents: For *Global Card Services* – Provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio and for *All Other* – Provision for credit losses combined with the *Global Card Services* securitization offset.

Global Card Services is reported on a managed basis which includes a securitization impact adjustment that has the effect of presenting securitized loans in a manner similar to the way loans that have not been sold are presented. *All Other* results include a corresponding securitization offset that removes the impact of these securitized loans in order to present the consolidated results of the Corporation on a held basis. The table below reconciles *Global Card Services* and *All Other* to a held basis by reclassifying net interest income, all other income and realized credit losses associated with the securitized loans to card income.

Global Card Services – Reconciliation

	2009			2008			2007		
(Dollars in millions)	**Managed Basis [1]**	**Securitization Impact [2]**	**Held Basis**	Managed Basis [1]	Securitization Impact [2]	Held Basis	Managed Basis [1]	Securitization Impact [2]	Held Basis
Net interest income [3]	**$20,264**	**$ (9,250)**	**$11,014**	$19,589	$(8,701)	$10,888	$16,627	$(8,027)	$8,600
Noninterest income:									
Card income	**8,555**	**(2,034)**	**6,521**	10,033	2,250	12,283	10,170	3,356	13,526
All other income	**523**	**(115)**	**408**	1,598	(219)	1,379	976	(288)	688
Total noninterest income	**9,078**	**(2,149)**	**6,929**	11,631	2,031	13,662	11,146	3,068	14,214
Total revenue, net of interest expense	**29,342**	**(11,399)**	**17,943**	31,220	(6,670)	24,550	27,773	(4,959)	22,814
Provision for credit losses	**30,081**	**(11,399)**	**18,682**	20,164	(6,670)	13,494	11,678	(4,959)	6,719
Noninterest expense	**7,961**	**–**	**7,961**	9,160	–	9,160	9,377	–	9,377
Income (loss) before income taxes	**(8,700)**	**–**	**(8,700)**	1,896	–	1,896	6,718	–	6,718
Income tax expense (benefit) [3]	**(3,145)**	**–**	**(3,145)**	662	–	662	2,457	–	2,457
Net income (loss)	**$ (5,555)**	**$ –**	**$ (5,555)**	$ 1,234	$ –	$ 1,234	$ 4,261	$ –	$4,261

All Other – Reconciliation

	2009			2008			2007		
(Dollars in millions)	**Reported Basis [1]**	**Securitization Offset [2]**	**As Adjusted**	Reported Basis [1]	Securitization Offset [2]	As Adjusted	Reported Basis [1]	Securitization Offset [2]	As Adjusted
Net interest income [3]	**$(6,922)**	**$ 9,250**	**$ 2,328**	$(8,019)	$ 8,701	$ 682	$(7,458)	$8,027	$ 569
Noninterest income:									
Card income (loss)	**(895)**	**2,034**	**1,139**	2,164	(2,250)	(86)	2,817	(3,356)	(539)
Equity investment income	**9,020**	**–**	**9,020**	265	–	265	3,745	–	3,745
Gains on sales of debt securities	**4,440**	**–**	**4,440**	1,133	–	1,133	179	–	179
All other income (loss)	**(6,735)**	**115**	**(6,620)**	(711)	219	(492)	410	288	698
Total noninterest income	**5,830**	**2,149**	**7,979**	2,851	(2,031)	820	7,151	(3,068)	4,083
Total revenue, net of interest expense	**(1,092)**	**11,399**	**10,307**	(5,168)	6,670	1,502	(307)	4,959	4,652
Provision for credit losses	**(3,431)**	**11,399**	**7,968**	(3,769)	6,670	2,901	(5,210)	4,959	(251)
Merger and restructuring charges	**2,721**	**–**	**2,721**	935	–	935	410	–	410
All other noninterest expense	**1,997**	**–**	**1,997**	189	–	189	69	–	69
Income (loss) before income taxes	**(2,379)**	**–**	**(2,379)**	(2,523)	–	(2,523)	4,424	–	4,424
Income tax expense (benefit) [3]	**(2,857)**	**–**	**(2,857)**	(1,283)	–	(1,283)	1,153	–	1,153
Net income (loss)	**$ 478**	**$ –**	**$ 478**	$(1,240)	$ –	$(1,240)	$ 3,271	$ –	$3,271

(1) Provision for credit losses represents: For *Global Card Services* – Provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio and for *All Other* – Provision for credit losses combined with the *Global Card Services* securitization offset.
(2) The securitization impact/offset on net interest income is on a funds transfer pricing methodology consistent with the way funding costs are allocated to the businesses.
(3) FTE basis

The following tables present a reconciliation of the six business segments' (*Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *GWIM*) total revenue, net of interest expense, on a FTE basis, and net income to the Consolidated Statement of Income, and total assets to the Consolidated Balance Sheet. The adjustments presented in the tables below include consolidated income, expense and asset amounts not specifically allocated to individual business segments.

(Dollars in millions)	2009	2008	2007
Segment total revenue, net of interest expense [1]	**$122,036**	$79,144	$68,889
Adjustments:			
ALM activities	**(960)**	2,605	66
Equity investment income	**9,020**	265	3,745
Liquidating businesses	**1,300**	256	1,060
FTE basis adjustment	**(1,301)**	(1,194)	(1,749)
Managed securitization impact to total revenue, net of interest expense	**(11,399)**	(6,670)	(4,959)
Other	**947**	(1,624)	(219)
Consolidated revenue, net of interest expense	**$119,643**	$72,782	$66,833
Segment net income	**$ 5,798**	$ 5,248	$11,711
Adjustments, net of taxes:			
ALM activities	**(6,278)**	(554)	(241)
Equity investment income	**5,683**	167	2,359
Liquidating businesses	**445**	86	613
Merger and restructuring charges	**(1,714)**	(630)	(258)
Other	**2,342**	(309)	798
Consolidated net income	**$ 6,276**	$ 4,008	$14,982

[1] FTE basis

	December 31	
(Dollars in millions)	2009	2008
Segment total assets	**$2,085,917**	$1,738,523
Adjustments:		
ALM activities, including securities portfolio	**560,063**	552,796
Equity investments	**34,662**	31,422
Liquidating businesses	**22,244**	3,172
Elimination of segment excess asset allocations to match liabilities	**(561,607)**	(439,162)
Elimination of managed securitized loans [1]	**(89,715)**	(100,960)
Other	**171,735**	32,152
Consolidated total assets	**$2,223,299**	$1,817,943

[1] Represents *Global Card Services* securitized loans.

NOTE 24 – Parent Company Information

The following tables present the Parent Company Only financial information:

Condensed Statement of Income

(Dollars in millions)	2009	2008	2007
Income			
Dividends from subsidiaries:			
Bank holding companies and related subsidiaries	$ 4,100	$ 18,178	$20,615
Nonbank companies and related subsidiaries	27	1,026	181
Interest from subsidiaries	1,179	3,433	4,939
Other income	7,784	940	3,319
Total income	13,090	23,577	29,054
Expense			
Interest on borrowed funds	4,737	6,818	7,834
Noninterest expense	4,238	1,829	3,127
Total expense	8,975	8,647	10,961
Income before income taxes and equity in undistributed earnings of subsidiaries	4,115	14,930	18,093
Income tax benefit	85	1,793	1,136
Income before equity in undistributed earnings of subsidiaries	4,200	16,723	19,229
Equity in undistributed earnings (losses) of subsidiaries:			
Bank holding companies and related subsidiaries	(2,183)	(11,221)	(4,497)
Nonbank companies and related subsidiaries	4,259	(1,494)	250
Total equity in undistributed earnings (losses) of subsidiaries	2,076	(12,715)	(4,247)
Net income	$ 6,276	$ 4,008	$14,982
Net income (loss) applicable to common shareholders	$ (2,204)	$ 2,556	$14,800

Condensed Balance Sheet

	December 31	
(Dollars in millions)	2009	2008
Assets		
Cash held at bank subsidiaries	$ 91,892	$ 98,525
Debt securities	8,788	16,241
Receivables from subsidiaries:		
Bank holding companies and related subsidiaries	58,931	39,239
Nonbank companies and related subsidiaries	13,043	23,518
Investments in subsidiaries:		
Bank holding companies and related subsidiaries	206,994	172,460
Nonbank companies and related subsidiaries	47,078	20,355
Other assets	13,773	20,428
Total assets	$440,499	$390,766
Liabilities and shareholders' equity		
Commercial paper and other short-term borrowings	$ 5,968	$ 26,536
Accrued expenses and other liabilities	19,204	15,244
Payables to subsidiaries:		
Bank holding companies and related subsidiaries	363	469
Nonbank companies and related subsidiaries	632	3
Long-term debt	182,888	171,462
Shareholders' equity	231,444	177,052
Total liabilities and shareholders' equity	$440,499	$390,766

Condensed Statement of Cash Flows

(Dollars in millions)	2009	2008	2007
Operating activities			
Net income	$ 6,276	$ 4,008	$ 14,982
Reconciliation of net income to net cash provided by operating activities:			
Equity in undistributed (earnings) losses of subsidiaries	(2,076)	12,715	4,247
Other operating activities, net	8,889	(598)	(276)
Net cash provided by operating activities	13,089	16,125	18,953
Investing activities			
Net (purchases) sales of securities	3,729	(12,142)	(839)
Net payments from (to) subsidiaries	(29,926)	2,490	(44,457)
Other investing activities, net	(17)	43	(824)
Net cash used in investing activities	(26,214)	(9,609)	(46,120)
Financing activities			
Net increase (decrease) in commercial paper and other short-term borrowings	(20,673)	(14,131)	8,873
Proceeds from issuance of long-term debt	30,347	28,994	38,730
Retirement of long-term debt	(20,180)	(13,178)	(12,056)
Proceeds from issuance of preferred stock	49,244	34,742	1,558
Repayment of preferred stock	(45,000)	–	–
Proceeds from issuance of common stock	13,468	10,127	1,118
Common stock repurchased	–	–	(3,790)
Cash dividends paid	(4,863)	(11,528)	(10,878)
Other financing activities, net	4,149	5,030	576
Net cash provided by financing activities	6,492	40,056	24,131
Net increase (decrease) in cash held at bank subsidiaries	(6,633)	46,572	(3,036)
Cash held at bank subsidiaries at January 1	98,525	51,953	54,989
Cash held at bank subsidiaries at December 31	$ 91,892	$ 98,525	$ 51,953

NOTE 25 – Performance by Geographical Area

Since the Corporation's operations are highly integrated, certain asset, liability, income and expense amounts must be allocated to arrive at total assets, total revenue, net of interest expense, income before income taxes and net income by geographic area. The Corporation identifies its geographic performance based on the business unit structure used to manage the capital or expense deployed in the region as applicable. This requires certain judgments related to the allocation of revenue so that revenue can be appropriately matched with the related expense or capital deployed in the region.

		December 31	Year Ended December 31		
(Dollars in millions)	Year	Total Assets [1]	Total Revenue, Net of Interest Expense [2]	Income (Loss) Before Income Taxes	Net Income (Loss)
Domestic [3]	2009	$1,840,232	$ 98,278	$ (6,901)	$ (1,025)
	2008	1,678,853	67,549	3,289	3,254
	2007		60,245	18,039	13,137
Asia[4]	2009	118,921	10,685	8,096	5,101
	2008	50,567	1,770	1,207	761
	2007		1,613	1,146	721
Europe, Middle East and Africa	2009	239,374	9,085	2,295	1,652
	2008	78,790	3,020	(456)	(252)
	2007		4,097	894	592
Latin America and the Caribbean	2009	24,772	1,595	870	548
	2008	9,733	443	388	245
	2007		878	845	532
Total Foreign	2009	383,067	21,365	11,261	7,301
	2008	139,090	5,233	1,139	754
	2007		6,588	2,885	1,845
Total Consolidated	2009	$2,223,299	$119,643	$ 4,360	$ 6,276
	2008	1,817,943	72,782	4,428	4,008
	2007		66,833	20,924	14,982

(1) Total assets include long-lived assets, which are primarily located in the U.S.
(2) There were no material intercompany revenues between geographic regions for any of the periods presented.
(3) Includes the Corporation's Canadian operations, which had total assets of $31.1 billion and $13.5 billion at December 31, 2009 and 2008; total revenue, net of interest expense of $2.5 billion, $1.2 billion and $770 million; income before income taxes of $723 million, $552 million and $292 million; and net income of $488 million, $404 million and $195 million for 2009, 2008 and 2007, respectively.
(4) The year ended December 31, 2009 amount includes pre-tax gains of $7.3 billion ($4.7 billion net-of-tax) on the sale of common shares of the Corporation's initial investment in CCB.

Executive Management Team and Board of Directors

Bank of America Corporation

Executive Management Team

Brian T. Moynihan*
Chief Executive Officer and President

Catherine P. Bessant
Global Technology and Operations Executive

Neil A. Cotty*
Interim Chief Financial Officer and Chief Accounting Officer

David C. Darnell*
President, Global Commercial Banking

Barbara J. Desoer*
President, Bank of America Home Loans and Insurance

Anne M. Finucane
Global Strategy and Marketing Officer

Sallie L. Krawcheck*
President, Global Wealth and Investment Management

Thomas K. Montag*
President, Global Banking and Markets

Edward P. O'Keefe*
General Counsel

Joe L. Price*
President; Consumer, Small Business and Card Banking

Andrea B. Smith
Global Human Resources Executive

Bruce R. Thompson*
Chief Risk Officer

Board of Directors

Walter E. Massey**
Chairman of the Board
Bank of America Corporation

Susan S. Bies
Former Member
Board of Governors of the Federal Reserve System

William P. Boardman
Retired Vice Chairman
Banc One Corporation
Retired Chairman of the Board
Visa International

Frank P. Bramble, Sr.
Former Executive Officer
MBNA Corporation

Virgis W. Colbert
Senior Advisor
MillerCoors Company

Charles K. Gifford
Former Chairman
Bank of America Corporation

Charles O. Holliday, Jr.
Retired Chairman
E.I. du Pont de Nemours and Co. (DuPont)

D. Paul Jones, Jr.
Former Chairman,
Chief Executive Officer
and President
Compass Bancshares, Inc.

Monica C. Lozano
Publisher and
Chief Executive Officer
La Opinión

Thomas J. May
Chairman, President and
Chief Executive Officer
NSTAR

Brian T. Moynihan
Chief Executive Officer
and President
Bank of America Corporation

Donald E. Powell
Former Chairman
Federal Deposit Insurance Corporation

Charles O. Rossotti
Senior Advisor
The Carlyle Group

Thomas M. Ryan**
Chairman, President and
Chief Executive Officer
CVS/Caremark Corporation

Robert W. Scully
Former Member
Office of the Chairman
Morgan Stanley

*Executive Officer
**Retiring by not standing for reelection at the 2010 Annual Meeting

Corporate Information

Bank of America Corporation

Headquarters

The principal executive offices of Bank of America Corporation (the Corporation) are located in the Bank of America Corporate Center, 100 North Tryon Street, Charlotte, NC 28255.

2010 Annual Meeting

The Corporation's 2010 annual meeting of shareholders will be held at 10 a.m. local time on April 28, 2010, in the Belk Theater of the North Carolina Blumenthal Performing Arts Center, 130 North Tryon Street, Charlotte, NC.

Stock Listing

The Corporation's common stock is listed on the New York Stock Exchange (NYSE) under the symbol BAC. The Corporation's common stock is also listed on the London Stock Exchange, and certain shares are listed on the Tokyo Stock Exchange. The stock is typically listed as BankAm in newspapers. As of February 19, 2010, there were 257,683 registered holders of the Corporation's common stock.

Investor Relations

Analysts, portfolio managers and other investors seeking additional information about Bank of America stock should contact our Equity Investor Relations group at 1.704.386.5681. For additional information about Bank of America from a credit perspective, including debt and preferred securities, contact our Fixed Income Investor Relations group at 1.866.607.1234 or Fixedincomeir@bankofamerica.com. Visit the Investor Relations area of the Bank of America Web site, http://investor.bankofamerica.com, for stock and dividend information, financial news releases, links to Bank of America SEC filings, electronic versions of our annual reports and other items of interest to the Corporation's shareholders.

Customers

For assistance with Bank of America products and services, call 1.800.432.1000, or visit the Bank of America Web site at www.bankofamerica.com. Additional toll-free numbers for specific products and services are listed on our Web site at www.bankofamerica.com/contact.

Annual Report on Form 10-K

The Corporation's 2009 Annual Report on Form 10-K is available at http://investor.bankofamerica.com. The Corporation also will provide a copy of the 2009 Annual Report on Form 10-K (without exhibits) upon written request addressed to:

Bank of America Corporation
Shareholder Relations Department
NC1-002-29-01
101 South Tryon Street
Charlotte, NC 28255

Shareholder Inquiries

For inquiries concerning dividend checks, electronic deposit of dividends, dividend reinvestment, tax statements, electronic delivery, transferring ownership, address changes or lost or stolen stock certificates, contact Bank of America Shareholder Services at Computershare Trust Company, N.A. via Internet access at www.computershare.com/bac; call 1.800.642.9855; or write to P.O. Box 43078, Providence, RI 02940-3078. For general inquiries regarding your shareholder account, contact Shareholder Relations at 1.800.521.3984. Shareholders outside of the U.S. and Canada may call 1.781.575.2621.

News Media

News media seeking information should visit our online Newsroom at www.bankofamerica.com/newsroom for news releases, speeches and other items relating to the Corporation, including a complete list of the Corporation's media relations specialists grouped by business specialty or geography.

♻ Please recycle.

The annual report is printed on 30% post-consumer waste (PCW) recycled paper.

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Bank of America Corporation ("Bank of America") is a financial holding company that, through its subsidiaries and affiliated companies, provides banking and nonbanking financial services. Global Wealth & Investment Management is a division of Bank of America Corporation. Merrill Lynch, Pierce, Fenner & Smith Incorporated, U.S. Trust, Bank of America Private Wealth Management and Columbia Management are all affiliates within Global Wealth & Investment Management. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a registered broker-dealer, member FINRA and SIPC, and a wholly owned subsidiary of Bank of America Corporation. U.S. Trust, Bank of America Private Wealth Management operates through Bank of America, N.A. Columbia Management Group, LLC ("Columbia Management") is the investment management division of Bank of America Corporation. Columbia Management entities furnish investment management services and products for institutional and individual investors.

Banking products are provided by Bank of America, N.A. and affiliated banks. Members FDIC and wholly owned subsidiaries of Bank of America Corporation.

Investment products: | Are Not FDIC Insured | May Lose Value | Are Not Bank Guaranteed |

Board of Directors

Bank of America Corporation

Board of Directors from left to right: bottom row seated: Brian T. Moynihan, Walter E. Massey, Monica C. Lozano, Charles O. Rossotti; *Top row standing:* Charles O. Holliday, Jr., Frank P. Bramble, Sr., Susan S. Bies, William P. Boardman, Charles K. Gifford, D. Paul Jones, Jr., Thomas J. May, Donald E. Powell, Thomas M. Ryan, Robert W. Scully, Virgis W. Colbert

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00-04-1365B
3/2010

Back to Table of Contents

A guide to reading your Analysis Statement

Bank of America Merrill Lynch

AD-AD-0107ED | 01-2010
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Basic Account Information

1 Statement Period
The calendar month for which the information is presented.

2 Account Number
Parent number and/or subsidiary number, bank number and deposit account number.

Account Position

3 Balance
Balances used to calculate the accounts settlement position for the statement cycle. Details on these balances are listed below.

4 Earnings Allowance
Current month's earnings allowance calculated on the Investable Balance. (Investable Balance x Earnings Allowance Rate x Days in Mo / Days in Yr)

5 Interest Charges
The total of the current month's charges for negative collected balances.

6 Activity Charges
The total of the charges for services used during the current month as detailed in the Activity Charge Detail section of the statement.

7 Excess/Deficit Position
The result of subtracting the Total Interest and Activity Charges from the Earnings Allowance. If the result is positive, the account is in an excess position. A deficit is created when the result is negative.

The following lines (8 & 9) will be displayed only when prior period balance adjustments are made in the current month and are detailed in the Adjustment Detail Sections of the statement.

8 Earnings Allowance Adjustments
Total adjustments to prior months' earnings allowance amounts resulting from adjustments to the ledger or float balances in those prior months.

9 Interest Charge Adjustments
The total of adjustments to prior months' negative collected balance charges resulting from adjustments to the ledger or float balances in prior months.

The following two lines (10 & 11) will be displayed only when the account is in a Deficit Position, including any adjustments made to prior period earnings allowances or negative collected balance charges.

10 Additional Balance-Reserve Requirement
The additional positive collected balance amount needed to cover the reserve requirements if balances would fully compensate for services. (Investable Bal Required for Deficit Amt/[1-Reserve Rate]*Reserve Rate)

11 Deficit Collected Balance
The total additional positive collected balance, including reserve amount, needed to fully compensate for all services. This is calculated as follows: (Deficit Balance/[1-current reserve rate])

12 Average Positive Ledger Balance for Quarter
The account's average positive ledger balance for the quarter. This balance is used in the calculation of FDIC charges and is printed only on the statement for an end of quarter month.

13 Ledger Balance
Displays the average of all positive and negative or over-drawn ledger balances during the calendar month.

14 Float
Shows the average daily dollar amount of items in the process of collection during the calendar month.

15 Collected Balance
Denotes the Average Ledger Balance less Average Float.

16 Negative Collected Balance
This is calculated by totaling the daily negative collected balances during the month and dividing that total by the number of days in the month.

17 Positive Collected Balance
This is the average positive collected balance for the current month. This is calculated by totaling the positive collected balances during the month and dividing this total by the number of days in the month.

18 DDA Balance-Reserve Requirement
Indicates the portion of your balances that is maintained with the Federal Reserve. Reserves are calculated using the Average Positive Collected Balance multiplied by the current reserve rate.

19 Investable Balance
This balance is used to calculate earnings allowance. It is calculated as follows: (Pos Coll Bal – DDA Bal Res Req)

Rate Information

20 Earnings Allowance Rate
The Earnings Allowance Rate (EAR) on your account is used to calculate your Earnings Allowance, which is based on your average investable balance. Your EAR may vary; and, at our discretion, we may change this rate at any time. When determining the EAR rate, Bank of America considers a number of prevailing market indicators.

21 Reserve Requirement Rate
Percentage of demand deposit collected balances Bank of America is required to keep on deposit with Federal Reserve in non-earning accounts.

22 Collected Overdraft Interest Charge Rate
The Collected Overdraft Interest Charge Rate on your account is used to calculate your Negative Collected Balance Interest Charge, which is based on your average negative collected balance. The rate on your account may vary and at our discretion, we may change this rate at any time. When determining this rate, Bank of America considers a number of factors and generally bases this rate on our Prime Rate plus a margin. The margin may change from time to time.

23 Multiplier
The Multiple is the amount of investable balance required to support $1.00 of service charges. (1/[Earnings Allowance Rate x Days in Mo/ Days in Year])

Interest Charge Detail

This section of the statement summarizes charges on negative collected balances and is included only if such activity occurs.

24 AFP Service Code
An industry established standard code used to identify individual services as well as groups of services, termed product families, on an account analysis statement.

25 Balance Required
The investable balance required to compensate for the service charges shown. The calculation is: (Service Charge x Multiplier)

26 Negative Collected Balance Interest Charges
Total charges for negative collected balances maintained during the current month. Charges are detailed by day in the Negative Collected Balance and Interest Charge Detail section of the statement. (Average Neg Collected Balance x Collected Overdraft Int Rate x Days in Mo/360)

Activity Charge Detail

27 Service Description
Identifies the services used by the account during the current period.

28 Price
The per unit charge for each service. At the detail account level, the unit price is the actual price. At the parent level, the average unit price is the total service charge divided by the total volumes. If the client has different unit prices at the account level, the unit price displayed at the parent or subsidiary level will be a "blended" unit price. If the client's per unit price is carried out to the third or fourth decimal place and the client's volume is small, the unit price displayed at the parent or subsidiary level may not match due to rounding of cents (two decimal places) at the account level.

29 Volume
The number of units used for each service.

30 Service Charge
Shows total charge to the customer for each service. (Volume x Pricing)

31 FDIC Assessment
The FDIC fee and Financing Corporation (FICO) assessment, when applicable is based upon an account's average positive ledger balance for the quarter. The FDIC assessment may include deposit insurance, FICO assessments and other charges provided by law. This charge can be offset with earnings credits on eligible collected balances.

32 Price Code
A code used to identify special pricing methods. An "R" indicates one of four prices, applied to the total service volume, is selected based on aggregate service volumes. A "T" indicates that up to four different prices may be applied to incremental service volume.

Lockbox Activity Detail

This section of the statement details lockbox activity on the account, by lockbox, and is included only if such activity occurs.

33 Number
The number of the lockbox receiving the services shown. The two alphabetic characters indicate the lockbox processing site.

Prior Period Earnings Allowance Adjustment Detail

This section of the statement details prior period balance or float adjustments that affect the prior period positive collected balance and consequently, the prior period earnings allowance. It is included only if such activity occurs during the current statement period.

34 Service Description
This column is used to describe the type of balance adjustment made, affecting the prior period earnings allowance.

35 Effective Date
The date that requires a balance adjustment.

36 Adjustment Date
The date the balance adjustment was made.

37 Transaction Amount
The amount of the adjustment required to correct the balance as of the effective date noted.

38 Number of Days
The number of days the balance requires adjustment.

39 Positive Collected Balance Effect
The total effect of the transaction noted on the positive collected balance as of the effective date noted.

40 Earnings Allowance Rate
Earnings allowance rate as of effective date of the adjusting transaction.

41 Earnings Allowance Adjustment
The increase or decrease to the earnings allowance based on the adjusting transaction and the earnings allowance rate shown. This is calculated as follows:
(Pos Coll Bal Effect x (1-Reserve Rate) x [EAR / Days in Yr])

Prior Period Interest Charge Adjustment Detail

Details prior period balance or float adjustments that affect the prior period negative collected balance and consequently, the prior period negative collected balance charges. It is included only if such activity occurs during the current statement period.

42 Negative Collected Balance Effect
Total (based on the number of days indicated) effect of the transaction noted on the negative collected balance as of the effective date noted.

43 Interest Rate
The Collected Overdraft Interest Rate as of the effective date of the adjusting transaction.

44 Interest Charge Adjustment
The increase or decrease to the prior period negative collected balance charge based on the adjusting transaction and the interest rate shown. Calculated as follows: (Negative Coll Bal Effect x Interest Rate) / 360

Prior Period Activity Charge Adjustment Detail

This section of the statement details prior period activity charge adjustments. It is included only if such activity occurs.

Bank of America

ACCOUNT ANALYSIS STATEMENT
DETAIL ACCOUNT

ACCOUNT ANALYSIS SERVICES
P.O. BOX 37000
SAN FRANCISCO, CA 94137

1 STATEMENT PERIOD:
3/01/YYYY THROUGH 3/31/YYYY

CLIENT NAME
1234 ANY STREET
ANYTOWN, US 99999

2 PARENT NUMBER:		12345
SUBSIDIARY NUMBER:		00001
ACCOUNT NUMBER:	355	0001912345
OFFICER CODE:		012345 30

❑ ACCOUNT POSITION

		AMOUNT	AMOUNT	3 BALANCE
4	EARNINGS ALLOWANCE		79.98	313,896.91
5	INTEREST CHARGES	75.77		
6	ACTIVITY CHARGES	350.94		
	TOTAL INTEREST AND ACTIVITY CHARGES		426.71	1,679,299.50
7	***DEFICIT POSITION***		**(346.73)**	**(1,364,541.26)**
8	EARNINGS ALLOWANCE ADJUSTMENTS		**.24**	
9	LESS: INTEREST CHARGE ADJUSTMENTS		**(19.37)**	
	ADJUSTED DEFICIT POSITION		**(365.86)**	**(1,439,826.85)**
10	ADDT'L BALANCE-RESERVE REQUIREMENT			(159,980.76)
11	***DEFICIT COLLECTED BALANCE***			**(1,599,807.61)**

❑ BALANCE INFORMATION

		BALANCE
12	AVERAGE POSITIVE LEDGER BALANCE FOR QUARTER	1,260,880.00
	AVERAGE MONTHLY BALANCES	
13	**LEDGER BALANCE**	392,743.39
14	**LESS: FLOAT**	56,538.70
15	**COLLECTED BALANCE**	336, 204.69
16	**NEGATIVE COLLECTED BALANCE**	**(12,569.66)**
17	**POSITIVE COLLECTED BALANCE**	**348,774.35**
18	**LESS: DDA BALANCE-RESERVE REQUIREMENT**	**34,877.44**
19	**INVESTABLE BALANCE**	**313,896.91**

❑ RATE INFORMATION

		BALANCE
20	EARNINGS ALLOWANCE RATE	.3000%
21	RESERVE REQUIREMENT RATE	10.0000%
22	COLLECTED OVERDRAFT INTEREST CHARGE RATE	7.0000%
23	MULTIPLIER (INVESTABLE BALANCE REQUIRED PER $1.00 OF SERVICE CHARGE)	3,935.4585

❑ INTEREST CHARGE DETAIL

24	AFP CODE	SERVICE DESCRIPTION	INTEREST CHARGE	25 BALANCE REQUIRED
	00 0210	NEGATIVE COLLECTED BALANCE INTEREST CHARGES 26	75.77	298, 189.69
		TOTAL INTEREST CHARGES	**75.77**	**298, 189.69**

Price/rate information is for illustrative purposes only

❑ ACTIVITY CHARGE DETAIL

	AFP CODE	SERVICE DESCRIPTION 27		28 PRICE	29 VOLUME	30 SERVICE CHARGE	BALANCE REQUIRED
31	00 0230	***BALANCE AND COMPENSATION INFORMATION***					
	00	QUARTERLY FDIC PER $1000		.0318	1,261	40.10	157,811.89
		TOTAL BALANCE & COMPENSATION INFORMATION				***40.10***	***157,811.89***
		GENERAL ACCOUNT SERVICES					
	01 0000	ACCOUNT MAINTENANCE		30.0000	1	**30.00**	**118,063.76**
	01	***TOTAL GENERAL ACCOUNT SERVICES***				***30.00***	***118,063.76***
		LOCKBOX SERVICES					
	05 0000	WLBX IMAGE LBX MAINT		125.00	1	125.00	491,932.31
	05 0100	WLBX IMAGE PROC PER ITEM		.35	48	16.80	66,115.70
	05 0104	WLBX MINIMUM CHARGE				65.58	258,087.37
		TOTAL LOCKBOX SERVICES				***207.38***	***816,135.38***
		DEPOSITORY SERVICES					
32	10 0141	CHANGE ORDER VAULT	R	.09	3,098	278.82	1,097,284.54
	10 0144	COIN SUPP/ROLL-BOX-VLT		.065	745	**48.43**	**190,594.26**
	10	***TOTAL DEPOSITORY SERVICES***				***327.25***	***1,287,878.79***
		UNDEFINED SERVICES					
	99 9999	PRIOR PERIOD CHARGE ADJUSTMENT				(253.79)	(998,780.01)
	99	***TOTAL UNDEFINED SERVICES***				***(253.79)***	***(998,780.01)***
		TOTAL ACTIVITY CHARGES				350.94	***1,381,109.80***

❑ LOCKBOX DETAIL

NUMBER 33	AFP CODE	DESCRIPTION	PRICE	VOLUME	SERVICE CHARGE
TX 59423	05 0000	WBLX WHSL IMAGE LBX MAINT	125.0000	1	125.00
TX 59423	05 0100	WBLX IMAGE PROC PER ITEM	.3500	48	16.80
TX 59423	05 0104	WLBX MINIMUM CHARGE			65.58
	TOTAL				***207.38***

❑ NEGATIVE COLLECTED BALANCE AND INTEREST CHARGE DETAIL

TRANSACTION DATE	NEGATIVE COLLECTED BALANCE
03/09/YYYY	(389,659.33)
TOTAL	***389,659.33***
DAYS IN PERIOD	***31***
AVERAGE NEGATIVE COLLECTED BALANCE	***(12,569.66)***
INTEREST RATE	***7.0000%***
TOTAL INTEREST CHARGE	***75.77***

❑ PRIOR PERIOD EARNING ALLOWANCE ADJUSTMENT DETAIL

SERVICE DESCRIPTION 34	35 EFFECTIVE DATE	36 ADJUSTMENT DATE	37 TRANSACTION AMOUNT	NO. OF DAYS 38	POSITIVE COLLECTED 39 BALANCE EFFECT	40 EARNINGS ALLOW. RATE	41 EARNINGS ALLOW/ADJUSTMENT
LEDGER	01/28/YY	03/05/YY	62,505.28	3	187,515.84	.3000	**1.39**
FLOAT	01/28/YY	03/05/YY	51,746.67	3	(155,240.01)	.3000	**(1.15)**
NET ADJUSTMENT							***.24***

❑ PRIOR PERIOD INTEREST CHARGE ADJUSTMENT DETAIL

SERVICE DESCRIPTION	EFFECTIVE DATE	ADJUSTMENT DATE	TRANSACTION AMOUNT	NO. OF DAYS	NEGATIVE COLLECTED 42 BALANCE EFFECT	43 INTEREST RATE	INTEREST CHARGES 44 ADJUSTMENTS
RATE CORRECTION REVERSAL	02/02/YY	03/05/YY		29	942,648.91	7.5000	**(196.39)**
RATE CORRECTION	02/02/YY	03/05/YY		29	(942,648.91)	7.0000	**183.29**
LEDGER	01/28/YY	03/05/YY	62,505.28	1	42,032.00	7.0000	**(8.17)**
FLOAT	01/28/YY	03/05/YY	51,746.67	1	(9,714.67)	7.0000	**1.89**
NET ADJUSTMENT							***(19.37)***

❑ PRIOR PERIOD ACTIVITY CHARGE ADJUSTMENT DETAIL

TRANSACTION DATE	ADJUSTMENT DATE	DESCRIPTION	AMOUNT
02/02/YYYY	03/05/YYYY	FED TAX CR	**(253.79)**
		TOTAL	***(253.79)***

Section 1. The City Council hereby approves the agreement for banking services with Bank of America for a five-year period ("the Banking Services Agreement"), attached hereto as Exhibit 1.

Section 2. The City Council hereby suspends competitive bidding in the best interest of the City and authorizes the City Treasurer or his designee to execute the Banking Services Agreement and all related agreements that the Treasurer deems appropriate.

Section 3. The City Council hereby ratifies the expenditure of $750,000 paid to Bank of America for banking services it provided to the City from September 23, 2009 to the present, during the time after the last five-year contract expired.

Section 4. Exhibit 1, and all exhibits attached thereto, are part of this resolution.