BANK OF AMERICA CORP /DE/
Form 10-Q
November 08, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2006

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

Commission file number:

1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State of incorporation:

Delaware

IRS Employer Identification Number:

56-0906609

Address of principal executive offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant s telephone number, including area code:

(704) 386-5681

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ü No

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

Large accelerated filer ü Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No ü

On October 31, 2006, there were 4,490,688,140 shares of Bank of America Corporation Common Stock outstanding.

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Bank of America Corporation

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Bank of America Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in millions, except per share information)	Three Months Ended September 30 **2006**	2005	Nine Months Ended September 30 **2006**	2005
Interest income				
Interest and fees on loans and leases	**$ 12,638**	$ 8,933	**$ 35,569**	$ 25,307
Interest and dividends on securities	**3,080**	2,793	**9,215**	8,122
Federal funds sold and securities purchased under agreements to resell	**2,146**	1,382	**5,755**	3,535
Trading account assets	**1,856**	1,550	**5,031**	4,158
Other interest income	**952**	547	**2,524**	1,486
Total interest income	**20,672**	15,205	**58,094**	42,608
Interest expense				
Deposits	**3,976**	2,471	**10,491**	7,016
Short-term borrowings	**5,467**	3,190	**14,618**	7,760
Trading account liabilities	**727**	707	**1,840**	1,745
Long-term debt	**1,916**	1,102	**5,153**	3,209
Total interest expense	**12,086**	7,470	**32,102**	19,730
Net interest income	**8,586**	7,735	**25,992**	22,878
Noninterest income				
Service charges	**2,147**	2,080	**6,125**	5,777
Investment and brokerage services	**1,085**	1,060	**3,334**	3,122
Mortgage banking income	**189**	180	**415**	590
Investment banking income	**510**	522	**1,623**	1,319
Equity investment gains	**705**	713	**2,122**	1,691
Card income	**3,473**	1,520	**10,566**	4,246
Trading account profits	**731**	557	**2,706**	1,464
Other income	**1,227**	(216)	**1,675**	1,194
Total noninterest income	**10,067**	6,416	**28,566**	19,403
Total revenue	**18,653**	14,151	**54,558**	42,281
Provision for credit losses	**1,165**	1,159	**3,440**	2,614
Gains (losses) on sales of debt securities	**(469)**	29	**(464)**	1,013
Noninterest expense				
Personnel	**4,474**	3,837	**13,767**	11,209
Occupancy	**696**	638	**2,100**	1,889
Equipment	**318**	300	**978**	894
Marketing	**587**	307	**1,713**	990
Professional fees	**259**	254	**710**	647
Amortization of intangibles	**441**	201	**1,322**	613
Data processing	**426**	361	**1,245**	1,093
Telecommunications	**237**	206	**685**	608
Other general operating	**1,156**	1,061	**3,423**	3,065
Merger and restructuring charges	**269**	120	**561**	353
Total noninterest expense	**8,863**	7,285	**26,504**	21,361
Income before income taxes	**8,156**	5,736	**24,150**	19,319
Income tax expense	**2,740**	1,895	**8,273**	6,428
Net income	**$ 5,416**	$ 3,841	**$ 15,877**	$ 12,891
Net income available to common shareholders	**$ 5,416**	$ 3,836	**$ 15,868**	$ 12,877
Per common share information				
Earnings	**$ 1.20**	$ 0.96	**$ 3.49**	$ 3.21
Diluted earnings	**$ 1.18**	$ 0.95	**$ 3.44**	$ 3.16
Dividends paid	**$ 0.56**	$ 0.50	**$ 1.56**	$ 1.40
Average common shares issued and outstanding (in thousands)	**4,499,704**	4,000,573	**4,547,693**	4,012,924

Average diluted common shares issued and outstanding (in thousands)	**4,570,558**	4,054,659	**4,614,599**	4,072,991

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet

(Dollars in millions)	**September 30 2006**	December 31 2005
Assets		
Cash and cash equivalents	**$ 31,239**	$ 36,999
Time deposits placed and other short-term investments	**13,006**	12,800
Federal funds sold and securities purchased under agreements to resell (includes **$134,583** and $148,299 pledged as collateral)	**134,595**	149,785
Trading account assets (includes **$57,025** and $68,223 pledged as collateral)	**141,211**	131,707
Derivative assets	**23,121**	23,712
Securities:		
Available-for-sale (includes **$156,062** and $116,659 pledged as collateral)	**195,095**	221,556
Held-to-maturity, at cost (market value **$56** and $47)	**57**	47
Total securities	**195,152**	221,603
Loans and leases	**669,149**	573,791
Allowance for loan and lease losses	**(8,872)**	(8,045)
Loans and leases, net of allowance	**660,277**	565,746
Premises and equipment, net	**9,205**	7,786
Mortgage servicing rights (includes **$2,932** measured at fair value at September 30, 2006)	**3,091**	2,806
Goodwill	**65,818**	45,354
Intangible assets	**9,758**	3,194
Other assets	**162,738**	90,311
Total assets	**$ 1,449,211**	$ 1,291,803
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	**$ 169,540**	$ 179,571
Interest-bearing	**409,718**	384,155
Deposits in foreign offices:		
Noninterest-bearing	**4,371**	7,165
Interest-bearing	**82,276**	63,779
Total deposits	**665,905**	634,670
Federal funds purchased and securities sold under agreements to repurchase	**258,090**	240,655
Trading account liabilities	**64,936**	50,890
Derivative liabilities	**15,394**	15,000
Commercial paper and other short-term borrowings	**135,056**	116,269
Accrued expenses and other liabilities (includes **$388** and $395 of reserve for unfunded lending commitments)	**38,494**	31,938
Long-term debt	**137,739**	100,848
Total liabilities	**1,315,614**	1,190,270
Commitments and contingencies (Notes 8 and 10)		
Shareholders equity		
Preferred stock, $0.01 par value; authorized 100,000,000 shares; issued and outstanding **40,739** and 1,090,189 shares	**826**	271
Common stock and additional paid-in capital, $0.01 par value; authorized 7,500,000,000 shares; issued and outstanding **4,498,145,315** and 3,999,688,491 shares	**63,929**	41,693
Retained earnings	**76,271**	67,552
Accumulated other comprehensive income (loss)	**(6,867)**	(7,556)
Other	**(562)**	(427)
Total shareholders equity	**133,597**	101,533
Total liabilities and shareholders equity	**$ 1,449,211**	$ 1,291,803

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Consolidated Statement of Changes in Shareholders Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital Shares	Common Stock and Additional Paid-in Capital Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss) [(1)]	Other	Total Shareholders Equity	Comprehensive Income
Balance, December 31, 2004	$ 271	4,046,546	$ 44,236	$ 58,773	$ (2,764)	$ (281)	$ 100,235	
Net income				12,891			12,891	$ 12,891
Net unrealized losses on available-for-sale debt and marketable equity securities					(1,711)		(1,711)	(1,711)
Net unrealized gains on foreign currency translation adjustments					26		26	26
Net losses on derivatives					(2,130)		(2,130)	(2,130)
Cash dividends paid:								
Common				(5,658)			(5,658)	
Preferred				(14)			(14)	
Common stock issued under employee plans and related tax benefits		60,704	2,593			(211)	2,382	
Common stock repurchased		(94,187)	(4,281)				(4,281)	
Other				(12)	(1)	1	(12)	(1)
Balance, September 30, 2005	$ 271	4,013,063	$ 42,548	$ 65,980	$ (6,580)	$ (491)	$ 101,728	$ 9,075
Balance, December 31, 2005	**$ 271**	**3,999,688**	**$ 41,693**	**$ 67,552**	**$ (7,556)**	**$ (427)**	**$ 101,533**	
Net income				**15,877**			**15,877**	**$ 15,877**
Net unrealized losses on available-for-sale debt and marketable equity securities					**(106)**		**(106)**	**(106)**
Net unrealized gains on foreign currency translation adjustments					**177**		**177**	**177**
Net gains on derivatives					**618**		**618**	**618**
Cash dividends paid:								
Common				**(7,149)**			**(7,149)**	
Preferred				**(9)**			**(9)**	
Issuance of preferred stock	**825**						**825**	
Redemption of preferred stock	**(270)**						**(270)**	
Common stock issued under employee plans and related tax benefits		**98,312**	**3,988**			**(135)**	**3,853**	
Stock issued in acquisition [(2)]		**631,145**	**29,377**				**29,377**	
Common stock repurchased		**(231,000)**	**(11,129)**				**(11,129)**	
Balance, September 30, 2006	**$ 826**	**4,498,145**	**$ 63,929**	**$ 76,271**	**$ (6,867)**	**$ (562)**	**$ 133,597**	**$ 16,566**

[(1)] At September 30, 2006 and December 31, 2005, Accumulated Other Comprehensive Income (Loss) (OCI) includes Net Gains (Losses) on Derivatives of $(3,720) million and $(4,338) million; Net Unrealized Gains (Losses) on Available-for-sale (AFS) Debt and Marketable Equity Securities of $(3,084) million and $(2,978) million; Net Unrealized Gains (Losses) on Foreign Currency Translation Adjustments of $55 million and $(122) million; and Other of $(118) million and $(118) million. Amounts shown are net of tax. For additional information on Accumulated OCI, see Note 11 of the Consolidated Financial Statements.

[(2)] Includes the fair value of outstanding MBNA Corporation (MBNA) stock options of $435 million that were exchanged for the Corporation s options as part of the MBNA merger.

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Consolidated Statement of Cash Flows

	Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005
Operating activities		
Net income	**$ 15,877**	$ 12,891
Reconciliation of net income to net cash provided by (used in) operating activities:		
Provision for credit losses	**3,440**	2,614
(Gains) losses on sales of debt securities	**464**	(1,013)
Depreciation and premises improvements amortization	**835**	716
Amortization of intangibles	**1,322**	613
Deferred income tax expense	**1,322**	126
Net (increase) decrease in trading and derivative instruments	**7,830**	(10,503)
Net increase in other assets	**(26,704)**	(3,130)
Net increase (decrease) in accrued expenses and other liabilities	**648**	(6,015)
Stock-based compensation expense	**862**	608
Other operating activities, net	**(3,054)**	(7,381)
Net cash provided by (used in) operating activities	**2,842**	(10,474)
Investing activities		
Net (increase) decrease in time deposits placed and other short-term investments	**(295)**	1,125
Net (increase) decrease in federal funds sold and securities purchased under agreements to resell	**13,903**	(44,049)
Proceeds from sales of available-for-sale securities	**17,122**	134,419
Proceeds from maturities of available-for-sale securities	**17,708**	31,392
Purchases of available-for-sale securities	**(38,270)**	(200,407)
Proceeds from maturities of held-to-maturity securities		194
Proceeds from sales of loans and leases	**29,902**	13,059
Other changes in loans and leases, net	**(96,643)**	(48,763)
Net purchases of premises and equipment	**(398)**	(858)
Proceeds from sales of foreclosed properties	**86**	101
Investment in China Construction Bank		(2,500)
Net cash paid for business acquisitions and divestitures	**(3,615)**	
Other investing activities, net	**(222)**	83
Net cash used in investing activities	**(60,722)**	(116,204)
Financing activities		
Net increase in deposits	**7,249**	7,907
Net increase in federal funds purchased and securities sold under agreements to repurchase	**18,109**	97,312
Net increase in commercial paper and other short-term borrowings	**17,454**	29,057
Proceeds from issuance of long-term debt	**37,403**	17,813
Retirement of long-term debt	**(13,507)**	(13,076)
Issuance of preferred stock	**825**	
Redemption of preferred stock	**(270)**	
Proceeds from issuance of common stock	**2,587**	1,607
Common stock repurchased	**(11,129)**	(4,281)
Cash dividends paid	**(7,158)**	(5,672)
Excess tax benefits of share-based payments	**342**	
Other financing activities, net	**121**	(104)
Net cash provided by financing activities	**52,026**	130,563
Effect of exchange rate changes on cash and cash equivalents	**94**	(50)
Net increase (decrease) in cash and cash equivalents	**(5,760)**	3,835
Cash and cash equivalents at January 1	**36,999**	28,936
Cash and cash equivalents at September 30	**$ 31,239**	$ 32,771

The fair values of noncash assets acquired and liabilities assumed in the MBNA merger were $83.5 billion and $50.6 billion.

Approximately 631 million shares of common stock, valued at approximately $28.9 billion were issued in connection with the MBNA merger.

Net transfers from AFS securities to Other Assets related to broker receivables of $35.9 billion for the nine months ended September 30, 2006.

On September 1, 2006, the Corporation completed the sale of its Brazilian operations for approximately $1.9 billion in equity of Banco Itau Holding Financeira S.A.

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Bank of America Corporation and its subsidiaries (the Corporation) through its banking and nonbanking subsidiaries, provide a diverse range of financial services and products throughout the U.S. and in selected international markets. At September 30, 2006, the Corporation operated its banking activities primarily under three charters: Bank of America, National Association (Bank of America, N.A.), Bank of America, N.A. (USA), and FIA Card Services, N.A. Effective June 10, 2006, MBNA America Bank N.A. was renamed FIA Card Services, N.A.

On January 1, 2006, the Corporation acquired 100 percent of the outstanding stock of MBNA Corporation (MBNA). The MBNA merger was accounted for under the purchase method of accounting. Consequently, MBNA s results of operations were included in the Corporation s results beginning as of January 1, 2006.

NOTE 1 Summary of Significant Accounting Principles

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. All significant intercompany accounts and transactions have been eliminated.

The information contained in the Consolidated Financial Statements is unaudited. In the opinion of management, normal recurring adjustments necessary for a fair statement of the interim period results have been made. Results of operations of companies purchased are included from the dates of acquisition.

Certain historical financial statements and other selected financial data were restated to comply with the accounting treatment for certain derivative transactions under the Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133). For additional information on this restatement, see Note 1 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

As part of its credit portfolio management, the Corporation purchases credit protection through credit derivatives. Effective January 1, 2006, the Corporation classifies the impact of these credit derivatives that economically hedge the portfolio in Other Income. Prior to January 1, 2006, the impact was classified in Trading Account Profits.

Prior period amounts have been reclassified to conform to current period presentation.

On September 1, 2006, the Corporation completed the sale of its Brazilian operations for approximately $1.9 billion in equity of Banco Itau Holding Financeira S.A., Brazil s second largest nongovernment-owned banking company. The sale resulted in a $720 million gain (pre-tax) that was recorded in Other Income.

Recently Issued or Proposed Accounting Pronouncements

On September 29, 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R) , (SFAS 158) which requires the recognition of a plan s over-funded or under-funded status as an asset or liability with an offsetting adjustment to Accumulated Other Comprehensive Income (Loss) (OCI). SFAS 158 requires the determination of the fair values of a plan s assets at a company s year-end and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of Accumulated OCI. This statement is effective as of December 31, 2006. If the provisions of SFAS 158 had been applied as of December 31, 2005, Shareholders Equity would have been reduced by approximately $3 billion before tax and approximately $2 billion after tax. Additionally, the initial adoption of SFAS 158 may impact the Corporation s regulatory capital. For additional information on the Corporation s pension and postretirement plans, see Note 16 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

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On September 15, 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles (GAAP) and enhances disclosures about fair value measurements. SFAS 157 retains the exchange price notion and clarifies that the exchange price is the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. SFAS 157 is effective for the Corporation s financial statements for the year beginning on January 1, 2008, with earlier adoption permitted. Management is currently evaluating the effect of SFAS 157 on the Corporation s financial condition and results of operations.

On September 13, 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108). SAB 108 expresses the SEC Staff s views regarding the process of quantifying financial statement misstatements. SAB 108 states that in evaluating the materiality of financial statement misstatements a corporation must quantify the impact of correcting misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. SAB 108 is effective for the year ended December 31, 2006. Under certain circumstances, prior year financial statements will not have to be restated and the effects of initially applying SAB 108 on prior years will be recorded as a cumulative effect adjustment to beginning Retained Earnings on January 1, 2006, with disclosure of the items included in the cumulative effect. Management is currently evaluating the effect of SAB 108 on the Corporation s financial condition and results of operations.

On July 13, 2006, the FASB issued FASB Staff Position (FSP) No. FAS 13-2, Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction (FSP 13-2). The principal provision of FSP 13-2 is the requirement that a lessor recalculate the recognition of lease income when there is a change in the estimated timing of the cash flows relating to income taxes generated by such leveraged lease. FSP 13-2 is effective as of January 1, 2007 and requires that the cumulative effect of adoption be reflected as an adjustment to the beginning balance of Retained Earnings in the period of adoption with a corresponding offset decreasing the net investment in leveraged leases. Management currently estimates that the adoption of FSP 13-2 will result in an adjustment increasing Goodwill by approximately $400 million for leveraged leases acquired as part of the merger with FleetBoston Financial Corporation (FleetBoston) and a charge of approximately $350 million to Retained Earnings as of January 1, 2007.

On July 13, 2006, the FASB released FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns. The Corporation will adopt FIN 48 on January 1, 2007. The cumulative effect, if any, of applying FIN 48 will be recorded as an adjustment to the beginning balance of Retained Earnings. Management is currently evaluating the effect of FIN 48 on the Corporation s financial condition and results of operations.

On March 17, 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 133 and 140 (SFAS 156), which permits, but does not require, an entity to account for one or more classes of servicing rights (i.e., mortgage servicing rights, or MSRs) at fair value, with the changes in fair value recorded in the Consolidated Statement of Income. The Corporation elected to early adopt the standard and to account for consumer MSRs using the fair value measurement method on January 1, 2006. Commercial related MSRs continue to be accounted for using the amortization method (i.e., lower of cost or market). The adoption of this standard did not have a material impact on the Corporation s financial condition and results of operations. For additional information on MSRs, see Note 7 of the Consolidated Financial Statements.

On February 16, 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Instruments (SFAS 155), which permits, but does not require, fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation in accordance with SFAS 133. The statement also subjects beneficial interests issued by securitization vehicles to the requirements of SFAS 133. The statement is effective as of January 1, 2007. The adoption of SFAS 155 is not expected to have a material impact on the Corporation s financial condition and results of operations.

Effective January 1, 2006, the Corporation adopted SFAS No. 123 (revised 2004), Share-based Payment (SFAS 123R). Previously, the Corporation accounted for stock-based employee compensation under the fair value-based method of accounting. For additional information on stock-based employee compensation, see Note 13 of the Consolidated Financial Statements.

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For additional information on recently issued accounting pronouncements and other significant accounting principles, see Note 1 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

NOTE 2 MBNA Merger and Restructuring Activity

The Corporation acquired 100 percent of the outstanding stock of MBNA on January 1, 2006 under the terms of the MBNA merger agreement. As a result, 1,260 million shares of MBNA common stock were exchanged for 631 million shares of the Corporation s common stock. Prior to the MBNA merger, this represented approximately 16 percent of the Corporation s outstanding common stock. MBNA shareholders also received cash of $5.2 billion. The MBNA merger was a tax-free merger for the Corporation. The acquisition expands the Corporation s customer base and its opportunity to deepen customer relationships across the full breadth of the Corporation by delivering innovative deposit, lending and investment products and services to MBNA s customer base. Additionally, the acquisition allows the Corporation to significantly increase its affinity relationships through MBNA s credit card operations and sell these credit cards through its delivery channels (including the retail branch network). MBNA s results of operations were included in the Corporation s results beginning January 1, 2006.

The MBNA merger was accounted for under the purchase method of accounting in accordance with SFAS No. 141, Business Combinations. The purchase price has been allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the MBNA merger date as summarized in the following table. This allocation is based on management s current estimation and could change as the fair value calculations are finalized and more information becomes available.

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MBNA Purchase Price Allocation (In millions, except per share amounts)

Purchase price		
Purchase price per share of the Corporation s common stock[1]	$ 45.856	
Exchange ratio	0.5009	
Purchase price per share of the Corporation s common stock exchanged	$ 22.969	
Cash portion of the MBNA merger consideration	4.125	
Implied value of one share of MBNA common stock	27.094	
MBNA common stock exchanged	1,260	
Total value of the Corporation s common stock and cash exchanged		$ 34,139
Fair value of outstanding stock options and direct acquisition costs		467
Total purchase price		**$ 34,606**
Allocation of the purchase price		
MBNA stockholders equity		$ 13,410
MBNA goodwill and other intangible assets		(3,564)
Adjustments to reflect assets acquired and liabilities assumed at fair value:		
Loans and leases		(292)
Premises and equipment		(563)
Identified intangibles [2]		7,857
Other assets		(678)
Deposits		(97)
Exit and termination liabilities		(299)
Other personnel-related liabilities		(685)
Other liabilities and deferred income taxes		(638)
Long-term debt		(409)
Estimated fair value of net assets acquired		14,042
Estimated goodwill resulting from the MBNA merger [3]		**$ 20,564**

(1) The value of the shares of common stock exchanged with MBNA 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, June 30, 2005, the date of the MBNA merger announcement.

(2) Includes purchased credit card relationships of $5,698 million, affinity relationships of $1,641 million, core deposit intangibles of $214 million, and other intangibles of $304 million. The amortization life for core deposit intangibles is 10 years, and purchased credit card relationships and affinity relationships are 15 years. These intangibles are primarily amortized on an accelerated basis.

(3) No Goodwill is expected to be deductible for tax purposes. Substantially all Goodwill was allocated to *Global Consumer and Small Business Banking*.

As a result of the MBNA merger, 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. These loans were accounted for in accordance with American Institute of Certified Public Accountants Statement of Position No. 03-3 Accounting for Certain Loans or Debt Securities Acquired in a Transfer , which requires that purchased impaired loans be recorded at fair value as of the merger date. The purchase accounting adjustment to reduce impaired loans to fair value results in an increase in Goodwill. In addition, an adjustment was made to the Allowance for Loan and Lease Losses for those impaired loans resulting in a decrease in Goodwill. The outstanding balance and fair value of such loans was approximately $1.3 billion and $940 million as of the merger date. At September 30, 2006, the outstanding balance of such loans was approximately $129 million.

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Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information presents the results of operations of the Corporation had the MBNA merger taken place at January 1, 2005.

	Pro Forma	
	Three Months Ended	**Nine Months Ended**
(Dollars in millions)	**September 30, 2005**	
Net interest income	$ 8,585	$ 25,363
Noninterest income	8,364	24,973
Total revenue	16,949	50,336
Provision for credit losses	1,439	3,385
Gains on sales of debt securities	29	1,013
Merger and restructuring charges	102	1,118
Other noninterest expense	8,622	25,409
Income before income taxes	6,815	21,437
Net income	4,529	14,246

Merger and Restructuring Charges in the above table includes a nonrecurring restructuring charge related to legacy MBNA of $(18) million and $765 million for the three and nine months ended September 30, 2005. Pro forma Earnings per Common Share and Diluted Earnings per Common Share were $0.98 and $0.97 for the three months ended September 30, 2005, and $3.06 and $3.02 for the nine months ended September 30, 2005.

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 MBNA. These charges represent costs associated with these one-time activities and do not represent ongoing costs of the fully integrated combined organization. The following table presents severance and employee-related charges, systems integrations and related charges, and other merger-related charges. For a discussion of the prior year Merger and Restructuring Charges related to FleetBoston, see Note 2 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

	Three Months Ended	**Nine Months Ended**
(Dollars in millions)	**September 30, 2006**	
Severance and employee-related charges	$ 40	$ 74
Systems integrations and related charges	183	363
Other	46	124
Total merger and restructuring charges	**$ 269**	**$ 561**

Exit Costs and Restructuring Reserves

On January 1, 2006, liabilities of $468 million for MBNA s exit and termination costs were recorded as purchase accounting adjustments resulting in an increase in Goodwill. Included in the $468 million were $409 million for severance, relocation and other employee-related expenses and $59 million for contract terminations. During the three and nine months ended September 30, 2006, the Corporation revised certain of its initial estimates due to lower severance costs and updated integration plans including site consolidations that resulted in the reductions of exit cost reserves of $69 million and $169 million respectively. For the three and nine months ended September 30, 2006, $56 million and $156 million of the reductions in reserves were related to severance, relocation and other employee related expenses. The remaining reduction of $13 million related to contract termination estimates, all of which was recorded in the three months ended September 30, 2006. Cash payments of $41 million and $108 million during the three and nine months ended September 30, 2006, included $39 million and $76 million of severance, relocation and other employee-related costs, and $2 million and $32 million of contract terminations. The impact of these items reduced the balance in the liability from $301 million at June 30, 2006 to $191 million at September 30, 2006.

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Restructuring reserves were established for legacy Bank of America associate severance, other employee-related expenses, and contract terminations. During the three and nine months ended September 30, 2006, $38 million and $71 million was recorded to the restructuring reserves related to associate severance and other employee-related expenses, and another $21 million and $62 million for contract terminations. During the three and nine months ended September 30, 2006, cash payments of $7 million and $11 million for severance and other employee-related costs have reduced this liability. The net impact of these items increased the balance from $70 million at June 30, 2006 to $122 million at September 30, 2006.

Payments under exit costs and restructuring reserves associated with the MBNA merger are expected to be substantially complete by the end of 2007. The following table presents the changes in Exit Costs and Restructuring Reserves for the three and nine months ended September 30, 2006.

(Dollars in millions)	Exit Cost Reserves [1]	Restructuring Reserves [2]
Balance, January 1, 2006	$	$
MBNA exit costs	368	
Restructuring charges		74
Cash payments	(67)	(4)
Balance, June 30, 2006	301	70
MBNA exit costs	(69)	
Restructuring charges		59
Cash payments	(41)	(7)
Balance, September 30, 2006	**$ 191**	**$ 122**

(1) Exit costs reserves were established in purchase accounting resulting in an increase in Goodwill.

(2) Restructuring reserves were established by a charge to income.

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NOTE 3 Trading Account Assets and Liabilities

The following table presents the fair values of the components of Trading Account Assets and Liabilities at September 30, 2006 and December 31, 2005.

(Dollars in millions)	September 30 2006	December 31 2005
Trading account assets		
Corporate securities, trading loans and other	$ 45,470	$ 46,554
U.S. government and agency securities [(1)]	34,165	31,091
Equity securities	27,153	31,029
Mortgage trading loans and asset-backed securities	14,832	12,290
Foreign sovereign debt	19,591	10,743
Total	$ 141,211	$ 131,707
Trading account liabilities		
U.S. government and agency securities [(2)]	$ 23,499	$ 23,179
Equity securities	21,750	11,371
Foreign sovereign debt	12,073	8,915
Corporate securities and other	7,614	7,425
Total	$ 64,936	$ 50,890

(1) Includes $24.5 billion at September 30, 2006 and $22.1 billion at December 31, 2005 of government-sponsored enterprise obligations that are not backed by the full faith and credit of the U.S. government.

(2) Includes $2.0 billion at September 30, 2006 and $1.4 billion at December 31, 2005 of government-sponsored enterprise obligations that are not backed by the full faith and credit of the U.S. government.

NOTE 4 Derivatives

All derivatives are recognized 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 or quoted prices for instruments with similar characteristics. The Corporation designates at inception whether the derivative contract is considered hedging or non-hedging for SFAS 133 accounting purposes. Non-hedging derivatives held for trading purposes are included in Derivative Assets or Derivative Liabilities with changes in fair value reflected in Trading Account Profits. Other non-hedging derivatives that are considered economic hedges, but not designated in a hedging relationship for accounting purposes, are also included in Derivative Assets or Derivative Liabilities with changes in fair value recorded in Mortgage Banking Income or Other Income in the Consolidated Statement of Income. A detailed discussion of derivative trading activities and Asset and Liability Management (ALM) activities are presented in Note 5 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

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The following table presents the contract/notional amounts and credit risk amounts at September 30, 2006 and December 31, 2005 of all the Corporation s derivative positions. These derivative positions are primarily executed in the over-the-counter market. Credit risk associated with derivatives is measured as the net replacement cost in the event the counterparties with contracts in a gain position to the Corporation completely fail to perform under the terms of those contracts. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements, and on an aggregate basis have been reduced by the cash collateral applied against Derivative Assets. At September 30, 2006 and December 31, 2005, the cash collateral applied against Derivative Assets on the Consolidated Balance Sheet was $7.8 billion and $9.3 billion. In addition, at September 30, 2006 and December 31, 2005, the cash collateral placed against Derivative Liabilities was $6.4 billion and $7.6 billion.

	September 30, 2006		December 31, 2005	
(Dollars in millions)	**Contract/ Notional**	**Credit Risk**	Contract/ Notional	Credit Risk
Interest rate contracts				
Swaps	**$ 17,269,574**	**$ 10,543**	$ 14,401,577	$ 11,085
Futures and forwards	**2,577,243**	**77**	2,113,717	
Written options	**1,073,067**		900,036	
Purchased options	**1,415,405**	**2,300**	869,471	3,345
Foreign exchange contracts				
Swaps	**411,788**	**3,679**	333,487	3,735
Spot, futures and forwards	**1,209,779**	**1,899**	944,321	2,481
Written options	**454,473**		214,668	
Purchased options	**446,443**	**1,466**	229,049	1,214
Equity contracts				
Swaps	**35,250**	**604**	28,287	548
Futures and forwards	**16,584**	**17**	6,479	44
Written options	**114,760**		69,048	
Purchased options	**99,380**	**8,247**	57,693	6,729
Commodity contracts				
Swaps	**4,320**	**1,295**	8,809	2,475
Futures and forwards	**7,727**		5,533	
Written options	**5,853**		7,854	
Purchased options	**3,266**	**193**	3,673	546
Credit derivatives [(1)]	**1,168,951**	**565**	722,190	766
Credit risk before cash collateral		**30,885**		32,968
Less: Cash collateral applied		**7,764**		9,256
Total derivative assets [(2)]		**$ 23,121**		$ 23,712

(1) The December 31, 2005 notional amount has been restated to conform with new regulatory guidance, which defined the notional as the contractual loss protection for structured basket transactions.

(2) Includes long and short derivative positions.

The average fair value of Derivative Assets for the three months ended September 30, 2006 and December 31, 2005 was $23.7 billion and $25.2 billion. The average fair value of Derivative Liabilities for the three months ended September 30, 2006 and December 31, 2005 was $15.9 billion and $16.9 billion.

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Fair Value and Cash Flow Hedges

The Corporation uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates (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). During the next 12 months, net losses on derivative instruments included in Accumulated OCI of approximately $752 million (pre-tax) are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to decrease income or increase expense on the respective hedged items.

The following table summarizes certain information related to the Corporation s derivative hedges accounted for under SFAS 133 for the three and nine months ended September 30, 2006 and 2005:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005	**2006**	2005
Fair value hedges				
Hedge ineffectiveness recognized in earnings [(1)]	**$ 6**	$ 47	**$ 5**	$ 92
Net gain excluded from assessment of effectiveness [(2)]				2
Cash flow hedges				
Hedge ineffectiveness recognized in earnings [(3)]	**7**		**10**	(15)
Net investment hedges				
Gains (losses) included in foreign currency translation adjustments within Accumulated OCI	**(94)**	(30)	**(296)**	49

(1) Included $6 million and $4 million recorded in Net Interest Income, $0 and $41 million recorded in Mortgage Banking Income, $0 and $1 million recorded in Equity Investment Gains, and $0 and $1 million recorded in Trading Account Profits in the Consolidated Statement of Income for the three months ended September 30, 2006 and 2005. Included $5 million and $4 million recorded in Net Interest Income, $0 and $92 million recorded in Mortgage Banking Income, $0 and $(5) million recorded in Equity Investment Gains, and $0 and $1 million recorded in Trading Account Profits for the nine months ended September 30, 2006 and 2005.

(2) Amounts were recorded in Mortgage Banking Income and Equity Investment Gains in the Consolidated Statement of Income for the nine months ended September 30, 2005.

(3) Included $7 million and $0 recorded in Net Interest Income in the Consolidated Statement of Income for the three months ended September 30, 2006 and 2005. Included $9 million and $(1) million recorded in Net Interest Income, and $1 million and $(14) million recorded in Mortgage Banking Income for the nine months ended September 30, 2006 and 2005.

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NOTE 5 Outstanding Loans and Leases

Outstanding loans and leases at September 30, 2006 and December 31, 2005 were:

(Dollars in millions)	September 30 2006	December 31 2005
Consumer		
Residential mortgage	**$ 218,918**	$ 182,596
Credit card domestic	**60,130**	58,548
Credit card foreign	**9,937**	
Home equity lines	**71,577**	62,098
Direct/Indirect consumer (1)	**62,985**	45,490
Other consumer (2)	**10,468**	6,725
Total consumer	**434,015**	355,457
Commercial		
Commercial domestic	**154,578**	140,533
Commercial real estate (3)	**37,121**	35,766
Commercial lease financing	**21,289**	20,705
Commercial foreign	**22,146**	21,330
Total commercial	**235,134**	218,334
Total	**$ 669,149**	$ 573,791

(1) Includes home equity loans of $10.6 billion and $8.1 billion at September 30, 2006 and December 31, 2005.

(2) Includes foreign consumer of $7.6 billion and $3.8 billion, and consumer finance of $2.9 billion and $2.8 billion at September 30, 2006 and December 31, 2005.

(3) Includes domestic commercial real estate loans of $36.4 billion and $35.2 billion, and foreign commercial real estate loans of $768 million and $585 million at September 30, 2006 and December 31, 2005.

The following table presents the recorded loan amounts, without consideration for the specific component of the Allowance for Loan and Lease Losses, that were considered individually impaired in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan, (SFAS 114) at September 30, 2006 and December 31, 2005. SFAS 114 impairment includes performing troubled debt restructurings and excludes all commercial leases.

(Dollars in millions)	September 30 2006	December 31 2005
Commercial domestic	**$ 554**	$ 613
Commercial real estate	**68**	49
Commercial foreign	**36**	34
Total impaired loans	**$ 658**	$ 696

At September 30, 2006 and December 31, 2005, nonperforming loans and leases, including impaired loans and nonaccrual consumer loans, totaled $1.6 billion and $1.5 billion. In addition, included in Other Assets were nonperforming loans held-for-sale of $99 million and $69 million at September 30, 2006 and December 31, 2005.

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NOTE 6 Allowance for Credit Losses

The following table summarizes the changes in the allowance for credit losses for the three and nine months ended September 30, 2006 and 2005:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005	**2006**	2005
Allowance for loan and lease losses, beginning of period	**$ 9,080**	$ 8,319	**$ 8,045**	$ 8,626
MBNA balance, January 1, 2006			**577**	
Loans and leases charged off	**(1,637)**	(1,439)	**(4,161)**	(3,819)
Recoveries of loans and leases previously charged off	**360**	294	**1,039**	905
Net charge-offs	**(1,277)**	(1,145)	**(3,122)**	(2,914)
Provision for loan and lease losses	**1,165**	1,152	**3,440**	2,626
Other	**(96)**		**(68)**	(12)
Allowance for loan and lease losses, September 30	**8,872**	8,326	**8,872**	8,326
Reserve for unfunded lending commitments, beginning of period	**395**	383	**395**	402
Provision for unfunded lending commitments		7		(12)
Other	**(7)**		**(7)**	
Reserve for unfunded lending commitments, September 30	**388**	390	**388**	390
Total allowance for credit losses	**$ 9,260**	$ 8,716	**$ 9,260**	$ 8,716

NOTE 7 Mortgage Servicing Rights

Effective January 1, 2006, the Corporation accounts for consumer MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income. The Corporation economically hedges these MSRs with certain derivatives such as options and interest rate swaps. Prior to January 1, 2006, MSRs were accounted for on a lower of cost or market basis and hedged with derivatives that qualified for SFAS 133 hedge accounting.

The following table presents activity for consumer-related MSRs for the three and nine months ended September 30, 2006 and 2005.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005	**2006**	2005
Balance, beginning of period	**$ 3,083**	$ 2,233	**$ 2,673**	$ 2,358
Additions	**188**	241	**464**	627
Impact of customer payments	**(177)**		**(515)**	
Amortization		(161)		(454)
Other changes in MSR market value [(1)]	**(162)**		**310**	
Valuation adjustment of MSRs [(2)]		310		92
Balance, September 30 [(3)]	**$ 2,932**	$ 2,623	**$ 2,932**	$ 2,623

[(1)] Reflects changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates and the passage of time.

(2) For the three and nine months ended September 30, 2005, includes $325 million and $121 million related to change in value attributed to SFAS 133 hedged MSRs, and $15 million and $29 million of impairments.

(3) Net of impairment allowance of $273 million at September 30, 2005.

The key economic assumptions used in valuations of MSRs included modeled prepayment rates and resultant weighted average lives of the MSRs and the option adjusted spread levels. Commercial MSRs are accounted for using the amortization method (i.e., lower of cost or market). Commercial MSRs were $159 million and $148 million at September 30, 2006 and December 31, 2005 and are not included in the table above.

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NOTE 8 Securitizations

The Corporation securitizes assets and may continue to hold a portion or all of the securities, subordinated tranches, interest-only strips and, in some cases, a cash reserve account, all of which are considered interests that continue to be held by a transferor in the securitized assets. Those assets may be serviced by the Corporation or by third parties. The Corporation also uses other special purpose financing entities to access the commercial paper market and for other lending, leasing and real estate activities.

As a result of the MBNA merger, the Corporation acquired interests in credit card, other consumer, and commercial loan securitization vehicles. These acquired interests include interest-only strips, subordinated tranches, cash reserve accounts, and subordinated accrued interest receivable. Changes in the fair value of the interest-only strips are recorded in Card Income. The aggregate debt securities outstanding for the MBNA credit card securitization trusts as of September 30, 2006 and January 1, 2006, were $92.2 billion and $81.6 billion. As of September 30, 2006 and January 1, 2006, the aggregate debt securities outstanding for the Corporation s credit card securitization trusts, including MBNA, were $93.0 billion and $83.8 billion.

Key economic assumptions used in measuring the fair value of certain interests that continue to be held by the Corporation (included in Other Assets) in credit card securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are as follows:

(Dollars in millions)	September 30 2006	December 31 2005
Carrying amount of residual interests (at fair value) [1]	**$ 2,441**	$ 203
Balance of unamortized securitized loans	**94,389**	2,237
Weighted average life to call or maturity (in years)	**0.3**	0.5
Revolving structures payment rate	**11.2 19.5 %**	12.1 %
Impact on fair value of 100 bps favorable change	**$ 20**	$ 2
Impact on fair value of 200 bps favorable change	**44**	3
Impact on fair value of 100 bps adverse change	**(17)**	(2)
Impact on fair value of 200 bps adverse change	**(34)**	(3)
Expected credit losses (annual rate)	**3.9 5.2 %**	4.0 4.3 %
Impact on fair value of 10% favorable change	**$ 75**	$ 3
Impact on fair value of 25% favorable change	**212**	8
Impact on fair value of 10% adverse change	**(75)**	(3)
Impact on fair value of 25% adverse change	**(185)**	(8)
Residual cash flows discount rate (annual rate)	**12.0 %**	12.0 %
Impact on fair value of 100 bps favorable change	**$ 7**	$
Impact on fair value of 200 bps favorable change	**9**	
Impact on fair value of 100 bps adverse change	**(10)**	
Impact on fair value of 200 bps adverse change	**(19)**	

(1) Residual interests include interest-only strips, one or more subordinated tranches, accrued interest receivable, and in some cases, a cash reserve account.

The sensitivities in the preceding 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 an interest 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 risk associated with retained residual positions. The above sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk. The other consumer and commercial loan securitization vehicles acquired with MBNA were not material to the Corporation.

Principal proceeds from collections reinvested in revolving credit card securitizations were $41.6 billion and $120.8 billion for the three and nine months ended September 30, 2006, and $747 million and $4.0 billion for the three and nine months ended September 30, 2005. Contractual credit card servicing fee income totaled $472 million and $1.4 billion for the three and nine months ended September 30, 2006, and $21 million and $84 million for the three and nine months ended September 30, 2005. Other cash flows received on interests that continued to be held by the Corporation were $1.7 billion and $5.1 billion for the three and nine months ended September 30, 2006, and $43 million and $163 million for the three and nine months ended September 30, 2005, for credit card securitizations.

The Corporation also reviews its loans and leases portfolio on a managed basis. Managed loans and leases are defined as on-balance sheet Loans and Leases as well as those loans in revolving securitizations and other securitizations where servicing is retained that are undertaken for liquidity or other corporate purposes, which include credit card, home equity lines, commercial loans, auto and certain mortgage securitizations. Managed loans and leases exclude originate-to-distribute loans and other loans in securitizations where the Corporation has not retained servicing. New advances on accounts for which previous loan balances were sold to the securitization trusts will be recorded on the Corporation s Consolidated Balance Sheet after the revolving period of the securitization, which has the effect of increasing Loans and Leases on the Corporation s Consolidated Balance Sheet and increasing Net Interest Income and charge-offs, with a related reduction in Noninterest Income.

Portfolio balances, delinquency and historical loss amounts of the managed loans and leases portfolio as of September 30, 2006 and December 31, 2005, and for the three and nine months ended September 30, 2006 and 2005 were as follows:

	September 30, 2006			December 31, 2005 [1]		
(Dollars in millions)	**Total Loans and Leases**	**Accruing Loans and Leases Past Due 90 Days or More**	**Nonperforming Loans and Leases**	Total Loans and Leases	Accruing Loans and Leases Past Due 90 Days or More	Nonperforming Loans and Leases
Residential mortgage [2]	**$ 223,846**	**$ 111**	**$ 599**	$ 188,502	$	$ 570
Credit card domestic	**138,436**	**3,321**		60,785	1,217	
Credit card foreign	**26,020**	**575**				
Home equity lines	**71,915**		**175**	62,553	3	117
Direct/Indirect consumer	**70,910**	**414**	**37**	49,486	75	37
Other consumer	**10,468**	**38**	**86**	6,725	15	61
Total consumer	**541,595**	**4,459**	**897**	368,051	1,310	785
Commercial domestic	**155,939**	**227**	**544**	142,437	117	581
Commercial real estate	**37,121**	**30**	**68**	35,766	4	49
Commercial lease financing	**21,289**	**29**	**35**	20,705	15	62
Commercial foreign	**22,146**	**4**	**36**	21,330	32	34
Total commercial	**236,495**	**290**	**683**	220,238	168	726
Total managed loans and leases	**778,090**	**4,749**	**1,580**	588,289	1,478	1,511
Managed loans in securitizations	**(108,941)**	**(2,030)**		(14,498)	(23)	
Total held loans and leases	**$ 669,149**	**$ 2,719**	**$ 1,580**	$ 573,791	$ 1,455	$ 1,511

[1] The amounts at December 31, 2005 have been adjusted to include certain mortgage and auto securitizations as these are now included in the Corporation s definition of managed loans and leases.

[2] Accruing loans and leases past due 90 days or more represent residential mortgage loans related to repurchases pursuant to our servicing agreements with Government National Mortgage Association mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

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(Dollars in millions)	Three Months Ended September 30, 2006 Average Loans and Leases Outstanding	Loans and Leases Net Losses	Net Loss Ratio [2]		Three Months Ended September 30, 2005 [1] Average Loans and Leases Outstanding	Loans and Leases Net Losses	Net Loss Ratio [2]	
Residential mortgage	$ 227,985	$ 6	0.01	%	$ 171,012	$ 7	0.02	%
Credit card domestic	138,545	1,478	4.23		59,762	864	5.74	
Credit card foreign	25,593	270	4.17					
Home equity lines	70,428	12	0.06		58,046	9	0.06	
Direct/Indirect consumer	69,688	238	1.36		47,900	60	0.50	
Other consumer	11,075	85	3.03		6,715	58	3.42	
Total consumer	543,314	2,089	1.52		343,435	998	1.15	
Commercial domestic	155,131	118	0.30		129,744	54	0.17	
Commercial real estate	37,471	2	0.02		34,663	2	0.02	
Commercial lease financing	20,875				20,402	209	4.06	
Commercial foreign	24,761	(13)	(0.21)		18,444	(26)	(0.55)	
Total commercial	238,238	107	0.18		203,253	239	0.47	
Total managed loans and leases	781,552	2,196	1.11		546,688	1,237	0.90	
Managed loans in securitizations	(108,075)	(919)	3.37		(7,191)	(92)	5.08	
Total held loans and leases	$ 673,477	$ 1,277	0.75	%	$ 539,497	$ 1,145	0.84	%

(Dollars in millions)	Nine Months Ended September 30, 2006 Average Loans and Leases Outstanding	Loans and Leases Net Losses	Net Loss Ratio [2]		Nine Months Ended September 30, 2005 [1] Average Loans and Leases Outstanding	Loans and Leases Net Losses	Net Loss Ratio [2]	
Residential mortgage	$ 207,125	$ 30	0.02	%	$ 172,090	$ 22	0.02	%
Credit card domestic	138,402	3,778	3.65		58,821	2,658	6.04	
Credit card foreign	24,136	690	3.82					
Home equity lines	67,565	32	0.06		54,845	24	0.06	
Direct/Indirect consumer	66,749	557	1.12		44,240	167	0.50	
Other consumer	10,748	202	2.52		6,995	157	3.00	
Total consumer	514,725	5,289	1.37		336,991	3,028	1.20	
Commercial domestic	151,729	244	0.22		128,059	73	0.08	
Commercial real estate	36,968	2	0.01		33,727	3	0.01	
Commercial lease financing	20,762	(40)	(0.26)		20,529	243	1.58	
Commercial foreign	24,088	(7)	(0.04)		17,935	(61)	(0.45)	
Total commercial	233,547	199	0.11		200,250	258	0.17	
Total managed loans and leases	748,272	5,488	0.98		537,241	3,286	0.82	
Managed loans in securitizations	(106,363)	(2,366)	2.97		(8,910)	(372)	5.58	
Total held loans and leases	$ 641,909	$ 3,122	0.65	%	$ 528,331	$ 2,914	0.74	%

(1) The amounts for the three and nine months ended September 30, 2005 have been adjusted to include certain mortgage and auto securitizations as these are now included in the Corporation s definition of managed loans and leases.

(2) The net loss ratio is calculated by dividing annualized managed loans and leases net losses by average managed loans and leases outstanding for each loan and lease category.

Variable Interest Entities

At September 30, 2006 and December 31, 2005, the assets and liabilities of the Corporation s multi-seller asset-backed commercial paper conduits that have been consolidated in accordance with FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 were reflected in Available-for-sale (AFS) Securities, Other Assets, and Commercial Paper and Other Short-term Borrowings in *Global Corporate and Investment Banking*. As of September 30, 2006 and December 31, 2005, the Corporation held \$9 billion and \$7 billion of assets in these entities, and in the unlikely event that all of the assets in the VIEs become worthless, the Corporation s maximum loss exposure associated with these entities including unfunded lending commitments would be approximately \$11 billion and \$8 billion. The Corporation also had contractual relationships with other consolidated VIEs that engage in leasing or lending activities or real estate joint ventures. As of September 30, 2006 and December 31, 2005, the amount of assets of these entities was \$2 billion and \$750 million, and in the unlikely event that all of the assets in the VIEs become worthless, the Corporation s maximum possible loss exposure would be \$2 billion and \$212 million.

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Additionally, the Corporation had significant variable interests in other VIEs that it did not consolidate because it was not deemed to be the primary beneficiary. In such cases, the Corporation does not absorb the majority of the entities expected losses nor does it receive a majority of the entities expected residual returns. These entities typically support the financing needs of the Corporation s customers by facilitating their access to the commercial paper markets. The Corporation functions as administrator and provides either liquidity and letters of credit, or derivatives to the VIE. The Corporation also provides asset management and related services to other special purpose vehicles that engage in lending, investing, or real estate activities. Total assets of these entities at September 30, 2006 and December 31, 2005 were approximately $38 billion and $33 billion. Revenues associated with administration, liquidity, letters of credit and other services were approximately $37 million and $104 million for the three and nine months ended September 30, 2006, and $30 million and $94 million for the three and nine months ended September 30, 2005. At September 30, 2006 and December 31, 2005, in the unlikely event that all of the assets in the VIEs become worthless, the Corporation s maximum loss exposure associated with these VIEs would be approximately $32 billion and $27 billion, which is net of amounts syndicated.

Management does not believe losses resulting from the Corporation s involvement with the entities discussed above will be material. See Notes 1 and 9 of the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation s 2005 Current Report on Form 8-K filed on May 25, 2006 for additional discussion of securitizations and special purpose financing entities.

NOTE 9 Goodwill and Intangibles

The following table presents allocated Goodwill at September 30, 2006 and December 31, 2005 for each business segment and *All Other*.

(Dollars in millions)	**September 30 2006**	December 31 2005
Global Consumer and Small Business Banking	**$ 38,932**	$ 18,491
Global Corporate and Investment Banking	**21,304**	21,292
Global Wealth and Investment Management	**5,333**	5,333
All Other	**249**	238
Total	**$ 65,818**	$ 45,354

The gross carrying values and accumulated amortization related to Intangible Assets at September 30, 2006 and December 31, 2005 are presented below:

	September 30, 2006		December 31, 2005	
(Dollars in millions)	**Gross Carrying Value**	**Accumulated Amortization**	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	**$ 6,534**	**$ 825**	$ 660	$ 217
Core deposit intangibles	**3,850**	**2,267**	3,661	1,881
Affinity relationships	**1,656**	**154**		
Other intangibles	**1,789**	**825**	1,693	722
Total	**$ 13,829**	**$ 4,071**	$ 6,014	$ 2,820

For additional information on the impact of the MBNA merger, see Note 2 of the Consolidated Financial Statements.

Amortization of Intangibles expense was $441 million and $201 million for the three months ended September 30, 2006 and 2005, and $1.3 billion and $613 million for the nine months ended September 30, 2006 and 2005. The Corporation estimates that aggregate amortization expense will be approximately $430 million for the fourth quarter of 2006. In addition, the Corporation estimates the aggregate amortization expense will be approximately $1.5 billion, $1.3 billion, $1.2 billion, $1.0 billion and $900 million for 2007, 2008, 2009, 2010 and 2011, respectively.

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NOTE 10 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, standby letters of credit and commercial letters of credit to meet the financing needs of its customers. For additional information on commitments to extend credit, see Note 13 of the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006. The outstanding unfunded lending commitments shown in the following table have been reduced by amounts participated to other financial institutions of $30.2 billion and $30.4 billion at September 30, 2006 and December 31, 2005. The carrying amount for these commitments, which represents the liability recorded related to these instruments, at September 30, 2006 and December 31, 2005 was $435 million and $458 million. At September 30, 2006, the carrying amount included deferred revenue of $47 million and a reserve for unfunded lending commitments of $388 million. At December 31, 2005, the carrying amount included deferred revenue of $63 million and a reserve for unfunded lending commitments of $395 million.

(Dollars in millions)	**September 30 2006**	December 31 2005
Loan commitments [1]	**$ 323,956**	$ 277,757
Home equity lines of credit	**94,186**	78,626
Standby letters of credit and financial guarantees	**49,540**	43,095
Commercial letters of credit	**5,345**	5,154
Legally binding commitments	**473,027**	404,632
Credit card lines [2]	**844,311**	192,968
Total	**$ 1,317,338**	$ 597,600

[1] Included at September 30, 2006 and December 31, 2005, were equity commitments of $1.6 billion and $1.4 billion, related to obligations to further fund Principal Investing equity investments.

[2] As part of the MBNA merger, on January 1, 2006, the Corporation acquired $588.4 billion of unused credit card lines.

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

At September 30, 2006 and December 31, 2005, charge cards (nonrevolving card lines) to individuals and government entities guaranteed by the U.S. government in the amount of $9.6 billion and $9.4 billion were not included in credit card line commitments in the previous table. The outstanding balances related to these charge cards were $255 million and $171 million at September 30, 2006 and December 31, 2005.

At September 30, 2006, the Corporation did not have any whole mortgage loan purchase commitments. At December 31, 2005, the Corporation had whole mortgage loan purchase commitments of $4.0 billion, all of which settled in the first quarter of 2006.

The Corporation has entered into operating leases for certain of its premises and equipment. Commitments under these leases approximate $1.1 billion in 2006, $1.2 billion in 2007, $1.1 billion in 2008, $1.0 billion in 2009, $900 million in 2010 and $6.4 billion for all years thereafter.

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. For the nine months ending September 30, 2006, the Corporation purchased $5.0 billion of such loans. In 2005, the Corporation purchased $5.0 billion of such loans. Under the agreement, the Corporation is committed to purchase up to $5.0 billion of such loans for the period July 1, 2006 through June 30, 2007 and up to $10.0 billion in each of the agreement s following three fiscal years. As of September 30, 2006, the remaining commitment amount was $35.0 billion.

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Other Guarantees

The Corporation provides credit and debit card processing services to various merchants, processing credit and debit card transactions on their 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 four months after the date a transaction is processed or the delivery of the product or service to present a chargeback to the Corporation as the merchant processor. If the Corporation is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. For the three months ended September 30, 2006 and 2005, the Corporation processed $97.0 billion and $91.3 billion of transactions and recorded losses as a result of these chargebacks of $4 million and $3 million. For the nine months ended September 30, 2006 and 2005, the Corporation processed $282.6 billion and $251.3 billion of transactions and recorded losses as a result of these chargebacks of $13 million and $9 million.

At September 30, 2006 and December 31, 2005, the Corporation held as collateral approximately $91 million and $248 million of merchant escrow deposits which the Corporation has the right to offset against amounts due from the individual merchants. The Corporation 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 four months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of September 30, 2006 and December 31, 2005, the maximum potential exposure totaled approximately $118.6 billion and $118.2 billion.

For additional information on other guarantees, see Note 13 of the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006. For additional information on recourse obligations related to residential mortgage loans sold and other guarantees related to securitizations, see Note 9 of the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

Litigation and Regulatory Matters

The following supplements the disclosure in the Corporation s Current Report on Form 8-K filed on May 25, 2006 as well as Quarterly Reports on Form 10-Q for the periods ended March 31, 2006 and June 30, 2006 and the Current Reports on Form 8-K filed since December 31, 2005.

Adelphia

On September 26, 2006, the defendant banks, including *Banc of America Securities LLC* (BAS), entered into a settlement agreement with the Los Angeles County Employees Retirement Association. On September 29, 2006, the defendant banks, including BAS and Bank of America, N.A., entered into a settlement agreement with The Division of Investment of the New Jersey Department of the Treasury. The settlement amounts are not material.

Mutual Fund Operations Matters

With respect to the case that was originally filed in a state court in Illinois, on October 16, 2006, the U.S. Court of Appeals for the Seventh Circuit dismissed the appeal of the order remanding the case to state court. This case is being resolved as part of the previously disclosed settlement concerning trading in the Columbia mutual funds.

Parmalat Finanziaria S.p.A.

In the *Smith* and *Pappas* cases, plaintiffs filed amended complaints, and the Corporation moved to dismiss the complaints.

Pension Plan Matters

In *Donna C. Richards v. FleetBoston Financial Pension Plan, et al.*, on July 26, 2006, the court dismissed plaintiff s amended claims alleging violation of ERISA s anti-backloading rule and an allegation of breach of fiduciary duty. The court subsequently modified its order certifying a class to include the undismissed portions of plaintiff s breach of fiduciary duty claim. On October 6, 2006, plaintiff filed a motion for leave to file a second amended complaint adding a new claim alleging that the Fleet Pension Plan violated ERISA in calculating lump-sum distributions.

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NOTE 11 Shareholders Equity and Earnings Per Common Share

The following table presents share repurchase activity for the three and nine months ended September 30, 2006 and 2005, including total common shares repurchased under announced programs, weighted average per share price and the remaining buyback authority under announced programs.

(Dollars in millions, except per share information; shares in thousands)	Number of Common Shares Repurchased under Announced Programs [1]	Weighted Average Per Share Price [1]	Remaining Buyback Authority under Announced Programs [2] Amounts	Shares
Three months ended March 31, 2006	**88,450**	**$ 46.02**	**$ 5,847**	**65,738**
Three months ended June 30, 2006	**83,050**	**48.16**	**11,169**	**182,688**
July 1-31, 2006	**11,500**	**49.48**	**10,600**	**171,188**
August 1-31, 2006	**24,000**	**52.03**	**9,352**	**147,188**
September 1-30, 2006	**24,000**	**51.98**	**8,104**	**123,188**
Three months ended September 30, 2006	**59,500**	**51.51**		
Nine months ended September 30, 2006	**231,000**	**48.21**		

(Dollars in millions, except per share information; shares in thousands)	Number of Common Shares Repurchased under Announced Programs [3]	Weighted Average Per Share Price [3]	Remaining Buyback Authority under Announced Programs [2] Amounts	Shares
Three months ended March 31, 2005	43,214	$ 46.05	$ 14,688	237,411
Three months ended June 30, 2005	40,300	45.38	11,865	197,111
July 1-31, 2005	750	44.75	11,832	196,361
August 1-31, 2005	4,900	43.45	11,619	191,461
September 1-30, 2005	5,023	42.98	11,403	186,438
Three months ended September 30, 2005	10,673	43.32		
Nine months ended September 30, 2005	94,187	45.45		

[1] Reduced Shareholders Equity by $11.1 billion and increased diluted earnings per common share by $0.06 for the nine months ended September 30, 2006. These repurchases were partially offset by the issuance of approximately 98 million shares of common stock under employee plans, which increased Shareholders Equity by $3.9 billion, net of $135 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by $0.03 for the nine months ended September 30, 2006.

[2] On January 28, 2004, the Board of Directors (the Board) authorized a stock repurchase program of up to 180 million shares of the Corporation s common stock at an aggregate cost not to exceed $9.0 billion. This repurchase plan was completed during the second quarter of 2005. On March 22, 2005, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation s common stock at an aggregate cost not to exceed $12.0 billion and to be completed within a period of 18 months. This repurchase plan was completed during the second quarter of 2006. On April 26, 2006, the Board authorized an additional stock repurchase program of up to 200 million shares of the Corporation s common stock at an aggregate cost not to exceed $12.0 billion and to be completed within a period of 18 months.

[3] Reduced Shareholders Equity by $4.3 billion and increased diluted earnings per common share by $0.04 for the nine months ended September 30, 2005. These repurchases were partially offset by the issuance of approximately 61 million shares of common stock under employee plans, which increased Shareholders Equity by $2.4 billion, net of $211 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by $0.03 for the nine months ended September 30, 2005.

The Corporation will continue to repurchase shares, from time to time, in the open market or in private transactions through the Corporation s approved repurchase program. The Corporation expects to continue to repurchase a number of shares of common stock at least equal to any shares issued under the Corporation s employee stock plans.

On October 25, 2006, the Board declared a regular quarterly cash dividend on common stock of $0.56 per share, payable on December 22, 2006 to common shareholders of record on December 1, 2006. In July 2006, the Board increased the quarterly cash dividend on common stock from $0.50 to $0.56 which was paid on September 22, 2006 to common shareholders of record on September 1, 2006.

In September 2006, the Corporation authorized 34,500 shares and issued 33,000 shares, or $825 million, of Bank of America Corporation 6.204% Non-Cumulative Preferred Stock, Series D (Series D Preferred Stock) with a par value of $0.01 per share. Ownership is held in the form of depositary shares, each representing a 1/1,000 interest in a share of Series D Preferred Stock, paying a quarterly cash dividend on the liquidation preference of $25,000 per share of Series D Preferred

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Stock at an annual rate of 6.204 percent. On any dividend date on or after September 14, 2011, the Corporation may redeem Series D Preferred Stock, in whole or in part, at its option, at $25,000 per share, plus accrued and unpaid dividends. Series D Preferred Stock shares are not subject to the operation of a sinking fund, have no participation rights and are not convertible. The holders of Series D Preferred Stock have no general voting rights. If any quarterly dividend payable on the Series D Preferred Stock is in arrears for six or more quarterly dividend periods (whether consecutive or not), the holders of the Series D Preferred Stock and any other class or series of preferred stock ranking equally with the Series D Preferred Stock 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 the Series D Preferred Stock for at least four quarterly dividend periods following the dividend arrearage.

On July 14, 2006, the Corporation redeemed its 6.75% Perpetual Preferred Stock with a stated value of $250 per share. The 382,450 shares, or $96 million, outstanding of preferred stock were redeemed at the stated value of $250 per share, plus accrued and unpaid dividends.

On July 3, 2006, the Corporation redeemed its Fixed/Adjustable Rate Cumulative Preferred Stock with a stated value of $250 per share. The 700,000 shares, or $175 million, outstanding of preferred stock were redeemed at the stated value of $250 per share, plus accrued and unpaid dividends.

In addition to the preferred stock described above, the Corporation had 35,045 shares authorized and 7,739 shares, or $1 million, outstanding of the Series B Preferred Stock with a stated value of $100 per share paying dividends quarterly at an annual rate of 7.00 percent.

The following table presents the changes in Accumulated OCI for the nine months ended September 30, 2006 and 2005.

(Dollars in millions) [1]	Securities [2]	Derivatives [3]	Other	Total
Balance, December 31, 2004	$ (197)	$ (2,279)	$ (288)	$ (2,764)
Net change in fair value recorded in Accumulated OCI	(911)	(2,490)	25	(3,376)
Net realized (gains) losses reclassified into earnings [4]	(800)	360		(440)
Balance, September 30, 2005	$ (1,908)	$ (4,409)	$ (263)	$ (6,580)
Balance, December 31, 2005	**$ (2,978)**	**$ (4,338)**	**$ (240)**	**$ (7,556)**
Net change in fair value recorded in Accumulated OCI	**(159)**	**557**	**128**	**526**
Net realized (gains) losses reclassified into earnings [4]	**53**	**61**	**49**	**163**
Balance, September 30, 2006	**$ (3,084)**	**$ (3,720)**	**$ (63)**	**$ (6,867)**

(1) Amounts shown are net-of-tax.

(2) During the nine months ended September 30, 2006 and 2005, the Corporation reclassified net realized (gains) losses into earnings on the sales of AFS debt securities of $292 million and $(638) million and gains on the sales of AFS marketable equity securities of $(239) million and $(162) million.

(3) The amount included in Accumulated OCI for terminated derivative contracts were losses of $3.1 billion and $2.0 billion, net-of-tax, at September 30, 2006 and 2005.

(4) Included in this line item are amounts related to derivatives used in cash flow hedge relationships. These amounts are reclassified into earnings in the same period or periods during which the hedged forecasted transactions affect earnings. This line item also includes gains (losses) on AFS securities. These amounts are reclassified into earnings upon sale of the related security.

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The calculation of earnings per common share and diluted earnings per common share for the three and nine months ended September 30, 2006 and 2005 is presented below:

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended September 30 2006	2005	Nine Months Ended September 30 2006	2005
Earnings per common share				
Net income	**$ 5,416**	$ 3,841	**$ 15,877**	$ 12,891
Preferred stock dividends		(5)	**(9)**	(14)
Net income available to common shareholders	**$ 5,416**	$ 3,836	**$ 15,868**	$ 12,877
Average common shares issued and outstanding	**4,499,704**	4,000,573	**4,547,693**	4,012,924
Earnings per common share	**$ 1.20**	$ 0.96	**$ 3.49**	$ 3.21
Diluted earnings per common share				
Net income available to common shareholders	**$ 5,416**	$ 3,836	**$ 15,868**	$ 12,877
Average common shares issued and outstanding	**4,499,704**	4,000,573	**4,547,693**	4,012,924
Dilutive potential common shares [1, 2]	**70,854**	54,086	**66,906**	60,067
Total diluted average common shares issued and outstanding	**4,570,558**	4,054,659	**4,614,599**	4,072,991
Diluted earnings per common share	**$ 1.18**	$ 0.95	**$ 3.44**	$ 3.16

(1) For the three and nine months ended September 30, 2006, average options to purchase 286 thousand and 28 million shares were outstanding but not included in the computation of earnings per common share because they were antidilutive. For the three and nine months ended September 30, 2005, average options to purchase 45 million and 38 million shares were outstanding but not included in the computation of earnings per common share because they were antidilutive.

(2) Includes incremental shares from restricted stock units, restricted stock shares and stock options.

NOTE 12 Pension and Postretirement Plans

The Corporation sponsors noncontributory trusteed qualified pension plans that cover substantially all officers and employees, a number of noncontributory nonqualified pension plans, and postretirement health and life plans. The Bank of America Pension Plan (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. A detailed discussion of these plans is provided in Note 16 of the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

As a result of the MBNA merger, the Corporation assumed the obligations related to the plans of the former MBNA. The MBNA Pension Plan retirement benefits are 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 their last 10 years of employment. The MBNA Supplemental Executive Retirement Plan (SERP) provides certain officers with supplemental retirement benefits in excess of limits imposed on qualified plans by federal tax law. The MBNA Postretirement Health and Life Plan provides certain health care and life insurance benefits for a closed group upon early retirement.

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Net periodic benefit cost of the Corporation s plans including the MBNA plans, for the three and nine months ended September 30, 2006 and 2005 included the following components:

	Three Months Ended September 30					
	Pension Plans		Nonqualified Pension Plans		Postretirement Health and Life Plans	
(Dollars in millions)	**2006** [(1)]	2005	**2006** [(1)]	2005	**2006** [(1)]	2005
Service cost	**$ 77**	$ 42	**$ 4**	$ 1	**$ 3**	$ 3
Interest cost	**169**	154	**19**	14	**18**	21
Expected return on plan assets	**(259)**	(241)			**(4)**	(4)
Amortization of transition obligation					**8**	8
Amortization of prior service cost (credits)	**10**	11	**(2)**	(2)		
Recognized net actuarial loss (gains)	**57**	60	**5**	9	**(17)**	26
Net periodic benefit cost	**$ 54**	$ 26	**$ 26**	$ 22	**$ 8**	$ 54

	Nine Months Ended September 30					
	Pension Plans		Nonqualified Pension Plans		Postretirement Health and Life Plans	
(Dollars in millions)	**2006** [(1)]	2005	**2006** [(1)]	2005	**2006** [(1)]	2005
Service cost	**$ 230**	$ 196	**$ 10**	$ 8	**$ 10**	$ 8
Interest cost	**507**	482	**59**	45	**64**	59
Expected return on plan assets	**(776)**	(737)			**(8)**	(11)
Amortization of transition obligation					**24**	24
Amortization of prior service cost (credits)	**31**	34	**(6)**	(5)		
Recognized net actuarial loss	**171**	135	**15**	18	**9**	60
Recognized loss due to settlements and curtailments				9		
Net periodic benefit cost	**$ 163**	$ 110	**$ 78**	$ 75	**$ 99**	$ 140

(1) Includes the results of the former MBNA. The net periodic benefit cost of the former MBNA Pension Plan, SERP, and Postretirement Health and Life Plan were $13 million, $6 million and $4 million, respectively, for the three months ended September 30, 2006. The net periodic benefit cost of the former MBNA Pension Plan, SERP, and Postretirement Health and Life Plan were $38 million, $19 million and $12 million, respectively, for the nine months ended September 30, 2006.

During 2006, the Corporation expects to contribute $97 million and $37 million to the Corporation s Nonqualified Pension Plans and Postretirement Health and Life Plans, respectively. At September 30, 2006, the Corporation had contributed $62 million and $28 million, respectively, to these plans. During 2006, the Corporation expects to contribute $242 million and $21 million to the former MBNA SERP and Postretirement Health and Life Plan, respectively. At September 30, 2006, the Corporation had contributed $232 million and $18 million, respectively, to these plans. The Corporation is currently evaluating the contribution amounts related to the Corporation s Qualified Pension Plans and the former MBNA Pension Plan. The Corporation may choose to contribute more than the required minimum amounts due to the increase in funding limits within the Pension Protection Act of 2006, and in conjunction with an annual review of its funding thresholds.

NOTE 13 Stock-Based Compensation Plans

Prior to January 1, 2006, the Corporation accounted for its stock-based compensation plans under SFAS 123. On January 1, 2006, the Corporation adopted SFAS 123R under the modified-prospective application. Under the modified-prospective application, SFAS 123R applies to new awards and to awards modified, repurchased, or cancelled after adoption.

The compensation cost recognized in income for the plans described below was $180 million and $205 million for the three months ended September 30, 2006 and 2005. The related income tax benefit recognized in income was $67 million and $76 million for the three months ended September 30, 2006 and 2005. The compensation cost recognized in income for the plans described below was $862 million and $608 million for the nine months ended September 30, 2006 and 2005. The related income tax benefit recognized in income was $319 million and $221 million for the nine months ended September 30, 2006 and 2005.

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Prior to the adoption of SFAS 123R, awards granted to retirement-eligible employees were expensed over the stated vesting period. SFAS 123R requires that the Corporation recognize stock compensation cost immediately for any awards granted to retirement-eligible employees, or over the vesting period or the period from the grant date to the date retirement eligibility is achieved, whichever is shorter. During the first quarter of 2006, the Corporation recognized approximately $320 million in equity-based compensation associated with awards granted to retirement-eligible employees.

Prior to the adoption of SFAS 123R, the Corporation presented tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Consolidated Statement of Cash Flows. SFAS 123R requires the cash flows resulting from the tax benefits due to tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. The Corporation recognized $342 million in excess tax benefits that were classified as a financing cash inflow for the nine months ended September 30, 2006.

Prior to January 1, 2006, the Corporation estimated the fair value of stock options granted on the date of grant using the Black-Scholes option-pricing model. On January 1, 2006, the Corporation began using a lattice option-pricing model to estimate the grant date fair value of stock options granted. 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 for the nine months ended September 30, 2006. Lattice option-pricing models incorporate ranges of assumptions for inputs and those ranges are disclosed in the table below. The risk-free 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 table below also includes the assumptions used to estimate the fair value of stock options granted on the date of grant using the Black-Scholes option-pricing model for the nine months ended September 30, 2005. 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.

	Nine Months Ended September 30	
	2006	**2005**
Risk-free interest rate	**4.59 4.70 %**	3.94 %
Dividend yield	**4.50**	4.60
Expected volatility	**17.00 27.00**	20.53
Weighted-average volatility	**20.30**	n/a
Expected lives (years)	**6.5**	6

The Corporation has certain equity compensation plans that were approved by its shareholders. These plans are the Key Employee Stock Plan and the Key Associate Stock Plan. Descriptions of the material features of these plans follow.

Key Employee Stock Plan

The Key Employee Stock Plan, as amended and restated, provided for different types of awards. These include stock options, restricted stock shares and restricted stock units. Under the plan, ten-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. Options granted under the plan generally vest in three or four equal annual installments. At September 30, 2006, approximately 71 million 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. Upon the FleetBoston

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merger, the shareholders authorized an additional 102 million shares and on April 26, 2006, the shareholders authorized an additional 180 million shares for grant under the Key Associate Stock Plan. At September 30, 2006, approximately 140 million options were outstanding under this plan. Approximately 18 million shares of restricted stock and restricted stock units were granted during the nine months ended September 30, 2006. These shares of restricted stock generally vest in three equal annual installments beginning one year from the grant date. The Corporation incurred restricted stock expense of $126 million and $663 million during the three and nine months ended September 30, 2006 compared to $127 million and $369 million during the same periods in 2005.

The following table presents information on equity compensation plans at September 30, 2006:

	Number of Shares to be Issued (1, 3)	Weighted Average Exercise Price of Outstanding Options (2)	Number of Shares Remaining for Future Issuance Under Equity Compensation Plans
Plans approved by shareholders	225,975,003	$ 37.48	303,015,719
Plans not approved by shareholders (4)	8,425,636	30.68	
Total	**234,400,639**	**37.22**	**303,015,719**

(1) Includes 14,139,279 unvested restricted stock units.

(2) Does not take into account unvested restricted stock units.

(3) In addition to the securities presented in the table above, there were outstanding options to purchase 44,825,144 shares of the Corporation s common stock and 526,303 unvested restricted stock units granted to employees of predecessor companies assumed in mergers. The weighted average option price of the assumed options was $34.21 at September 30, 2006.

(4) Shareholder approval of these broad-based stock option plans was not required by applicable law or New York Stock Exchange rules.

The following table presents the status of all option plans at September 30, 2006, and changes during the nine months ended September 30, 2006:

	September 30, 2006	
Employee stock options	**Shares**	**Weighted Average Exercise Price**
Outstanding at January 1, 2006	**298,132,802**	**$ 35.13**
Options assumed through acquisition	**31,506,268**	**32.70**
Granted	**31,461,390**	**44.40**
Exercised	**(92,397,064)**	**32.65**
Forfeited	**(3,616,892)**	**41.38**
Outstanding at September 30, 2006	**265,086,504**	**36.71**
Options exercisable at September 30, 2006	**197,007,102**	**34.14**
Options vested and expected to vest (1)	**263,883,117**	**36.68**

(1) Includes vested shares and nonvested shares after a forfeiture rate is applied.

The weighted average remaining contractual term and aggregate intrinsic value of options outstanding was 5.7 years and $4.5 billion, options exercisable was 4.8 years and $3.8 billion, and options vested and expected to vest was 5.0 years and $4.5 billion at September 30, 2006.

The weighted average grant-date fair value of options granted during the nine months ended September 30, 2006 and 2005 was $6.90 and $6.48. The total intrinsic value of options exercised during the three and nine months ended September 30, 2006 was $558 million and $1.6 billion.

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The following table presents the status of the nonvested shares at September 30, 2006, and changes during the nine months ended September 30, 2006:

	September 30, 2006	
Restricted stock/unit awards	**Shares**	**Weighted Average Grant Date Fair Value**
Outstanding at January 1, 2006	**27,278,106**	**$ 42.79**
Share obligations assumed through acquisition	**754,740**	**30.40**
Granted	**18,102,340**	**44.42**
Vested	**(11,677,381)**	**41.34**
Cancelled	**(1,856,675)**	**44.52**
Outstanding at September 30, 2006	**32,601,130**	**43.83**

At September 30, 2006, there was $961 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 .95 years. The total fair value of restricted stock vested during the three and nine months ended September 30, 2006 was $32 million and $525 million.

NOTE 14 Business Segment Information

The Corporation reports the results of its operations through three business segments: *Global Consumer and Small Business Banking, Global Corporate and Investment Banking,* and *Global Wealth and Investment Management*. The Corporation may periodically reclassify business segment results based on modifications to its management reporting methodologies and changes in organizational alignment.

Global Consumer and Small Business Banking provides a diversified range of products and services to individuals and small businesses through its primary businesses: *Deposits, Card Services, Mortgage* and *Home Equity*. *Global Corporate and Investment Banking* serves domestic and international issuer and investor clients, providing financial services, specialized industry expertise and local delivery through its primary businesses: *Business Lending, Capital Markets and Advisory Services,* and *Treasury Services*. These businesses provide traditional bank deposit and loan products to large corporations and institutional clients, capital-raising solutions, advisory services, derivatives capabilities, equity and debt sales and trading for clients, as well as treasury management and payment services. *Global Wealth and Investment Management* offers investment 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 through its primary businesses: *The Private Bank*, *Columbia Management* and *Premier Banking and Investments*.

All Other consists of equity investment activities including Principal Investing, Corporate and Strategic 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 and commercial lending businesses that are being liquidated. *All 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 that do not qualify for SFAS 133 hedge accounting treatment, certain gains or losses on sales of whole mortgage loans, and Gains (Losses) on Sales of Debt Securities.

Total Revenue includes Net Interest Income on a fully taxable-equivalent (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 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.

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

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The following tables present Total Revenue on a FTE basis and Net Income for the three and nine months ended September 30, 2006 and 2005, and Total Assets at September 30, 2006 and 2005 for each business segment, as well as *All Other*.

Business Segments

For the Three Months Ended September 30

	Total Corporation		Global Consumer and Small Business Banking [1, 2]		Global Corporate and Investment Banking [1]	
(Dollars in millions)	**2006**	2005	**2006**	2005	**2006**	2005
Net interest income (FTE basis)	**$ 8,894**	$ 7,933	**$ 5,243**	$ 4,238	**$ 2,643**	$ 2,749
Noninterest income	**10,067**	6,416	**5,200**	3,028	**3,372**	2,540
Total revenue (FTE basis)	**18,961**	14,349	**10,443**	7,266	**6,015**	5,289
Provision for credit losses	**1,165**	1,159	**1,144**	1,107	**22**	12
Gains (losses) on sales of debt securities	**(469)**	29		(1)	**14**	17
Amortization of intangibles	**441**	201	**379**	137	**41**	43
Other noninterest expense	**8,422**	7,084	**4,351**	3,118	**2,924**	2,811
Income before income taxes	**8,464**	5,934	**4,569**	2,903	**3,042**	2,440
Income tax expense	**3,048**	2,093	**1,680**	1,061	**1,120**	889
Net income	**$ 5,416**	$ 3,841	**$ 2,889**	$ 1,842	**$ 1,922**	$ 1,551
Period-end total assets	**$ 1,449,211**	$ 1,252,267	**$ 394,920**	$ 326,926	**$ 675,893**	$ 602,008

	Global Wealth and Investment Management [1, 2]		All Other	
(Dollars in millions)	**2006**	2005	**2006**	2005
Net interest income (FTE basis)	**$ 943**	$ 937	**$ 65**	$ 9
Noninterest income	**925**	882	**570**	(34)
Total revenue (FTE basis)	**1,868**	1,819	**635**	(25)
Provision for credit losses	**(1)**	(1)		41
Gains (losses) on sales of debt securities			**(483)**	13
Amortization of intangibles	**19**	20	**2**	1
Other noninterest expense	**973**	904	**174**	251
Income before income taxes	**877**	896	**(24)**	(305)
Income tax expense (benefit)	**324**	328	**(76)**	(185)
Net income	**$ 553**	$ 568	**$ 52**	$ (120)
Period-end total assets	**$ 125,247**	$ 125,684	**$ 253,151**	$ 197,649

(1) There were no material intersegment revenues among the segments.

(2) Total Assets include asset allocations to match liabilities (i.e., deposits).

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Business Segments

For the Nine Months Ended September 30

(Dollars in millions)	Total Corporation 2006	Total Corporation 2005	Global Consumer and Small Business Banking [1, 2] 2006	Global Consumer and Small Business Banking [1, 2] 2005	Global Corporate and Investment Banking [1] 2006	Global Corporate and Investment Banking [1] 2005
Net interest income (FTE basis)	**$ 26,860**	$ 23,467	**$ 15,788**	$ 12,555	**$ 8,069**	$ 8,394
Noninterest income	**28,566**	19,403	**15,274**	8,473	**9,224**	7,257
Total revenue (FTE basis)	**55,426**	42,870	**31,062**	21,028	**17,293**	15,651
Provision for credit losses	**3,440**	2,614	**3,420**	2,973	**102**	(388)
Gains (losses) on sales of debt securities	**(464)**	1,013	**(1)**	(2)	**34**	168
Amortization of intangibles	**1,322**	613	**1,137**	419	**124**	131
Other noninterest expense	**25,182**	20,748	**12,820**	9,420	**8,829**	8,035
Income before income taxes	**25,018**	19,908	**13,684**	8,214	**8,272**	8,041
Income tax expense	**9,141**	7,017	**5,040**	2,956	**3,051**	2,933
Net income	**$ 15,877**	$ 12,891	**$ 8,644**	$ 5,258	**$ 5,221**	$ 5,108
Period-end total assets	**$ 1,449,211**	$ 1,252,267	**$ 394,920**	$ 326,926	**$ 675,893**	$ 602,008

(Dollars in millions)	Global Wealth and Investment Management [1, 2] 2006	Global Wealth and Investment Management [1, 2] 2005	All Other 2006	All Other 2005
Net interest income (FTE basis)	**$ 2,910**	$ 2,814	**$ 93**	$ (296)
Noninterest income	**2,881**	2,607	**1,187**	1,066
Total revenue (FTE basis)	**5,791**	5,421	**1,280**	770
Provision for credit losses	**(42)**	(8)	**(40)**	37
Gains (losses) on sales of debt securities			**(497)**	847
Amortization of intangibles	**57**	59	**4**	4
Other noninterest expense	**2,918**	2,704	**615**	589
Income before income taxes	**2,858**	2,666	**204**	987
Income tax expense (benefit)	**1,057**	959	**(7)**	169
Net income	**$ 1,801**	$ 1,707	**$ 211**	$ 818
Period-end total assets	**$ 125,247**	$ 125,684	**$ 253,151**	$ 197,649

(1) There were no material intersegment revenues among the segments.

(2) Total Assets include asset allocations to match liabilities (i.e., deposits).

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The following table presents reconciliations of the three business segments Total Revenue on a FTE basis and Net Income to the Consolidated Statement of Income totals. The adjustments presented in the table below include consolidated income and expense amounts not specifically allocated to individual business segments.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005	**2006**	2005
Segments total revenue (FTE basis)	**$ 18,326**	$ 14,374	**$ 54,146**	$ 42,100
Adjustments:				
ALM activities [1]	**(258)**	(690)	**(498)**	(297)
Equity investment gains	**687**	640	**1,835**	1,471
Liquidating businesses	**43**	48	**219**	151
FTE basis adjustment	**(308)**	(198)	**(868)**	(589)
Other	**163**	(23)	**(276)**	(555)
Consolidated revenue	**$ 18,653**	$ 14,151	**$ 54,558**	$ 42,281
Segments net income	**$ 5,364**	$ 3,961	**$ 15,666**	$ 12,073
Adjustments, net of taxes:				
ALM activities [1, 2]	**(524)**	(471)	**(779)**	243
Equity investment gains	**433**	410	**1,156**	941
Liquidating businesses	**21**	27	**115**	70
Merger and restructuring charges	**169**	80	**353**	235
Other	**(47)**	(166)	**(634)**	(671)
Consolidated net income	**$ 5,416**	$ 3,841	**$ 15,877**	$ 12,891

(1) Includes the impact of derivative instruments which were designated as economic hedges and did not qualify for SFAS 133 hedge accounting treatment.

(2) Includes pre-tax Gains (Losses) on Sales of Debt Securities of $(484) million and $11 million for the three months ended September 30, 2006 and 2005, and $(498) million and $844 million for the nine months ended September 30, 2006 and 2005.

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Bank of America Corporation and Subsidiaries

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

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. Readers of the Form 10-Q of Bank of America Corporation and its subsidiaries (the Corporation) should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report as well as those discussed under Item 1A. Risk Factors of the Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 2005. The statements are representative only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement.

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

The Corporation, headquartered in Charlotte, North Carolina, operates in 30 states, the District of Columbia and 44 foreign countries. The Corporation provides a diversified range of banking and nonbanking financial services and products domestically and internationally through three business segments: *Global Consumer and Small Business Banking*, *Global Corporate and Investment Banking*, and *Global Wealth and Investment Management*.

At September 30, 2006, the Corporation had $1.4 trillion in assets and approximately 200,000 full-time equivalent employees. Notes to Consolidated Financial Statements referred to in Management s Discussion and Analysis of Financial Condition and Results of Operations are incorporated by reference into Management s Discussion and Analysis of Financial Condition and Results of Operations. Certain prior period amounts have been reclassified to conform to current period presentation.

Recent Events

In November 2006, the Corporation issued 74,000 shares of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series E with a par value of $0.01 per share for $1.9 billion. In addition, an option to purchase up to an additional 11,100 shares of Series E Preferred Stock, at a purchase price of $25,000 per share, has been granted to the underwriters. In September 2006, the Corporation issued 33,000 shares of Bank of America Corporation 6.204% Non-Cumulative, Preferred Stock, Series D with a par value of $0.01 per share for $825 million. In July 2006, the Corporation redeemed its 700,000 shares, or $175 million, of Fixed/Adjustable Rate Cumulative Preferred Stock and redeemed its 382,450 shares, or $96 million, of 6.75% Perpetual Preferred Stock. Both classes were redeemed at their stated value of $250 per share, plus accrued and unpaid dividends.

In October 2006, the Board of Directors (the Board) declared a regular quarterly cash dividend on common stock of $0.56 per share, payable on December 22, 2006 to common shareholders of record on December 1, 2006. In July 2006, the Board increased the quarterly cash dividend on common stock 12 percent from $0.50 to $0.56 per share.

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In September 2006, the Corporation completed the sale of its Brazilian operations for approximately $1.9 billion in equity of Banco Itau Holding Financeira S.A. (Banco Itau), Brazil s second largest nongovernment-owned banking company. The sale resulted in a $720 million gain (pre-tax) that was recorded in Other Income.

In August 2006, the Corporation entered into an agreement to sell Bank of America (Asia) Ltd., including its consumer and commercial banking franchise in Hong Kong, to China Construction Bank (CCB) for $1.25 billion. Closing is subject to regulatory approval.

MBNA Merger Overview

The Corporation acquired 100 percent of the outstanding stock of MBNA Corporation (MBNA) on January 1, 2006, for $34.6 billion. In connection therewith 1,260 million shares of MBNA common stock were exchanged for 631 million shares of the Corporation s common stock. Prior to the MBNA merger, this represented approximately 16 percent of the Corporation s outstanding common stock. MBNA shareholders also received cash of $5.2 billion. The MBNA merger was a tax-free merger for the Corporation. The acquisition expands the Corporation s customer base and its opportunity to deepen customer relationships across the full breadth of the Corporation by delivering innovative deposit, lending and investment products and services to MBNA s customer base. Additionally, the acquisition allows the Corporation to significantly increase its affinity relationships through MBNA s credit card operations and sell these credit cards through our delivery channels (including the retail branch network). MBNA s results of operations were included in the Corporation s results beginning January 1, 2006. The transaction was accounted for under the purchase method of accounting. The purchase price has been allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the MBNA merger date. For more information related to the MBNA merger, see Note 2 of the Corporation s Consolidated Financial Statements.

Performance Overview

Net Income totaled $5.4 billion, or $1.18 per diluted common share, for the three months ended September 30, 2006, increases of 41 percent and 24 percent from $3.8 billion, or $0.95 per diluted common share, for the three months ended September 30, 2005. Net Income totaled $15.9 billion, or $3.44 per diluted common share, for the nine months ended September 30, 2006, increases of 23 percent and nine percent from $12.9 billion, or $3.16 per diluted common share, for the nine months ended September 30, 2005.

Table 1

Business Segment Total Revenue and Net Income

	Three Months Ended September 30				**Nine Months Ended September 30**			
	Total Revenue		**Net Income**		**Total Revenue**		**Net Income**	
(Dollars in millions)	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Global Consumer and Small Business Banking	**$ 10,443**	$ 7,266	**$ 2,889**	$ 1,842	**$ 31,062**	$ 21,028	**$ 8,644**	$ 5,258
Global Corporate and Investment Banking	**6,015**	5,289	**1,922**	1,551	**17,293**	15,651	**5,221**	5,108
Global Wealth and Investment Management	**1,868**	1,819	**553**	568	**5,791**	5,421	**1,801**	1,707
All Other	**635**	(25)	**52**	(120)	**1,280**	770	**211**	818
Total FTE basis [(1)]	**18,961**	14,349	**5,416**	3,841	**55,426**	42,870	**15,877**	12,891
FTE adjustment [(1)]	**(308)**	(198)			**(868)**	(589)		
Total Consolidated	**$ 18,653**	$ 14,151	**$ 5,416**	$ 3,841	**$ 54,558**	$ 42,281	**$ 15,877**	$ 12,891

(1) Total revenue for the segments and *All Other* is on a fully taxable-equivalent (FTE) basis. For more information on a FTE basis, see Supplemental Financial Data beginning on page 43.

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Global Consumer and Small Business Banking

Net Income increased $1.0 billion, or 57 percent, to $2.9 billion for the three months ended September 30, 2006. Total Revenue increased $3.2 billion, or 44 percent, to $10.4 billion for the three months ended September 30, 2006 compared to the same period in 2005. Driving the increase was the impact of the MBNA merger, which contributed to increases in Card Income and Net Interest Income. Also impacting Net Income was organic growth in Loans and Leases. Partially offsetting these changes was higher Noninterest Expense primarily driven by the acquisition of MBNA.

Net Income increased $3.4 billion, or 64 percent, to $8.6 billion for the nine months ended September 30, 2006. Total Revenue increased $10.0 billion, or 48 percent, to $31.1 billion for the nine months ended September 30, 2006 compared to the same period in 2005. Driving the increase was the impact of the MBNA merger and organic growth which was partially offset by higher Noninterest Expense and Provision for Credit Losses. For more information on *Global Consumer and Small Business Banking*, see page 52.

Global Corporate and Investment Banking

Net Income increased $371 million, or 24 percent, to $1.9 billion and $113 million, or two percent, to $5.2 billion for the three and nine months ended September 30, 2006 compared to the same periods in the prior year. Total Revenue increased $726 million, or 14 percent, to $6.0 billion and $1.6 billion, or 10 percent, to $17.3 billion for the three and nine months ended September 30, 2006, driven primarily by the $720 million gain (pre-tax) on the sale of our Brazilian operations. Also impacting the increase in Total Revenue was higher Trading Account Profits of $140 million and $1.1 billion for the three and nine months ended September 30, 2006 compared to the same periods in the prior year. Offsetting these increases were spread compression in the loan portfolios and lower Asset Liability Management (ALM) allocation which adversely impacted Net Interest Income. In addition, the nine months ended September 30, 2006 was impacted by increases in Provision for Credit Losses and Noninterest Expense. For more information on *Global Corporate and Investment Banking*, see page 61.

Global Wealth and Investment Management

Net Income decreased $15 million, or three percent, to $553 million for the three months ended September 30, 2006. The decrease was due to higher Noninterest Expense resulting from higher personnel and incentive based compensation primarily reflecting growth in *Global Wealth and Investment Management* workforce. Partially offsetting this decrease was an increase in Total Revenue of $49 million, or three percent, due primarily to an increase in Investment and Brokerage Services.

Net Income increased $94 million, or six percent, to $1.8 billion for the nine months ended September 30, 2006. The increase was due to higher Total Revenue of $370 million, or seven percent, as a result of increases in Investment and Brokerage Services and Net Interest Income. Also impacting the increase in Net Income was a credit loss recovery. Partially offsetting these increases was higher Noninterest Expense of $212 million or eight percent due primarily to higher personnel related costs.

Total assets under management increased $34.7 billion to $517.1 billion at September 30, 2006 compared to December 31, 2005. For more information on *Global Wealth and Investment Management*, see page 67.

All Other

Net Income increased $172 million to $52 million for the three months ended September 30, 2006. Total Revenue increased $660 million driven primarily by an increase in other income of $557 million. Offsetting this increase were Gains (Losses) on Sales of Debt Securities of $(483) million for the three months ended September 30, 2006 compared to $13 million for the same period in 2005.

Net Income decreased $607 million to $211 million for the nine months ended September 30, 2006. This decrease was primarily a result of lower Gains (Losses) on Sales of Debt Securities which were $(497) million for the nine months ended September 30, 2006 compared to $847 million for the same period in 2005. For more information on *All Other*, see page 71.

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Financial Highlights

Net Interest Income

Net Interest Income on a FTE basis increased $961 million to $8.9 billion and $3.4 billion to $26.9 billion for the three and nine months ended September 30, 2006 compared to the same periods in 2005. The primary drivers of the increase were the impact of the MBNA merger, organic loan growth, and increases in ALM activities including increased portfolio balances, wholesale funding activity, and the impact of rates. These increases were partially offset by lower core deposit levels, excluding the impact of MBNA. The net interest yield on a FTE basis decreased 5 basis points (bps) to 2.73 percent for the three months ended September 30, 2006 and was flat at 2.85 percent for the nine months ended September 30, 2006. Loan spreads continued to tighten due to the flat yield curve and heightened competition. Deposits spreads widened slightly as we effectively managed pricing in a rising interest rate environment. The current year results were also positively impacted by wider margins associated with the MBNA credit card portfolios. For more information on Net Interest Income on a FTE basis, see Tables 8 and 9 on pages 47 to 49.

Table 2

Noninterest Income

	Three Months Ended September 30		**Nine Months Ended September 30**	
(Dollars in millions)	**2006**	2005	**2006**	2005
Service charges	**$ 2,147**	$ 2,080	**$ 6,125**	$ 5,777
Investment and brokerage services	**1,085**	1,060	**3,334**	3,122
Mortgage banking income	**189**	180	**415**	590
Investment banking income	**510**	522	**1,623**	1,319
Equity investment gains	**705**	713	**2,122**	1,691
Card income	**3,473**	1,520	**10,566**	4,246
Trading account profits	**731**	557	**2,706**	1,464
Other income	**1,227**	(216)	**1,675**	1,194
Total noninterest income	**$ 10,067**	$ 6,416	**$ 28,566**	$ 19,403

Noninterest Income increased $3.7 billion to $10.1 billion and $9.2 billion to $28.6 billion for the three and nine months ended September 30, 2006 compared to the same periods in 2005, due primarily to the following:

Service Charges grew $67 million and $348 million for the three and nine months ended September 30, 2006 due to increased non-sufficient funds fees and overdraft charges, account service charges, and ATM fees resulting from new account growth.

Investment and Brokerage Services increased $25 million and $212 million for the three and nine months ended September 30, 2006 primarily reflecting record levels of assets under management.

Mortgage Banking Income was relatively flat and decreased $175 million for the three and nine months ended September 30, 2006. The decrease for the nine months ended September 30, 2006, was driven primarily by weaker production income driven by lower volumes sold and margin compression in addition to a strategic shift to retain a larger portion of mortgage production.

Investment Banking Income was relatively flat and increased $304 million for the three and nine months September 30, 2006. The increase for the nine months was due to higher market activity and continued leadership in the leveraged debt underwriting market.

Equity Investment Gains was relatively flat and increased $431 million for the three and nine months September 30, 2006.
The increase for the nine months was driven by favorable market conditions and increased liquidity in the capital markets.

Card Income increased $2.0 billion and $6.3 billion for the three and nine months ended September 30, 2006 primarily due to the addition of MBNA and higher debit card income.

Trading Account Profits increased $174 million and $1.2 billion for the three and nine months September 30, 2006 due to increased capital markets activity, and previous investments in personnel and trading infrastructure coming to fruition.

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Other Income increased $1.4 billion and $481 million for the three and nine months ended September 30, 2006 primarily related to the $720 million (pre-tax) gain on the sale of our Brazilian operations. Also impacting the third quarter comparison, was the negative impact to 2005 of the change in the value of derivatives of $(418) million used as economic hedges that did not qualify for Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133) hedge accounting treatment.

Provision for Credit Losses

The Provision for Credit Losses was relatively flat at $1.2 billion and increased $826 million to $3.4 billion for the three and nine months ended September 30, 2006 compared to the same periods in 2005. Provision expense rose due to increases from the addition of MBNA and the absence of prior year releases of commercial credit reserves. These increases were partially offset by reduced credit-related costs on the domestic credit card portfolio.

For more information on credit quality, see Credit Risk Management beginning on page 77.

Gains (Losses) on Sales of Debt Securities

Gains (Losses) on Sales of Debt Securities for the three and nine months ended September 30, 2006 were $(469) million and $(464) million compared to $29 million and $1.0 billion for the same periods in 2005. These decreases were primarily due to a loss on the sale of mortgage-backed securities during the quarter. The decrease for the nine month period was also impacted by gains recorded on the sales of mortgage-backed securities in 2005. For more information on Gains (Losses) on Sales of Debt Securities, see Interest Rate Risk Management Securities beginning on page 99.

Table 3

Noninterest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005	**2006**	2005
Personnel	**$ 4,474**	$ 3,837	**$ 13,767**	$ 11,209
Occupancy	**696**	638	**2,100**	1,889
Equipment	**318**	300	**978**	894
Marketing	**587**	307	**1,713**	990
Professional fees	**259**	254	**710**	647
Amortization of intangibles	**441**	201	**1,322**	613
Data processing	**426**	361	**1,245**	1,093
Telecommunications	**237**	206	**685**	608
Other general operating	**1,156**	1,061	**3,423**	3,065
Merger and restructuring charges	**269**	120	**561**	353
Total noninterest expense	**$ 8,863**	$ 7,285	**$ 26,504**	$ 21,361

Noninterest Expense increased $1.6 billion to $8.9 billion and $5.1 billion to $26.5 billion for the three and nine months ended September 30, 2006 compared to the same periods in 2005, due to the acquisition of MBNA as well as the following:

Personnel expense increased $637 million and $2.6 billion for the three and nine months ended September 30, 2006 due to the acquisition of MBNA and higher revenue-related incentive compensation expense. Additionally, incremental stock-based compensation

granted to retirement-eligible employees increased Personnel expense for the nine months ended September 30, 2006.
Marketing expense increased $280 million and $723 million for the three and nine months ended September 30, 2006 due to the acquisition of MBNA and higher marketing spending related to consumer banking initiatives.
Amortization of Intangibles expense increased $240 million and $709 million for the three and nine months ended September 30, 2006 as the above mentioned MBNA merger increased purchased credit card relationships, affinity relationships, core deposit intangibles and other intangibles.

Income Tax Expense

Income Tax Expense was $2.7 billion, an effective tax rate of 33.6 percent, for the three months ended September 30, 2006 compared to $1.9 billion and 33.0 percent for the three months ended September 30, 2005. Income Tax

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Expense was $8.3 billion, an effective tax rate of 34.3 percent, for the nine months ended September 30, 2006 compared to $6.4 billion and 33.3 percent for the nine months ended September 30, 2005. The increase in the effective tax rate for the three months ended September 30, 2006 was primarily due to the January 1, 2006 addition of MBNA. The addition of MBNA, as well as the second quarter charge to Income Tax Expense arising from the change in tax legislation discussed below, drove the increase for the nine months ended September 30, 2006.

During the second quarter of 2006, the President signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA). Among other things, TIPRA repealed certain provisions of prior law relating to transactions entered into under the extraterritorial income and foreign sales corporation regimes. The TIPRA repeal results in an increase in the U.S. taxes expected to be paid on certain of the income earned from such transactions after December 31, 2006. Accounting for the change in law resulted in the discrete recognition of a $175 million charge to Income Tax Expense during the second quarter of 2006.

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Table 4

Selected Quarterly Financial Data

	2006 Quarters			2005 Quarters	
(Dollars in millions, except per share information)	**Third**	Second	First	Fourth	Third
Income statement					
Net interest income	**$ 8,586**	$ 8,630	$ 8,776	$ 7,859	$ 7,735
Noninterest income	**10,067**	9,598	8,901	5,951	6,416
Total revenue	**18,653**	18,228	17,677	13,810	14,151
Provision for credit losses	**1,165**	1,005	1,270	1,400	1,159
Gains (losses) on sales of debt securities	**(469)**	(9)	14	71	29
Noninterest expense	**8,863**	8,717	8,924	7,320	7,285
Income before income taxes	**8,156**	8,497	7,497	5,161	5,736
Income tax expense	**2,740**	3,022	2,511	1,587	1,895
Net income	**5,416**	5,475	4,986	3,574	3,841
Average common shares issued and outstanding (in thousands)	**4,499,704**	4,534,627	4,609,481	3,996,024	4,000,573
Average diluted common shares issued and outstanding (in thousands)	**4,570,558**	4,601,169	4,666,405	4,053,859	4,054,659
Performance ratios					
Return on average assets	**1.43 %**	1.51 %	1.43 %	1.09 %	1.18 %
Return on average common shareholders equity	**16.64**	17.26	15.44	14.21	15.09
Total ending equity to total ending assets	**9.22**	8.85	9.41	7.86	8.12
Total average equity to total average assets	**8.63**	8.75	9.26	7.66	7.82
Dividend payout	**46.82**	41.76	46.75	56.24	52.60
Per common share data					
Earnings	**$ 1.20**	$ 1.21	$ 1.08	$ 0.89	$ 0.96
Diluted earnings	**1.18**	1.19	1.07	0.88	0.95
Dividends paid	**0.56**	0.50	0.50	0.50	0.50
Book value	**29.52**	28.17	28.19	25.32	25.28
Average balance sheet					
Total loans and leases	**$ 673,477**	$ 635,649	$ 615,968	$ 563,589	$ 539,497
Total assets	**1,497,987**	1,456,004	1,416,373	1,305,057	1,294,754
Total deposits	**676,851**	674,796	659,821	628,922	632,771
Long-term debt	**136,769**	125,620	117,018	99,601	98,326
Common shareholders equity	**129,098**	127,102	130,881	99,677	100,974
Total shareholders equity	**129,262**	127,373	131,153	99,948	101,246
Capital ratios (period end)					
Risk-based capital:					
Tier 1	**8.48 %**	8.33 %	8.45 %	8.25 %	8.27 %
Total	**11.46**	11.25	11.32	11.08	11.19
Tier 1 Leverage	**6.16**	6.13	6.18	5.91	5.90
Market price per share of common stock					
Closing	**$ 53.57**	$ 48.10	$ 45.54	$ 46.15	$ 42.10
High closing	**53.57**	50.47	47.08	46.99	45.98
Low closing	**47.98**	45.48	43.09	41.57	41.60

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Table 5

Selected Year-to-Date Financial Data

(Dollars in millions, except per share information)	Nine Months Ended September 30 2006		2005	
Income statement				
Net interest income	**$ 25,992**		$ 22,878	
Noninterest income	**28,566**		19,403	
Total revenue	**54,558**		42,281	
Provision for credit losses	**3,440**		2,614	
Gains (losses) on sales of debt securities	**(464)**		1,013	
Noninterest expense	**26,504**		21,361	
Income before income taxes	**24,150**		19,319	
Income tax expense	**8,273**		6,428	
Net income	**15,877**		12,891	
Average common shares issued and outstanding (in thousands)	**4,547,693**		4,012,924	
Average diluted common shares issued and outstanding (in thousands)	**4,614,599**		4,072,991	
Performance ratios				
Return on average assets	**1.46**	**%**	1.37	%
Return on average common shareholders equity	**16.44**		17.29	
Total ending equity to total ending assets	**9.22**		8.12	
Total average equity to total average assets	**8.87**		7.94	
Dividend payout	**45.05**		43.94	
Per common share data				
Earnings	**$ 3.49**		$ 3.21	
Diluted earnings	**3.44**		3.16	
Dividends paid	**1.56**		1.40	
Book value	**29.52**		25.28	
Average balance sheet				
Total loans and leases	**$ 641,909**		$ 528,331	
Total assets	**1,457,087**		1,258,041	
Total deposits	**670,552**		633,614	
Long-term debt	**126,541**		97,072	
Common shareholders equity	**129,020**		99,561	
Total shareholders equity	**129,256**		99,832	

Assets

At September 30, 2006, Total Assets were $1.4 trillion, an increase of $157.4 billion, or 12 percent, from December 31, 2005. Average Total Assets for the three and nine months ended September 30, 2006 increased $203.2 billion and $199.0 billion, or 16 percent increases, compared to the same periods in 2005. Growth in period end and average Total Assets was primarily attributable to the MBNA acquisition. In addition, growth in Loans and Leases was also attributable to organic growth, including retained mortgage production resulting from a strategic decision made by the Corporation at the beginning of the second quarter of 2006 to retain a larger share of mortgage production and bulk purchases of primarily residential mortgages and auto loans. Period end Other Assets includes $35.9 billion of broker receivables related to the sale of securities that was not settled as of September 30, 2006.

Liabilities and Shareholders Equity

At September 30, 2006, Total Liabilities were $1.3 trillion, an increase of $125.3 billion, or 11 percent, from December 31, 2005. Average Total Liabilities for the three and nine months ended September 30, 2006 increased $175.2 billion and $169.6 billion, or 15 percent increases, compared to the same periods in 2005. Growth in period end and average Total Liabilities was attributable to increases in Deposits and Long-term Debt due to the assumption of liabilities in connection with the MBNA merger and the net issuances of Long-term Debt.

Period end and average Shareholders Equity increased primarily from the issuance of stock related to the MBNA merger.

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Supplemental Financial Data

Table 6 provides a reconciliation of the supplemental financial data mentioned below with financial measures defined by accounting principles generally accepted in the United States (GAAP). Other companies may define or calculate supplemental financial data differently.

Operating Basis Presentation

In managing our business, we may at times look at performance excluding certain non-recurring items. For example, as an alternative to Net Income, we view results on an operating basis, which represents Net Income excluding Merger and Restructuring Charges. The operating basis of presentation is not defined by GAAP. We believe that the exclusion of Merger and Restructuring Charges, which represent events outside our normal operations, provides a meaningful period-to-period comparison and is more reflective of normalized operations.

Net Interest Income FTE Basis

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

Performance Measures

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

Return on Average Common Shareholders Equity and Shareholder Value Added

We also evaluate our business based upon return on average common shareholders equity (ROE) and shareholder value added (SVA) measures. ROE and SVA utilize non-GAAP allocation methodologies. ROE measures the earnings contribution of a unit as a percentage of the Shareholders Equity allocated to that unit. SVA is defined as cash basis earnings on an operating basis less a charge for the use of capital. These measures are used to evaluate our use of equity (i.e., capital) at the individual unit level and are integral components in the analytics for resource allocation. Using SVA as a performance measure places specific focus on whether incremental investments generate returns in excess of the costs of capital associated with those investments. Investments and initiatives are analyzed using SVA during the annual planning process for maximizing allocation of corporate resources. In addition, profitability, relationship, and investment models all use ROE and SVA as key measures to support our overall growth goal.

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Table 6

Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions, except per share information)	Three Months Ended September 30 2006		Three Months Ended September 30 2005		Nine Months Ended September 30 2006		Nine Months Ended September 30 2005	
Operating basis [1]								
Operating earnings	**$ 5,585**		$ 3,921		**$ 16,230**		$ 13,126	
Operating earnings per common share	**1.24**		0.98		**3.57**		3.27	
Diluted operating earnings per common share	**1.22**		0.97		**3.52**		3.22	
Shareholder value added	**2,446**		1,323		**6,937**		5,548	
Return on average assets	**1.48**	**%**	1.20	%	**1.49**	**%**	1.40	%
Return on average common shareholders equity	**17.16**		15.39		**16.81**		17.61	
Operating efficiency ratio (FTE basis)	**45.33**		49.92		**46.81**		49.00	
Dividend payout ratio	**45.40**		51.52		**44.07**		43.15	
Operating leverage	**10.45**		1.01		**5.80**		11.25	
FTE basis data								
Net interest income	**$ 8,894**		$ 7,933		**$ 26,860**		$ 23,467	
Total revenue	**18,961**		14,349		**55,426**		42,870	
Net interest yield	**2.73**	**%**	2.78	%	**2.85**	**%**	2.85	%
Efficiency ratio	**46.75**		50.76		**47.82**		49.83	
Reconciliation of net income to operating earnings								
Net income	**$ 5,416**		$ 3,841		**$ 15,877**		$ 12,891	
Merger and restructuring charges	**269**		120		**561**		353	
Related income tax benefit	**(100)**		(40)		**(208)**		(118)	
Operating earnings	**$ 5,585**		$ 3,921		**$ 16,230**		$ 13,126	
Reconciliation of EPS to operating EPS								
Earnings per common share	**$ 1.20**		$ 0.96		**$ 3.49**		$ 3.21	
Effect of merger and restructuring charges, net of tax benefit	**0.04**		0.02		**0.08**		0.06	
Operating earnings per common share	**$ 1.24**		$ 0.98		**$ 3.57**		$ 3.27	
Reconciliation of diluted EPS to diluted operating EPS								
Diluted earnings per common share	**$ 1.18**		$ 0.95		**$ 3.44**		$ 3.16	
Effect of merger and restructuring charges, net of tax benefit	**0.04**		0.02		**0.08**		0.06	
Diluted operating earnings per common share	**$ 1.22**		$ 0.97		**$ 3.52**		$ 3.22	
Reconciliation of net income to shareholder value added								
Net income	**$ 5,416**		$ 3,841		**$ 15,877**		$ 12,891	
Amortization of intangibles	**441**		201		**1,322**		613	
Merger and restructuring charges, net of tax benefit	**169**		80		**353**		235	
Cash basis earnings on an operating basis	**6,026**		4,122		**17,552**		13,739	
Capital charge	**3,580**		2,799		**10,615**		8,191	
Shareholder value added	**$ 2,446**		$ 1,323		**$ 6,937**		$ 5,548	
Reconciliation of return on average assets to operating return on average assets								
Return on average assets	**1.43**	**%**	1.18	%	**1.46**	**%**	1.37	%
Effect of merger and restructuring charges, net of tax benefit	**0.05**		0.02		**0.03**		0.03	
Operating return on average assets	**1.48**	**%**	1.20	%	**1.49**	**%**	1.40	%
Reconciliation of return on average common shareholders equity to operating return on average common shareholders equity								
Return on average common shareholders equity	**16.64**	**%**	15.09	%	**16.44**	**%**	17.29	%
Effect of merger and restructuring charges, net of tax benefit	**0.52**		0.30		**0.37**		0.32	
Operating return on average common shareholders equity	**17.16**	**%**	15.39	%	**16.81**	**%**	17.61	%
Reconciliation of efficiency ratio to operating efficiency ratio (FTE basis)								
Efficiency ratio	**46.75**	**%**	50.76	%	**47.82**	**%**	49.83	%
Effect of merger and restructuring charges	**(1.42)**		(0.84)		**(1.01)**		(0.83)	
Operating efficiency ratio	**45.33**	**%**	49.92	%	**46.81**	**%**	49.00	%
Reconciliation of dividend payout ratio to operating dividend payout ratio								
Dividend payout ratio	**46.82**	**%**	52.60	%	**45.05**	**%**	43.94	%
Effect of merger and restructuring charges, net of tax benefit	**(1.42)**		(1.08)		**(0.98)**		(0.79)	
Operating dividend payout ratio	**45.40**	**%**	51.52	%	**44.07**	**%**	43.15	%

Reconciliation of operating leverage to operating basis operating leverage				
Operating leverage	**12.17 %**	(0.60) %	**5.21 %**	11.37 %
Effect of merger and restructuring charges	**(1.72)**	1.61	**0.59**	(0.12)
Operating basis operating leverage	**10.45 %**	1.01 %	**5.80 %**	11.25 %

(1) Operating basis excludes Merger and Restructuring Charges which were $269 million and $120 million for the three months ended September 30, 2006 and 2005, and $561 million and $353 million for the nine months ended September 30, 2006 and 2005.

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Core Net Interest Income Managed Basis

In managing our business, we review core net interest income on a managed basis, which adjusts reported Net Interest Income on a FTE basis for the impact of market-based activities and certain securitizations. These securitizations include off-balance sheet Loans and Leases, specifically those loans in revolving securitizations and other securitizations where servicing is retained by the Corporation (e.g., credit card and home equity lines). As discussed in the *Global Corporate and Investment Banking* business segment section beginning on page 61, we evaluate our market-based results and strategies on a total market-based revenue approach by combining Net Interest Income and Noninterest Income for the *Capital Markets and Advisory Services* business. We also adjust for loans that we originated and sold into certain 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. An analysis of core net interest income managed basis, core average earning assets managed basis and core net interest yield on earning assets managed basis, which adjusts for the impact of these two non-core items from reported Net Interest Income on a FTE basis, is shown below.

Table 7

Core Net Interest Income Managed Basis

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005	**2006**	2005
Net interest income				
As reported (FTE basis)	**$ 8,894**	$ 7,933	**$ 26,860**	$ 23,467
Impact of market-based net interest income [1]	**(375)**	(453)	**(1,165)**	(1,527)
Core net interest income	**8,519**	7,480	**25,695**	21,940
Impact of securitizations	**1,760**	52	**5,195**	313
Core net interest income managed basis	**$ 10,279**	$ 7,532	**$ 30,890**	$ 22,253
Average earning assets				
As reported	**$ 1,302,366**	$ 1,137,629	**$ 1,258,927**	$ 1,100,685
Impact of market-based earning assets [1]	**(375,960)**	(335,043)	**(356,831)**	(319,856)
Core average earning assets	**926,406**	802,586	**902,096**	780,829
Impact of securitizations	**98,722**	7,827	**97,265**	9,905
Core average earning assets managed basis	**$ 1,025,128**	$ 810,413	**$ 999,361**	$ 790,734
Net interest yield contribution				
As reported (FTE basis)	**2.73 %**	2.78 %	**2.85 %**	2.85 %
Impact of market-based activities	**0.94**	0.94	**0.95**	0.90
Core net interest yield on earning assets	**3.67**	3.72	**3.80**	3.75
Impact of securitizations	**0.33**	(0.01)	**0.32**	0.01
Core net interest yield on earning assets managed basis	**4.00 %**	3.71 %	**4.12 %**	3.76 %

[1] Represents amounts from the *Capital Markets and Advisory Services* business within *Global Corporate and Investment Banking*.

Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005

Core net interest income on a managed basis increased $2.7 billion. This increase was primarily driven by the impact of the MBNA merger, organic growth in consumer and commercial loans, and increases related to ALM activities, including increased portfolio balances and the impact of rates. Partially offsetting these increases were lower core deposit levels, excluding the impact of MBNA, which were replaced with higher cost, wholesale funding activity.

On a managed basis, core average earning assets increased $214.7 billion primarily due to the impact of the MBNA merger, higher ALM levels (primarily residential mortgages), and higher levels of consumer and commercial loans from organic growth.

Core net interest yield on a managed basis increased 29 bps as a result of the impact of the MBNA merger partially offset by spread compression. In addition, core net interest yield decreased as a result of a decline in core deposit levels, excluding the impact of MBNA, which were replaced with higher cost, wholesale funding activity.

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Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

On a managed basis, core net interest income increased $8.6 billion, core average earning assets increased $208.6 billion, and core net interest yield increased 36 bps. These period over period changes were primarily driven by the same factors as described in the three month discussion above.

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Table 8

Quarterly Average Balances and Interest Rates FTE Basis

(Dollars in millions)	**Third Quarter 2006** Average Balance	Interest Income/ Expense	Yield/ Rate		Second Quarter 2006 Average Balance	Interest Income/ Expense	Yield/ Rate	
Earning assets								
Time deposits placed and other short-term investments	**$ 15,629**	**$ 173**	**4.39**	**%**	$ 16,691	$ 168	4.05	%
Federal funds sold and securities purchased under agreements to resell	**173,381**	**2,146**	**4.94**		179,104	1,900	4.25	
Trading account assets	**146,817**	**1,928**	**5.24**		133,556	1,712	5.13	
Securities	**236,033**	**3,136**	**5.31**		236,967	3,162	5.34	
Loans and leases (1):								
Residential mortgage	**222,889**	**3,151**	**5.65**		197,228	2,731	5.54	
Credit card domestic	**62,508**	**2,189**	**13.90**		64,980	2,168	13.38	
Credit card foreign	**9,455**	**286**	**12.02**		8,305	269	12.97	
Home equity lines	**70,075**	**1,351**	**7.65**		67,182	1,231	7.35	
Direct/Indirect consumer	**61,361**	**1,193**	**7.74**		56,715	1,057	7.46	
Other consumer (2)	**11,075**	**298**	**10.66**		10,804	294	10.95	
Total consumer	**437,363**	**8,468**	**7.71**		405,214	7,750	7.66	
Commercial domestic	**153,007**	**2,805**	**7.28**		148,445	2,695	7.28	
Commercial real estate	**37,471**	**724**	**7.67**		36,749	680	7.41	
Commercial lease financing	**20,875**	**232**	**4.46**		20,896	262	5.01	
Commercial foreign	**24,761**	**454**	**7.27**		24,345	456	7.52	
Total commercial	**236,114**	**4,215**	**7.09**		230,435	4,093	7.12	
Total loans and leases	**673,477**	**12,683**	**7.49**		635,649	11,843	7.47	
Other earning assets	**57,029**	**914**	**6.38**		51,928	808	6.24	
Total earning assets (3)	**1,302,366**	**20,980**	**6.41**		1,253,895	19,593	6.26	
Cash and cash equivalents	**33,495**				35,070			
Other assets, less allowance for loan and lease losses	**162,126**				167,039			
Total assets	**$ 1,497,987**				$ 1,456,004			
Interest-bearing liabilities								
Domestic interest-bearing deposits:								
Savings	**$ 34,268**	**$ 69**	**0.81**	**%**	$ 35,681	$ 76	0.84	%
NOW and money market deposit accounts	**212,690**	**1,053**	**1.96**		221,198	996	1.81	
Consumer CDs and IRAs	**147,607**	**1,658**	**4.46**		141,408	1,393	3.95	
Negotiable CDs, public funds and other time deposits	**14,105**	**150**	**4.19**		13,005	123	3.80	
Total domestic interest-bearing deposits	**408,670**	**2,930**	**2.84**		411,292	2,588	2.52	
Foreign interest-bearing deposits:								
Banks located in foreign countries	**38,588**	**562**	**5.78**		32,456	489	6.05	
Governments and official institutions	**12,801**	**156**	**4.83**		13,428	155	4.63	
Time, savings and other	**40,444**	**328**	**3.22**		37,178	276	2.98	
Total foreign interest-bearing deposits	**91,833**	**1,046**	**4.52**		83,062	920	4.44	
Total interest-bearing deposits	**500,503**	**3,976**	**3.15**		494,354	3,508	2.85	
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	**429,882**	**5,467**	**5.05**		408,734	4,842	4.75	
Trading account liabilities	**69,462**	**727**	**4.15**		61,263	596	3.90	
Long-term debt	**136,769**	**1,916**	**5.60**		125,620	1,721	5.48	
Total interest-bearing liabilities (3)	**1,136,616**	**12,086**	**4.23**		1,089,971	10,667	3.92	
Noninterest-bearing sources:								
Noninterest-bearing deposits	**176,348**				180,442			
Other liabilities	**55,761**				58,218			
Shareholders equity	**129,262**				127,373			
Total liabilities and shareholders equity	**$ 1,497,987**				$ 1,456,004			
Net interest spread			**2.18**				2.34	
Impact of noninterest-bearing sources			**0.55**				0.51	
Net interest income/yield on earning assets (4)		**$ 8,894**	**2.73**	**%**		$ 8,926	2.85	%

(1) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis.

(2) Includes consumer finance of $2.9 billion, $3.0 billion and $3.0 billion in the third, second and first quarters of 2006 and $2.9 billion and $3.1 billion in the fourth and third quarters of 2005, respectively, and foreign consumer of $8.1 billion, $7.8 billion and $7.3 billion in the third, second and first quarters of 2006 and $3.7 billion and $3.5 billion in the fourth and third quarters of 2005, respectively.

(3) Interest income includes the impact of interest rate risk management contracts, which increased (decreased) interest income on the underlying assets $(128) million, $(54) million and $8 million in the third, second and first quarters of 2006, and $29 million and $86 million in the fourth and third quarters of 2005, respectively. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on the underlying liabilities $(48) million, $87 million and $136 million in the third, second and first quarters of 2006, and $254 million and $274 million in the fourth and third quarters of 2005, respectively. For further information on interest rate contracts, see Interest Rate Risk Management beginning on page 98.

(4) Interest income (FTE basis) for the three months ended June 30, 2006, does not include the cumulative tax charge resulting from a change in tax legislation relating to extraterritorial tax income and foreign sales corporation regimes. The FTE impact to Net Interest Income and net interest yield on earning assets of this retroactive tax adjustment is a reduction of $270 million and 9 bps, respectively, for the three months ended June 30, 2006. Management has excluded this one-time impact to provide a more comparative basis of presentation for Net Interest Income and net interest yield on earning assets on a FTE basis. The impact on any given future period is not expected to be material.

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First Quarter 2006			Fourth Quarter 2005			Third Quarter 2005		
Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
$ 14,347	$ 139	3.92 %	$ 14,619	$ 132	3.59 %	$ 14,498	$ 125	3.43 %
174,711	1,709	3.94	165,908	1,477	3.55	176,650	1,382	3.12
133,361	1,623	4.89	139,441	1,648	4.72	142,287	1,578	4.42
234,606	3,043	5.19	221,411	2,842	5.13	225,952	2,820	4.99
184,796	2,524	5.48	178,764	2,424	5.42	171,012	2,298	5.37
68,169	2,180	12.97	56,858	1,747	12.19	55,271	1,651	11.85
8,403	287	13.86						
64,198	1,112	7.02	60,571	1,012	6.63	58,046	910	6.22
55,025	986	7.24	47,181	703	5.91	47,900	702	5.81
10,357	272	10.59	6,653	184	11.01	6,715	170	10.05
390,948	7,361	7.60	350,027	6,070	6.90	338,944	5,731	6.73
144,693	2,490	6.97	137,224	2,280	6.59	127,044	2,095	6.54
36,676	632	6.99	36,017	597	6.58	34,663	542	6.20
20,512	247	4.82	20,178	241	4.79	20,402	239	4.69
23,139	427	7.48	20,143	378	7.45	18,444	349	7.51
225,020	3,796	6.83	213,562	3,496	6.50	200,553	3,225	6.38
615,968	11,157	7.32	563,589	9,566	6.75	539,497	8,956	6.60
46,618	718	6.22	40,582	596	5.83	38,745	542	5.57
1,219,611	18,389	6.08	1,145,550	16,261	5.65	1,137,629	15,403	5.39
34,857			33,693			32,969		
161,905			125,814			124,156		
$1,416,373			$ 1,305,057			$ 1,294,754		
$ 35,550	$ 76	0.87 %	$ 35,535	$ 68	0.76 %	$ 35,853	$ 56	0.62 %
227,606	908	1.62	224,122	721	1.28	224,341	743	1.31
135,068	1,177	3.53	120,321	1,029	3.39	130,975	1,094	3.31
8,551	70	3.30	5,085	27	2.13	4,414	47	4.23
406,775	2,231	2.22	385,063	1,845	1.90	395,583	1,940	1.95
30,116	424	5.71	24,451	355	5.77	19,707	292	5.89
10,200	107	4.25	7,579	73	3.84	7,317	62	3.37
35,136	245	2.83	32,624	203	2.46	32,024	177	2.19
75,452	776	4.17	64,654	631	3.87	59,048	531	3.57
482,227	3,007	2.53	449,717	2,476	2.18	454,631	2,471	2.16
399,896	4,309	4.37	364,140	3,855	4.20	339,980	3,190	3.72
52,466	517	3.99	56,880	619	4.32	68,132	707	4.12
117,018	1,516	5.18	99,601	1,209	4.85	98,326	1,102	4.48
1,051,607	9,349	3.60	970,338	8,159	3.34	961,069	7,470	3.09
177,594			179,205			178,140		
56,019			55,566			54,299		
131,153			99,948			101,246		
$1,416,373			$ 1,305,057			$ 1,294,754		
		2.48			2.31			2.30
		0.50			0.51			0.48
	$ 9,040	2.98 %		$ 8,102	2.82 %		$ 7,933	2.78 %

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Table 9

Year-to-date Average Balances and Interest Rates FTE Basis

(Dollars in millions)	2006 Average Balance	2006 Interest Income/ Expense	2006 Yield/ Rate	2005 Average Balance	2005 Interest Income/ Expense	2005 Yield/ Rate
	Nine Months Ended September 30					
Earning assets						
Time deposits placed and other short-term investments	**$ 15,560**	**$ 480**	**4.12 %**	$ 14,175	$ 339	3.20 %
Federal funds sold and securities purchased under agreements to resell	**175,727**	**5,755**	**4.37**	170,219	3,535	2.77
Trading account assets	**137,961**	**5,263**	**5.09**	131,500	4,235	4.30
Securities	**235,874**	**9,341**	**5.28**	219,314	8,205	4.99
Loans and leases [(1)]:						
Residential mortgage	**201,777**	**8,406**	**5.56**	172,090	6,997	5.43
Credit card domestic	**65,198**	**6,537**	**13.40**	53,033	4,505	11.36
Credit card foreign	**8,725**	**842**	**12.91**			
Home equity lines	**67,173**	**3,694**	**7.35**	54,845	2,401	5.85
Direct/Indirect consumer	**57,724**	**3,236**	**7.49**	44,240	1,886	5.70
Other consumer [(2)]	**10,748**	**864**	**10.73**	6,995	485	9.24
Total consumer	**411,345**	**23,579**	**7.66**	331,203	16,274	6.56
Commercial domestic	**148,746**	**7,990**	**7.18**	124,937	5,987	6.41
Commercial real estate	**36,968**	**2,036**	**7.36**	33,727	1,449	5.75
Commercial lease financing	**20,762**	**741**	**4.76**	20,529	751	4.88
Commercial foreign	**24,088**	**1,337**	**7.42**	17,935	913	6.81
Total commercial	**230,564**	**12,104**	**7.02**	197,128	9,100	6.17
Total loans and leases	**641,909**	**35,683**	**7.43**	528,331	25,374	6.42
Other earning assets	**51,896**	**2,440**	**6.28**	37,146	1,509	5.43
Total earning assets [(3)]	**1,258,927**	**58,962**	**6.25**	1,100,685	43,197	5.24
Cash and cash equivalents	**34,469**			33,033		
Other assets, less allowance for loan and lease losses	**163,691**			124,323		
Total assets	**$ 1,457,087**			$ 1,258,041		
Interest-bearing liabilities						
Domestic interest-bearing deposits:						
Savings	**$ 35,162**	**$ 221**	**0.84 %**	$ 36,961	$ 143	0.52 %
NOW and money market deposit accounts	**220,443**	**2,957**	**1.79**	228,936	2,118	1.24
Consumer CDs and IRAs	**141,407**	**4,228**	**4.00**	125,755	3,063	3.26
Negotiable CDs, public funds and other time deposits	**11,907**	**343**	**3.84**	7,463	223	4.00
Total domestic interest-bearing deposits	**408,919**	**7,749**	**2.53**	399,115	5,547	1.86
Foreign interest-bearing deposits:						
Banks located in foreign countries	**33,751**	**1,475**	**5.84**	22,437	846	5.04
Governments and official institutions	**12,152**	**418**	**4.60**	7,363	164	2.99
Time, savings and other	**37,606**	**849**	**3.02**	31,261	459	1.96
Total foreign interest-bearing deposits	**83,509**	**2,742**	**4.39**	61,061	1,469	3.22
Total interest-bearing deposits	**492,428**	**10,491**	**2.85**	460,176	7,016	2.04
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	**412,948**	**14,618**	**4.73**	313,692	7,760	3.31
Trading account liabilities	**61,126**	**1,840**	**4.03**	57,962	1,745	4.03
Long-term debt	**126,541**	**5,153**	**5.43**	97,072	3,209	4.41
Total interest-bearing liabilities [(3)]	**1,093,043**	**32,102**	**3.92**	928,902	19,730	2.84
Noninterest-bearing sources:						
Noninterest-bearing deposits	**178,124**			173,438		
Other liabilities	**56,664**			55,869		
Shareholders equity	**129,256**			99,832		
Total liabilities and shareholders equity	**$ 1,457,087**			$ 1,258,041		
Net interest spread			**2.33**			2.40
Impact of noninterest-bearing sources			**0.52**			0.45
Net interest income/yield on earning assets [(4)]		**$ 26,860**	**2.85 %**		$ 23,467	2.85 %

(1) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis.

(2) Includes consumer finance of $3.0 billion and $3.2 billion, and foreign consumer of $7.8 billion and $3.5 billion for the nine months ended September 30, 2006 and 2005.

(3) Interest income includes the impact of interest rate risk management contracts, which increased (decreased) interest income on the underlying assets $(174) million and $675 million in the nine months ended September 30, 2006 and 2005. Interest expense includes the impact of interest rate risk management contracts, which increased interest expense on the underlying liabilities $175 million and $1.1 billion in the nine months ended September 30, 2006 and 2005. For further information on interest rate contracts, see Interest Rate Risk Management beginning on page 98.

(4) Interest income (FTE basis) for the nine months ended September 30, 2006, does not include the cumulative tax charge resulting from a change in tax legislation relating to extraterritorial tax income and foreign sales corporation regimes. The FTE impact to Net Interest Income and net interest yield on earning assets of this retroactive tax adjustment is a reduction of $270 million and 3 bps, respectively, for the nine months ended September 30, 2006. Management has excluded this one-time impact to provide a more comparative basis of presentation for Net Interest Income and net interest yield on earning assets on a FTE basis. The impact on any given future periods is not expected to be material.

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Business Segment Operations

Segment Description

The Corporation reports the results of its operations through three business segments: *Global Consumer and Small Business Banking, Global Corporate and Investment Banking,* and *Global Wealth and Investment Management*. *All Other* consists of equity investment activities including Principal Investing and Corporate and Strategic 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 and commercial lending businesses that are being liquidated. *All 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 that do not qualify for SFAS 133 hedge accounting treatment, gains or losses on sales of whole mortgage loans, and Gains (Losses) on Sales of Debt Securities.

Basis of Presentation

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data on page 43. We begin by evaluating the operating results of the businesses, which by definition excludes Merger and Restructuring Charges. The segment results also reflect certain revenue and expense methodologies, which are utilized to determine operating income. The Net Interest Income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

The management accounting reporting process derives segment and business results by utilizing allocation methodologies for revenue, expense, and capital. The Net Income derived for the businesses are dependent upon revenue and cost allocations using an activity-based costing model, funds transfer pricing, 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 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 Net Interest Income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. Some ALM activities are recorded in the businesses (i.e., *Deposits*) such as external product pricing decisions, including deposit pricing strategies, as well as the effects of our internal funds transfer pricing process and other ALM actions such as portfolio positioning. These activities are reported in each of the Corporation s segments under *ALM/Other*. In addition, any residual effect of the funds transfer pricing process is retained in *All Other*.

Certain allocation methodologies are utilized for expenses as well. An example, specifically with regard to cost allocation, is where banking center costs are not only allocated to various consumer businesses (i.e., *Deposits*, *Mortgage*, *Card Services*, etc.) that utilize the banking center, but also are allocated to businesses in other segments such as *Treasury Services* within *Global Corporate and Investment Banking*. A discussion of the Corporation s allocation methodologies is presented as part of Business Segment Operations on page 16 of Management s Discussion and Analysis of Financial Condition and Results of Operations filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

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

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each unit s credit, market and operational risk components. The nature of these risks is discussed further beginning on page 77. ROE is calculated by dividing annualized Net Income by average allocated equity. SVA is defined as cash basis earnings on an operating basis less a charge for the use of capital (i.e., equity). Cash basis earnings on an operating basis is defined as Net

Income adjusted to exclude Merger and Restructuring Charges and Amortization of Intangibles. The charge for capital is calculated by multiplying 11 percent (management s estimate of the shareholders minimum required rate of return on capital invested) by average total common shareholders equity at the corporate level and by average allocated equity at the business segment level. Average equity is allocated to the business level using a methodology identical to that used in the ROE calculation. Management reviews the estimate of the rate used to calculate the capital charge annually. The Capital Asset Pricing Model is used to estimate our cost of capital.

See Note 14 of the Consolidated Financial Statements for additional business segment information, selected financial information for the business segments and reconciliations to consolidated Total Revenue and Net Income amounts.

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Global Consumer and Small Business Banking

	Three Months Ended September 30, 2006					
(Dollars in millions)	Total	Deposits	Card Services (1)	Mortgage	Home Equity	ALM/Other
Net interest income (2)	$ 5,243	$ 2,463	$ 2,224	$ 150	$ 351	$ 55
Noninterest income						
Service charges	1,410	1,410				
Mortgage banking income	215			192	23	
Card income	3,262	501	2,761			
All other income	313		345	12		(44)
Total noninterest income	5,200	1,911	3,106	204	23	(44)
Total revenue (2)	10,443	4,374	5,330	354	374	11
Provision for credit losses	1,144	51	1,032	6	11	44
Gains (losses) on sales of debt securities						
Noninterest expense	4,730	2,267	1,956	253	169	85
Income before income taxes (2)	4,569	2,056	2,342	95	194	(118)
Income tax expense (benefit)	1,680	756	862	35	71	(44)
Net income	$ 2,889	$ 1,300	$ 1,480	$ 60	$ 123	$ (74)
Shareholder value added	$ 1,542	$ 966	$ 540	$ 6	$ 80	$ (50)
Net interest yield (2)	6.33 %	2.93 %	8.92 %	1.79 %	2.40 %	n/m
Return on average equity	18.42	33.96	13.20	12.21	31.44	n/m
Efficiency ratio (2)	45.31	51.85	36.68	71.72	45.16	n/m
Period end total assets (3)	$ 394,920	$ 345,940	$ 138,161	$ 38,206	$ 59,700	n/m

	Three Months Ended September 30, 2005					
(Dollars in millions)	Total	Deposits	Card Services (1)	Mortgage	Home Equity	ALM/Other
Net interest income (2)	$ 4,238	$ 2,182	$ 1,306	$ 194	$ 333	$ 223
Noninterest income						
Service charges	1,386	1,386				
Mortgage banking income	230			209	21	
Card income	1,344	404	940			
All other income	68		3	4		61
Total noninterest income	3,028	1,790	943	213	21	61
Total revenue (2)	7,266	3,972	2,249	407	354	284
Provision for credit losses	1,107	38	1,010	8	9	42
Gains (losses) on sales of debt securities	(1)					(1)
Noninterest expense	3,255	2,026	732	252	159	86
Income before income taxes (2)	2,903	1,908	507	147	186	155
Income tax expense	1,061	698	185	54	69	55
Net income	$ 1,842	$ 1,210	$ 322	$ 93	$ 117	$ 100

Shareholder value added	$ 1,177	$ 879	$ 58	$ 45	$ 86	$ 109
Net interest yield (2)	5.61 %	2.77 %	9.00 %	2.00 %	2.71 %	n/m
Return on average equity	25.23	32.10	11.14	21.04	40.55	n/m
Efficiency ratio (2)	44.80	51.03	32.53	61.94	44.77	n/m
Period end total assets (3)	$ 326,926	$ 327,975	$ 63,055	$ 44,606	$ 49,653	n/m

(1) *Card Services* presented on a held view.

(2) Fully taxable-equivalent basis

(3) Total Assets include asset allocations to match liabilities (i.e., deposits).

n/m = not meaningful

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Global Consumer and Small Business Banking

	Nine Months Ended September 30, 2006					
(Dollars in millions)	**Total**	**Deposits**	**Card Services (1)**	**Mortgage**	**Home Equity**	**ALM/Other**
Net interest income (2)	**$ 15,788**	**$ 7,279**	**$ 6,535**	**$ 445**	**$ 1,029**	**$ 500**
Noninterest income						
Service charges	**3,949**	**3,949**				
Mortgage banking income	**630**			**567**	**63**	
Card income	**9,983**	**1,406**	**8,577**			
All other income	**712**		**917**	**33**		**(238)**
Total noninterest income	**15,274**	**5,355**	**9,494**	**600**	**63**	**(238)**
Total revenue (2)	**31,062**	**12,634**	**16,029**	**1,045**	**1,092**	**262**
Provision for credit losses	**3,420**	**109**	**3,142**	**15**	**31**	**123**
Gains (losses) on sales of debt securities	**(1)**					**(1)**
Noninterest expense	**13,957**	**6,693**	**5,816**	**724**	**480**	**244**
Income before income taxes (2)	**13,684**	**5,832**	**7,071**	**306**	**581**	**(106)**
Income tax expense (benefit)	**5,040**	**2,148**	**2,604**	**113**	**214**	**(39)**
Net income	**$ 8,644**	**$ 3,684**	**$ 4,467**	**$ 193**	**$ 367**	**$ (67)**
Shareholder value added	**$ 4,546**	**$ 2,701**	**$ 1,656**	**$ 38**	**$ 253**	**$ (102)**
Net interest yield (2)	**6.40 %**	**2.91 %**	**8.95 %**	**1.77 %**	**2.48 %**	**n/m**
Return on average equity	**18.16**	**32.57**	**13.33**	**13.64**	**35.50**	**n/m**
Efficiency ratio (2)	**44.93**	**52.98**	**36.28**	**69.36**	**43.98**	**n/m**
Period end total assets (3)	**$ 394,920**	**$ 345,940**	**$ 138,161**	**$ 38,206**	**$ 59,700**	**n/m**

	Nine Months Ended September 30, 2005					
(Dollars in millions)	Total	Deposits	Card Services (1)	Mortgage	Home Equity	ALM/Other
Net interest income (2)	$ 12,555	$ 6,202	$ 3,671	$ 574	$ 958	$ 1,150
Noninterest income						
Service charges	3,734	3,734				
Mortgage banking income	741			681	60	
Card income	3,760	1,140	2,620			
All other income	238		50	13		175
Total noninterest income	8,473	4,874	2,670	694	60	175
Total revenue (2)	21,028	11,076	6,341	1,268	1,018	1,325
Provision for credit losses	2,973	50	2,808	15	27	73
Gains (losses) on sales of debt securities	(2)					(2)
Noninterest expense	9,839	6,026	2,257	785	502	269
Income before income taxes (2)	8,214	5,000	1,276	468	489	981
Income tax expense	2,956	1,803	458	169	177	349

Net income	$	5,258	$	3,197	$	818	$	299	$	312	$ 632
Shareholder value added	$	3,297	$	2,217	$	71	$	163	$	222	$ 624
Net interest yield [2]		5.61 %		2.69 %		8.91 %		2.05 %		2.74 %	n/m
Return on average equity		24.29		28.51		9.88		23.84		37.82	n/m
Efficiency ratio [2]		46.79		54.41		35.59		61.92		49.26	n/m
Period end total assets [3]	$	326,926	$	327,975	$	63,055	$	44,606	$	49,653	n/m

[1] *Card Services* presented on a held view.

[2] Fully taxable-equivalent basis

[3] Total Assets include asset allocations to match liabilities (i.e., deposits).

n/m = not meaningful

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(Dollars in millions)	Three Months Ended September 30 2006	2005	Nine Months Ended September 30 2006	2005
Average				
Total loans and leases	**$ 193,845**	$ 145,726	**$ 189,378**	$ 142,267
Total earning assets [(1)]	**328,861**	299,770	**329,612**	299,244
Total assets [(1)]	**390,895**	326,869	**392,256**	326,490
Total deposits	**330,368**	310,530	**331,546**	305,924
Allocated equity	**62,239**	28,968	**63,628**	28,946

	September 30 2006	2005
Period End		
Total loans and leases	**$ 195,728**	$ 147,714
Total earning assets [(1)]	**331,734**	299,378
Total assets [(1)]	**394,920**	326,926
Total deposits	**330,789**	313,059

(1) Total earning assets and Total Assets include asset allocations to match liabilities (i.e., deposits).

The strategy of *Global Consumer and Small Business Banking* is to attract, retain and deepen customer relationships. We achieve this strategy through our ability to offer a wide range of products and services through a franchise that stretches coast to coast through 30 states and the District of Columbia. With the recent acquisition of MBNA, we also provide credit card products to customers in Canada, Ireland, Spain, and the United Kingdom. We serve more than 55 million consumer and small business relationships utilizing our network of 5,722 banking centers, 16,846 domestic branded ATMs, and telephone and Internet channels. Within *Global Consumer and Small Business Banking*, there are four primary businesses: *Deposits*, *Card Services*, *Mortgage*, and *Home Equity.* In addition, *ALM/Other* includes the results of ALM activities and other consumer-related businesses (e.g., insurance).

Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005

Net Income increased $1.0 billion to $2.9 billion compared to the same period in 2005. Net Interest Income increased $1.0 billion, or 24 percent, compared to the same period in 2005. The increase in Net Interest Income was primarily due to the MBNA acquisition and organic growth which increased Average Loans and Leases.

Noninterest Income increased $2.2 billion, or 72 percent, compared to the same period in 2005, primarily due to increases of $1.9 billion in Card Income and $245 million in all other income. Card Income increased primarily due to increases in excess servicing income, interchange income, and cash advance fees due to the impact of the MBNA acquisition. All other income increased primarily as a result of the MBNA merger and the sale of a portion of our *Merchant Services* business.

Noninterest Expense increased $1.5 billion, or 45 percent, compared to the same period in 2005. The primary driver of the increase was the MBNA acquisition, which increased, among other line items, Personnel, Marketing and Amortization of Intangibles.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Net Income increased $3.4 billion to $8.6 billion compared to the same period in 2005. The increase to Net Income was primarily due to an increase in Net Interest Income of $3.2 billion and an increase to Noninterest Income of $6.8 billion that was partially offset by an increase in Noninterest Expense of $4.1 billion. These period over period changes were primarily driven by the same factors as described in the three month discussion above. Service Charges also increased for the period due to new account growth and increased usage.

In addition, the Provision for Credit Losses increased $447 million, or 15 percent, to $3.4 billion compared to the same period in 2005, primarily resulting from an increase in *Card Services* mainly driven by the MBNA merger. For further discussion of this increase in the Provision for Credit Losses related to *Card Services*, see the *Card Services* discussion beginning on page 55.

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Deposits

Deposits provides a comprehensive range of products to consumers and small businesses. Our products include traditional savings accounts, money market savings accounts, CDs and IRAs, and regular and interest-checking accounts. Debit cards are also included in *Deposits*.

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 activity and our ALM activities. The revenue is attributed 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 various account fees such as non-sufficient fund fees, overdraft charges and account service fees while debit cards generate interchange fees. Interchange fees are volume based and paid by merchants to have the debit transaction processed.

We added approximately 744,000 net new retail checking accounts and 284,000 net new retail savings accounts in the third quarter of 2006. We added approximately 2,048,000 net new retail checking accounts and 1,159,000 net new retail savings accounts in the first nine months of 2006. These additions resulted from continued improvement in sales and service results in the Banking Center Channel, the introduction of certain products such as *Keep the Change*™ and the success of focused marketing efforts.

The Corporation migrates qualifying affluent customers, and their related deposit balances and associated Net Interest Income from the *Global Consumer and Small Business Banking* segment to *Global Wealth and Investment Management*. The total cumulative average impact of migrated balances was $49.2 billion and $47.8 billion for the three and nine months ended September 30, 2006, compared to $41.5 billion and $37.7 billion for the same periods in 2005.

Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005

Net Income increased $90 million, or seven percent, compared to the same period in 2005. The increase in Net Income was driven by an increase in Total Revenue of $402 million, or 10 percent, compared to the same period in 2005. Driving this growth was an increase of $281 million, or 13 percent, in Net Interest Income resulting from an increase in deposit spreads and higher deposit levels. Deposit spreads increased 18 bps to 3.00 percent, compared to the same period in the prior year, as we effectively managed pricing in a rising interest rate environment. Average deposits increased $19.8 billion, or six percent, compared to the same period in 2005, primarily due to the MBNA acquisition. Partially offsetting the increase in deposits was the migration of deposit balances to *Global Wealth and Investment Management*. Noninterest Income increased $121 million, or seven percent, driven by higher debit card interchange income and higher service charges. The increase in debit card interchange income was primarily due to a higher number of active debit cards, increased usage, and continued improvement in penetration and activation rates. Service charges were higher due to increased non-sufficient funds fees and overdraft charges, account service charges, and ATM fees resulting from new account growth and increased usage.

Total Noninterest Expense increased $241 million, or 12 percent, compared to the same period in 2005, primarily driven by costs associated with increased transaction volume.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Net Income increased $487 million, or 15 percent, compared to the same period in 2005. The increase in Net Income was driven by an increase in Total Revenue of $1.6 billion, partially offset by an increase in Noninterest Expense of $667 million. These period over period changes were primarily driven by the same factors as described in the three month discussion above.

Card Services

Card Services, which excludes debit cards (included in *Deposits*), provides a broad offering of products, including U.S. Consumer and Business Credit Card, Consumer Finance, International Loan Products, including foreign credit card, and Merchant Services. Through the MBNA acquisition, we offer a variety of co-branded and affinity credit card products and have also become the leading issuer of credit cards through endorsed marketing. Prior to the acquisition of MBNA, *Card Services* only included U.S. Consumer Card, Business Credit Card, and Merchant Services.

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We evaluate our *Card Services* business on both a held and managed basis (a non-GAAP measure). Managed basis treats securitized loan receivables as if they were still on the balance sheet and presents the earnings on the sold loan receivables as if they were not sold. Similarly, we evaluate credit risk on a managed basis as the receivables that have been securitized are subject to the same underwriting standards and ongoing monitoring as the held loans. The performance of the managed portfolio is important to understanding the results of card operations.

The following tables reconcile the *Card Services* portfolio and certain credit card data on a held basis to a managed basis to reflect the impact of securitizations. For assets that have been securitized, we record excess servicing income, a component of Card Income, rather than Net Interest Income and Provision for Credit Losses, as we are compensated for servicing. In a securitization, the credit card receivables, not the ongoing relationships, are sold to the trust. After the revolving period of the securitization, assuming no new securitizations, the newly generated credit card receivables arising from these relationships are recorded on our balance sheet. This has the effect of increasing Loans and Leases, and increasing Net Interest Income and Provision for Credit Losses (including net charge-offs), with a related reduction in Noninterest Income. Managed Noninterest Income includes the impact of the gains recognized on securitized loan principal receivables in accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement No. 125 (SFAS 140).

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Card Services Data **(1)**

(Dollars in millions)	Three Months Ended September 30 **2006**	2005	Nine Months Ended September 30 **2006**	2005
Income Statement Data				
Held total revenue	**$ 5,330**	$ 2,249	**$ 16,029**	$ 6,341
Securitizations impact	**908**	92	**2,340**	372
Managed total revenue	**$ 6,238**	$ 2,341	**$ 18,369**	$ 6,713
Held provision for credit losses	**$ 1,032**	$ 1,010	**$ 3,142**	$ 2,808
Securitizations impact	**908**	92	**2,340**	372
Managed credit impact	**$ 1,940**	$ 1,102	**$ 5,482**	$ 3,180
Balance Sheet Data				
Average held *Card Services* outstandings	**$ 95,948**	$ 57,414	**$ 94,332**	$ 54,925
Securitizations impact	**97,371**	4,491	**95,050**	5,788
Average managed *Card Services* outstandings	**$ 193,319**	$ 61,905	**$ 189,382**	$ 60,713
Ending held *Card Services* outstandings	**$ 96,173**	$ 58,427	**$ 96,173**	$ 58,427
Securitizations impact	**98,683**	3,622	**98,683**	3,622
Ending managed *Card Services* outstandings	**$ 194,856**	$ 62,049	**$ 194,856**	$ 62,049
Credit Quality Statistics (2)				
Held net charge-offs	**$ 1,094**	$ 798	**$ 2,676**	$ 2,353
Securitizations impact	**908**	92	**2,340**	372
Managed *Card Services* net losses	**$ 2,002**	$ 890	**$ 5,016**	$ 2,725
Held net charge-offs	**4.52 %**	5.51 %	**3.79 %**	5.73 %
Securitizations impact	**(0.41)**	0.19	**(0.25)**	0.27
Managed *Card Services* net losses	**4.11 %**	5.70 %	**3.54 %**	6.00 %

Credit Card Data **(3)**

(Dollars in millions)	Three Months Ended September 30 **2006**	2005	Nine Months Ended September 30 **2006**	2005
Balance Sheet Data				
Average held credit card outstandings	**$ 71,963**	$ 55,271	**$ 73,923**	$ 53,033
Securitizations impact	**92,175**	4,491	**88,615**	5,788
Average managed credit card outstandings	**$ 164,138**	$ 59,762	**$ 162,538**	$ 58,821
Ending held credit card outstandings	**$ 70,067**	$ 56,079	**$ 70,067**	$ 56,079
Securitizations impact	**94,389**	3,622	**94,389**	3,622
Ending managed credit card outstandings	**$ 164,456**	$ 59,701	**$ 164,456**	$ 59,701
Credit Quality Statistics (2)				
Held net charge-offs	**$ 923**	$ 772	**$ 2,356**	$ 2,286
Securitizations impact	**825**	92	**2,112**	372
Managed credit card net losses	**$ 1,748**	$ 864	**$ 4,468**	$ 2,658
Held net charge-offs	**5.09 %**	5.55 %	**4.26 %**	5.76 %
Securitizations impact	**(0.86)**	0.19	**(0.58)**	0.28
Managed credit card net losses	**4.23 %**	5.74 %	**3.68 %**	6.04 %

(1) Beginning with the first quarter of 2006, *Card Services* includes U.S. Consumer and Business Credit Card, Consumer Finance, International Loan Products and Merchant Services. Prior to January 1, 2006, *Card Services* only included U.S. Consumer Card, Business Credit Card, and Merchant Services.

(2) American Institute of Certified Public Accountants (AICPA) Statement of Position No. 03-3 Accounting for Certain Loans or Debt Securities Acquired in a Transfer (SOP 03-3) decreased held net charge-offs for *Card Services* and credit card $26 million or 11 bps and $15 million or 8 bps, for the three months ended September 30, 2006. Managed net losses for *Card Services* and credit card decreased $26 million, or 5 bps and $15 million or 3 bps. SOP 03-3 decreased held net charge-offs for *Card Services* and credit card $263 million or 38 bps and $137 million or 25 bps for the nine months ended September 30, 2006. Managed net losses for *Card Services* and credit card decreased $263 million or 19 bps and $137 million or 11 bps. See discussion of SOP 03-3 in the Consumer Portfolio Credit Quality Performance section.

(3) Includes U.S. Consumer Card and Foreign Credit Card. Does not include Business Credit Card.

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Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005

Net Income increased $1.2 billion to $1.5 billion compared to the same period in 2005 due to the growth in Total Revenue, partially offset by an increase in Noninterest Expense. The MBNA acquisition increased revenue when compared to the same period in 2005. Held Total Revenue increased $3.1 billion to $5.3 billion. Contributing to this increase was the $918 million increase in held Net Interest Income due to an increase in average held credit card outstandings from the MBNA merger.

Driving the increase in held revenue was an increase in Noninterest Income of $2.2 billion compared to the same period in 2005 due to the MBNA acquisition and organic growth. The MBNA acquisition increased excess servicing income, interchange income, cash advance fees and all other income. All other income also increased due to the sale of a portion of our *Merchant Services* business. This sale resulted in a $72 million (pre-tax) gain in all other income within *Card Services*, with a related offset in Corporate Income Tax Expense due to the lack of deductibility associated with goodwill.

Held Provision for Credit Losses increased $22 million to $1.0 billion compared to the same period in 2005. This increase was primarily driven by the addition of MBNA, partially offset by reduced credit-related costs on the domestic credit card portfolio.

Card Services held net charge-offs were $1.1 billion, $296 million higher than the same quarter in 2005. Credit card held net charge-offs were $923 million, or 5.09 percent of total average held credit card outstandings, compared to $772 million, or 5.55 percent, a year ago. This increase was primarily due to the impact of the addition of the MBNA portfolio, changes made in 2005 in credit card minimum payment requirements which resulted in 2006 net charge-offs, new advances on accounts for which previous loan balances were sold to the securitization trusts and seasoning of the portfolio. These increases were partially offset by lower bankruptcy-related net charge-offs.

Managed *Card Services* revenue increased $3.9 billion to $6.2 billion compared to the same period in 2005. This increase was driven by the acquisition of MBNA which increased average managed credit card outstandings, Net Interest Income, interchange and other fee income.

Managed *Card Services* net losses were $2.0 billion, $1.1 billion higher than the same quarter in 2005. This increase was primarily driven by managed credit card net losses, which were $1.7 billion, or 4.23 percent of total average managed credit card loans for the three months ended September 30, 2006 compared to $864 million, or 5.74 percent, for the same period in 2005. Managed losses were higher primarily due to the addition of the MBNA portfolio, changes made in 2005 in credit card minimum payment requirements which resulted in 2006 net losses and seasoning of the portfolio. These increases were partially offset by lower bankruptcy-related net losses. The 151 bps decrease in the net losses ratio for the managed credit card portfolio was driven by the beneficial impact of the MBNA portfolio and lower net losses resulting from bankruptcy reform.

Total Noninterest Expense increased $1.2 billion to $2.0 billion compared to the same period in 2005 and was primarily driven by the MBNA merger.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Net Income increased $3.6 billion to $4.5 billion compared to the same period in 2005. The increase in Net Income was due to increases of $2.9 billion in Net Interest Income and $6.8 billion in Noninterest Income, partially offset by an increase of $3.6 billion in Noninterest Expense.

These period over period changes were primarily driven by the same factors as described in the three month discussion above. In addition, Noninterest Income also increased due to the gain recorded on MasterCard Incorporated s (MasterCard s) initial public offering.

In connection with MasterCard s initial public offering on May 24, 2006, the Corporation s previous investment in MasterCard was exchanged for new shares at a ratio of 1 to 1.35. Subsequent to the initial public offering, MasterCard

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redeemed approximately 59 percent of these shares for cash. The Corporation is restricted from selling the remaining 41 percent of unredeemed shares to the general public for a period of four years. As it relates to shares historically owned by the Corporation, a net gain of approximately $36 million (pre-tax) was recorded in all other income relating to the shares redeemed for cash and no gain was recorded associated with the unredeemed shares. A gain or loss will be recognized through all other income when the unredeemed shares are sold. For shares historically owned by MBNA, a purchase accounting adjustment of $71 million was recorded as a reduction of Goodwill to record the fair value of both the redeemed and unredeemed MasterCard shares.

Held Provision for Credit Losses increased $334 million to $3.1 billion. This increase was primarily due to the impact of the addition of the MBNA portfolio, partially offset by reduced credit-related costs on the domestic credit card portfolio, in part, driven by the absence of the $210 million provision recorded in 2005 to establish reserves for changes in credit card minimum payment requirements.

Card Services held net charge-offs were $2.7 billion, $323 million higher than the same period in 2005, driven by the addition of the MBNA portfolio, partially offset by lower bankruptcy-related net charge-offs. Credit card held net charge-offs were $2.4 billion, or 4.26 percent of total average held credit card outstandings, compared to $2.3 billion, or 5.76 percent, for the same period in 2005 driven by the same factors as described in the three month discussion above.

Managed *Card Services* revenue increased $11.7 billion to $18.4 billion compared to the same period in 2005. Managed *Card Services* net losses were $5.0 billion, $2.3 billion higher than the same period in 2005. Managed credit card net losses were $4.5 billion, or 3.68 percent of total average managed credit card loans compared to $2.7 billion, or 6.04 percent, for the same period in 2005. These period over period changes for the nine months ended September 30, 2006, were primarily driven by the same factors as described in the three month discussion above.

Mortgage

Mortgage generates revenue by providing an extensive line of mortgage products and services to customers nationwide. *Mortgage* products are available to our customers through a retail network of personal bankers located in 5,722 banking centers, sales account executives in over 150 locations and through a sales force offering our customers direct telephone and online access to our products. Additionally, we serve our customers through a partnership with more than 6,800 mortgage brokers in 48 states. The mortgage product offerings for home purchase and refinancing needs include fixed and adjustable rate loans. To manage this portfolio, these products are either sold into the secondary mortgage market to investors, while retaining the Bank of America customer relationships, or are held on our balance sheet for ALM purposes.

The first mortgage business includes the origination, fulfillment, sale and servicing of first mortgage loan products. Servicing activities primarily include collecting cash for principal, interest and escrow payments from borrowers, and accounting for and remitting principal and interest payments to investors. Servicing income includes ancillary income derived in connection with these activities, such as late fees.

Mortgage production within *Global Consumer and Small Business Banking* was $19.1 billion and $55.4 billion for the three and nine months ended September 30, 2006 compared to $24.1 billion and $57.5 billion in the same periods of 2005.

Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005

Net Income for *Mortgage* decreased $33 million, or 35 percent, due to a decrease in Total Revenue of $53 million to $354 million. The change in Total Revenue was due to a decrease of $44 million in Net Interest Income and a decrease of $17 million in Mortgage Banking Income. The decrease in Net Interest Income was primarily driven by the impact of spread compression due to the flattening yield curve and the decrease in average residential first mortgage balances. The decrease in Mortgage Banking Income was primarily due to weaker production income driven by lower volumes sold, margin compression which negatively impacted the pricing of loans sold into secondary markets, and a strategic shift to retain a larger share of mortgage production on the Corporation s balance sheet. Mortgage Banking Income within *Global Consumer and Small Business Banking* was compensated on a management accounting basis for this strategic shift with the corresponding offset recorded in *All Other*. This was partially offset by the favorable performances of the Mortgage Servicing Rights (MSRs) and the derivatives used to economically hedge changes in the fair values of the MSRs.

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Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Net Income for *Mortgage* decreased $106 million, or 35 percent, compared to the same period in 2005. The decrease to Net Income was due to decreases of $129 million in Net Interest Income and $114 million in Mortgage Banking Income, partially offset by a $61 million decrease in Noninterest Expense. This period over period change was primarily driven by the same factors as described in the three month discussion above.

The Mortgage servicing portfolio includes loans serviced for others and originated and retained residential mortgages. The servicing portfolio at September 30, 2006 was $323.3 billion, $26.5 billion higher than December 31, 2005, primarily driven by production and lower prepayment rates. Included in this amount was $230.1 billion of loans serviced for others.

At September 30, 2006, the consumer MSR balance was $2.9 billion, an increase of $274 million, or 10 percent, from December 31, 2005. This value represented 127 bps of the related unpaid principal balance, a 5 bps increase from December 31, 2005.

Home Equity

Home Equity generates revenue by providing an extensive line of home equity products and services to customers nationwide. *Home Equity* products include lines of credit and home equity loans, and are also available to our customers through our retail network and through our partnership with mortgage brokers.

Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005

Net Income for *Home Equity* increased $6 million, or five percent, compared to the same period in 2005. Driving this increase in Net Income was Total Revenue, which increased $20 million to $374 million compared to the same period in 2005. The increase in Total Revenue was primarily attributable to account growth and larger line sizes resulting from enhanced product offerings and the expanding home equity market.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Net Income for *Home Equity* increased $55 million, or 18 percent, compared to the same period in 2005. Total Revenue for *Home Equity* increased $74 million to $1.1 billion. This period over period change was primarily driven by the same factors as described in the three month discussion above.

The *Home Equity* servicing portfolio at September 30, 2006 was $82.2 billion, $11.9 billion higher than December 31, 2005, driven primarily by increased production and portfolio purchases.

ALM/Other

ALM/Other is comprised primarily of the allocation of a portion of the Corporation s Net Interest Income from ALM activities, the residual of the funds transfer pricing allocation process associated with recording *Card Services* securitizations and the results of other consumer-related businesses (e.g., insurance).

Net Income decreased $174 million and $699 million for the three and nine months ended September 30, 2006 compared to the same periods in 2005. The decreases were primarily a result of a lower contribution from ALM activities due to the flattening yield curve and the impact of the residual of the funds transfer pricing allocation process associated with recording *Card Services* securitizations.

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Global Corporate and Investment Banking

	Three Months Ended September 30, 2006				
(Dollars in millions)	Total	Business Lending	Capital Markets and Advisory Services	Treasury Services	ALM/ Other
Net interest income [1]	$ 2,643	$ 1,131	$ 375	$ 979	$ 158
Noninterest income					
Service charges	710	130	29	509	42
Investment and brokerage services	252	5	205	8	34
Investment banking income	554		554		
Trading account profits	711	10	657	13	31
All other income	1,145	128	48	195	774