As filed with the Securities and Exchange Commission on May 25, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):
May 25, 2006

Bank of America Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

1-6523
(Commission File Number)

56-0906609
(IRS Employer Identification No.)

100 North Tryon Street
Charlotte, North Carolina
(Address of principal executive offices)

28255
(Zip Code)

(704) 386-8486
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. OTHER EVENTS

From time to time, including in its Annual Report on Form 10-K for the year ended December 31, 2005 (the "Annual Report"), the Corporation has indicated that it may reclassify its business segment results based on, among other things, changes in its organizational alignment. In the Annual Report, the Corporation reported its results of operations through four business segments: *Global Consumer and Small Business Banking*, *Global Business and Financial Services, Global Capital Markets and Investment Banking,* and *Global Wealth and Investment Management*. Effective January 1, 2006, the Corporation combined *Global Business and Financial Services* and *Global Capital Markets and Investment Banking* creating a new business segment called *Global Corporate and Investment Banking*. This change was described and reflected in the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, which should be referred to for a more complete description of the revised business segment reporting structure and the realigned business units.

This Current Report on Form 8-K and the exhibits hereto update the business segment information presented in the Annual Report, but only to the extent this information is impacted by the revised business segment reporting methodology. Portions of the following items from the Annual Report have been updated to reflect the revised business segment methodology:

- Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (filed as Exhibit 99.1 and incorporated herein by reference).
- Part II, Item 8. Financial Statements and Supplementary Data (filed as Exhibit 99.2 and incorporated herein by reference).

All updates to the Annual Report relate solely to the presentation of segment specific disclosures on a basis consistent with the revised reporting structure and had no impact on the consolidated balance sheets, statements of income, statements of changes in shareholders' equity or statements of cash flows. The information in this Current Report on Form 8-K is presented as of December 31, 2005 and other than as indicated above, has not been updated to reflect financial results subsequent to that date or any other changes since the date of the Annual Report.

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

Exhibit No.	
23	Consent of PricewaterhouseCoopers LLP.
99.1	Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.
99.2	Part II, Item 8. Financial Statements and Supplementary Data.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BANK OF AMERICA CORPORATION

By: /s/ Neil A. Cotty

Neil A. Cotty
Chief Accounting Officer

Dated: May 25, 2006

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
23	Consent of PricewaterhouseCoopers LLP.
99.1	Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.
99.2	Part II, Item 8. Financial Statements and Supplementary Data.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in:

- the Registration Statements on Form S-3 (Nos. 333-112708; 333-70984; 333-15375; 333-18273; 333-43137; 333-97157; 333-97197; 333-83503; 333-07229; 333-51367; 033-54784; 033-57533; 033-63097; 033-30717; 033-49881; 333-13811; 333-47222; 333-65750; 333-64450; 333-104151; 333-123714; 333-130821; and 333-133852);
- the Registration Statement on Form S-4 (No. 333-110924);
- the Registration Statements on Form S-8 (Nos. 333-69849; 033-45279; 002-80406; 333-65209; 333-02875; 033-60695; 333-58657; 333-81810; 333-53664; 333-102043; 333-102852; 333-121513; 333-133566; and 333-127124); and
- the Post-Effective Amendments on Form S-8 to Registration Statements on Form S-4 (Nos. 333-110924; 033-43125; 033-55145; 033-63351; 033-62069; 033-62208; 333-16189; 333-60553; and 333-40515)

of Bank of America Corporation of our report dated March 14, 2006 except as to the effects of reclassifications of balances for reportable segments as reflected in Note 20 for which the date is May 25, 2006 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Current Report on Form 8-K.

PricewaterhouseCoopers LLP

Charlotte, North Carolina

May 25, 2006

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements. We have based these forward-looking statements on our current plans, expectations and beliefs about future events. In light of the risks, uncertainties and assumptions discussed under Item 1A. "Risk Factors" of this Annual Report on Form 10-K and other factors discussed in this section, there are risks that our actual experience will differ materially from the expectations and beliefs reflected in the forward-looking statements in this section and throughout this report. For more information regarding what constitutes a forward-looking statement, please refer to Item 1A. "Risk Factors."

The Corporation, headquartered in Charlotte, North Carolina, operates in 29 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 December 31, 2005, we had $1.3 trillion in assets and approximately 177,000 full-time equivalent employees. Notes to Consolidated Financial Statements referred to in Management's Discussion and Analysis of Results of Operations and Financial Condition are incorporated by reference into Management's Discussion and Analysis of Results of Operations and Financial Condition. Certain prior period amounts have been reclassified to conform to current period presentation.

Restatement

As discussed in Notes 1 and 23 of the Consolidated Financial Statements, we are restating our historical financial statements for the years 2004 and 2003, for the quarters in 2005 and 2004, and other selected financial data for the years 2002 and 2001 (see Tables 2 and 3 on pages 12 and 14 for the restatements of Five-Year Summary of Selected Financial Data, and Supplemental Financial Data and Reconciliations to GAAP Financial Measures). These restatements and resulting revisions relate to 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). The Corporation is presenting this restatement in its 2005 Annual Report on Form 10-K.

The Corporation uses interest rate contracts and foreign exchange contracts in its Asset and Liability Management (ALM) activities. Use of such derivatives enables us to minimize significant fluctuations in earnings caused by interest rate and currency rate volatility. The Corporation had applied hedge accounting for certain derivative transactions that we believe met the requirements of SFAS 133. The application of hedge accounting produced financial statement results that were consistent with the economics of these transactions and our risk management activities. Hedge accounting reduces volatility in earnings by counterbalancing the changes in the hedged item and the derivative. As a result of a recent interpretation on the "shortcut" method for derivative instruments under SFAS 133, the Corporation undertook a review of all hedge accounting transactions, which was completed in the first quarter of 2006. Based on the review, we determined that certain hedges did not meet the requirements of SFAS 133. Since we could not apply hedge accounting for those transactions, the derivative transactions have been marked to market through our Consolidated Statement of Income with no related offset for hedge accounting. Accordingly, changes in interest rates and currency rates which impact the fair value of derivative instruments have had a direct impact on our Net Income.

The following tables set forth the effect of the adjustments described above on Net Income for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 and for the quarterly periods in 2005 and 2004. Although the year and fourth quarter of 2005 are not restated, this information was previously provided in the Corporation's current report on Form 8-K filed on January 23, 2006, and therefore, is included as part of the restatement information.

Increase (Decrease) in Net Income[(1)]

	Year Ended December 31				
(Dollars in millions)	**2005[(2)]**	2004	2003	2002	2001
As Previously Reported Net income	**$16,886**	$14,143	$10,810	$9,249	$6,792
Internal fair value hedges	**(271)**	(190)	(144)	406	226
Internal cash flow hedges	**25**	(281)	104	(176)	424
Other, net	**(175)**	275	(9)	74	57
Total adjustment	**(421)**	(196)	(49)	304	707
Restated Net income	**$16,465**	$13,947	$10,762	$9,553	$7,499
Percent change	**(2.5)%**	(1.4)%	(0.5)%	3.3%	10.4%

(1) For presentation purposes, certain numbers have been rounded.
(2) The Corporation provided unaudited financial information relating to 2005 in its current report on Form 8-K filed on January 23, 2006.

Increase (Decrease) in Quarterly Net Income[(1, 2)]

	2005				2004			
(Dollars in millions)	**Fourth[(3)]**	**Third**	**Second**	**First**	Fourth	Third	Second	First
As Previously Reported Net income	**$ 3,768**	**$4,127**	**$4,296**	**$4,695**	$3,849	$3,764	$3,849	$2,681
Internal fair value hedges	**(74)**	**(148)**	**130**	**(179)**	(76)	157	(435)	164
Internal cash flow hedges	**(43)**	**(29)**	**125**	**(28)**	18	(111)	146	(334)
Other, net	**(77)**	**(108)**	**106**	**(95)**	65	293	(219)	137
Total adjustment	**(194)**	**(285)**	**361**	**(302)**	7	339	(508)	(33)
Restated Net income	**$ 3,574**	**$3,841**	**$4,657**	**$4,393**	$3,855	$4,103	$3,341	$2,648
Percent change	**(5.1)%**	**(6.9)%**	**8.4%**	**(6.4)%**	0.2%	9.0%	(13.2)%	(1.2)%

(1) See Note 23 of the Consolidated Financial Statements for Restatement of Quarterly Financial Statements (unaudited).
(2) For presentation purposes, certain numbers have been rounded.
(3) The Corporation provided unaudited financial information relating to the fourth quarter of 2005 in its current report on Form 8-K filed on January 23, 2006.

During the first quarter of 2006, the Corporation terminated certain derivatives used as economic hedges as part of its ALM activities that did not qualify for SFAS 133 hedge accounting and entered into new derivative contracts to hedge certain of its exposures to changes in interest rates and foreign currency rates. These new contracts are designated in hedging relationships and meet the requirement for SFAS 133 hedge accounting. Prior to the termination of the economic hedges noted above, the changes in fair value of such contracts were recorded in Other Income and had a direct impact on Net Income. As a result, we estimate that Net Income will be reduced by approximately $0.03 per share in the first quarter of 2006.

Effects of the Restatement

The following tables set forth the effects of the restatement relating to derivative transactions on major caption items within our Consolidated Statement of Income for the years 2004 and 2003, and our Consolidated Balance Sheet as of December 31, 2004. Although the year and fourth quarter of 2005 are not restated, this information was previously provided in the Corporation's current report on Form 8-K filed on January 23, 2006, and therefore, is included as part of the restatement information.

Bank of America Corporation and Subsidiaries

Consolidated Statement of Income

	Year Ended December 31					
	2005		2004		2003	
(Dollars in millions, except per share information)	**As Previously Reported[(1)]**	**Restated**	As Previously Reported	Restated	As Previously Reported	Restated
Total interest income	**$ 58,696**	**$ 58,626**	$ 43,224	$ 42,953	$ 31,563	$ 31,172
Total interest expense	**27,540**	**27,889**	14,430	14,993	10,099	10,667
Net interest income	**31,156**	**30,737**	28,794	27,960	21,464	20,505
Total noninterest income	**25,610**	**25,354**	20,085	21,005	16,450	17,329
Total revenue	**56,766**	**56,091**	48,879	48,965	37,914	37,834
Gains on sales of debt securities	**1,084**	**1,084**	2,123	1,724	941	941
Income before income taxes	**25,155**	**24,480**	21,221	20,908	15,861	15,781
Income tax expense	**8,269**	**8,015**	7,078	6,961	5,051	5,019
Net income	**$ 16,886**	**$ 16,465**	$ 14,143	$ 13,947	$ 10,810	$ 10,762
Net income available to common shareholders	**$ 16,868**	**$ 16,447**	$ 14,127	$ 13,931	$ 10,806	$ 10,758
Per common share information						
Earnings	**$ 4.21**	**$ 4.10**	$ 3.76	$ 3.71	$ 3.63	$ 3.62
Diluted earnings	**$ 4.15**	**$ 4.04**	$ 3.69	$ 3.64	$ 3.57	$ 3.55

(1) The Corporation provided unaudited financial information relating to 2005 in its current report on Form 8-K filed on January 23, 2006.

The impact of the restatement on our Consolidated Statement of Income was to reverse previously applied hedge accounting for affected hedging relationships in the relevant periods. For derivative instruments previously accounted for as fair value hedges, the net accruals for the derivatives were recorded to Net Interest Income, and net changes in fair values of the derivative instruments as a result of changes in rates were recorded as basis adjustments to the hedged items, such as Loans and Leases, and Long-term Debt. As a result of the restatement, the previous accounting treatment was reversed (i.e., the net accruals recorded to Net Interest Income were reversed and there was no basis adjustment for the hedged items), and the total changes in the fair values of the derivative instruments including interest accrual settlements were recorded directly to Other Income. In addition, for derivative instruments that were previously accounted for as cash flow hedges, the Corporation recorded accruals from the derivative instruments to Net Interest Income and recorded net changes in the fair values of the derivatives, net-of-tax, to Accumulated Other Comprehensive Income (OCI). As a result of the restatement, the cash flow hedge effects were reversed from Accumulated OCI and Net Interest Income, and recorded in Other Income. Accordingly, Net Interest Income decreased $419 million, $834 million and $959 million for 2005, 2004 and 2003, respectively. Other Income decreased $256 million in 2005, and increased $920 million and $879 million in 2004 and 2003.

The change in Other Income (included in Total Noninterest Income) after the restatement adjustments was primarily due to the effects of changes in rates in each respective year on the fair values of derivative instruments used in the Corporation's ALM activities. These derivative instruments were primarily comprised of receive fixed interest rate swaps, long futures and forward contracts, which generally increase in value when interest rates fall, and decrease in value when interest rates rise.

Gains on Sales of Debt Securities declined from the previously reported results by $399 million in the third quarter of 2004. The previously reported results did not recognize cash flow hedge losses upon sale of the underlying hedged securities. This cash flow hedge utilized a forward purchase agreement to hedge the variability in cash flows from the anticipated purchase of securities. The Corporation subsequently sold the related securities and did not previously reclassify the loss on the forward purchase agreement from Accumulated OCI into income.

Bank of America Corporation and Subsidiaries

Consolidated Balance Sheet

	December 31			
	2005		2004	
(Dollars in millions)	As Previously Reported[(1)]	Restated	As Previously Reported	Restated
Loans and leases, net of allowance for loan and lease losses	**$ 565,737**	**$ 565,746**	$ 513,211	$ 513,187
Total assets	**1,291,795**	**1,291,803**	1,110,457	1,110,432
Accrued expenses and other liabilities	**31,749**	**31,938**	41,243	41,590
Long-term debt	**101,338**	**100,848**	98,078	97,116
Total liabilities	**1,190,571**	**1,190,270**	1,010,812	1,010,197
Retained earnings	**67,205**	**67,552**	58,006	58,773
Accumulated other comprehensive income (loss)	**(7,518)**	**(7,556)**	(2,587)	(2,764)
Total shareholders' equity	**101,224**	**101,533**	99,645	100,235
Total liabilities and shareholders' equity	**$1,291,795**	**$ 1,291,803**	$ 1,110,457	$ 1,110,432

(1) The Corporation provided unaudited financial information relating to 2005 in its current report on Form 8-K filed on January 23, 2006.

The impact of the restatement on our Consolidated Balance Sheet was to reverse fair value basis adjustments to items that previously qualified as fair value hedged items such as Loans and Leases, and Long-term Debt. Additionally, changes in the fair value of derivative instruments that previously qualified for cash flow hedge accounting were reversed from Accumulated OCI and recorded in income. Tax effects of these adjustments impacted Accrued Expenses and Other Liabilities. Accordingly, as of December 31, 2005 and 2004, this resulted in an increase of $9 million and a decrease of $24 million in Loans and Leases, an increase in Accrued Expenses and Other Liabilities of $189 million and $347 million, a decrease in Long-term Debt of $490 million and $962 million, an increase in Retained Earnings of $347 million and $767 million, and a decrease in Accumulated OCI of $38 million and $177 million.

The following tables set forth the effects of the restatement relating to derivative transactions on major caption items within our Consolidated Statement of Income and our Consolidated Balance Sheet for the quarters in 2005 and 2004. Although the year and fourth quarter of 2005 are not restated, this information was previously provided in the Corporation's current report on Form 8-K filed on January 23, 2006, and therefore, is included as part of the restatement information.

See Note 23 of the Consolidated Financial Statements for restated quarterly financial statements.

Bank of America Corporation and Subsidiaries

Consolidated Statement of Income

	2005 Quarters							
	Fourth		Third		Second		First	
(Dollars in millions, except per share information)	As Previously Reported[(1)]	Restated	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated
Total interest income	$ 16,030	$ 16,018	$ 15,222	$ 15,205	$ 14,291	$ 14,267	$ 13,153	$ 13,136
Total interest expense	8,170	8,159	7,449	7,470	6,641	6,630	5,280	5,630
Net interest income	7,860	7,859	7,773	7,735	7,650	7,637	7,873	7,506
Total noninterest income	6,262	5,951	6,834	6,416	6,365	6,955	6,149	6,032
Total revenue	14,122	13,810	14,607	14,151	14,015	14,592	14,022	13,538
Gains on sales of debt securities	71	71	29	29	325	325	659	659
Income before income taxes	5,473	5,161	6,192	5,736	6,446	7,023	7,044	6,560
Income tax expense	1,705	1,587	2,065	1,895	2,150	2,366	2,349	2,167
Net income	$ 3,768	$ 3,574	$ 4,127	$ 3,841	$ 4,296	$ 4,657	$ 4,695	$ 4,393
Net income available to common shareholders	$ 3,764	$ 3,570	$ 4,122	$ 3,836	$ 4,292	$ 4,653	$ 4,690	$ 4,388
Per common share information								
Earnings	$ 0.94	$ 0.89	$ 1.03	$ 0.96	$ 1.07	$ 1.16	$ 1.16	$ 1.09
Diluted earnings	$ 0.93	$ 0.88	$ 1.02	$ 0.95	$ 1.06	$ 1.14	$ 1.14	$ 1.07

(1) The Corporation provided unaudited financial information relating to the fourth quarter of 2005 in its current report on Form 8-K filed on January 23, 2006.

Bank of America Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in millions, except per share information)	2004 Quarters							
	Fourth		Third		Second		First	
	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated
Total interest income	$ 12,195	$ 12,138	$ 11,487	$ 11,456	$ 10,990	$ 10,908	$ 8,552	$ 8,451
Total interest expense	4,448	4,588	3,822	3,941	3,409	3,542	2,751	2,922
Net interest income	7,747	7,550	7,665	7,515	7,581	7,366	5,801	5,529
Total noninterest income	5,966	6,174	4,922	6,012	5,467	4,870	3,730	3,949
Total revenue	13,713	13,724	12,587	13,527	13,048	12,236	9,531	9,478
Gains on sales of debt securities	101	101	732	333	795	795	495	495
Income before income taxes	5,775	5,786	5,648	6,189	5,826	5,014	3,972	3,919
Income tax expense	1,926	1,931	1,884	2,086	1,977	1,673	1,291	1,271
Net income	$ 3,849	$ 3,855	$ 3,764	$ 4,103	$ 3,849	$ 3,341	$ 2,681	$ 2,648
Net income available to common shareholders	$ 3,844	$ 3,850	$ 3,759	$ 4,098	$ 3,844	$ 3,336	$ 2,680	$ 2,647
Per common share information								
Earnings	$ 0.95	$ 0.95	$ 0.93	$ 1.01	$ 0.95	$ 0.82	$ 0.93	$ 0.92
Diluted earnings	$ 0.94	$ 0.94	$ 0.91	$ 0.99	$ 0.93	$ 0.81	$ 0.91	$ 0.90

Net Income volatility from the third quarter of 2004 to the second quarter of 2005 was primarily driven by the impact of changes in interest rates on the fair value of derivative instruments which did not qualify for SFAS 133 hedge accounting treatment. As rates decreased in the third quarter of 2004 and the second quarter of 2005, the Corporation's Net Income increased driven by increases in the fair value of these derivative instruments. As rates increased in the first quarter of 2005, the Corporation's Net Income decreased as the rise in rates adversely impacted the fair value of the derivative instruments.

Bank of America Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in millions)	2005 Quarters							
	Fourth		Third		Second		First	
	As Previously Reported(1)	Restated	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated
Loans and leases, net of allowance for loan and lease losses	$ 565,737	$ 565,746	$ 546,277	$ 546,286	$ 521,099	$ 521,109	$ 521,153	$ 521,144
Total assets	1,291,795	1,291,803	1,252,259	1,252,267	1,246,330	1,246,339	1,212,239	1,212,229
Accrued expenses and other liabilities	31,749	31,938	32,976	33,250	34,470	34,940	35,081	35,319
Long-term debt	101,338	100,848	99,885	99,149	96,894	95,638	98,763	98,107
Total liabilities	1,190,571	1,190,270	1,151,001	1,150,539	1,145,790	1,145,004	1,113,720	1,113,302
Retained earnings	67,205	67,552	65,439	65,980	63,328	64,154	60,843	61,309
Accumulated other comprehensive income (loss)	(7,518)	(7,556)	(6,509)	(6,580)	(4,992)	(5,023)	(5,559)	(5,617)
Total shareholders' equity	101,224	101,533	101,258	101,728	100,540	101,335	98,519	98,927
Total liabilities and shareholders' equity	$ 1,291,795	$ 1,291,803	$ 1,252,259	$ 1,252,267	$ 1,246,330	$ 1,246,339	$ 1,212,239	$ 1,212,229

(1) The Corporation provided unaudited financial information relating to the fourth quarter of 2005 in its current report on Form 8-K filed on January 23, 2006.

Bank of America Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in millions)	2004 Quarters							
	Fourth		Third		Second		First	
	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated
Loans and leases, net of allowance for loan and lease losses	$ 513,211	$ 513,187	$ 502,916	$ 502,890	$ 489,714	$ 489,685	$ 369,888	$ 369,858
Total assets	1,110,457	1,110,432	1,072,829	1,072,802	1,024,731	1,024,701	799,974	799,942
Accrued expenses and other liabilities	41,243	41,590	28,851	29,205	28,682	28,747	18,635	19,269
Long-term debt	98,078	97,116	100,586	99,582	98,319	98,082	81,231	79,474
Total liabilities	1,010,812	1,010,197	974,818	974,168	928,910	928,738	751,198	750,075
Retained earnings	58,006	58,773	55,979	56,739	54,030	54,452	51,808	52,738
Accumulated other comprehensive income (loss)	(2,587)	(2,764)	(2,669)	(2,806)	(3,862)	(4,142)	(2,743)	(2,582)
Total shareholders' equity	99,645	100,235	98,011	98,634	95,821	95,963	48,776	49,867
Total liabilities and shareholders' equity	$ 1,110,457	$ 1,110,432	$ 1,072,829	$ 1,072,802	$ 1,024,731	$ 1,024,701	$ 799,974	$ 799,942

Recent Events

On June 30, 2005, we announced a definitive agreement to acquire all outstanding shares of MBNA Corporation (MBNA), a leading provider of credit card and payment products, for approximately $35.0 billion in stock (85 percent) and cash (15 percent). This transaction closed on January 1, 2006. Under the terms of the agreement, MBNA stockholders received 0.5009 of a share of our common stock plus $4.125 for each MBNA share of common stock.

On June 17, 2005, we announced a definitive agreement to purchase approximately nine percent of the stock of China Construction Bank (CCB) for $3.0 billion. Under this agreement, we made an initial purchase of CCB shares for $2.5 billion in August 2005 and an additional purchase of $500 million in October 2005, during CCB's initial public offering. These shares are non-transferable until the third anniversary of the initial public offering. We also hold an option that allows us to increase our interest in CCB to 19.9 percent over the next five years. CCB is the third largest commercial bank in China based on total assets.

Effective for the third quarter dividend, our Board of Directors (the Board) increased the quarterly cash dividend 11 percent from $0.45 to $0.50 per common share. In October 2005, the Board declared a fourth quarter cash dividend which was paid on December 23, 2005 to common shareholders of record on December 2, 2005. In January 2006, the Board declared a quarterly cash dividend of $0.50 per common share payable on March 24, 2006 to shareholders of record on March 3, 2006.

On October 15, 2004, we acquired 100 percent of National Processing, Inc. (NPC), for $1.4 billion in cash, creating the second largest merchant processor in the United States.

On April 1, 2004, we closed our merger with FleetBoston Financial Corporation (FleetBoston). The merger was accounted for under the purchase method of accounting. Accordingly, results for 2004 include the impact of FleetBoston for nine months of combined company results.

Economic Overview

In 2005, economic performance was strong, despite a near doubling in energy prices, persistent hikes in the Federal Funds rate and the destructive hurricanes in the second half of 2005. In the United States, real Gross Domestic Product rose a solid 3.6 percent. Global economic expansion was healthy, as robust growth in Asian nations was offset by weaker activity in core European nations. In the U.S., consumer spending was particularly resilient to the higher energy prices that reduced real purchasing power. Rising employment and wages lifted personal income and financial wealth reached an all-time high, while the rate of personal savings fell again. Following several years of robust increases in real estate activity and housing values, real estate softened in the second half of 2005 and the volume of mortgage refinancing receded. Heightened efficiencies generated sustained productivity gains that constrained costs of production and contributed to record-breaking operating profits and cash flows. While business investment spending was strong and employment gains firm, inventories remained lean. The strong business performance generated growth in business lending and supported healthy credit quality. Although the higher energy prices pushed up headline inflation, core inflation, which excludes the volatile food and energy prices, remained low. The Federal Reserve raised rates at every Federal Open Market Committee meeting in 2005, lifting the Federal Funds rate to 4.25 percent at year-end. However, these rate hikes were widely anticipated, contributing to very low bond yields and a significantly flatter yield curve.

Performance Overview

Net Income totaled $16.5 billion, or $4.04 per diluted common share in 2005, increases of 18 percent and 11 percent from $13.9 billion, or $3.64 per diluted common share in 2004.

Business Segment Total Revenue and Net Income

	Total Revenue		Net Income	
(Dollars in millions)	2005	2004 (Restated)	2005	2004 (Restated)
Global Consumer and Small Business Banking	**$28,285**	$24,684	**$ 6,945**	$ 5,801
Global Corporate and Investment Banking	**20,600**	18,653	**6,398**	5,926
Global Wealth and Investment Management	**7,311**	6,000	**2,316**	1,631
All Other	**727**	345	**806**	589
Total FTE basis[1]	**56,923**	49,682	**16,465**	13,947
FTE adjustment[1]	**(832)**	(717)	—	—
Total	**$56,091**	$48,965	**$16,465**	$13,947

(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 13.

Global Consumer and Small Business Banking

Net Income increased $1.1 billion, or 20 percent, to $6.9 billion in 2005. Driving the increase was the impact of FleetBoston, which contributed to increases in Net Interest Income, Card Income and Service Charges. Also impacting the increase in Net Income was higher Mortgage Banking Income driven by lower MSR impairment charges. Partially offsetting these increases was higher Provision for Credit Losses and Noninterest Expense. For more information on *Global Consumer and Small Business Banking*, see page 16.

Global Corporate and Investment Banking

Net Income increased $472 million, or eight percent, to $6.4 billion in 2005. The increase was due to higher Net Interest Income as Average Loans and Leases, and Average Deposits increased. Also driving the increase in Net Income was higher other noninterest income and Trading Account Profits, including the impact of FleetBoston. Offsetting these increases were higher Noninterest Expense and a reduced benefit from Provision for Credit Losses. For more information on *Global Corporate and Investment Banking*, see page 22.

Global Wealth and Investment Management

Net Income increased $685 million, or 42 percent, to $2.3 billion in 2005. The increase was due to higher Net Interest Income as we experienced increases in Average Deposits, and Average Loans and Leases driven by the impact of FleetBoston. Also impacting the increase in Net Income was higher Investment and Brokerage Services Income. Partially offsetting these increases was higher Personnel Expense. Total assets under management increased $30.9 billion to $482.4 billion at December 31, 2005. For more information on *Global Wealth and Investment Management*, see page 26.

All Other

Net Income increased $217 million, or 37 percent, to $806 million in 2005. This increase was primarily a result of an increase in Equity Investment Gains offset by decreases in Other Income and Gains on Sales of Debt Securities. Other Income decreased primarily as a result of negative changes in the fair value of derivative instruments, which do not qualify for SFAS 133 hedge accounting, due to increasing rates during 2005. For more information on *All Other*, see page 29.

Financial Highlights

Net Interest Income

Net Interest Income on a FTE basis increased $2.9 billion to $31.6 billion in 2005 compared to 2004. The primary drivers of the increase were the impact of FleetBoston, organic growth in consumer (primarily credit card and home equity) and commercial loans, higher domestic deposit levels and a larger ALM portfolio (primarily securities). Partially offsetting these increases was the adverse impact of spread compression due to the flattening of the yield curve, which contributed to lower Net Interest Income. The net interest yield on a FTE basis declined 33 basis points (bps) to 2.84 percent in 2005. This was primarily due to the adverse impact of an increase in lower-yielding, trading-related balances and spread compression, which was partially offset by growth in core deposit and consumer loans. For more information on Net Interest Income on a FTE basis, see Table I on page 68.

Noninterest Income

Noninterest Income

(Dollars in millions)	2005	2004 (Restated)
Service charges	**$ 7,704**	$ 6,989
Investment and brokerage services	**4,184**	3,614
Mortgage banking income	**805**	414
Investment banking income	**1,856**	1,886
Equity investment gains	**2,040**	863
Card income	**5,753**	4,592
Trading account profits	**1,812**	869
Other income	**1,200**	1,778
Total noninterest income	**$25,354**	$21,005

Noninterest Income increased $4.3 billion to $25.4 billion for 2005 compared to 2004, due to the following which includes the impact of FleetBoston:

- Service Charges grew $715 million driven by organic account growth.
- Investment and Brokerage Services increased $570 million due to increases in asset management fees and mutual fund fees.
- Mortgage Banking Income increased $391 million due to lower mortgage servicing rights (MSRs) impairment charges which were partially offset by lower production income.
- Equity Investment Gains increased $1.2 billion, primarily in Principal Investing, as liquidity in the private equity markets increased.
- Card Income increased $1.2 billion due to increased interchange income and merchant discount fees driven by growth in debit and credit purchase volumes and the acquisition of NPC.
- Trading Account Profits increased $943 million due to increased customer activity driven by our strategic initiative in *Global Corporate and Investment Banking* to expand business capabilities and opportunities, and the absence of a writedown of the Excess Spread Certificates (the Certificates) that occurred in the prior year. For more information on the Certificates, see Note 1 of the Consolidated Financial Statements.
- Other Income decreased $578 million primarily related to losses on derivative instruments used as economic hedges in ALM activities that did not qualify for SFAS 133 hedge accounting.

Provision for Credit Losses

The Provision for Credit Losses increased $1.2 billion to $4.0 billion in 2005 with credit card being the primary driver of the increase. Consumer credit card net charge-offs increased $1.3 billion from 2004 to $3.7 billion with an estimated $578 million related to the increase in bankruptcy filings prior to the effective date of the new bankruptcy legislation enacted in the fourth quarter of 2005. We estimate that approximately 70 percent of these bankruptcy-related charge-offs represent acceleration from 2006 and were provided for previously. Also impacting credit card net charge-offs and the Provision for Credit Losses were organic growth and seasoning of the portfolio, the impact of the FleetBoston portfolio and new advances on accounts for which previous loan balances were sold to the securitization trusts. The provision also increased as the rate of credit quality improvement slowed in the commercial portfolio and a $50 million reserve was established for estimated losses associated with Hurricane Katrina. Partially offsetting these increases was a reduction in the reserves of $250 million due to reduced uncertainties resulting from the completion of credit-related integration activities for FleetBoston.

For more information on credit quality, see Credit Risk Management beginning on page 37.

Gains on Sales of Debt Securities

Gains on Sales of Debt Securities in 2005 were $1.1 billion compared to $1.7 billion in 2004. For more information on Gains on Sales of Debt Securities, see Market Risk Management beginning on page 53.

Noninterest Expense

Noninterest Expense

(Dollars in millions)	**2005**	2004
Personnel	**$15,054**	$13,435
Occupancy	**2,588**	2,379
Equipment	**1,199**	1,214
Marketing	**1,255**	1,349
Professional fees	**930**	836
Amortization of intangibles	**809**	664
Data processing	**1,487**	1,330
Telecommunications	**827**	730
Other general operating	**4,120**	4,457
Merger and restructuring charges	**412**	618
Total noninterest expense	**$28,681**	$27,012

Noninterest Expense increased $1.7 billion to $28.7 billion in 2005 compared to 2004, primarily due to the impact of FleetBoston and increases in personnel-related costs. Pre-tax cost savings from the FleetBoston merger included in the above were $909 million in 2004 and $1.9 billion in 2005, which exceeded the $1.6 billion estimate in the October 2003 FleetBoston merger announcement.

Income Tax Expense

Income Tax Expense was $8.0 billion in 2005, reflecting an effective tax rate of 32.7 percent. The effective tax rate was lower than 2004 primarily as a result of a tax benefit of $70 million related to the special one-time deduction associated with the repatriation of certain foreign earnings under the American Jobs Creation Act of 2004. In 2004, Income Tax Expense was $7.0 billion, reflecting an effective tax rate of 33.3 percent. For more information on Income Tax Expense, see Note 18 of the Consolidated Financial Statements.

Balance Sheet Analysis

Table 1

Selected Balance Sheet Data

(Dollars in millions)	December 31 2005	December 31 2004 (Restated)	Average Balance 2005	Average Balance 2004 (Restated)
Assets				
Federal funds sold and securities purchased under agreements to resell	**$ 149,785**	$ 91,360	**$ 169,132**	$ 128,981
Trading account assets	**131,707**	93,587	**133,502**	104,616
Securities:				
Available-for-sale	**221,556**	194,743	**219,651**	149,628
Held-to-maturity	**47**	330	**192**	543
Loans and leases, net of allowance for loan and lease losses	**565,746**	513,187	**528,793**	464,408
All other assets	**222,962**	217,225	**218,622**	196,455
Total assets	**$ 1,291,803**	$ 1,110,432	**$ 1,269,892**	$ 1,044,631
Liabilities				
Deposits	**$ 634,670**	$ 618,570	**$ 632,432**	$ 551,559
Federal funds purchased and securities sold under agreements to repurchase	**240,655**	119,741	**230,751**	165,218
Trading account liabilities	**50,890**	36,654	**57,689**	35,326
Commercial paper and other short-term borrowings	**116,269**	78,598	**95,657**	62,347
Long-term debt	**100,848**	97,116	**97,709**	92,303
All other liabilities	**46,938**	59,518	**55,793**	53,063
Total liabilities	**1,190,270**	1,010,197	**1,170,031**	959,816
Shareholders' equity	**101,533**	100,235	**99,861**	84,815
Total liabilities and shareholders' equity	**$ 1,291,803**	$ 1,110,432	**$ 1,269,892**	$ 1,044,631

Balance Sheet Overview

At December 31, 2005, Total Assets were $1.3 trillion, an increase of $181.4 billion, or 16 percent, from December 31, 2004. Average Total Assets in 2005 increased $225.3 billion, or 22 percent, from 2004. Growth in Total Assets (both period end and average balances) in 2005 was attributable to increases in various line items primarily driven by an increase in trading-related activity due to the strategic growth initiative, growth in the ALM portfolio and growth in Loans and Leases. Average Total Assets also increased due to the impact of FleetBoston.

At December 31, 2005, Total Liabilities were $1.2 trillion, an increase of $180.1 billion, or 18 percent, from December 31, 2004. Average Total Liabilities in 2005 increased $210.2 billion, or 22 percent, from 2004. Growth in Total Liabilities (both period end and average balances) in 2005 was primarily due to increases in trading-related liabilities due to the strategic growth initiative, increase in wholesale funding and organic growth in core deposits. Average Total Liabilities also increased due to the impact of FleetBoston.

Federal Funds Sold and Securities Purchased under Agreements to Resell

The Federal Funds Sold and Securities Purchased under Agreements to Resell average balance increased $40.2 billion to $169.1 billion in 2005 from activities in the trading businesses as a result of expanded trading activities related to the strategic initiative and to meet a variety of customers' needs.

Trading Account Assets

Our Trading Account Assets consist primarily of fixed income securities (including government and corporate debt), equity and convertible instruments. The average balance increased $28.9 billion to $133.5 billion in 2005, which was due to growth in client-driven market-making activities in interest rate, credit and equity products, and an increase in proprietary trading activities. For additional information, see Market Risk Management beginning on page 53.

Securities

AFS Securities include fixed income securities such as mortgage-backed securities, foreign debt, asset-backed securities, municipal debt, equity instruments, U.S. Government agencies and corporate debt. We use the AFS portfolio primarily to manage interest rate risk, liquidity risk and regulatory capital, and to take advantage of market conditions that create more economically attractive returns on these investments. The average balance in the AFS portfolio grew by $70.0 billion from 2004 primarily due to the reinvestment of available liquidity and as part of our ALM strategy. For additional information, see Market Risk Management beginning on page 53.

Loans and Leases, Net of Allowance for Loan and Lease Losses

Average Loans and Leases, net of allowance for loan and lease losses, were $528.8 billion in 2005, an increase of 14 percent from 2004. The increase of $40.0 billion in the consumer loan and lease portfolio and $24.6 billion in the commercial loan and lease portfolio was primarily due to organic loan growth. Average Loans and Leases, net of allowance for loan and lease losses, also increased due to the impact of FleetBoston. For a more detailed discussion of the loan portfolio and the allowance for credit losses, see Credit Risk Management beginning on page 49, and Notes 7 and 8 of the Consolidated Financial Statements.

Deposits

Average Deposits increased $80.9 billion to $632.4 billion in 2005 compared to 2004 due to a $46.3 billion increase in average domestic interest-bearing deposits and a $24.1 billion increase in average noninterest-bearing deposits primarily due to organic growth including the impact of FleetBoston. We categorize our deposits as core or market-based deposits. Core deposits are generally customer-based and represent a stable, low-cost funding source that usually reacts more slowly to interest rate changes than market-based deposits. Core deposits include savings, NOW and money market accounts, consumer CDs and IRAs, and noninterest-bearing deposits. Core deposits exclude negotiable CDs, public funds, other domestic time deposits and foreign interest-bearing deposits. Average core deposits increased $69.5 billion to $563.6 billion in 2005, a 14 percent increase from the prior year. The increase was distributed between consumer CDs, noninterest-bearing deposits, NOW and money market deposits, and savings. Average market-based deposit funding increased $11.4 billion to $68.8 billion in 2005 compared to 2004. The increase was primarily due to a $10.5 billion increase in foreign interest-bearing deposits.

Federal Funds Purchased and Securities Sold under Agreements to Repurchase

The Federal Funds Purchased and Securities Sold under Agreements to Repurchase average balance increased $65.5 billion to $230.8 billion in 2005 as a result of expanded trading activities related to the strategic initiative and investor client activities.

Trading Account Liabilities

Our Trading Account Liabilities consist primarily of short positions in fixed income securities (including government and corporate debt), equity and convertible instruments. The average balance increased $22.4 billion to $57.7 billion in 2005, which was due to growth in client-driven market-making activities in interest rate, credit and equity products, and an increase in proprietary trading activities. For additional information, see Market Risk Management beginning on page 66.

Commercial Paper and Other Short-term Borrowings

Commercial Paper and Other Short-term Borrowings provide a funding source to supplement Deposits in our ALM strategy. The average balance increased $33.3 billion to $95.7 billion in 2005 due to funding needs associated with the growth of core asset portfolios, primarily Loans and Leases, and AFS Securities.

Table 2

Five-Year Summary of Selected Financial Data[1]

(Dollars in millions, except per share information)	2005	2004 (Restated)	2003 (Restated)	2002 (Restated)	2001 (Restated)
Income statement					
Net interest income	**$ 30,737**	$ 27,960	$ 20,505	$ 20,117	$ 19,904
Noninterest income	**25,354**	21,005	17,329	14,874	15,863
Total revenue	**56,091**	48,965	37,834	34,991	35,767
Provision for credit losses	**4,014**	2,769	2,839	3,697	4,287
Gains on sales of debt securities	**1,084**	1,724	941	630	475
Noninterest expense	**28,681**	27,012	20,155	18,445	20,709
Income before income taxes	**24,480**	20,908	15,781	13,479	11,246
Income tax expense	**8,015**	6,961	5,019	3,926	3,747
Net income	**16,465**	13,947	10,762	9,553	7,499
Average common shares issued and outstanding (in thousands)	**4,008,688**	3,758,507	2,973,407	3,040,085	3,189,914
Average diluted common shares issued and outstanding (in thousands)	**4,068,140**	3,823,943	3,030,356	3,130,935	3,251,308
Performance ratios					
Return on average assets	**1.30%**	1.34%	1.44%	1.46%	1.16%
Return on average common shareholders' equity	**16.51**	16.47	21.50	19.96	15.42
Return on average tangible common shareholders' equity [2]	**34.03**	32.59	29.20	27.53	23.51
Total ending equity to total ending assets	**7.86**	9.03	6.76	7.92	7.92
Total average equity to total average assets	**7.86**	8.12	6.69	7.33	7.55
Dividend payout	**46.61**	46.31	39.76	38.79	48.40
Per common share data					
Earnings	**$ 4.10**	$ 3.71	$ 3.62	$ 3.14	$ 2.35
Diluted earnings	**4.04**	3.64	3.55	3.05	2.30
Dividends paid	**1.90**	1.70	1.44	1.22	1.14
Book value	**25.32**	24.70	16.86	17.04	15.63
Average balance sheet					
Total loans and leases	**$ 537,218**	$ 472,617	$ 356,220	$ 336,820	$ 365,447
Total assets	**1,269,892**	1,044,631	749,104	653,732	644,887
Total deposits	**632,432**	551,559	406,233	371,479	362,653
Long-term debt	**97,709**	92,303	67,077	65,550	69,621
Common shareholders' equity	**99,590**	84,584	50,035	47,837	48,610
Total shareholders' equity	**99,861**	84,815	50,091	47,898	48,678
Capital ratios (at year end)					
Risk-based capital:					
Tier 1	**8.25%**	8.20%	8.02%	8.41%	8.44%
Total	**11.08**	11.73	12.05	12.63	12.81
Leverage	**5.91**	5.89	5.86	6.44	6.67
Market price per share of common stock					
Closing	**$ 46.15**	$ 46.99	$ 40.22	$ 34.79	$ 31.48
High closing	**47.08**	47.44	41.77	38.45	32.50
Low closing	**41.57**	38.96	32.82	27.08	23.38

(1) As a result of the adoption of SFAS 142 on January 1, 2002, we no longer amortize Goodwill. Goodwill amortization expense was $662 million in 2001.
(2) Return on average tangible common shareholders' equity equals net income available to common shareholders plus amortization of intangibles, divided by average common shareholders' equity less goodwill, core deposit intangibles and other intangibles.

MBNA Merger Overview

Pursuant to the Agreement and Plan of Merger, dated June 30, 2005, by and between the Corporation and MBNA (the MBNA Merger Agreement), the Corporation acquired 100 percent of the outstanding stock of MBNA on January 1, 2006. 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 company 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. MBNA's results of operations will be included in the Corporation's results beginning January 1, 2006. The transaction will be 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.

Under the terms of the MBNA Merger Agreement, MBNA stockholders received 0.5009 of a share of the Corporation's common stock plus $4.125 for each MBNA share of common stock. As provided by the MBNA Merger

Agreement, approximately 1.3 billion shares of MBNA common stock were exchanged for approximately 631 million shares of the Corporation's common stock. At the date of the MBNA merger, this represented approximately 16 percent of the Corporation's outstanding common stock. MBNA shareholders also received cash of $5.2 billion. On November 3, 2005, MBNA redeemed all shares of its 7 1/2% Series A Cumulative Preferred Stock and Series B Adjustable Rate Cumulative Preferred Stock, in accordance with the terms of the MBNA Merger Agreement.

Supplemental Financial Data

Table 3 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 year-to-year 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, return on average common shareholders' equity and dividend payout ratio, as well as those measures discussed more fully below, are presented in Table 3.

Return on Average Common Shareholders' Equity, Return on Average Tangible Common Shareholders' Equity and Shareholder Value Added

We also evaluate our business based upon return on average common shareholders' equity (ROE), return on average tangible common shareholders' equity (ROTE) and shareholder value added (SVA) measures. ROE, ROTE 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. ROTE measures the earnings contribution of a unit as a percentage of the Shareholders' Equity reduced by Goodwill, Core Deposit Intangibles and Other Intangibles, allocated to that unit. SVA is defined as cash basis earnings on an operating basis less a charge for the use of capital. For more information, see Basis of Presentation beginning on page 16. 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.

Table 3

Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions, except per share information)	2005	2004 (Restated)	2003 (Restated)	2002 (Restated)	2001 (Restated)
Operating basis[1,2]					
Operating earnings	**$ 16,740**	$ 14,358	$ 10,762	$ 9,553	$ 8,749
Operating earnings per common share	**4.17**	3.82	3.62	3.14	2.74
Diluted operating earnings per common share	**4.11**	3.75	3.55	3.05	2.69
Shareholder value added	**6,594**	5,718	5,475	4,030	3,794
Return on average assets	**1.32%**	1.37%	1.44%	1.46%	1.36%
Return on average common shareholders' equity	**16.79**	16.96	21.50	19.96	17.99
Return on average tangible common shareholders' equity	**34.57**	33.51	29.20	27.53	27.02
Operating efficiency ratio (FTE basis)	**49.66**	53.13	52.38	51.84	53.74
Dividend payout ratio	**45.84**	44.98	39.76	38.79	41.48
Operating leverage (combined basis) [3]	**8.33**	0.44	(6.06)	n/a	n/a
FTE basis data					
Net interest income	**$ 31,569**	$ 28,677	$ 21,149	$ 20,705	$ 20,247
Total revenue	**56,923**	49,682	38,478	35,579	36,110
Net interest yield	**2.84%**	3.17%	3.26%	3.63%	3.61%
Efficiency ratio	**50.38**	54.37	52.38	51.84	57.35
Reconciliation of net income to operating earnings					
Net income	**$ 16,465**	$ 13,947	$ 10,762	$ 9,553	$ 7,499
Merger and restructuring charges	**412**	618	—	—	1,700
Related income tax benefit	**(137)**	(207)	—	—	(450)
Operating earnings	**$ 16,740**	$ 14,358	$ 10,762	$ 9,553	$ 8,749
Reconciliation of EPS to operating EPS					
Earnings per common share	**$ 4.10**	$ 3.71	$ 3.62	$ 3.14	$ 2.35
Effect of merger and restructuring charges, net of tax benefit	**0.07**	0.11	—	—	0.39
Operating earnings per common share	**$ 4.17**	$ 3.82	$ 3.62	$ 3.14	$ 2.74
Reconciliation of diluted EPS to diluted operating EPS					
Diluted earnings per common share	**$ 4.04**	$ 3.64	$ 3.55	$ 3.05	$ 2.30
Effect of merger and restructuring charges, net of tax benefit	**0.07**	0.11	—	—	0.39
Diluted operating earnings per common share	**$ 4.11**	$ 3.75	$ 3.55	$ 3.05	$ 2.69
Reconciliation of net income to shareholder value added					
Net income	**$ 16,465**	$ 13,947	$ 10,762	$ 9,553	$ 7,499
Amortization of intangibles[2]	**809**	664	217	218	878
Merger and restructuring charges, net of tax benefit	**275**	411	—	—	1,250
Cash basis earnings on an operating basis	**17,549**	15,022	10,979	9,771	9,627
Capital charge	**(10,955)**	(9,304)	(5,504)	(5,741)	(5,833)
Shareholder value added	**$ 6,594**	$ 5,718	$ 5,475	$ 4,030	$ 3,794
Reconciliation of return on average assets to operating return on average assets					
Return on average assets	**1.30%**	1.34%	1.44%	1.46%	1.16%
Effect of merger and restructuring charges, net of tax benefit	**0.02**	0.03	—	—	0.20
Operating return on average assets	**1.32%**	1.37%	1.44%	1.46%	1.36%
Reconciliation of return on average common shareholders' equity to operating return on average common shareholders' equity					
Return on average common shareholders' equity	**16.51%**	16.47%	21.50%	19.96%	15.42%
Effect of merger and restructuring charges, net of tax benefit	**0.28**	0.49	—	—	2.57
Operating return on average common shareholders' equity	**16.79%**	16.96%	21.50%	19.96%	17.99%
Reconciliation of return on average tangible common shareholders' equity to operating return on average tangible common shareholders' equity					
Return on average tangible common shareholders' equity	**34.03%**	32.59%	29.20%	27.53%	23.51%
Effect of merger and restructuring charges, net of tax benefit	**0.54**	0.92	—	—	3.51
Operating return on average tangible common shareholders' equity	**34.57%**	33.51%	29.20%	27.53%	27.02%
Reconciliation of efficiency ratio to operating efficiency ratio (FTE basis)					
Efficiency ratio	**50.38%**	54.37%	52.38%	51.84%	57.35%
Effect of merger and restructuring charges, net of tax benefit	**(0.72)**	(1.24)	—	—	(3.61)
Operating efficiency ratio	**49.66%**	53.13%	52.38%	51.84%	53.74%
Reconciliation of dividend payout ratio to operating dividend payout ratio					
Dividend payout ratio	**46.61%**	46.31%	39.76%	38.79%	48.40%
Effect of merger and restructuring charges, net of tax benefit	**(0.77)**	(1.33)	—	—	(6.92)
Operating dividend payout ratio	**45.84%**	44.98%	39.76%	38.79%	41.48%
Reconciliation of operating leverage to operating leverage (combined basis)					
Operating leverage	**8.41%**	(4.91)%	(1.12)%	n/a	n/a
Effect of merger and restructuring charges	**(0.93)**	3.07	—	n/a	n/a
Effect of FleetBoston pro forma results	**0.85**	2.28	(4.94)	n/a	n/a
Operating leverage (combined basis) [3]	**8.33%**	0.44%	(6.06)%	n/a	n/a

(1) Operating basis excludes Merger and Restructuring Charges. Merger and Restructuring Charges were $412 million and $618 million in 2005 and 2004. Merger and Restructuring Charges in 2001 represented Provision for Credit Losses of $395 million and Noninterest Expense of $1.3 billion, both of which were related to the exit of certain consumer finance businesses.

(2) As a result of the adoption of SFAS 142 on January 1, 2002, we no longer amortize Goodwill. Goodwill amortization expense was $662 million in 2001.

(3) Operating leverage (combined basis) includes the results of FleetBoston for the year ended December 31, 2004 and 2003 on a pro forma basis. In 2004, operating leverage was impacted by the costs to integrate FleetBoston; however, in 2005, operating leverage benefited from FleetBoston merger's cost savings.

n/a = not available

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 trading-related activities and revolving securitizations. Total trading-related revenue is calculated by combining trading-related Net Interest Income with Trading Account Profits. We also adjust for loans that we originated and sold into revolving credit card, home equity line and commercial loan 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 4

Core Net Interest Income—Managed Basis

(Dollars in millions)	**2005**	2004 (Restated)	2003 (Restated)
Net interest income			
As reported (FTE basis)	**$ 31,569**	$ 28,677	$ 21,149
Impact of trading-related net interest income	**(1,444)**	(2,039)	(2,235)
Core net interest income	**30,125**	26,638	18,914
Impact of revolving securitizations	**708**	882	311
Core net interest income—managed basis	**$ 30,833**	$ 27,520	$ 19,225
Average earning assets			
As reported	**$1,111,994**	$ 905,273	$ 649,598
Impact of trading-related earning assets	**(299,374)**	(227,230)	(172,428)
Core average earning assets	**812,620**	678,043	477,170
Impact of revolving securitizations	**8,440**	10,181	3,342
Core average earning assets—managed basis	**$ 821,060**	$ 688,224	$ 480,512
Net interest yield contribution			
As reported (FTE basis)	**2.84%**	3.17%	3.26%
Impact of trading-related activities	**0.87**	0.76	0.70
Core net interest yield on earning assets	**3.71**	3.93	3.96
Impact of revolving securitizations	**0.04**	0.06	0.03
Core net interest yield on earning assets—managed basis	**3.75%**	3.99%	3.99%

Core net interest income on a managed basis increased $3.3 billion for 2005. This increase was driven by the impact of FleetBoston, organic growth in consumer (primarily credit card and home equity) and commercial loans, higher domestic deposit levels and a larger ALM portfolio (primarily securities). Partially offsetting these increases was the adverse impact of spread compression due to the flattening of the yield curve.

Core average earning assets on a managed basis increased $132.8 billion primarily due to higher ALM levels (primarily securities) and higher levels of consumer loans (primarily home equity and credit card). The increases in these assets were due to organic growth as well as the impact of FleetBoston.

The core net interest yield on a managed basis decreased 24 bps as a result of the impact of spread compression due to flattening of the yield curve and a larger ALM portfolio partially offset by higher levels of core deposits and consumer loans.

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. Global Corporate and Investment Banking* is a new segment that represents the combination of *Global Business and Financial Services* and *Global Capital Markets and Investment Banking.* This new segment enables us to more effectively leverage the full breadth of the Corporation to better service our business clients. With this combination, teams of consumer, commercial and investment bankers work together to provide all clients, regardless of size, the right combination of products and services to meet their needs. As part of the business segment realignment, certain equity investment gains recorded in *Global Wealth and Investment Management* were reclassified to *All Other.* Also certain merchant services fees recorded in *Global Consumer and Small Business Banking* were reclassified to *Global Corporate and Investment Banking. All Other* consists of equity investment activities including Principal Investing and corporate 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 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 13. We begin by evaluating the operating results of the businesses, which by definition excludes Merger and Restructuring Charges. The segment results also reflect certain allocation 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 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 or through our internal funds transfer pricing process. The net effects of other ALM actions such as portfolio positioning are reported in each of the business segments under *ALM/Other*. In addition, any residual effect of the funds transfer pricing process is retained in *All Other*.

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 37. ROE is calculated by dividing Net Income by 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 20 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.

Global Consumer and Small Business Banking

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 29 states and the District of Columbia. We serve more than 38 million consumer and small business relationships utilizing our network of 5,873 banking centers, 16,785 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).

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. 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*.

The Corporation migrates qualifying affluent customers, deposits and Net Interest Income related to those customers from*Deposits* within *Global Consumer and Small Business Banking* to *Global Wealth and Investment Management.* A discussion of the Corporation's *Global Wealth and Investment Management* is presented on page 26.

Global Consumer and Small Business Banking

(Dollars in millions)	2005 Total	Deposits[1]	Card Services[2]	Mortgage	Home Equity	ALM/ Other
Net interest income[3]	**$ 16,853**	**$ 8,537**	**$ 4,959**	**$ 745**	**$ 1,291**	**$1,321**
Noninterest income:						
Service charges	**4,996**	**4,996**	—	—	—	—
Mortgage banking income	**1,012**	—	—	**935**	**77**	—
Card income	**5,084**	**1,610**	**3,474**	—	—	—
All other income	**340**	—	**57**	**21**	—	**262**
Total noninterest income	**11,432**	**6,606**	**3,531**	**956**	**77**	**262**
Total revenue[3]	**28,285**	**15,143**	**8,490**	**1,701**	**1,368**	**1,583**
Provision for credit losses	**4,271**	**98**	**3,999**	**21**	**38**	**115**
Gains (losses) on sales of debt securities	**(2)**	—	—	—	—	**(2)**
Noninterest expense	**13,179**	**8,103**	**2,995**	**1,062**	**648**	**371**
Income before income taxes	**10,833**	**6,942**	**1,496**	**618**	**682**	**1,095**
Income tax expense	**3,888**	**2,492**	**537**	**222**	**245**	**392**
Net income	**$ 6,945**	**$ 4,450**	**$ 959**	**$ 396**	**$ 437**	**$ 703**
Shareholder value added	**$ 4,243**	**$ 3,135**	**$ 537**	**$ 209**	**$ 314**	**$ 48**
Net interest yield[3]	**5.64%**	**2.66%**	**8.81%**	**1.99%**	**2.71%**	**n/m**
Return on average equity	**23.48**	**29.69**	**16.57**	**22.99**	**39.14**	**n/m**
Efficiency ratio[3]	**46.59**	**53.51**	**35.27**	**62.47**	**47.37**	**n/m**
Period end—total assets[4]	**$331,244**	**$321,074**	**$61,075**	**$ 42,183**	**$51,401**	**n/m**

	2004 Total	Deposits[1]	Card Services[2]	Mortgage	Home Equity	ALM/ Other
Net interest income[3]	$ 15,721	$ 6,957	$ 4,195	$ 1,005	$ 1,130	$2,434
Noninterest income:						
Service charges	4,330	4,330	—	—	—	—
Mortgage banking income	589	—	—	513	76	—
Card income	4,082	1,215	2,867	—	—	—
All other income (loss)	(38)	—	78	(328)	—	212
Total noninterest income	8,963	5,545	2,945	185	76	212
Total revenue[3]	24,684	12,502	7,140	1,190	1,206	2,646
Provision for credit losses	3,331	62	3,065	17	30	157
Gains (losses) on sales of debt securities	117	—	—	117	—	—
Noninterest expense	12,353	7,515	2,563	1,267	770	238
Income before income taxes	9,117	4,925	1,512	23	406	2,251
Income tax expense	3,316	1,788	554	8	147	819
Net income	$ 5,801	$ 3,137	$ 958	$ 15	$ 259	$1,432
Shareholder value added	$ 3,504	$ 2,033	$ 596	$ (205)	$ 155	$ 925
Net interest yield[3]	5.44%	2.34%	9.23%	2.54%	3.09%	n/m
Return on average equity	23.31	24.67	21.11	0.73	27.38	n/m
Efficiency ratio[3]	50.04	60.12	35.90	106.47	63.80	n/m
Period end—total assets[4]	$333,477	$311,781	$53,563	$ 41,499	$44,335	n/m

(1) Reflects *Premier Banking and Investments* migration which decreased average deposits $39.3 billion and $11.2 billion for 2005 and 2004.
(2) Card Services presented on a held view
(3) Fully taxable-equivalent basis
(4) Total Assets include excess earning asset allocations.
n/m = not meaningful

Global Consumer and Small Business Banking

(Dollars in millions)	2005	2004
Average		
Total loans and leases	**$ 144,019**	$ 122,148
Total earning assets	**298,789**	287,969
Total assets	**326,287**	312,978
Total deposits	**306,053**	283,488
Common equity/Allocated equity	**29,579**	24,883
Period End		
Total loans and leases	**$ 151,646**	$ 139,507
Total earning assets	**302,417**	303,753
Total assets	**331,244**	333,477
Total deposits	**306,064**	299,051

In 2005, Net Income increased $1.1 billion, or 20 percent. Net Interest Income increased $1.1 billion, or seven percent, in 2005. Growth in Average Deposits, a low cost source of funding and liquidity, and Average Loans and Leases positively impacted Net Interest Income. Average Deposits increased $22.6 billion, or eight percent, driven by the impact of FleetBoston customers, deepening existing relationships and our focus on attracting new customers. Partially offsetting this growth was the migration of qualifying affluent customers' account balances from *Global Consumer and Small Business Banking* to *Global Wealth and Investment Management*. Net Interest Income was also positively impacted by the $21.9 billion, or 18 percent, increase in Average Loans and Leases including higher home equity loans and lines of credit, and credit card outstandings. The growth in credit card outstandings was due to the impact of FleetBoston, increases in purchase volumes, the addition of more than 5 million new accounts primarily through our branch network and direct marketing programs, and new advances on accounts for which previous loan balances were sold to the securitization trusts.

Noninterest Income increased $2.5 billion, or 28 percent, in 2005. The increase was primarily due to increases of $1.0 billion, or 25 percent, in Card Income, $666 million, or 15 percent, in Service Charges, and $423 million in Mortgage Banking Income. Card Income increased mainly due to higher purchase volumes for credit and debit cards, and the impact of the NPC acquisition in the fourth quarter of 2004. The increases in card purchase volumes and average managed credit card outstandings were due to continued growth in our card business as we more effectively leveraged our branch network. Service charges increased as a result of new account growth. Mortgage Banking Income improved as 2004 was negatively impacted by $463 million in impairments of MSRs. Also affecting these increases was the positive impact of FleetBoston.

The Provision for Credit Losses increased $940 million, or 28 percent, to $4.3 billion in 2005 mainly due to *Card Services*. For further discussion of the increased Provision for Credit Losses related to *Card Services*, see the *Card Services* discussion.

Noninterest Expense grew $826 million, or seven percent, in 2005. The majority of the increase was due to the impact of FleetBoston and NPC.

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, regular and interest-checking accounts and debit cards.

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 service charges and non-sufficient fund fees while debit cards generate interchange income.

In 2005, we added approximately 2.3 million net new retail checking accounts and 1.9 million net new retail savings accounts. This growth resulted from continued improvement in sales and service results in the Banking Center Channel, the introduction of new products, the addition of 99 new stores and the impact of FleetBoston. In the FleetBoston franchise, we opened 431,000 net new retail checking and 348,000 net new retail savings accounts since the FleetBoston merger on April 1, 2004.

Net Income increased $1.3 billion, or 42 percent, in 2005. The increase was driven by an increase in Total Revenue of 21 percent, partially offset by an increase in Noninterest Expense of eight percent.

Total Revenue grew $2.6 billion, or 21 percent, in 2005. Driving this growth was an increase of $1.6 billion, or 23 percent, in Net Interest Income resulting from higher levels of deposits. Also impacting the growth in Net Interest Income was favorable results from our pricing strategy and the positive impact of FleetBoston. Average deposits increased $22.6 billion, or eight percent, in 2005, driven by the impact of FleetBoston customers, deepening existing relationships and our focus on attracting new customers. Partially offsetting this growth was the migration of account balances from *Deposits* to *PB&I*. The cumulative average migration of qualifying affluent customers' account balances from *Deposits* to *PB&I* was $39.3 billion and $11.2 billion for 2005 and 2004.

Noninterest Income increased $1.1 billion, or 19 percent, in 2005. The increase was driven by higher service charges and higher debit card interchange income. Service charges were higher due to the growth of new accounts across our franchise and the impact of FleetBoston. The increase in debit card interchange income, which is included in Card Income, was driven by growth in transaction activity as purchase volumes increased 29 percent due to new accounts, growth in average ticket size and the positive impact of FleetBoston, as well as higher interchange rates on debit card transactions.

Total Noninterest Expense increased $588 million, or eight percent, in 2005, primarily driven by new account volume, higher levels of staffing in Banking Centers and related overhead costs, and the impact of FleetBoston.

Card Services

Card Services, which excludes debit cards, provides a broad offering of credit cards to an array of customers including consumers and small businesses. Our products include traditional credit cards, and a variety of co-branded and affinity card products. We also provide processing services for merchant card receipts.

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. We evaluate credit card operations 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 credit 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 Noninterest 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 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."

Card Services Data [1]

(Dollars in millions)	2005	2004
Income Statement Data		
Held total revenue	**$ 8,490**	$ 7,140
Securitizations impact	**434**	524
Managed total revenue	**$ 8,924**	$ 7,664
Held provision for credit losses	**$ 3,999**	$ 3,065
Securitizations impact	**434**	524
Managed credit impact	**$ 4,433**	$ 3,589
Balance Sheet Data		
Average held card services outstandings	**$56,072**	$44,509
Securitizations impact	**5,051**	6,861
Average managed card services outstandings	**$61,123**	$51,370
Ending held card services outstandings	**$61,397**	$53,336
Securitizations impact	**2,237**	6,903
Ending managed card services outstandings	**$63,634**	$60,239
Credit Quality Statistics		
Held net charge-offs	**$ 3,760**	$ 2,348
Securitizations impact	**434**	524
Managed card services net losses	**$ 4,194**	$ 2,872
Held net charge-offs	**6.71%**	5.27%
Securitizations impact	**0.15**	0.32
Managed card services net losses	**6.86%**	5.59%

Credit Card Data

(Dollars in millions)	2005	2004
Balance Sheet Data		
Average held credit card outstandings	**$53,997**	$43,435
Securitizations impact	**5,051**	6,861
Average managed credit card outstandings	**$59,048**	$50,296
Ending held credit card outstandings	**$58,548**	$51,726
Securitizations impact	**2,237**	6,903
Ending managed credit card outstandings	**$60,785**	$58,629
Credit Quality Statistics		
Held net charge-offs	**$ 3,652**	$ 2,305
Securitizations impact	**434**	524
Managed credit card net losses	**$ 4,086**	$ 2,829
Held net charge-offs	**6.76%**	5.31%
Securitizations impact	**0.16**	0.31
Managed credit card net losses	**6.92%**	5.62%

(1) In 2005 and 2004, only consumer credit card balances were securitized.

Net Income remained relatively unchanged at $959 million due to the growth in Total Revenue offset by an increase in Provision for Credit Losses and Noninterest Expense.

Strong credit card growth drove *Card Services* revenue in 2005. *Card Services* revenue increased $1.4 billion, or 19 percent, to $8.5 billion. Contributing to this increase was the $764 million increase in Net Interest Income, due to a $10.6 billion, or 24 percent, increase in average credit card outstandings. The increase in average credit card outstandings was due to the impact of FleetBoston, increases in purchase volumes, the addition of more than 5 million new accounts primarily through our branch network and direct marketing programs, and new advances on accounts for which previous loan balances were sold to the securitization trusts.

Also driving *Card Services* revenue was an increase in Noninterest Income of $586 million, or 20 percent, in 2005. The increase resulted from higher merchant discount fees, interchange fees, cash advance fees and late fees. Merchant discount fees increased $313 million primarily due to the acquisition of NPC. Interchange fees increased $87 million mainly due to a $10.4 billion, or 13 percent, increase in consumer credit card purchase volumes. Cash advance fees increased $64 million due to higher balance transfers. Late fees increased $62 million in 2005.

Provision for Credit Losses increased $934 million to $4.0 billion in 2005, driven primarily by higher net charge-offs *Card Services* net charge-offs were $3.8 billion, or 6.71 percent in 2005 compared to $2.3 billion, or 5.27 percent in 2004. Credit card net charge-offs were $3.7 billion, or 6.76 percent in 2005 compared to $2.3 billion, or 5.31 percent in 2004. Higher credit card net charge-offs were driven by an increase in bankruptcy related charge-offs of $578 million as card customers “rushed to file” ahead of the new bankruptcy law. Also impacting net charge-offs were organic portfolio growth and seasoning, increases effective in 2004 in credit card minimum payment requirements, the impact of FleetBoston and new advances on accounts for which previous loan balances were sold to the securitization trusts. We estimate that approximately 70 percent of the increased bankruptcy-related charge-offs represent acceleration from 2006. Excluding bankruptcy-related charge-offs representing acceleration from 2006 and charge-offs associated with the 2004 changes in credit card minimum payment requirements that were provided for in late 2004, the increased net charge-offs were the primary driver of the higher Provision for Credit Losses. In addition, the Provision for Credit Losses was impacted by new advances on accounts for which previous loan balances were sold to the securitization trusts, and the establishment of reserves in 2005 for additional changes made in late 2005 in credit card minimum payment requirements.

Managed *Card Services* revenue increased $1.3 billion, or 16 percent, to $8.9 billion in 2005. Average managed *Card Services* outstandings were $61.1 billion in 2005 compared to $51.4 billion in 2004. The impact of FleetBoston and organic growth drove the increases in 2005.

Managed Card Services net losses were $4.2 billion, or 6.86 percent in 2005 compared to $2.9 billion, or 5.59 percent in 2004. Managed consumer credit card net losses were $4.1 billion, or 6.92 percent of total average managed credit card loans in 2005 compared to $2.8 billion, or 5.62 percent in 2004. Higher managed losses were driven by an increase in bankruptcy net losses resulting from the change in the bankruptcy law, continued growth and seasoning, increases effective in 2004 in credit card minimum payment requirements and the impact of FleetBoston. For more information, see Credit Risk Management beginning on page 37.

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 5,873 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 6,600 mortgage brokers in 49 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 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.

Across all business lines of the Corporation, *Mortgage* production was $86.8 billion in 2005 compared to $87.5 billion in 2004. Of this volume, $60.3 billion was originated through retail channels, and $26.5 billion was originated through the wholesale channel in 2005. This compares to $57.6 billion and $30.0 billion during 2004. Refinance activity in 2005 was approximately 49 percent of the production compared to 57 percent in 2004.

Net Income for *Mortgage* increased $381 million to $396 million in 2005. Total Revenue for *Mortgage* increased $511 million to $1.7 billion. The change was due to an increase of $422 million in Mortgage Banking Income combined with an increase of $349 million in all other income from 2004. Partially offsetting these increases was a decrease of $260 million in Net Interest Income.

The decrease in Net Interest Income was primarily driven by the impact of spread compression due to the flattening of the yield curve and the decrease in average residential first mortgage balances of $2.3 billion to $37.2 billion in 2005. Mortgage Banking Income improved as 2004 was negatively impacted by $463 million in impairments of MSRs. Prior year impairment charges included an adjustment for changes in valuation assumptions and prepayment adjustments to align with changing market conditions and customer behavioral trends. All other income improved as 2004 was negatively impacted by a $349 million loss in Trading Account Profits related to the Certificates. Effective June 1, 2004, the Certificates were converted to MSRs. Prior to the conversion, changes in the value of the Certificates, MSRs and derivatives used for risk management were recognized as Trading Account Profits. Trading Account Profits for 2004 included downward adjustments for changes to valuation assumptions and prepayment assumptions related to the Certificates. For more information on the Certificates, see Note 1 of the Consolidated Financial Statements.

The Mortgage servicing portfolio includes originated and retained residential mortgages and loans serviced for others. The servicing portfolio at December 31, 2005 was $296.8 billion, $23.7 billion higher than December 31, 2004, primarily driven by production and lower prepayment rates.

At December 31, 2005, the consumer MSR balance was $2.7 billion, an increase of $300 million, or 13 percent, from December 31, 2004. This value represented 122 bps of the related unpaid principal balance, a three bps increase from December 31, 2004.

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.

Net Income for *Home Equity* increased $178 million, or 69 percent, in 2005. Total Revenue for *Home Equity* increased $162 million, or 13 percent, driven by higher average balances in the home equity portfolio which was attributable to account growth and larger line sizes resulting from enhanced product offerings, the expanding home equity market and the impact of FleetBoston. These increases were partially offset by the impact of spread compression due to the flattening of the yield curve.

In 2005, *Home Equity* average balances across all business lines of the Corporation grew $18.8 billion, or 42 percent, to $63.9 billion and production volume improved $15.3 billion, or 27 percent, to $72.0 billion compared to 2004. The *Home Equity* servicing portfolio at December 31, 2005 was $71.6 billion, $12.2 billion higher than December 31, 2004, driven primarily by production and account growth.

ALM/Other

ALM/Other is comprised primarily of the allocation of a portion of the Corporation's Net Interest Income from ALM activities and other consumer related businesses (e.g. insurance). Net Income decreased in 2005 primarily as a result of a lower contribution from ALM activity due to the flattening yield curve.

Global Corporate and Investment Banking

Global Corporate and Investment Banking provides a wide range of financial services, to both our issuer and investor clients that range from business banking clients to large international corporate and institutional investor clients, using a strategy to deliver value-added financial products and advisory solutions. *Global Corporate and Investment Banking*'s products and services are delivered from three primary businesses: *Business Lending, Capital Markets and Advisory Services,* and *Treasury Services*, and are provided to our clients through a global team of client relationship managers and product partners. In addition, *ALM/Other* includes the results of ALM activities and other commercial-related businesses such as Latin America, and Asia Commercial and Retail operations based in Hong Kong. In addition to our operations in Latin America, our clients are supported through offices in 26 countries that are divided into three distinct geographic regions: U.S. and Canada; Asia; and Europe, Middle East and Africa. For more information on our Latin American and Asian operations, see Foreign Portfolio beginning on page 44.

Global Corporate and Investment Banking

(Dollars in millions)	2005				
	Total	Business Lending	Capital Markets and Advisory Services	Treasury Services	ALM / Other
Net interest income(1)	$ 11,157	$ 4,805	$ 1,933	$ 3,399	$1,020
Noninterest income					
Service charges	2,618	472	111	1,867	168
Investment and brokerage services	1,046	18	875	28	125
Investment banking income	1,892	—	1,901	—	(9)
Trading account profits	1,770	(29)	1,618	64	117
All other income	2,117	730	380	662	345
Total noninterest income	9,443	1,191	4,885	2,621	746
Total revenue(1)	20,600	5,996	6,818	6,020	1,766
Provision for credit losses	(290)	104	(30)	(4)	(360)
Gains (losses) on sales of debt securities	263	62	55	—	146
Noninterest expense	11,111	2,023	4,702	3,133	1,253
Income before income taxes	10,042	3,931	2,201	2,891	1,019
Income tax expense	3,644	1,407	785	1,039	413
Net income	$ 6,398	$ 2,524	$ 1,416	$ 1,852	$ 606
Shareholder value added	$ 1,979	$ 958	$ 339	$ 1,143	$ (461)
Net interest yield(1)	2.03%	2.34%	0.60%	2.35%	n/m
Return on average equity	15.32	16.48	14.32	27.34	n/m
Efficiency ratio(1)	53.95	33.74	68.96	52.04	n/m
Period end total assets(2)	$633,374	$238,446	$ 338,145	$163,869	n/m

	2004				
	Total	Business Lending	Capital Markets and Advisory Services	Treasury Services	ALM / Other
Net interest income(1)	$ 10,671	$ 4,526	$ 2,603	$ 2,383	$1,159
Noninterest income					
Service charges	2,577	426	104	1,915	132
Investment and brokerage services	872	15	753	30	74
Investment banking income	1,915	—	1,923	—	(8)
Trading account profits	1,284	16	1,120	63	85
All other income	1,334	381	177	538	238
Total noninterest income	7,982	838	4,077	2,546	521
Total revenue(1)	18,653	5,364	6,680	4,929	1,680
Provision for credit losses	(886)	(682)	(34)	9	(179)
Gains (losses) on sales of debt securities	(10)	—	(10)	—	—
Noninterest expense	10,286	1,989	4,016	2,872	1,409
Income before income taxes	9,243	4,057	2,688	2,048	450
Income tax expense	3,317	1,488	924	741	164
Net income	$ 5,926	$ 2,569	$ 1,764	$ 1,307	$ 286
Shareholder value added	$ 2,076	$ 1,060	$ 625	$ 733	$ (342)
Net interest yield(1)	2.45%	2.66%	1.06%	1.83%	n/m
Return on average equity	16.30	17.53	17.01	23.66	n/m
Efficiency ratio(1)	55.14	37.08	60.12	58.27	n/m
Period end total assets(2)	$508,502	$205,329	$ 250,232	$160,544	n/m

(1) Fully taxable-equivalent basis
(2) Total Assets include excess earning asset allocations.
n/m = not meaningful

Global Corporate and Investment Banking

(Dollars in millions)	2005	2004
Average		
Total loans and leases	**$214,828**	$ 185,557
Total trading-related assets	**314,568**	243,494
Total earning assets	**550,630**	436,271
Total assets	**633,264**	506,310
Total deposits	**189,905**	166,509
Common equity/Allocated equity	**41,774**	36,362
Period end		
Total loans and leases	**$232,642**	$ 204,009
Total trading-related assets	**291,267**	210,609
Total earning assets	**553,402**	420,931
Total assets	**633,374**	508,502
Total deposits	**198,390**	182,829

Net Income increased $472 million, or eight percent, in 2005 compared to 2004. Increases in Noninterest Income, Net Interest Income and Gains on Sales of Debt Securities were partially offset by an increase in Noninterest Expense and a reduced benefit from Provision for Credit Losses.

Net Interest Income increased by $486 million, or five percent, in 2005 compared to 2004. The increase was largely due to growth in Average Loans and Leases of $29.3 billion, or 16 percent, an increase in Average Deposits of $23.4 billion, or 14 percent, wider spreads on the deposit portfolio due to higher short-term interest rates, and the impact of FleetBoston earning assets offset by spread compression and a flattening yield curve in 2005.

Noninterest Income increased $1.5 billion, or 18 percent, in 2005 compared to the 2004. Driving the increase was higher other noninterest income of $783 million, increases in Trading Account Profits of $486 million and Investment and Brokerage Services of $174 million. The increase in other noninterest income was primarily due to the impact of spread widening in certain industries in the first half of 2005 on our credit default protection purchased, FleetBoston, merchant discount fees and equity investment gains. The increase in Trading Account Profits was due to growth in average trading-related earning assets as a result of increased client activity as we continued to invest in the business.

Provision for Credit Losses rose $596 million to negative $290 million in 2005 compared to negative $886 million in 2004. The negative provision reflects continued improvement in commercial credit quality although at a slower rate than experienced in 2004. An improved risk profile in Latin America and reduced uncertainties resulting from the completion of credit-related integration activities for FleetBoston also contributed to the negative provision. For more information, see Credit Risk Management beginning on page 37.

Noninterest Expense increased $825 million, or eight percent, in 2005 compared to 2004. This increase was primarily due to higher Personnel expense as a result of increased performance-based incentive compensation, along with costs associated with the strategic initiative, higher processing costs and the impact of FleetBoston. Partially offsetting these increases were nonrecurring charges recognized in 2004 for the segment's share of the mutual fund settlement and other litigation expenses.

Business Lending

Business Lending provides a wide range of lending related products and services to our clients through client relationship teams along with various product partners. Products include commercial and corporate bank loans and commitment facilities which cover our business banking clients, middle market commercial clients and our large multinational corporate clients. Real estate lending products are issued primarily to public and private developers, homebuilders and commercial real estate firms. Leasing and asset-based lending products offer our clients innovative financing solutions. Also included are indirect consumer loans which allow us to offer financing through auto, marine, motorcycle and recreational vehicle dealerships across the U.S. *Business Lending* also contains the results for the economic hedging of our risk to certain credit counterparties utilizing various risk mitigation tools such as credit default swaps (CDS) and may also use other products to help offset hedging costs.

Net Income decreased $45 million, or two percent, in 2005 compared to 2004 primarily due to an increase in Provision for Credit Losses partially offset by increases in Net Interest Income and Noninterest Income. The increase in Net Interest Income was driven by an increase in average loan balances of $27.1 billion, or 16 percent, due to new business and increased line utilization. The increase in Noninterest Income was driven by the impact of spread widening in certain industries in the first half of 2005 on our credit default protection purchased, equity investment gains, and the impact of FleetBoston. Provision for Credit Losses increased $786 million from negative $682 million, primarily due to a slower rate of credit improvement in our corporate portfolio than experienced in 2004, higher provision in Commercial Banking Regions as 2004 benefited from significant improvement in commercial credit quality, and growth and seasoning of the automobile loan portfolio.

Capital Markets and Advisory Services

Capital Markets and Advisory Services provides products, advisory services and financing globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate issuer clients to provide debt and equity distribution capabilities, merger-related advisory services and risk management solutions using interest rate, equity, credit and commodity derivatives, foreign exchange, fixed income and mortgage-related products. In support of these activities, the business may take positions in these products and participate in market-making activities dealing in equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, and mortgage-backed and asset-backed securities. We also provide debt and equity securities research through Banc of America Securities, LLC. This business is a primary dealer in the U.S. and in several international locations.

Capital Markets and Advisory Services market-based revenue includes Net Interest Income, Noninterest Income and Gains (Losses) on Sales of Debt Securities. We evaluate our trading results and strategies based on total market-based revenue. The following table presents further detail regarding *Capital Markets and Advisory Services* market-based revenue. Sales and trading revenue is segregated into fixed income from liquid products (primary interest rate and commodity derivatives, foreign exchange contracts and public finance), credit products (primarily investment and non-investment grade corporate debt obligations and credit derivatives) and structured products (primarily commercial mortgage-backed securities, residential mortgage-backed securities, collateralized debt obligations, and equity-linked derivatives and securities); and equity income from cash equities activity.

Capital Markets and Advisory Services Market-based Revenue

(Dollars in millions)	2005	2004
Investment banking income		
Advisory fees	**$ 295**	$ 336
Debt underwriting	**1,333**	1,284
Equity underwriting	**273**	303
Total investment banking income	**1,901**	1,923
Sales and trading		
Fixed income:		
Liquid products	**1,942**	1,755
Credit products	**634**	778
Structured products	**1,003**	1,078
Total fixed income	**3,579**	3,611
Equity income	**1,393**	1,136
Total sales and trading	**4,972**	4,747
Total Capital Markets and Advisory Services Market-based Revenue(1)	**$6,873**	$6,670

(1) Includes Gains (Losses) on Sales of Debt Securities of $55 million and $(10) million in 2005 and 2004.

Net Income decreased $348 million, or 20 percent, in 2005 compared to 2004. An increase in Noninterest Expense was partially offset by an increase in Revenue.

Revenue in 2005 was $6.9 billion, relatively unchanged from the prior year. Credit products revenue decreased $144 million due to increased spread volatility in certain industries and lack of investor demand. Offsetting this decline were increases in equity income and liquid products revenue. Equity income increased $257 million driven by higher customer activity and the absence of a net loss on a stock position that occurred in 2004. Liquid products revenue increased $187 million primarily related to higher sales activity and commodities revenue as prior year included losses related to positions in gas and jet fuel.

In 2005, Noninterest Expense increased $686 million, or 17 percent, due to higher Personnel expense, including performance-based incentive compensation, along with costs associated with the strategic initiative.

Treasury Services

Treasury Services provides integrated working capital management and treasury solutions to clients across the U.S. and 50 countries through our network of proprietary offices and special clearing arrangements. Our clients include multinationals, middle-market companies, correspondent banks, commercial real estate firms and governments. Our products and services include treasury management, trade finance, foreign exchange, short-term credit facilities and short-term investing options. Net interest income is derived from interest and noninterest-bearing deposits, sweep investments, and other liability management products. Noninterest income is generated from payment and receipt products, merchant services, wholesale card products, and trade services and is comprised primarily of service charges which are net of market-based earnings credit rates applied against noninterest-bearing deposits.

Net Income increased $545 million, or 42 percent, in 2005 compared to 2004 primarily due to an increase in Total Revenue of $1.1 billion, or 22 percent, resulting from an increase in Net Interest Income of $1.0 billion, or 43 percent. The Net Interest Income increase was driven by wider spreads due to higher short-term interest rates and an increase in Average Deposits of $14.8 billion, or 11 percent, due in part to the impact of FleetBoston. Other noninterest income increased $124 million, or 23 percent, in 2005 compared to 2004, primarily due to higher merchant discount fees resulting from our acquisition of NPC in the fourth quarter of 2004. Also, Noninterest Expense increased $261 million, or 9 percent, primarily due to the NPC acquisition and the FleetBoston merger.

ALM/Other

ALM/Other is comprised primarily of our full-service Latin American operations in Brazil, Chile, Argentina, and Uruguay, and our commercial and wealth and investment management operations in Mexico. These operations primarily service indigenous and multinational corporations, small businesses and affluent consumers. This business also includes Asia Commercial and Retail operations based in Hong Kong, and an allocation of a portion of the Corporation's Net Interest Income from ALM activities. For more information on our Latin American and Asian operations, see Foreign Portfolio beginning on page 44.

Net Income increased $320 million in 2005 to $606 million compared to 2004 due to decreases in Provision for Credit Losses and Noninterest Expense combined with an increase in Gains on Sales of Debt Securities. The Provision for Credit Losses decreased $181 million to negative $360 million primarily due to an improved risk profile in Latin America. The decrease in Noninterest Expense was primarily driven by the segment's share of the mutual fund settlement and other litigation reserves recorded in 2004. Gains on Sales of Debt Securities in Latin America were $146 million in 2005. For more information on Gains on Sales of Debt Securities, see Market Risk Management beginning on page 53.

On October 13, 2005, we announced an agreement to sell our asset management business in Mexico with $1.8 billion of assets under management to Grupo Financiero Santander Serfin. The sale will be completed in 2006.

In December 2005, we entered into a definitive agreement with a consortium led by Johannesburg-based Standard Bank Group Ltd for the sale of BankBoston Argentina assets and liabilities. The transaction is subject to obtaining all necessary regulatory approvals.

Global Wealth and Investment Management

This segment provides tailored investment services to individual and institutional clients in various stages and economic cycles. Our clients are offered specific products and services based on their needs through three primary businesses: *The Private Bank, Columbia Management (Columbia),* and *Premier Banking and Investments (PB&I)*. In addition, *ALM/Other* includes the results of ALM activities and other *Global Wealth and Investment Management* businesses.

Global Wealth and Investment Management

(Dollars in millions)

	2005				
	Total	Private Bank	Columbia Management	Premier Banking and Investments	ALM/ Other(1)
Net interest income(2)	**$ 3,815**	**$ 1,006**	**$ 6**	**$ 1,733**	**$1,070**
Noninterest income:					
Investment & brokerage services	**3,140**	**1,033**	**1,301**	**670**	**136**
All other income	**356**	**67**	**32**	**147**	**110**
Total noninterest income	**3,496**	**1,100**	**1,333**	**817**	**246**
Total revenue(2)	**7,311**	**2,106**	**1,339**	**2,550**	**1,316**
Provision for credit losses	**(7)**	**(23)**	**—**	**18**	**(2)**
Noninterest expense	**3,704**	**1,240**	**904**	**1,256**	**304**
Income before income taxes	**3,614**	**889**	**435**	**1,276**	**1,014**
Income tax expense	**1,298**	**320**	**157**	**460**	**361**
Net income	**$ 2,316**	**$ 569**	**$ 278**	**$ 816**	**$ 653**
Shareholder value added	**$ 1,264**	**$ 363**	**$ 129**	**$ 468**	**$ 304**
Net interest yield(2)	**3.03%**	**3.36%**	**n/m**	**3.00%**	**n/m**
Return on average equity	**22.53**	**26.45**	**16.24%**	**24.73**	**n/m**
Efficiency ratio(2)	**50.65**	**58.85**	**67.49**	**49.24**	**n/m**
Period end—total assets(3)	**$135,016**	**$31,728**	**$ 2,686**	**$ 57,393**	**n/m**

	2004				
	Total	Private Bank	Columbia Management	Premier Banking and Investments	ALM/ Other(1)
Net interest income(2)	$ 2,921	$ 869	$ 27	$ 1,202	$ 823
Noninterest income:					
Investment & brokerage services	2,743	941	1,093	630	79
All other income	336	65	7	170	94
Total noninterest income	3,079	1,006	1,100	800	173
Total revenue(2)	6,000	1,875	1,127	2,002	996
Provision for credit losses	(22)	(9)	—	(12)	(1)
Noninterest expense	3,460	1,188	752	1,236	284
Income before income taxes	2,562	696	375	778	713
Income tax expense	931	250	135	280	266
Net income	$ 1,631	$ 446	$ 240	$ 498	$ 447
Shareholder value added	$ 787	$ 217	$ 88	$ 196	$ 286
Net interest yield(2)	3.18%	3.11%	n/m	2.32%	n/m
Return on average equity	19.62	19.88	14.56%	17.33	n/m
Efficiency ratio(2)	57.67	63.40	66.73	61.73	n/m
Period end—total assets(3)	$130,419	$30,636	$ 2,700	$ 54,965	n/m

(1) Reflects *Premier Banking and Investments* migration which increased average deposits $39.3 billion and $11.2 billion for 2005 and 2004.
(2) Fully taxable-equivalent basis
(3) Total Assets include excess earning asset allocations.
n/m = not meaningful

Global Wealth and Investment Management

(Dollars in millions)	2005	2004
Average		
Total loans and leases	**$ 54,104**	$ 44,166
Total earning assets	**125,920**	91,864
Total assets	**133,708**	98,550
Total deposits	**117,338**	84,548
Common equity/Allocated equity	**10,284**	8,315
Period End		
Total loans and leases	**$ 58,380**	$ 49,860
Total earning assets	**127,054**	122,535
Total assets	**135,016**	130,419
Total deposits	**115,454**	113,114

Net Income increased $685 million, or 42 percent, in 2005. Net Interest Income increased $894 million, or 31 percent, in 2005. This increase was due to growth in deposits and loans in *PB&I* and *The Private Bank*. Average Deposits increased $32.8 billion, or 39 percent, in 2005 primarily due to the migration of account balances from *Deposits* in *Global Consumer and Small Business Banking* to *PB&I*, in addition to organic growth in *PB&I* and *The Private Bank*. Average Loans and Leases increased $9.9 billion, or 23 percent, due to higher loan volume in *PB&I* and *The Private Bank*. The secondary driver of the increase in Average Deposits and Loans and Leases was the impact of the FleetBoston portfolio.

Noninterest Income increased $417 million, or 14 percent, in 2005. Noninterest Income consists primarily of Investment and Brokerage Services, which represents fees earned on client assets and brokerage commissions. The Investment and Brokerage Services revenue increase in 2005, compared to 2004, was mainly due to the impact of FleetBoston.

Noninterest Expense increased $244 million, or seven percent, in 2005. The increase was due primarily to increased Personnel expenses driven by *PB&I* growth in the Northeast and the impact of FleetBoston. Partially offsetting these increases were nonrecurring charges recognized in 2004 for the segment's share of the mutual fund settlement and other litigation expenses.

At December 31, 2005, total client assets increased $29.9 billion, or four percent, as compared to December 31, 2004. The increase was due to the $30.9 billion increase in assets under management in 2005, which was driven by net inflows primarily in short-term money market assets and an increase in overall market valuations. Assets under management generate fees based on a percentage of their market value. They consist largely of mutual funds and separate accounts, which are comprised of taxable and nontaxable money market products, equities, and taxable and nontaxable fixed income securities.

Client Assets

	December 31	
(Dollars in billions)	**2005**	**2004**
Assets under management	**$482.4**	$451.5
Client brokerage assets	**161.7**	149.9
Assets in custody	**94.2**	107.0
Total client assets	**$738.3**	$708.4

The Private Bank

The Private Bank provides integrated wealth management solutions to high-net-worth individuals, middle market institutions and charitable organizations with investable assets greater than $3 million. Services in *The Private Bank* include investment, trust, banking and lending services as well as specialty asset management services (oil and gas, real estate, farm and ranch, timberland, private businesses and tax advisory). *The Private Bank* also provides integrated wealth management solutions to ultra high-net-worth individuals and families with investable assets greater than $50 million through its Family Wealth Advisors unit. Family Wealth Advisors provides a higher level of contact, tailored service and wealth management solutions addressing the complex needs of their clients.

Net Income increased $123 million, or 28 percent, in 2005. The increase in Net Income was primarily a result of an increase in Net Interest Income from higher deposit spreads and growth in Average Loans and Leases which were impacted by the addition of the FleetBoston portfolio. *The Private Bank* also benefited from an increase in Investment and Brokerage Services revenue.

Columbia

Columbia is an asset management organization primarily serving the needs of institutional customers. *Columbia* provides asset management services, liquidity strategies and separate accounts. *Columbia* also provides mutual funds offering a full range of investment styles across an array of products including equities, fixed income (taxable and nontaxable) and cash products (taxable and nontaxable). In addition to servicing institutional clients, *Columbia* distributes its products and services to individuals through *The Private Bank, PB&I,* and nonproprietary channels including other brokerage firms.

Net Income increased $38 million, or 16 percent, in 2005. The increase was due to higher revenue for Investment and Brokerage Services partially offset by higher Personnel expenses as a result of increased performance-based incentive compensation, both driven by higher assets under management in addition to the impact of FleetBoston.

PB&I

PB&I includes *Banc of America Investments* (*BAI)*, our full-service retail brokerage business and our *Premier Banking* channel. *PB&I* brings personalized banking and investment expertise through priority service with client-dedicated teams. *PB&I* provides a high-touch client experience through a network of more than 4,000 client advisors to our affluent customers with a personal wealth profile of either $250,000 including investable assets and a mortgage or at least $100,000 of investable assets. *BAI* is the third largest bank-owned brokerage company in the U.S. with $151 billion in client assets.

Net Income increased $318 million, or 64 percent, in 2005. This increase was driven by an increase in Net Interest Income due mainly to higher deposit spreads in addition to an increase in Average Loans and Leases which were impacted by the addition of the FleetBoston portfolio.

ALM/Other

ALM/Other includes the impact of customer migration, *Banc of America Specialist*, *GWIM Products Group*, and ALM.

The Corporation migrates qualifying affluent customers, deposits and Net Interest Income related to those customers from *Deposits* within *Global Consumer and Small Business Banking* to *PB&I*. To provide a view of organic growth in *PB&I*, the Corporation allocates the original migrated deposit balances as well as corresponding Net Interest Income at original spreads from *PB&I* to the *ALM/Other* unit within *Global Wealth and Investment Management.* The Corporation believes that the resulting *PB&I* business approximates an organic, incremental view of the business.

Net Income increased $206 million to $653 million in 2005. The increase was driven by higher deposit Net Interest Income due to the migration of certain banking relationships from *PB&I* partially offset by a reduction from ALM activities.

All Other

Included in *All Other* are our *Equity Investments* businesses and *Other*.

Equity Investments includes Principal Investing and corporate investments. Principal Investing is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages of their life cycle from start-up to buyout. Corporate investments include CCB, Grupo Financiero Santander Serfin and various other equity-related investments.

Other includes 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. *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 on Sales of Debt Securities. The objective of the funds transfer pricing allocation methodology is to neutralize the businesses from changes in interest rate and foreign exchange fluctuations. Accordingly, for segment reporting purposes, the businesses receive the neutralizing benefit to Net Interest Income related to the economic hedges previously mentioned, with the offset recorded in *Other*.

All Other

(Dollars in millions)	2005	2004 (Restated)
Net interest income[1,2]	**$ (256)**	$ (636)
Noninterest income:		
Equity investment gains	**1,793**	750
All other income[2]	**(810)**	231
Total noninterest income	**983**	981
Total revenue[1]	**727**	345
Provision for credit losses	**40**	346
Gains on sales of debt securities[2]	**823**	1,617
Merger and restructuring charges	**412**	618
All other noninterest expense	**275**	295
Income before income taxes	**823**	703
Income tax expense	**17**	114
Net income	**$ 806**	$ 589
Shareholder value added	**$ (892)**	$ (649)

(1) Fully taxable-equivalent basis

(2) Included in these amounts are impacts related to derivatives designated as economic hedges which do not qualify for SFAS 133 hedge accounting treatment of $(419) million and $(834) million in Net Interest Income and $(256) million and $920 million in Noninterest Income. The impact, including $0 and a loss of $(399) million in Gains on Sales of Debt Securities, totaled $(675) million and $(313) million in 2005 and 2004.

Total Revenue for *All Other* increased $382 million to $727 million in 2005, primarily driven by an increase in Equity Investment Gains in 2005. Offsetting this increase was the decline in fair value of derivative instruments which were used as economic hedges of interest and foreign exchange rates as part of our ALM activities. Changes in value of these derivative instruments were primarily due to interest rate fluctuations during the year.

Provision for Credit Losses decreased $306 million to $40 million in 2005, resulting from changes to components of the formula and other factors effective in 2004, and reduced credit costs in 2005 associated with previously exited businesses. These decreases were offset in part by the establishment of a $50 million reserve for estimated losses associated with Hurricane Katrina.

Gains on Sales of Debt Securities decreased $794 million primarily due to lower gains realized in 2005 on mortgage-backed securities and corporate bonds than in 2004. Securities gains are the result of the repositioning of the securities portfolio to manage interest rate fluctuations and mortgage prepayment risk. The Corporation utilized a forward purchase agreement to hedge the variability in cash flows from the anticipated purchases of securities. The Corporation subsequently sold the related securities and did not originally reclassify the loss from Accumulated OCI at the time the related securities were sold.

Merger and Restructuring Charges decreased $206 million in 2005 as the FleetBoston integration is nearing completion and the infrastructure initiative was completed in the first quarter of 2005. For more information on Merger and Restructuring Charges, see Note 2 of the Consolidated Financial Statements.

Income Tax Expense was $17 million in 2005 compared to $114 million in 2004. The change in Income Tax Expense was driven by an increase in tax benefits for low-income housing credits. These tax benefits are allocated to *Global Consumer and Small Business Banking* as FTE Noninterest Income through our segment reporting process. *All Other* includes an offset to this FTE impact.

On- and Off-balance Sheet Financing Entities

Off-balance Sheet Commercial Paper Conduits

In addition to traditional lending, we also support our customers' financing needs by facilitating their access to the commercial paper markets. These markets provide an attractive, lower-cost financing alternative for our customers. Our customers sell assets, such as high-grade trade or other receivables or leases, to a commercial paper financing entity, which in turn issues high-grade short-term commercial paper that is collateralized by the underlying assets. Additionally, some customers receive the benefit of commercial paper financing rates related to certain lease arrangements. We facilitate these transactions and collect fees from the financing entity for the services it provides including administration, trust services and marketing the commercial paper.

We receive fees for providing combinations of liquidity, standby letters of credit (SBLCs) or similar loss protection commitments, and derivatives to the commercial paper financing entities. These forms of asset support are senior to the first layer of asset support provided by customers through over-collateralization or by support provided by third parties. The rating agencies require that a certain percentage of the commercial paper entity's assets be supported by the seller's over-collateralization and our SBLC in order to receive their respective investment rating. The SBLC would be drawn on only when the over-collateralization provided by the seller is not sufficient to cover losses of the related asset. Liquidity commitments made to the commercial paper entity are designed to fund scheduled redemptions of commercial paper if there is a market disruption or the new commercial paper cannot be issued to fund the redemption of the maturing commercial paper. The liquidity facility has the same legal priority as the commercial paper. We do not enter into any other form of guarantee with these entities.

We manage our credit risk on these commitments by subjecting them to our normal underwriting and risk management processes. At December 31, 2005 and 2004, we had off-balance sheet liquidity commitments and SBLCs to these entities of $25.9 billion and $23.8 billion. Substantially all of these liquidity commitments and SBLCs mature within one year. These amounts are included in Table 6. Net revenues earned from fees associated with these off-balance sheet financing entities were approximately $71 million and $80 million in 2005 and 2004.

From time to time, we may purchase some of the commercial paper issued by certain of these entities for our own account or acting as a dealer on behalf of third parties. Derivative instruments related to these entities are marked to market through the Consolidated Statement of Income. SBLCs are initially recorded at fair value in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees" (FIN 45). Liquidity commitments and SBLCs subsequent to inception are accounted for pursuant to SFAS No. 5, "Accounting for Contingencies" (SFAS 5), and are discussed further in Note 13 of the Consolidated Financial Statements.

The commercial paper conduits are variable interest entities (VIEs) as defined in FASB Interpretation No. 46 (Revised December 2003), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" (FIN 46R), which provides a framework for identifying VIEs and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in its consolidated financial statements. In accordance with FIN 46R, the primary beneficiary is the party that consolidates a VIE based on its assessment that it will absorb a majority of the expected losses or expected residual returns of the entity, or both. We have determined that we are not the primary beneficiary of the commercial paper conduits described above and, therefore, have not included the assets and liabilities or results of operations of these conduits in the Consolidated Financial Statements of the Corporation.

On-balance Sheet Commercial Paper Conduits

In addition to the off-balance sheet financing entities previously described, we also utilize commercial paper conduits that have been consolidated based on our determination that we are the primary beneficiary of the entities in accordance with FIN 46R. At December 31, 2005 and 2004, the consolidated assets and liabilities of these conduits were reflected in AFS Securities, Other Assets, and Commercial Paper and Other Short-term Borrowings in *Global Corporate and Investment Banking*. At December 31, 2005 and 2004, we held \$6.6 billion and \$7.7 billion of assets of these entities while our maximum loss exposure associated with these entities, including unfunded lending commitments, was approximately \$8.0 billion and \$9.4 billion. We manage our credit risk on the on-balance sheet commitments by subjecting them to the same processes as the off-balance sheet commitments.

Qualified Special Purpose Entities

In addition, to control our capital position, diversify funding sources and provide customers with commercial paper investments, we will, from time to time, sell assets to off-balance sheet commercial paper entities. The commercial paper entities are Qualified Special Purpose Entities (QSPEs) that have been isolated beyond our reach or that of our creditors, even in the event of bankruptcy or other receivership. The accounting for these entities is governed by SFAS 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125,” (SFAS 140) which provides that QSPEs are not included in the consolidated financial statements of the seller. Assets sold to the entities consist of high-grade corporate or municipal bonds, collateralized debt obligations and asset-backed securities. These entities issue collateralized commercial paper or notes with similar repricing characteristics to third party market participants and passive derivative instruments to us. Assets sold to the entities typically have an investment rating ranging from Aaa/AAA to Aa/AA. We may provide liquidity, SBLCs or similar loss protection commitments to the entity, or we may enter into derivatives with the entity in which we assume certain risks. The liquidity facility and derivatives have the same legal standing with the commercial paper.

The derivatives provide interest rate, currency and a pre-specified amount of credit protection to the entity in exchange for the commercial paper rate. These derivatives are provided for in the legal documents and help to alleviate any cash flow mismatches. In some cases, if an asset’s rating declines below a certain investment quality as evidenced by its investment rating or defaults, we are no longer exposed to the risk of loss. At that time, the commercial paper holders assume the risk of loss. In other cases, we agree to assume all of the credit exposure related to the referenced asset. Legal documents for each entity specify asset quality levels that require the entity to automatically dispose of the asset once the asset falls below the specified quality rating. At the time the asset is disposed, we are required to reimburse the entity for any credit-related losses depending on the pre-specified level of protection provided.

We manage any credit or market risk on commitments or derivatives through normal underwriting and risk management processes. At December 31, 2005 and 2004, we had off-balance sheet liquidity commitments, SBLCs and other financial guarantees to these entities of \$7.1 billion and \$7.4 billion. Substantially all of these commitments mature within one year and are included in Table 6. Derivative activity related to these entities is included in Note 5 of the Consolidated Financial Statements. Net revenues earned from fees associated with these entities were \$86 million and \$61 million in 2005 and 2004.

We generally do not purchase any of the commercial paper issued by these types of financing entities other than during the underwriting process when we act as issuing agent nor do we purchase any of the commercial paper for our own account. Derivative instruments related to these entities are marked to market through the Consolidated Statement of Income. SBLCs are initially recorded at fair value in accordance with FIN 45. Liquidity commitments and SBLCs subsequent to inception are accounted for pursuant to SFAS 5 and are discussed further in Note 13 of the Consolidated Financial Statements.

Credit and Liquidity Risks

Because we provide liquidity and credit support to the commercial paper conduits and QSPEs described above, our credit ratings and changes thereto will affect the borrowing cost and liquidity of these entities. In addition, significant changes in counterparty asset valuation and credit standing may also affect the liquidity of the commercial paper issuance. Disruption in the commercial paper markets may result in our having to fund under these commitments and SBLCs discussed above. We seek to manage these risks, along with all other credit and liquidity risks, within our policies and practices. See Notes 1 and 9 of the Consolidated Financial Statements for additional discussion of off-balance sheet financing entities.

Other Off-balance Sheet Financing Entities

To improve our capital position and diversify funding sources, we also sell assets, primarily loans, to other off-balance sheet QSPEs that obtain financing primarily by issuing term notes. We may retain a portion of the investment grade notes issued by these entities, and we may also retain subordinated interests in the entities which reduce the credit risk of the senior investors. We may provide liquidity support in the form of foreign exchange or interest rate swaps. We generally do not provide other forms of credit support to these entities, which are described more fully in Note 9 of the Consolidated Financial Statements. In addition to the above, we had significant involvement with variable interest entities (VIEs) other than the commercial paper conduits. These VIEs were not consolidated because we will not absorb a majority of the expected losses or expected residual returns and are therefore not the primary beneficiary of the VIEs. These entities are described more fully in Note 9 of the Consolidated Financial Statements.

Obligations and Commitments

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. Obligations that are legally binding agreements whereby we agree to purchase products or services with a specific minimum quantity defined at a fixed, minimum or variable price over a specified period of time are defined as purchase obligations. Included in purchase obligations are vendor contracts of $4.0 billion, commitments to purchase securities of $34.2 billion and commitments to purchase loans of $51.7 billion. The most significant of our vendor contracts include communication services, processing services and software contracts. Other long-term liabilities include our obligations related to the Qualified Pension Plans, Nonqualified Pension Plans and Postretirement Health and Life Plans (the Plans). Obligations to the Plans are based on the current and projected obligations of the Plans, performance of the Plans' assets and any participant contributions, if applicable. During 2005 and 2004, we contributed $1.1 billion and $303 million to the Plans, and we expect to make at least $134 million of contributions during 2006. Management believes the effect of the Plans on liquidity is not significant to our overall financial condition. Debt, lease and other obligations are more fully discussed in Notes 12 and 13 of the Consolidated Financial Statements.

Table 5 presents total long-term debt and other obligations at December 31, 2005.

Table 5

Long-term Debt and Other Obligations

December 31, 2005

(Dollars in millions)	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years	Total
Long-term debt and capital leases (1)	$11,188	$ 24,065	$ 20,689	$ 44,906	$ 100,848
Purchase obligations(2)	44,635	21,235	22,989	1,076	89,935
Operating lease obligations	1,324	2,202	1,449	3,477	8,452
Other long-term liabilities	134	—	—	—	134
Total	$57,281	$ 47,502	$ 45,127	$ 49,459	$ 199,369

(1) Includes principal payments and capital lease obligations of $40 million.

(2) Obligations that are legally binding agreements whereby we agree to purchase products or services with a specific minimum quantity defined at a fixed, minimum or variable price over a specified period of time are defined as purchase obligations.

Many of our lending relationships contain funded and unfunded elements. The funded portion is reflected on our balance sheet. The unfunded component of these commitments is not recorded on our balance sheet until a draw is made under the loan facility; however, a reserve is established for probable losses. These commitments, as well as guarantees, are more fully discussed in Note 13 of the Consolidated Financial Statements.

The following table summarizes the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date. At December 31, 2005, charge cards (nonrevolving card lines) to individuals and government entities guaranteed by the U.S. government in the amount of $9.4 billion (related outstandings of $171 million) were not included in credit card line commitments in the table below.

Table 6

Credit Extension Commitments

December 31, 2005

(Dollars in millions)	Expires in 1 year or less	Expires after 1 year through 3 years	Expires after 3 years through 5 years	Expires after 5 years	Total
Loan commitments[1]	$ 112,829	$ 55,840	$ 80,748	$ 28,340	$ 277,757
Home equity lines of credit	1,317	714	1,673	74,922	78,626
Standby letters of credit and financial guarantees	22,320	8,661	5,361	6,753	43,095
Commercial letters of credit	4,627	29	17	481	5,154
Legally binding commitments	141,093	65,244	87,799	110,496	404,632
Credit card lines	180,694	12,274	—	—	192,968
Total	$ 321,787	$ 77,518	$ 87,799	$ 110,496	$ 597,600

(1) At December 31, 2005, there were equity commitments of $1.4 billion related to obligations to further fund Principal Investing equity investments.

Managing Risk

Overview

Our management governance structure enables us to manage all major aspects of our business through an integrated planning and review process that includes strategic, financial, associate, customer and risk planning. We derive much of our revenue from managing risk from customer transactions for profit. In addition to qualitative factors, we utilize quantitative measures to optimize risk and reward trade offs in order to achieve growth targets and financial objectives while reducing the variability of earnings and minimizing unexpected losses. Risk metrics that allow us to measure performance include economic capital targets, SVA targets and corporate risk limits. By allocating capital to a business unit, we effectively define that unit's ability to take on risk. Country, trading, asset allocation and other limits supplement the allocation of economic capital. These limits are based on an analysis of risk and reward in each business unit and management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. Our risk management process continually evaluates risk and appropriate metrics needed to measure it. Our business exposes us to the following major risks: strategic, liquidity, credit, market and operational.

Strategic Risk is the risk that adverse business decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, execution and/or other intrinsic risks of business will impact our ability to meet our objectives. Liquidity risk is the inability to accommodate liability maturities and deposit withdrawals, fund asset growth and meet contractual obligations through unconstrained access to funding at reasonable market rates. Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions, such as interest rate movements. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

Risk Management Processes and Methods

We have established control processes and use various methods to align risk-taking and risk management throughout our organization. These control processes and methods are designed around "three lines of defense": lines of business; support units (including Risk Management, Compliance, Finance, Human Resources and Legal); and Corporate Audit.

Management is responsible for identifying, quantifying, mitigating and managing all risks within their lines of business, while certain enterprise-wide risks are managed centrally. For example, except for trading-related business activities, interest rate risk associated with our business activities is managed in the Corporate Treasury and Corporate Investment functions. Line of business management makes and executes the business plan and is closest to the changing nature of risks and, therefore, we believe is best able to take actions to manage and mitigate those risks. Our lines of business prepare quarterly self-assessment reports to identify the status of risk issues, including mitigation plans, if appropriate. These reports roll up to executive management to ensure appropriate risk management and oversight, and to identify enterprise-wide issues. Our management processes, structures and policies aid us in complying with laws and regulations and provide clear lines for decision-making and accountability. Wherever practical, we attempt to house decision-making authority as close to the transaction as possible while retaining supervisory control functions from both in and outside of the lines of business.

The Risk Management organization translates approved business plans into approved limits, approves requests for changes to those limits, approves transactions as appropriate, and works closely with lines of business to establish and monitor risk parameters. Risk Management has assigned a Risk Executive to each of the lines of business who is responsible for the oversight of all risks associated with that line of business. In addition, Risk Management has assigned Risk Executives to monitor enterprise-wide credit, market and operational risks.

Corporate Audit provides an independent assessment of our management and internal control systems. Corporate Audit activities are designed to provide reasonable assurance that resources are adequately protected; significant financial, managerial and operating information is materially complete, accurate and reliable; and employees' actions are in compliance with corporate policies, standards, procedures, and applicable laws and regulations.

We use various methods to manage risks at the line of business levels and corporate-wide. Examples of these methods include planning and forecasting, risk committees and forums, limits, models, and hedging strategies. Planning and forecasting facilitates analysis of actual versus planned results and provides an indication of unanticipated risk levels. Generally, risk committees and forums are comprised of lines of business, risk management, treasury, compliance, legal and finance personnel, among others, who actively monitor performance against plan, limits, potential issues, and introduction of new products. Limits, the amount of exposure that may be taken in a product, relationship, region or industry, seek to align risk goals with those of each line of business and are part of our overall risk management process to help reduce the volatility of market, credit and operational losses. Models are used to estimate market value and net interest income sensitivity, and to estimate expected and unexpected losses for each product and line of business, where appropriate. Hedging strategies are used to manage the risk of borrower or counterparty concentration risk and to manage market risk in the portfolio.

The formal processes used to manage risk represent only one portion of our overall risk management process. Corporate culture and the actions of our associates are also critical to effective risk management. Through our Code of Ethics, we set a high standard for our associates. The Code of Ethics provides a framework for all of our associates to conduct themselves with the highest integrity in the delivery of our products or services to our customers. We instill a risk-conscious culture through communications, training, policies, procedures, and organizational roles and responsibilities. Additionally, we continue to strengthen the linkage between the associate performance management process and individual compensation to encourage associates to work toward corporate-wide risk goals.

Oversight

The Board evaluates risk through the Chief Executive Officer (CEO) and three committees. The Finance Committee, a committee appointed by the Board, establishes policies and strategies for managing the strategic, liquidity, credit, market and operational risks to corporate earnings and capital. The Asset Quality Committee, a Board committee, reviews credit and selected market risks; and the Audit Committee, a Board committee, provides direct oversight of the corporate audit function and the independent registered public accounting firm. Additionally, senior management oversight of our risk-taking and risk management activities is conducted through four senior management committees: the Risk and Capital Committee (RCC), the Asset and Liability Committee (ALCO), the Compliance and Operational Risk Committee (CORC) and the Credit Risk Committee (CRC). The RCC, a senior management committee, reviews corporate strategies and corporate objectives, evaluates business performance, and reviews business plans, including capital allocation, for the Corporation and for major businesses. The ALCO, a subcommittee of the Finance Committee, provides oversight for Corporate Treasury's and Corporate Investment's process of managing interest rate risk, otherwise known as ALM activities, and reviews ALM and credit hedging activities. ALCO also approves limits for trading activities and manages the risk of loss of value and related Net Interest Income of our trading activities. The CORC, a subcommittee of the Finance Committee, provides oversight and consistent communication of operational and compliance issues. The CRC, a subcommittee of the Finance Committee, establishes corporate credit practices and limits, including industry and country concentration limits and approval requirements. The CRC also reviews asset quality results versus plan, portfolio management, and the adequacy of the allowance for credit losses. Each committee and subcommittee has the ability to delegate authority to officers of subcommittees to manage specific risks.

Management continues to direct corporate-wide efforts to address the Basel Committee on Banking Supervision's new risk-based capital standards (Basel II). The Finance Committee and the Audit Committee provide oversight of management's plans including the Corporation's preparedness and compliance with Basel II. For additional information, see Basel II on page 37 and Note 15 of the Consolidated Financial Statements.

The following sections, Strategic Risk Management, Liquidity Risk and Capital Management, Credit Risk Management beginning on page 37, Market Risk Management beginning on page 53 and Operational Risk Management beginning on page 61, address in more detail the specific procedures, measures and analyses of the major categories of risk that we manage.

Strategic Risk Management

The Board provides oversight for strategic risk through the CEO and the Finance Committee. We use an integrated business planning process to help manage strategic risk. A key component of the planning process aligns strategies, goals, tactics and resources. The process begins with an assessment that creates a plan for the Corporation, setting the corporate strategic direction. The planning process then cascades through the business units, creating business unit plans that are aligned with the Corporation's direction. Tactics and metrics are monitored to ensure adherence to the plans. As part of this monitoring, business units perform a quarterly self-assessment further described in the Operational Risk Management section beginning on page 61. This assessment looks at changing market and business conditions, and the overall risk in meeting objectives. Corporate Audit in turn monitors, and independently reviews and evaluates, the plans and self-assessments.

One of the key tools for managing strategic risk is capital allocation. Through allocating capital, we effectively manage each business segment's ability to take on risk. Review and approval of business plans incorporates approval of capital allocation, and economic capital usage is monitored through financial and risk reporting.

Liquidity Risk and Capital Management

Liquidity Risk

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events. Sources of liquidity include deposits and other customer-based funding, wholesale market-based funding, and liquidity provided by the sale or securitization of assets.

We manage liquidity at two levels. The first is the liquidity of the parent company, which is the holding company that owns the banking and nonbanking subsidiaries. The second is the liquidity of the banking subsidiaries. The management of liquidity at both levels is essential because the parent company and banking subsidiaries each have different funding needs and sources, and each are subject to certain regulatory guidelines and requirements. Through ALCO, the Finance Committee is responsible for establishing our liquidity policy as well as approving operating and contingency procedures, and monitoring liquidity on an ongoing basis. Corporate Treasury is responsible for planning and executing our funding activities and strategy.

In order to ensure adequate liquidity through the full range of potential operating environments and market conditions, we conduct our liquidity management and business activities in a manner that will preserve and enhance funding stability, flexibility, and diversity. Key components of this operating strategy include a strong focus on customer-based funding, maintaining direct relationships with wholesale market funding providers, and maintaining the ability to liquefy certain assets when, and if, requirements warrant.

We develop and maintain contingency funding plans for both the parent company and bank liquidity positions. These plans evaluate our liquidity position under various operating circumstances and allow us to ensure that we would be able to operate though a period of stress when access to normal sources of funding is constrained. The plans project funding requirements during a potential period of stress, specify and quantify sources of liquidity, outline actions and procedures for effectively managing through the problem period, and define roles and responsibilities. They are reviewed and approved annually by ALCO.

Our borrowing costs and ability to raise funds are directly impacted by our credit ratings. The credit ratings of Bank of America Corporation and Bank of America, National Association (Bank of America, N.A.) are reflected in the table below.

Table 7

Credit Ratings

	December 31, 2005				
	Bank of America Corporation			Bank of America, N.A.	
	Senior Debt	Subordinated Debt	Commercial Paper	Short-term Borrowings	Long-term Debt
Moody's	Aa2	Aa3	P-1	P-1	Aa1
Standard & Poor's	AA-	A+	A-1+	A-1+	AA
Fitch, Inc.	AA-	A+	F1+	F1+	AA-

Under normal business conditions, primary sources of funding for the parent company include dividends received from its banking and nonbanking subsidiaries, and proceeds from the issuance of senior and subordinated debt, as well as commercial paper and equity. Primary uses of funds for the parent company include repayment of maturing debt and commercial paper, share repurchases, dividends paid to shareholders, and subsidiary funding through capital or debt.

The parent company maintains a cushion of excess liquidity that would be sufficient to fully fund holding company and nonbank affiliate operations for an extended period during which funding from normal sources is disrupted. The primary measure used to assess the parent company's liquidity is the "Time to Required Funding" during such a period of liquidity disruption. This measure assumes that the parent company is unable to generate funds from debt or equity issuance, receives no dividend income from subsidiaries, and no longer pays dividends to shareholders while continuing to meet nondiscretionary uses needed to maintain bank operations and repayment of contractual principal and interest payments owed by the parent company and affiliated companies. Under this scenario, the amount of time the parent company and its nonbank subsidiaries can operate and meet all obligations before the current liquid assets are exhausted is considered the "Time to Required Funding". ALCO approves the target range set for this metric, in months, and monitors adherence to the target. Maintaining excess parent company cash that ensures that "Time to Required Funding" remains in the target range is the primary driver of the timing and amount of the Corporation's debt issuances. As of December 31, 2005 "Time to Required Funding" was 29 months.

The primary sources of funding for our banking subsidiaries include customer deposits, wholesale market–based funding, and asset securitizations. Primary uses of funds for the banking subsidiaries include growth in the core asset portfolios, including loan demand, and in the ALM portfolio. We use the ALM portfolio primarily to manage interest rate risk and liquidity risk.

The strength of our balance sheet is a result of rigorous financial and risk discipline. Our excess deposits, which are a low cost of funding source, fund the purchase of additional securities and result in a lower loan to deposit ratio. Mortgage-backed securities and mortgage loans have prepayment risk which has to be actively managed. Repricing of deposits is a key variable in this process. The capital generated in excess of capital adequacy targets and to support business growth, is available for the payment of dividends and share repurchases.

ALCO determines prudent parameters for wholesale market-based borrowing and regularly reviews the funding plan for the bank subsidiaries to ensure compliance with these parameters. The contingency funding plan for the banking subsidiaries evaluates liquidity over a 12-month period in a variety of business environment scenarios assuming different levels of earnings performance and credit ratings as well as public and investor relations factors. Funding exposure related to our role as liquidity provider to certain off-balance sheet financing entities is also measured under a stress scenario. In this analysis, ratings are downgraded such that the off-balance sheet financing entities are not able to issue commercial paper and backup facilities that we provide are drawn upon. In addition, potential draws on credit facilities to issuers with ratings below a certain level are analyzed to assess potential funding exposure.

One ratio used to monitor the stability of our funding composition is the "loan to domestic deposit" (LTD) ratio. This ratio reflects the percent of Loans and Leases that are funded by domestic customer deposits, a relatively stable funding source. A ratio below 100 percent indicates that our loan portfolio is completely funded by domestic customer deposits. The ratio was 102 percent at December 31, 2005 compared to 93 percent at December 31, 2004. The increase was primarily attributable to organic growth in the loan and lease portfolio.

We originate loans for retention on our balance sheet and for distribution. As part of our "originate to distribute" strategy, commercial loan originations are distributed through syndication structures, and residential mortgages originated by *Mortgage* and *Home Equity* are frequently distributed in the secondary market. In connection with our balance sheet management activities, we may retain mortgage loans originated as well as purchase and sell loans based on our assessment of market conditions.

Regulatory Capital

As a regulated financial services company, we are governed by certain regulatory capital requirements. Presented in Note 15 of the Consolidated Financial Statements are the regulatory capital ratios, actual capital amounts and minimum required capital amounts for the Corporation, Bank of America, N.A., Fleet National Bank and Bank of America, N.A. (USA) at December 31, 2005 and 2004. On June 13, 2005, Fleet National Bank merged with and into Bank of America, N.A., with Bank of America, N.A. as the surviving entity. As of December 31, 2005, the entities were classified as "well-capitalized" for regulatory purposes, the highest classification.

Certain corporate sponsored trust companies which issue trust preferred securities (Trust Securities) are deconsolidated under FIN 46R. As a result, the Trust Securities are not included on our Consolidated Balance Sheets. On March 1, 2005, the FRB issued Risk-Based Capital Standards: Trust Preferred Securities and the Definition of Capital (the Final Rule) which allows Trust Securities to continue to qualify as Tier 1 Capital with revised quantitative limits that would be effective after a five-year transition period. As a result, we continue to include Trust Securities in Tier 1 Capital.

The FRB's Final Rule limits restricted core capital elements to 15 percent for internationally active bank holding companies. In addition, the FRB revised the qualitative standards for capital instruments included in regulatory capital. Internationally active bank holding companies are those with consolidated assets greater than $250 billion or on-balance sheet exposure greater than $10 billion. At December 31, 2005, our restricted core capital elements comprised 16.6 percent of total core capital elements. We expect to be fully compliant with the revised limits prior to the implementation date of March 31, 2009.

Basel II

In June 2004, Basel II was published with the intent of more closely aligning regulatory capital requirements with underlying risks. Similar to economic capital measures, Basel II seeks to address credit risk, market risk and operational risk.

While economic capital is measured to cover unexpected losses, we also maintain a certain threshold in terms of regulatory capital to adhere to legal standards of capital adequacy. With recent updates to the U.S. implementation, these thresholds or leverage ratios, will continue to be utilized for the foreseeable future. Maintaining capital adequacy with our regulatory capital under Basel II, does not impact internal profitability or pricing.

In the U.S., Basel II will not be implemented until January 1, 2008, which will serve as our parallel test year, followed by full implementation in 2009. The impact on our capital management processes and capital requirements continues to be evaluated. As Basel II is an international regulation, U.S. regulatory agencies are drafting a U.S. oriented measure which follows the Basel II construct.

Recently, an assessment of the potential effect on regulatory capital known as Quantitative Impact Study 4 was completed, which generated disparate results among participants. In order to address the potential changes in capital levels, regulators have established floors or limits as to how much capital can decrease from period to period after full implementation through at least 2011. We are committed to working with the regulators and continue to proactively monitor their efforts towards achieving a successful implementation of Basel II.

Implementation of Basel II requires a significant enterprise-wide effort. During 2005, our dedicated Basel II Program Management Office, supported by a number of business segment specialists and technologists, completed major planning activities required to achieve Basel II preparedness. During 2006, we are aggressively moving forward with policy, process and technology changes required to achieve full compliance by the start of parallel processing in 2008. We continue to work closely with the regulatory agencies in this process.

Dividends

Effective for the third quarter 2005 dividend, the Board increased the quarterly cash dividend 11 percent from $0.45 to $0.50 per common share. In October 2005, the Board declared a fourth quarter cash dividend which was paid on December 23, 2005 to common shareholders of record on December 2, 2005. In January 2006, the Board declared a quarterly cash dividend of $0.50 per common share payable on March 24, 2006 to shareholders of record on March 3, 2006.

Share Repurchases

We will continue to repurchase shares, from time to time, in the open market or in private transactions through our approved repurchase programs. We repurchased 126.4 million shares of common stock in 2005, which more than offset the 79.6 million shares issued under our company's employee stock plans. During 2006 we expect to use available excess capital to repurchase shares in excess of shares issued under our employee stock plans. For additional information on common share repurchases, see Note 14 of the Consolidated Financial Statements.

Credit Risk Management

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an advance, commitment or investment of funds. We define the credit exposure to a borrower or counterparty as the loss potential arising from all product classifications, including loans and leases, derivatives, trading account assets, assets held-for-sale, and unfunded lending commitments that include loan commitments, letters of credit and financial guarantees. For derivative positions, our credit risk is measured as the net replacement cost in the event the counterparties with contracts in a gain position to us completely fail to perform under the terms of those contracts. We use the current mark-to-market value to represent credit exposure without giving consideration to future mark-to-market changes. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements. Our consumer and commercial credit extension and review procedures take into account credit exposures that are funded or unfunded. For additional information on derivatives and credit extension commitments, see Notes 5 and 13 of the Consolidated Financial Statements.

We manage credit risk based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other support given current events, conditions and expectations. We classify our Loans and Leases as either consumer or commercial and monitor their credit risk separately as discussed below.

Consumer Portfolio Credit Risk Management

Credit risk management for the consumer portfolio begins with initial underwriting and continues throughout a borrower's credit cycle. Statistical techniques are used to establish product pricing, risk appetite, operating processes and metrics to balance risks and returns. Consumer exposure is grouped by product and other attributes for purposes of evaluating credit risk. Statistical models are built using detailed behavioral information from external sources such as credit bureaus as well as internal historical experience. These models are essential to our consumer credit risk management process and are used in the determination of credit decisions, collections management strategies, portfolio management decisions, determination of the allowance for consumer loan and lease losses, and economic capital allocations for credit risk.

Table 8 presents outstanding consumer loans and leases for each year in the five-year period ending at December 31, 2005.

Table 8

Outstanding Consumer Loans and Leases

	December 31									
	2005		2004 (Restated)		2003 (Restated)		2002 (Restated)		2001 (Restated)	
(Dollars in millions)	**Amount**	**Percent**	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Residential mortgage	**$182,596**	**51.3%**	$178,079	54.3%	$140,483	58.5%	$108,332	54.8%	$ 78,203	47.3%
Credit card	**58,548**	**16.5**	51,726	15.8	34,814	14.5	24,729	12.5	19,884	12.0
Home equity lines	**62,098**	**17.5**	50,126	15.3	23,859	9.9	23,236	11.8	22,107	13.4
Direct/Indirect consumer	**45,490**	**12.8**	40,513	12.3	33,415	13.9	31,068	15.7	30,317	18.4
Other consumer(1)	**6,725**	**1.9**	7,439	2.3	7,558	3.2	10,355	5.2	14,744	8.9
Total consumer loans and leases	**$355,457**	**100.0%**	$327,883	100.0%	$240,129	100.0%	$197,720	100.0%	$165,255	100.0%

(1) Includes consumer finance of $2,849 million, $3,395 million, $3,905 million, $4,438 million, and $5,331 million at December 31, 2005, 2004, 2003, 2002, and 2001, respectively; foreign consumer of $3,841 million, $3,563 million, $1,969 million, $1,970 million, and $2,092 million at December 31, 2005, 2004, 2003, 2002, and 2001, respectively; and consumer lease financing of $35 million, $481 million, $1,684 million, $3,947 million, and $7,321 million at December 31, 2005, 2004, 2003, 2002, and 2001, respectively.

Concentrations of Consumer Credit Risk

Our consumer credit risk is diversified both geographically and through our various product offerings. In addition, credit decisions are statistically based with tolerances set to decrease the percentage of approvals as the risk profile increases.

From time to time, we purchase credit protection on certain portions of our consumer portfolio. This protection is designed to enhance our overall risk management strategy. At December 31, 2005 and 2004, we have mitigated a portion of our credit risk on approximately $110.4 billion and $88.7 billion of residential mortgage and indirect automobile loans through the purchase of credit protection. Our regulatory risk-weighted assets were reduced as a result of these transactions because we transferred a portion of our credit risk to unaffiliated parties. These transactions had the cumulative effect of reducing our risk-weighted assets by $30.6 billion and $25.5 billion at December 31, 2005 and 2004, and resulted in 28 bp and 26 bp increases in our Tier 1 Capital ratio.

Consumer Portfolio Credit Quality Performance

Credit quality continued to be strong and consistent with performance from a year ago with the exception of the credit card portfolio.

Managed credit card performance was impacted by increased bankruptcy filings prior to legislation which became effective October 17, 2005, continued growth and seasoning of the portfolio, and increased minimum payment requirements implemented in April 2004. The year 2005 compared to 2004 was also impacted by the FleetBoston credit card portfolio.

The entire balance of an account is contractually delinquent if the minimum payment is not received by the specified date on the customer's billing statement. Interest and fees continue to accrue on our past due loans until the date the loan goes into nonaccrual status, if applicable. Delinquency is reported on accruing loans that are 30 days or more past due.

Credit card loans are generally charged off at 180 days past due or 60 days from notification of bankruptcy filing and are not classified as nonperforming. Unsecured consumer loans and deficiencies in non-real estate secured loans and leases are charged off at 120 days past due and are generally not classified as nonperforming. Real estate secured consumer loans are placed on nonaccrual and are classified as nonperforming no later than 90 days past due. The amount deemed uncollectible on real estate secured loans is charged off at 180 days past due.

Table 9 presents consumer net charge-offs and net charge-off ratios on the held portfolio for 2005 and 2004.

Table 9

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

	2005		2004 (Restated)	
(Dollars in millions)	Amount	Percent	Amount	Percent
Residential mortgage	**$ 27**	**0.02%**	$ 36	0.02%
Credit card	**3,652**	**6.76**	2,305	5.31
Home equity lines	**31**	**0.05**	15	0.04
Direct/Indirect consumer	**248**	**0.55**	208	0.55
Other consumer	**275**	**3.99**	193	2.51
Total consumer	**$4,233**	**1.26%**	$2,757	0.93%

(1) Percentage amounts are calculated as net charge-offs divided by average outstanding loans and leases during the year for each loan category.

As presented in Table 9, consumer net charge-offs from on-balance sheet loans increased $1.5 billion to $4.2 billion in 2005. Of these increased amounts, $1.3 billion was related to credit card net charge-offs. Higher credit card net charge-offs were driven by an increase in bankruptcy net charge-offs of $578 million resulting from changes in bankruptcy legislation, organic portfolio growth and seasoning, increases effective in 2004 in credit card minimum payment requirements, the impact of the FleetBoston portfolio and new advances on accounts for which previous loan balances were sold to the securitization trusts. The increase in direct/indirect consumer charge-offs was driven primarily by the growth and seasoning of the auto loan portfolio. The increase in other consumer charge-offs was primarily driven by an increase in charge-offs for checking account overdraft balances due to deposit growth and a change in the fourth quarter of 2005 in our charge-off policy for overdraft balances from 120 days to 60 days.

Net losses for the managed credit card portfolio increased $1.3 billion to $4.1 billion, or 6.92 percent of total average managed credit card loans in 2005, compared to 5.62 percent of total average managed credit card loans in 2004. Higher managed credit card net losses were driven by an increase in bankruptcy net losses resulting from the change in bankruptcy law, continued portfolio growth and seasoning, increases effective in 2004 in credit card minimum payment requirements and the impact of the FleetBoston portfolio.

As presented in Table 10, nonperforming consumer assets increased $39 million from December 31, 2004 to $846 million at December 31, 2005. The increase was due to a $47 million increase in nonperforming consumer loans and leases to $785 million, representing 0.22 percent of outstanding consumer loans and leases at December 31, 2005 compared to $738 million, representing 0.23 percent of outstanding consumer loans and leases at December 31, 2004. Nonperforming residential mortgages increased $16 million primarily due to modest portfolio growth, partially offset by sales of $112 million in 2005. Nonperforming home equity lines increased $51 million due to the seasoning of the portfolio. Other consumer nonperforming loans and leases fell $24 million due to the continued liquidation of the portfolios in our previously exited consumer businesses and a decline in foreign nonperforming loans and leases. Broad-based loan growth offset the increase in nonperforming consumer loans resulting in an improvement in the nonperforming ratios.

Table 10

Nonperforming Consumer Assets

(Dollars in millions)	December 31				
	2005	2004	2003	2002	2001
Nonperforming consumer loans and leases					
Residential mortgage	**$ 570**	$ 554	$ 531	$ 612	$ 556
Home equity lines	**117**	66	43	66	80
Direct/Indirect consumer	**37**	33	28	30	27
Other consumer	**61**	85	36	25	16
Total nonperforming consumer loans and leases (1)	**785**	738	638	733	679
Consumer foreclosed properties	**61**	69	81	99	334
Total nonperforming consumer assets (2)	**$ 846**	$ 807	$ 719	$ 832	$1,013
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases (Restated)	**0.22%**	0.23%	0.27%	0.37%	0.41%
Nonperforming consumer assets as a percentage of outstanding consumer loans, leases and foreclosed properties (Restated)	**0.24**	0.25	0.30	0.42	0.61

(1) In 2005, $50 million in Interest Income was estimated to be contractually due on nonperforming consumer loans and leases classified as nonperforming at December 31, 2005 provided that these loans and leases had been paid according to their terms and conditions. Of this amount, approximately $9 million was received and included in Net Income for 2005.

(2) Balances do not include $5 million, $28 million, $16 million, $41 million, and $646 million of nonperforming consumer loans held-for-sale, included in Other Assets at December 31, 2005, 2004, 2003, 2002, and 2001, respectively.

Table 11 presents the additions and reductions to nonperforming assets in the consumer portfolio during 2005 and 2004. Net additions to nonperforming loans and leases in 2005 were $47 million compared to $100 million in 2004.

Table 11

Nonperforming Consumer Assets Activity

(Dollars in millions)	**2005**	2004
Nonperforming loans and leases		
Balance, January 1	**$ 738**	$ 638
Additions to nonperforming loans and leases:		
FleetBoston balance, April 1, 2004	—	122
New nonaccrual loans and leases	**1,108**	1,443
Reductions in nonperforming loans and leases:		
Paydowns and payoffs	**(223)**	(363)
Sales	**(112)**	(96)
Returns to performing status (1)	**(531)**	(793)
Charge-offs(2)	**(121)**	(128)
Transfers to foreclosed properties	**(69)**	(86)
Transfers to loans held-for-sale	**(5)**	1
Total net additions to nonperforming loans and leases	**47**	100
Total nonperforming loans and leases, December 31	**785**	738
Foreclosed properties		
Balance, January 1	**69**	81
Additions to foreclosed properties:		
FleetBoston balance, April 1, 2004	—	5
New foreclosed properties	**125**	119
Reductions in foreclosed properties:		
Sales	**(108)**	(123)
Writedowns	**(25)**	(13)
Total net reductions in foreclosed properties	**(8)**	(12)
Total foreclosed properties, December 31	**61**	69
Nonperforming consumer assets, December 31	**$ 846**	$ 807

(1) Consumer loans are generally returned to performing status when principal or interest is less than 90 days past due.

(2) Our policy is not to classify consumer credit card and consumer non-real estate loans and leases as nonperforming; therefore, the charge-offs on these loans are not included above.

On-balance sheet consumer loans and leases 90 days or more past due and still accruing interest totaled $1.3 billion at December 31, 2005, and were up $131 million from December 31, 2004, primarily driven by a $122 million increase in credit card past due loans due to continued seasoning and growth.

Commercial Portfolio Credit Risk Management

Credit risk management for the commercial portfolio begins with an assessment of the credit risk profile of the borrower or counterparty based on an analysis of the borrower's or counterparty's financial position. As part of the overall credit risk assessment of a borrower or counterparty, each commercial credit exposure or transaction is assigned a risk rating and is subject to approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are monitored on an ongoing basis. If necessary, risk ratings are adjusted to reflect changes in the borrower's or counterparty's financial condition, cash flow or financial situation. We use risk rating aggregations to measure and evaluate concentrations within portfolios. Risk ratings are a factor in determining the level of assigned economic capital and the allowance for credit losses. In making decisions regarding credit, we consider risk rating, collateral, country, industry and single name concentration limits while also balancing the total borrower or counterparty relationship and SVA.

Our lines of business and Risk Management personnel use a variety of tools to continuously monitor a borrower's or counterparty's ability to perform under its obligations. Additionally, we utilize syndication of exposure to other entities, loan sales and other risk mitigation techniques to manage the size and risk profile of the loan portfolio.

Table 12 presents outstanding commercial loans and leases for each year in the five-year period ending December 31, 2005.

Table 12

Outstanding Commercial Loans and Leases

	December 31									
	2005		2004		2003		2002		2001	
(Dollars in millions)	**Amount**	**Percent**	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial—domestic	**$140,533**	**64.3%**	$122,095	62.9%	$ 91,491	69.7%	$ 99,151	68.3%	$110,981	67.7%
Commercial real estate[1]	**35,766**	**16.4**	32,319	16.7	19,367	14.7	20,205	13.9	22,655	13.8
Commercial lease financing	**20,705**	**9.5**	21,115	10.9	9,692	7.4	10,386	7.2	11,404	7.0
Commercial—foreign	**21,330**	**9.8**	18,401	9.5	10,754	8.2	15,428	10.6	18,858	11.5
Total commercial loans and leases	**$218,334**	**100.0%**	$193,930	100.0%	$131,304	100.0%	$145,170	100.0%	$163,898	100.0%

(1) Includes domestic commercial real estate loans of $35,181 million, $31,879 million, $19,043 million, $19,910 million, and $22,272 million at December 31, 2005, 2004, 2003, 2002, and 2001, respectively; and foreign commercial real estate loans of $585 million, $440 million, $324 million, $295 million, and $383 million at December 31, 2005, 2004, 2003, 2002, and 2001, respectively.

Concentrations of Commercial Credit Risk

Portfolio credit risk is evaluated and managed with a goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure, and manage concentrations of credit exposure by industry, product, geography and customer relationship. Distribution of loans and leases by loan size is an additional measure of the portfolio risk diversification. We also review, measure, and manage commercial real estate loans by geographic location and property type. In addition, within our international portfolio, we evaluate borrowings by region and by country. Tables 13 through 19 summarize these concentrations.

From the perspective of portfolio risk management, customer concentration management is most relevant in*Business Lending* within *Global Corporate and Investment Banking*. Within that portfolio, concentrations are actively managed through the underwriting and ongoing monitoring processes, the established strategy of "originate to distribute", and partly through the purchase of credit protection through credit derivatives. We utilize various risk mitigation tools to economically hedge our risk to certain credit counterparties. Credit derivatives are financial instruments that we purchase for protection against the deterioration of credit quality. Earnings volatility increases due to accounting asymmetry as we mark to market the CDS, as required by SFAS 133, while the loans are recorded at historical cost less an allowance for credit losses or, if held-for-sale, at the lower of cost or market.

At December 31, 2005 and 2004, we had a net notional amount of credit default protection purchased in our credit derivatives portfolio of $14.7 billion and $10.8 billion. Our credit portfolio hedges, including the impact of mark-to-market, resulted in net gains of $49 million in 2005 and net losses of $144 million in 2004. Gains for 2005 primarily reflected the impact of spread widening in certain industries in the first half of the year.

Table 13 shows commercial utilized credit exposure by industry based on Standard & Poor's industry classifications and includes commercial loans and leases, SBLCs and financial guarantees, derivative assets, assets held-for-sale, and commercial letters of credit. These amounts exclude the impact of our credit hedging activities, which are separately included in the table. To lessen the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection. A negative notional amount indicates a net amount of protection purchased in a particular industry; conversely, a positive notional amount indicates a net amount of protection sold in a particular industry. Credit protection is purchased to cover the funded portion as well as the unfunded portion of credit exposure. As shown in the table below, commercial utilized credit exposure is diversified across a range of industries.

Table 13

Commercial Utilized Credit Exposure and Net Credit Default Protection by Industry

	Commercial Utilized Credit Exposure[(1)]		Net Credit Default Protection[(2)]	
	December 31		December 31	
(Dollars in millions)	2005	2004	2005	2004
Real estate[(3)]	**$ 41,665**	$ 36,672	**$ (788)**	$ (268)
Banks	**26,514**	25,265	**31**	61
Diversified financials	**25,859**	25,932	**(543)**	(1,177)
Retailing	**23,913**	23,149	**(1,124)**	(829)
Education and government	**22,331**	17,429	**—**	—
Individuals and trusts	**17,237**	16,110	**(30)**	—
Materials	**16,477**	14,123	**(1,149)**	(469)
Consumer durables and apparel	**14,988**	13,427	**(772)**	(406)
Capital goods	**13,640**	12,633	**(751)**	(819)
Commercial services and supplies	**13,605**	11,944	**(472)**	(175)
Transportation	**13,449**	13,234	**(392)**	(143)
Healthcare equipment and services	**13,294**	12,196	**(709)**	(354)
Leisure and sports, hotels and restaurants	**13,005**	13,331	**(874)**	(357)
Food, beverage and tobacco	**11,578**	11,687	**(621)**	(226)
Energy	**9,992**	7,579	**(559)**	(457)
Media	**6,608**	6,232	**(1,790)**	(801)
Religious and social organizations	**6,340**	5,710	**—**	—
Utilities	**4,858**	5,615	**(899)**	(402)
Insurance	**4,692**	5,851	**(1,453)**	(643)
Food and staples retailing	**3,802**	3,610	**(334)**	(258)
Technology hardware and equipment	**3,737**	3,398	**(563)**	(301)
Telecommunication services	**3,461**	3,030	**(1,205)**	(808)
Software and services	**2,668**	3,292	**(299)**	(131)
Automobiles and components	**1,681**	1,894	**(679)**	(1,431)
Pharmaceuticals and biotechnology	**1,647**	1,441	**(470)**	(202)
Household and personal products	**379**	371	**75**	8
Other	**2,587**	3,132	**1,677**[(4)]	(260)[(4)]
Total	**$ 320,007**	$ 298,287	**$ (14,693)**	$ (10,848)

(1) Derivative assets are reported on a mark-to-market basis and have not been reduced by the amount of collateral applied. Derivative asset collateral totaled $17.1 billion and $17.7 billion at December 31, 2005 and 2004.

(2) Represents notional amounts at December 31, 2005 and 2004.

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

(4) Represents net CDS index positions, which were principally investment grade. Indices are comprised of corporate credit derivatives that trade as an aggregate index value. Generally, they are grouped into portfolios based on specific ratings of credit quality or global geographic location. As of December 31, 2005, CDS index positions were sold to reflect a short-term positive view of the credit markets.

Table 14 shows the maturity profile of the net credit default protection portfolio at December 31, 2005 and 2004.

Table 14

Net Credit Default Protection by Maturity Profile

	December 31	
	2005	2004
Less than or equal to one year	**— %**	3%
Greater than one year and less than or equal to five years	**65**	87
Greater than five years	**35**	10
Total	**100%**	100%

Table 15 shows our net credit default protection portfolio by credit exposure debt rating at December 31, 2005 and 2004.

Table 15

Net Credit Default Protection by Credit Exposure Debt Rating

(Dollars in millions)	December 31			
	2005		2004	
Ratings	**Net Notional**	**Percent**	Net Notional	Percent
AAA	**$ 22**	**0.2%**	$ 89	0.8%
AA	**523**	**3.6**	340	3.1
A	**4,861**	**33.1**	2,884	26.6
BBB	**8,572**	**58.2**	5,777	53.3
BB	**1,792**	**12.2**	1,233	11.4
B	**424**	**2.9**	250	2.3
CCC and below	**149**	**1.0**	15	0.1
NR[(1)]	**(1,650)**	**(11.2)**	260	2.4
Total	**$ 14,693**	**100.0%**	$ 10,848	100.0%

(1) In addition to unrated names, "NR" includes $1,677 million in net CDS index positions. While index positions are principally investment grade, CDS indices include names in and across each of the ratings categories.

Table 16 presents outstanding commercial real estate loans and the geographic region and property type diversification. The amounts outstanding exclude commercial loans and leases secured by owner-occupied real estate. Commercial loans and leases secured by owner-occupied real estate are made on the general creditworthiness of the borrower where real estate is obtained as additional security and the ultimate repayment of the credit is not dependent on the sale, lease and rental, or refinancing of the real estate. For purposes of this table, commercial real estate reflects loans dependent on the sale, lease and rental, or refinancing of the real estate as the primary source of repayment.

Table 16

Outstanding Commercial Real Estate Loans

	December 31	
(Dollars in millions)	**2005**	2004
By Geographic Region[1]		
California	**$ 7,615**	$ 6,293
Northeast	**6,337**	6,700
Florida	**4,507**	3,562
Southeast	**4,370**	3,448
Southwest	**3,658**	3,265
Midwest	**2,595**	1,860
Northwest	**2,048**	2,038
Midsouth	**1,485**	1,379
Other	**873**	1,184
Geographically diversified [2]	**1,693**	2,150
Non-U.S.	**585**	440
Total	**$ 35,766**	$ 32,319
By Property Type		
Residential	**$ 7,601**	$ 5,992
Office buildings	**4,984**	5,434
Apartments	**4,461**	4,940
Shopping centers/retail	**4,165**	4,490
Land and land development	**3,715**	2,388
Industrial/warehouse	**3,031**	2,263
Multiple use	**996**	744
Hotels/motels	**790**	909
Resorts	**183**	252
Other[3]	**5,840**	4,907
Total	**$ 35,766**	$ 32,319

(1) Distribution is based on geographic location of collateral. Geographic regions are in the U.S. unless otherwise noted.
(2) The geographically diversified category is comprised primarily of unsecured outstandings to real estate investment trusts and national homebuilders whose portfolios of properties span multiple geographic regions.
(3) Represents loans to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types.

Foreign Portfolio

Table 17 sets forth total foreign exposure broken out by region at December 31, 2005 and 2004. Total foreign exposure is defined to include credit exposure, net of local liabilities, plus securities and other investments for all exposure with a country of risk other than the United States.

Table 17

Regional Foreign Exposure[1]

	December 31	
(Dollars in millions)	**2005**	2004
Europe	**$61,953**	$62,428
Asia Pacific[2]	**14,113**	10,736
Latin America[3]	**10,651**	10,948
Middle East	**616**	527
Africa	**110**	238
Other[4]	**4,778**	5,327
Total	**$92,221**	$90,204

(1) Reflects the subtraction of local funding or liabilities from local exposures as allowed by the Federal Financial Institutions Examination Council (FFIEC).
(2) Includes Australia and New Zealand.
(3) Includes Bermuda and Cayman Islands.
(4) Other includes Canada and supranational entities.

Our total foreign exposure was $92.2 billion at December 31, 2005, an increase of $2.0 billion from December 31, 2004. Our foreign exposure was concentrated in Europe, which accounted for $62.0 billion, or 67 percent, of total foreign exposure. The European exposure was mostly in Western Europe and was distributed across a variety of industries with the largest concentration in the banking sector that accounted for 47 percent of the total exposure in Europe. At December 31, 2005, the United Kingdom and Germany were the only countries whose total cross-border outstandings exceeded 0.75 percent of our total assets.

Our second largest foreign exposure of $14.1 billion, or 15 percent, was in Asia Pacific as growth in the total foreign exposure during 2005 was concentrated in that region. Our $3.0 billion equity investment in CCB was the most significant driver of the growth. Latin America accounted for $10.7 billion, or 12 percent, of total foreign exposure. The decline in exposure in Latin America during 2005 was primarily due to the sales of branch assets in Peru, Colombia and Panama as well as the reduction of exposure in Argentina, partially offset by an increase in Mexico. For more information on our Asia Pacific and Latin America exposure, see discussion in the foreign exposure to selected countries defined as emerging markets on page 46.

As shown in Table 18, at December 31, 2005 and 2004, the United Kingdom had total cross-border exposure of $22.9 billion and $11.9 billion, representing 1.78 percent and 1.07 percent of total assets. At December 31, 2005 and 2004, Germany had total cross-border exposure of $12.5 billion and $12.0 billion, representing 0.97 percent and 1.08 percent of total assets. At December 31, 2005, the largest concentration of the exposure to these countries was in the private sector.

Table 18

Total Cross-border Exposure Exceeding One Percent of Total Assets[1,2]

(Dollars in millions)	December 31	Public Sector	Banks	Private Sector	Cross-border Exposure	Exposure as a Percentage of Total Assets (Restated)
United Kingdom	**2005**	**$298**	**$8,915**	**$13,727**	**$22,940**	**1.78%**
	2004	74	3,239	8,606	11,919	1.07
	2003	143	3,426	6,552	10,121	1.41
Germany	**2005**	**$285**	**$5,751**	**$ 6,484**	**$12,520**	**0.97%**
	2004	659	6,251	5,081	11,991	1.08
	2003	441	3,436	2,978	6,855	0.95

(1) Exposure includes cross-border claims by our foreign offices as follows: loans, accrued interest receivable, acceptances, time deposits placed, trading account assets, securities, derivative assets, other interest-earning investments and other monetary assets. Amounts also include unused commitments, SBLCs, commercial letters of credit and formal guarantees. Sector definitions are based on the FFIEC instructions for preparing the Country Exposure Report.

(2) The total cross-border exposure for the United Kingdom and Germany at December 31, 2005 includes derivatives exposure of $2.3 billion and $3.4 billion, against which we hold collateral totaling $1.9 billion and $2.6 billion.

As shown in Table 19, at December 31, 2005, foreign exposure to borrowers or counterparties in emerging markets increased by $1.6 billion to $17.2 billion compared to $15.6 billion at December 31, 2004, and represented 19 percent and 17 percent of total foreign exposure at December 31, 2005 and 2004.

At December 31, 2005, 51 percent of the emerging markets exposure was in Asia Pacific, compared to 40 percent at December 31, 2004. Asia Pacific emerging markets exposure increased by $2.4 billion due to our $3.0 billion equity investment in CCB partially offset by declines in other countries.

At December 31, 2005, 48 percent of the emerging markets exposure was in Latin America compared to 58 percent at December 31, 2004. Driving the decrease in Latin America were mostly lower exposures in Other Latin America and Argentina, partially offset by an increase in Mexico. Lower exposures in Other Latin America were attributable to the sales of branch assets in Peru, Colombia and Panama, as well as lower securities trading exposure in Venezuela. The reduction in Argentina was mostly in cross-border exposure. Our 24.9 percent investment in Grupo Financiero Santander Serfin accounted for $2.1 billion and $1.9 billion of reported exposure in Mexico at December 31, 2005 and 2004.

Our largest exposure in Latin America was in Brazil. Our exposure in Brazil at December 31, 2005 and 2004 included $1.2 billion and $1.6 billion of traditional cross-border credit exposure (Loans and Leases, letters of credit, etc.), and $2.2 billion and $1.8 billion of local country exposure net of local liabilities.

We had risk mitigation instruments associated with certain exposures in Brazil, including structured trade related transfer risk mitigation of $830 million and $950 million, third party funding of $313 million and $286 million, and linked certificates of deposit of $59 million and $125 million at December 31, 2005 and 2004. The resulting total foreign exposure net of risk mitigation for Brazil was $2.3 billion and $2.2 billion at December 31, 2005 and 2004.

On October 13, 2005, we announced an agreement to sell our asset management business in Mexico with $1.8 billion of assets under management to an entity in which we have a 24.9 percent investment. The sale will be completed in 2006.

In December 2005, we entered into a definitive agreement with a consortium led by Johannesburg-based Standard Bank Group Ltd for the sale of BankBoston Argentina assets and the assumption of liabilities. The transaction is subject to obtaining all necessary regulatory approvals.

Table 19 sets forth regional foreign exposure to selected countries defined as emerging markets.

Table 19

Selected Emerging Markets(1)

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing(2)	Derivative Assets(3)	Securities/ Other Investments(4)	Total Cross-border Exposure(5)	Local Country Exposure Net of Local Liabilities(6)	**Total Foreign Exposure December 31, 2005**	Increase/ (Decrease) from December 31, 2004
Region/Country								
Asia Pacific								
China(7)	$ 172	$ 91	$ 110	$ 3,031	$ 3,404	$ —	**$ 3,404**	$ 3,296
India	547	176	341	482	1,546	45	**1,591**	99
South Korea	267	474	52	305	1,098	57	**1,155**	(228)
Taiwan	266	77	84	48	475	448	**923**	(404)
Hong Kong	216	76	99	216	607	—	**607**	(512)
Singapore	209	7	45	209	470	—	**470**	130
Other Asia Pacific (8)	46	88	43	248	425	170	**595**	49
Total Asia Pacific	1,723	989	774	4,539	8,025	720	**8,745**	2,430
Latin America								
Brazil	1,008	187	—	44	1,239	2,232	**3,471**	(79)
Mexico	821	176	58	2,271	3,326	—	**3,326**	460
Chile	236	19	—	8	263	717	**980**	(200)
Argentina	68	24	—	102	194	—	**194**	(197)
Other Latin America (8)	126	134	7	84	351	8	**359**	(716)
Total Latin America	2,259	540	65	2,509	5,373	2,957	**8,330**	(732)
Central and Eastern Europe (8)	26	42	9	65	142	—	**142**	(99)
Total	$ 4,008	$ 1,571	$ 848	$ 7,113	$ 13,540	$ 3,677	**$ 17,217**	$ 1,599

(1) There is no generally accepted definition of emerging markets. The definition that we use includes all countries in Latin America excluding Cayman Islands and Bermuda; all countries in Asia Pacific excluding Japan, Australia and New Zealand; and all countries in Central and Eastern Europe excluding Greece.

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

(3) Derivative assets are reported on a mark-to-market basis and have not been reduced by the amount of collateral applied. Derivative asset collateral totaled $58 million and $361 million at December 31, 2005 and 2004.

(4) Generally, cross-border resale agreements are presented based on the domicile of the counterparty because the counterparty has the legal obligation for repayment except where the underlying securities are U.S. Treasuries, in which case the domicile is the U.S., and therefore, excluded from this presentation. For regulatory reporting under FFIEC guidelines, cross-border resale agreements are presented based on the domicile of the issuer of the securities that are held as collateral.

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

(6) Local country exposure includes amounts payable to us by borrowers with a country of residence in which the credit is booked, regardless of the currency in which the claim is denominated. Management subtracts local funding or liabilities from local exposures as allowed by the FFIEC. Total amount of available local liabilities funding local country exposure at December 31, 2005 was $24.2 billion compared to $17.2 billion at December 31, 2004. Local liabilities at December 31, 2005 in Asia Pacific and Latin America were $13.6 billion and $10.6 billion of which $8.4 billion were in Hong Kong, $5.3 billion in Brazil, $3.1 billion in Singapore, $1.7 billion in Argentina, $1.6 billion in Chile, $1.2 billion in Mexico, $782 million in India and $718 million in Uruguay. There were no other countries with available local liabilities funding local country exposure greater than $500 million.

(7) Securities/Other Investments includes equity investment of $3.0 billion in CCB.

(8) Other Asia Pacific, Other Latin America, and Central and Eastern Europe include countries each with total foreign exposure of less than $300 million.

Commercial Portfolio Credit Quality Performance

Overall commercial credit quality continued to improve in 2005; however, the rate of improvement slowed in the second half of the year.

Table 20 presents commercial net charge-offs and net charge-off ratios for 2005 and 2004.

Table 20

Commercial Net Charge-offs and Net Charge-off Ratios[1]

	2005		2004	
(Dollars in millions)	Amount	Percent	Amount	Percent
Commercial—domestic	**$ 170**	**0.13%**	$ 177	0.15%
Commercial real estate	**—**	**—**	(3)	(0.01)
Commercial lease financing	**231**	**1.13**	9	0.05
Commercial—foreign	**(72)**	**(0.39)**	173	1.05
Total commercial	**$ 329**	**0.16%**	$ 356	0.20%

(1) Percentage amounts are calculated as net charge-offs divided by average outstanding loans and leases during the year for each loan category.

Commercial net charge-offs were $329 million for 2005 compared to $356 million for 2004. Commercial lease financing net charge-offs increased $222 million in 2005 compared to 2004 primarily due to the domestic airline industry. Commercial—foreign net recoveries were $72 million in 2005 compared to net charge-offs of $173 million in 2004. Recoveries were centered in Bermuda, Latin America, India and the United Kingdom. Commercial—foreign net charge-offs of $173 million in 2004 were primarily related to one borrower in the food products industry.

As presented in Table 21, commercial criticized credit exposure decreased $2.7 billion, or 27 percent, to $7.5 billion at December 31, 2005. The net decrease was driven by $9.9 billion of paydowns, payoffs, credit quality improvements, charge-offs principally related to the domestic airline industry, and loan sales. Reductions were distributed across many industries of which the largest were airlines, utilities and media. These decreases were partially offset by $7.2 billion of newly criticized exposure. *Global Corporate and Investment Banking* accounted for 87 percent, or $2.3 billion, of the decrease in commercial criticized exposure centered in *Business Lending* which represented 85 percent of the total improvement.

Table 21

Commercial Criticized Exposure[1]

	December 31			
	2005		2004	
(Dollars in millions)	Amount	Percent[2]	Amount	Percent[2]
Commercial—domestic	**$5,259**	**2.62%**	$ 6,340	3.38%
Commercial real estate	**723**	**1.63**	1,028	2.54
Commercial lease financing	**611**	**2.95**	1,347	6.38
Commercial—foreign	**934**	**1.73**	1,534	3.12
Total commercial criticized exposure	**$7,527**	**2.35%**	$10,249	3.44%

(1) Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories defined by regulatory authorities. Exposure amounts include loans and leases, SBLCs and financial guarantees, derivative assets, assets held-for-sale and commercial letters of credit.

(2) Commercial criticized exposure is taken as a percentage of total commercial utilized exposure.

We routinely review the loan and lease portfolio to determine if any credit exposure should be placed on nonperforming status. An asset is placed on nonperforming status when it is determined that full collection of principal and/or interest in accordance with its contractual terms is not probable. As presented in Table 22, nonperforming commercial assets decreased $891 million to $757 million at December 31, 2005 due primarily to the $749 million decrease in nonperforming commercial loans and leases.

The decrease in total nonperforming commercial loans and leases primarily resulted from paydowns and payoffs of $686 million, gross charge-offs of $669 million, returns to performing status of $152 million and loan sales of $108 million. These decreases were partially offset by new nonaccrual loans of $929 million.

Nonperforming commercial—domestic loans and leases decreased by $274 million and represented 0.41 percent of commercial—domestic loans and leases at December 31, 2005 compared to 0.70 percent at December 31, 2004. The improvement in the percentage of nonperforming commercial—domestic to total commercial—domestic was driven by a broad-based decrease in nonperforming loans and leases across several industries, the largest of which were utilities, and metals and mining. Nonperforming commercial lease financing decreased $204 million primarily due to the previously mentioned charge-offs associated with the domestic airline industry, and represented 0.30 percent of commercial lease financing at December 31, 2005 compared to 1.26 percent at December 31, 2004. Nonperforming commercial—foreign decreased $233 million and represented 0.16 percent of commercial—foreign at December 31, 2005 compared to 1.45 percent at December 31, 2004. The improvement in the percentage of nonperforming commercial—foreign to total commercial—foreign was attributable to Latin America.

The $140 million decrease in nonperforming securities from December 31, 2004 was primarily driven by an exchange of nonperforming securities for performing securities in Argentina that resulted from the completion of a government mandated securities exchange program.

Table 22 presents nonperforming commercial assets for each year in the five-year period ending December 31, 2005.

Table 22

Nonperforming Commercial Assets

	December 31				
(Dollars in millions)	**2005**	2004	2003	2002	2001
Nonperforming commercial loans and leases					
Commercial—domestic	**$ 581**	$ 855	$1,388	$2,621	$2,991
Commercial real estate	**49**	87	142	164	243
Commercial lease financing	**62**	266	127	160	134
Commercial—foreign	**34**	267	578	1,359	459
Total nonperforming commercial loans and leases (1)	**726**	1,475	2,235	4,304	3,827
Nonperforming securities(2)	**—**	140	—	—	—
Commercial foreclosed properties	**31**	33	67	126	68
Total nonperforming commercial assets (3)	**$ 757**	$1,648	$2,302	$4,430	$3,895
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases	**0.33%**	0.76%	1.70%	2.96%	2.33%
Nonperforming commercial assets as a percentage of outstanding commercial loans, leases and foreclosed properties	**0.35**	0.85	1.75	3.05	2.38

(1) In 2005, $51 million in Interest Income was estimated to be contractually due on nonperforming commercial loans and leases classified as nonperforming at December 31, 2005, including troubled debt restructured loans of which $31 million were performing at December 31, 2005 and not included in the table above. Approximately $15 million of the estimated $51 million in contractual interest was received and included in net income for 2005.

(2) Primarily related to international securities held in the AFS portfolio.

(3) Balances do not include $45 million, $123 million, $186 million, $73 million, and $289 million of nonperforming commercial assets, primarily commercial loans held-for-sale, included in Other Assets at December 31, 2005, 2004, 2003, 2002, and 2001, respectively.

Table 23 presents the additions and reductions to nonperforming assets in the commercial portfolio during 2005 and 2004.

Table 23

Nonperforming Commercial Assets Activity

(Dollars in millions)	2005	2004
Nonperforming loans and leases		
Balance, January 1	**$1,475**	$ 2,235
Additions to nonperforming loans and leases:		
FleetBoston balance, April 1, 2004	—	948
New nonaccrual loans and leases	**892**	1,272
Advances	**37**	82
Reductions in nonperforming loans and leases:		
Paydowns and payoffs	**(686)**	(1,392)
Sales	**(108)**	(515)
Returns to performing status (1)	**(152)**	(348)
Charge-offs(2)	**(669)**	(640)
Transfers to loans held-for-sale	**(44)**	(145)
Transfers to foreclosed properties	**(19)**	(22)
Total net reductions in nonperforming loans and leases	**(749)**	(760)
Total nonperforming loans and leases, December 31	**726**	1,475
Nonperforming securities		
Balance, January 1	**140**	—
Additions to nonperforming securities:		
FleetBoston balance, April 1, 2004	—	135
New nonaccrual securities	**15**	56
Reductions in nonperforming securities:		
Paydowns, payoffs, and exchanges	**(144)**	(39)
Sales	**(11)**	(12)
Total net additions to (reductions in) nonperforming securities	**(140)**	140
Total nonperforming securities, December 31	—	140
Foreclosed properties		
Balance, January 1	**33**	67
Additions to foreclosed properties:		
FleetBoston balance, April 1, 2004	—	9
New foreclosed properties	**32**	44
Reductions in foreclosed properties:		
Sales	**(24)**	(74)
Writedowns	**(8)**	(13)
Charge-offs	**(2)**	—
Total net reductions in foreclosed properties	**(2)**	(34)
Total foreclosed properties, December 31	**31**	33
Nonperforming commercial assets, December 31	**$ 757**	$ 1,648

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

(2) Certain loan and lease products, including commercial credit card, are not classified as nonperforming; therefore, the charge-offs on these loans are not included above.

At December 31, 2005, Other Assets included commercial loans held-for-sale of $7.3 billion, of which $45 million was nonperforming, and leveraged lease partnership interests of $183 million. At December 31, 2005, there were no nonperforming leveraged lease partnership interests. At December 31, 2004, Other Assets included $1.3 billion and $198 million of commercial loans held-for-sale and leveraged lease partnership interests, of which, $100 million and $23 million were nonperforming.

Commercial loans and leases 90 days or more past due and still accruing interest, were $168 million at December 31, 2005, an increase of $30 million compared to December 31, 2004. The increase was driven by commercial —foreign loans in the U.K. See Note 1 of the Consolidated Financial Statements for additional information on past due commercial loans and leases.

Provision for Credit Losses

The Provision for Credit Losses was $4.0 billion, a 45 percent increase over 2004.

The consumer portion of the Provision for Credit Losses increased $992 million to $4.4 billion in 2005, primarily driven by consumer net charge-offs of $4.2 billion. Credit card net charge-offs increased $1.3 billion from 2004 to $3.7 billion with an estimated $578 million related to the increase in bankruptcy filings as customers rushed to file ahead of the new law. Also contributing to the increase in credit card net charge-offs were organic growth and seasoning of the portfolio, increases effective in 2004 in credit card minimum payment requirements, the impact of the FleetBoston portfolio and the impact of new advances on accounts for which previous loan balances were sold to the securitization trusts. We estimate that approximately 70 percent of the bankruptcy-related charge-offs represent acceleration of charge-offs from 2006. Excluding bankruptcy-related charge-offs representing acceleration from 2006 and charge-offs associated with the 2004 changes in credit card minimum payment requirements that were provided for in late 2004, the increased credit card net charge-offs were the primary driver of higher Provision for Credit Losses. In addition, the Provision for Credit Losses was impacted by new advances on accounts for which previous loan balances were sold to the securitization trusts, and the establishment of reserves in 2005 for additional changes made in late 2005 in credit card minimum payment requirements. The establishment of a $50 million reserve associated with Hurricane Katrina for estimated losses on residential mortgage, home equity and indirect automobile products also contributed to the provision increase.

The commercial portion of the Provision for Credit Losses increased $161 million to negative $370 million. The negative provision in 2005 reflects continued improvement in commercial credit quality, although at a slower pace than experienced in 2004. An improved risk profile in Latin America and reduced uncertainties resulting from the completion of credit-related integration activities for FleetBoston also drove the negative provision.

The Provision for Credit Losses related to unfunded lending commitments increased $92 million to negative $7 million as the rate of improvement in commercial credit quality slowed.

Allowance for Credit Losses

Allowance for Loan and Lease Losses

The Allowance for Loan and Lease Losses is allocated based on two components. We evaluate the adequacy of the Allowance for Loan and Lease Losses based on the combined total of these two components.

The first component of the Allowance for Loan and Lease Losses covers those commercial loans that are either nonperforming or impaired. An allowance is allocated when the discounted cash flows (or collateral value or observable market price) are lower than the carrying value of that loan. For purposes of computing the specific loss component of the allowance, larger impaired loans are evaluated individually and smaller impaired loans are evaluated as a pool using historical loss experience for the respective product type and risk rating of the loans.

The second component of the Allowance for Loan and Lease Losses covers performing commercial loans and leases, and consumer loans. The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment. As of December 31, 2005, quarterly updating of historical loss experience did not have a material impact to the allowance for commercial loan and lease losses. The allowance for consumer loan and lease losses is based on aggregated portfolio segment evaluations, generally by product type. Loss forecast models are utilized for consumer products that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. These consumer loss forecast models are updated on a quarterly basis in order to incorporate information reflective of the current economic environment. As of December 31, 2005, quarterly updating of the loss forecast models to reflect estimated bankruptcy-related net charge-offs accelerated from 2006 resulted in a decrease in the allowance for consumer loan and lease losses.

Included within the second component of the Allowance for Loan and Lease Losses are previously unallocated reserves maintained to cover uncertainties that affect our estimate of probable losses including the imprecision inherent in the forecasting methodologies, domestic and global economic uncertainty, large single name defaults and event risk. In the fourth quarter of 2005, we assigned these reserves to our individual products to better reflect our view of risk in these portfolios.

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

Additions to the Allowance for Loan and Lease Losses are made by charges to the Provision for Credit Losses. Credit exposures deemed to be uncollectible are charged against the Allowance for Loan and Lease Losses. Recoveries of previously charged off amounts are credited to the Allowance for Loan and Lease Losses.

The Allowance for Loan and Lease Losses for the consumer portfolio as presented in Table 25 increased $137 million from December 31, 2004 to $4.5 billion at December 31, 2005. Credit card accounted for $153 million of this increase and was primarily driven by new advances on accounts for which previous loan balances were sold to the securitization trusts, organic growth and continued seasoning which resulted in higher loss expectations. These increases were mostly offset by the use of reserves to absorb the estimated bankruptcy net charge-off acceleration from 2006. Increases in the allowance for non-credit card consumer products were driven by broad-based loan growth and seasoning, with the exception of the other consumer product category which decreased as a result of the run-off portfolios from our previously exited consumer businesses.

The allowance for commercial loan and lease losses was $3.5 billion at December 31, 2005, a $718 million decrease from December 31, 2004. This decrease resulted from continued improvement in commercial credit quality, including reduced exposure and an improved risk profile in Latin America, the use of reserves to absorb a portion of domestic airline charge-offs and a reduction of reserves due to reduced uncertainties resulting from the completion of credit-related integration activities for FleetBoston during 2005.

Reserve for Unfunded Lending Commitments

In addition to the Allowance for Loan and Lease Losses, we also estimate probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. Unfunded lending commitments are subject to individual reviews, and are analyzed and segregated by risk according to our internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions and performance trends within specific portfolio segments, and any other pertinent information result in the estimation of the reserve for unfunded lending commitments. The reserve for unfunded lending commitments is included in Accrued Expenses and Other Liabilities on the Consolidated Balance Sheet.

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

Changes to the reserve for unfunded lending commitments are made through the Provision for Credit Losses. The reserve for unfunded lending commitments at December 31, 2005 was $395 million, a decrease of $7 million from December 31, 2004.

Table 24 presents a rollforward of the allowance for credit losses for five years ending December 31, 2005.

Table 24

Allowance for Credit Losses

(Dollars in millions)	**2005**	2004	2003	2002	2001
Allowance for loan and lease losses, January 1	**$ 8,626**	$ 6,163	$ 6,358	$ 6,278	$ 6,365
FleetBoston balance, April 1, 2004	**—**	2,763	—	—	—
Loans and leases charged off					
Residential mortgage	**(58)**	(62)	(64)	(56)	(39)
Credit card	**(4,018)**	(2,536)	(1,657)	(1,210)	(753)
Home equity lines	**(46)**	(38)	(38)	(40)	(32)
Direct/Indirect consumer	**(380)**	(344)	(322)	(355)	(389)
Other consumer[1]	**(376)**	(295)	(343)	(395)	(1,216)
Total consumer	**(4,878)**	(3,275)	(2,424)	(2,056)	(2,429)
Commercial—domestic	**(535)**	(504)	(857)	(1,625)	(2,021)
Commercial real estate	**(5)**	(12)	(46)	(45)	(46)
Commercial lease financing	**(315)**	(39)	(132)	(168)	(99)
Commercial—foreign	**(61)**	(262)	(408)	(566)	(249)
Total commercial	**(916)**	(817)	(1,443)	(2,404)	(2,415)
Total loans and leases charged off	**(5,794)**	(4,092)	(3,867)	(4,460)	(4,844)
Recoveries of loans and leases previously charged off					
Residential mortgage	**31**	26	24	14	13
Credit card	**366**	231	143	116	81
Home equity lines	**15**	23	26	14	13
Direct/Indirect consumer	**132**	136	141	145	139
Other consumer	**101**	102	88	99	135
Total consumer	**645**	518	422	388	381
Commercial—domestic	**365**	327	224	314	167
Commercial real estate	**5**	15	5	7	7
Commercial lease financing	**84**	30	8	9	4
Commercial—foreign	**133**	89	102	45	41
Total commercial	**587**	461	339	375	219
Total recoveries of loans and leases previously charged off	**1,232**	979	761	763	600
Net charge-offs	**(4,562)**	(3,113)	(3,106)	(3,697)	(4,244)
Provision for loan and lease losses[2]	**4,021**	2,868	2,916	3,801	4,163
Transfers	**(40)**	(55)	(5)	(24)	(6)
Allowance for loan and lease losses, December 31	**8,045**	8,626	6,163	6,358	6,278
Reserve for unfunded lending commitments, January 1	**402**	416	493	597	473
FleetBoston balance, April 1, 2004	**—**	85	—	—	—
Provision for unfunded lending commitments	**(7)**	(99)	(77)	(104)	124
Reserve for unfunded lending commitments, December 31	**395**	402	416	493	597
Total	**$ 8,440**	$ 9,028	$ 6,579	$ 6,851	$ 6,875
Loans and leases outstanding at December 31 (Restated)	**$573,791**	$521,813	$371,433	$342,890	$ 329,153
Allowance for loan and lease losses as a percentage of loans and leases outstanding at December 31 (Restated)	**1.40%**	1.65%	1.66%	1.85%	1.91%
Consumer allowance for loan and lease losses as a percentage of consumer loans and leases outstanding at December 31 (Restated)[3]	**1.27**	1.34	1.25	0.95	1.12
Commercial allowance for loan and lease losses as a percentage of commercial loans and leases outstanding at December 31[3]	**1.62**	2.19	2.40	2.43	2.16
Average loans and leases outstanding during the year (Restated)	**$537,218**	$472,617	$356,220	$336,820	$ 365,447
Net charge-offs as a percentage of average loans and leases outstanding during the year (Restated)	**0.85%**	0.66%	0.87%	1.10%	1.16%
Allowance for loan and lease losses as a percentage of nonperforming loans and leases at December 31	**532**	390	215	126	139
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	**1.76**	2.77	1.98	1.72	1.48

(1) Includes $635 million related to the exit of the subprime real estate lending business in 2001.
(2) Includes $395 million related to the exit of the subprime real estate lending business in 2001.
(3) The 2004 and 2003 data presented in the table have been reclassified to reflect the assignment of general reserves to individual products.

For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is available to absorb any credit losses without restriction. Table 25 presents our allocation by product type.

Table 25

Allocation of the Allowance for Credit Losses by Product Type

(Dollars in millions)	2005 Amount	2005 Percent	2004 Amount	2004 Percent	2003 Amount	2003 Percent	2002 Amount	2002 Percent	2001 Amount	2001 Percent
	December 31									
Allowance for loan and lease losses										
Residential mortgage	**$ 277**	**3.4%**	$ 240	2.8%	$ 185	3.0%	$ 108	1.7%	$ 145	2.3%
Credit card	**3,301**	**41.0**	3,148	36.5	1,947	31.6	1,031	16.2	821	13.1
Home equity lines	**136**	**1.7**	115	1.3	72	1.2	49	0.8	83	1.3
Direct/Indirect consumer	**421**	**5.2**	375	4.3	347	5.6	361	5.7	367	5.8
Other consumer	**380**	**4.8**	500	5.9	456	7.4	332	5.2	443	7.1
Total consumer	**4,515**	**56.1**	4,378	50.8	3,007	48.8	1,881	29.6	1,859	29.6
Commercial—domestic	**2,100**	**26.1**	2,101	24.3	1,756	28.5	2,231	35.1	1,901	30.3
Commercial real estate	**609**	**7.6**	644	7.5	484	7.9	439	6.9	905	14.4
Commercial lease financing	**232**	**2.9**	442	5.1	235	3.8	n/a	n/a	n/a	n/a
Commercial—foreign	**589**	**7.3**	1,061	12.3	681	11.0	855	13.4	730	11.6
Total commercial(1)	**3,530**	**43.9**	4,248	49.2	3,156	51.2	3,525	55.4	3,536	56.3
General(2)	**—**	**—**	—	—	—	—	952	15.0	883	14.1
Allowance for loan and lease losses	**8,045**	**100.0%**	8,626	100.0%	6,163	100.0%	6,358	100.0%	6,278	100.0%
Reserve for unfunded lending commitments	**395**		402		416		493		597	
Total	**$ 8,440**		$ 9,028		$ 6,579		$ 6,851		$ 6,875	

(1) Includes allowance for loan and lease losses of commercial impaired loans of $55 million, $202 million, $391 million, $919 million, and $763 million at December 31, 2005, 2004, 2003, 2002, and 2001, respectively.
(2) At December 31, 2005, general reserves were assigned to individual product types to better reflect our view of risk in these portfolios. The 2004 and 2003 data presented in the table have been reclassified to reflect the assignment of general reserves. Information was not available to assign general reserves by product types prior to 2003.
n/a = Not available; included in commercial—domestic at December 31, 2002 and 2001.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as market movements. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business, our customer and proprietary trading operations, our ALM activities, credit risk mitigation activities, and mortgage banking activities.

Our traditional banking loan and deposit products are nontrading positions and are reported at amortized cost for assets or the amount owed for liabilities (historical cost). While the accounting rules require a historical cost view of traditional banking assets and liabilities, these positions are still subject to changes in economic value based on varying market conditions. Interest rate risk is the effect of changes in the economic value of our loans and deposits, as well as our other interest rate sensitive instruments, and is reflected in the levels of future income and expense produced by these positions versus levels that would be generated by current levels of interest rates. We seek to mitigate interest rate risk as part of our ALM activities.

We seek to mitigate trading risk within our prescribed risk appetite using hedging techniques. Trading positions are reported at estimated market value with changes reflected in income. Trading positions are subject to various risk factors, which include exposures to interest rates and foreign exchange rates, as well as equity, mortgage, commodity and issuer risk factors. We seek to mitigate these risk exposures by utilizing a variety of financial instruments. The following discusses the key risk components along with respective risk mitigation techniques.

Interest Rate Risk

Interest rate risk represents exposures we have to instruments whose values vary with the level of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivative instruments. We seek to mitigate risks associated with the exposures in a variety of ways that typically involve taking offsetting positions in cash or derivative markets. The cash and derivative instruments allow us to seek to mitigate risks by reducing the effect of movements in the level of interest rates, changes in the shape of the yield curve as well as changes in interest rate volatility. Hedging instruments used to mitigate these risks include related derivatives such as options, futures, forwards and swaps.

Foreign Exchange Risk

Foreign exchange risk represents exposures we have to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans, foreign currency-denominated securities, future cash flows in foreign currencies arising from foreign exchange transactions, and various foreign exchange derivative instruments whose values fluctuate with changes in currency exchange rates or foreign interest rates. Instruments used to mitigate this risk are foreign exchange options, currency swaps, futures, forwards and deposits. These instruments help insulate us against losses that may arise due to volatile movements in foreign exchange rates or interest rates.

Mortgage Risk

Our exposure to mortgage risk takes several forms. First, we trade and engage in market-making activities in a variety of mortgage securities, including whole loans, pass-through certificates, commercial mortgages, and collateralized mortgage obligations. Second, we originate a variety of asset-backed securities, which involves the accumulation of mortgage-related loans in anticipation of eventual securitization. Third, we may hold positions in mortgage securities and residential mortgage loans as part of the ALM portfolio. Fourth, we create MSRs as part of our mortgage activities. See Notes 1 and 9 of the Consolidated Financial Statements for additional information on MSRs. These activities generate market risk since these instruments are sensitive to changes in the level of market interest rates, changes in mortgage prepayments and interest rate volatility. Options, futures, forwards, swaps, swaptions and mortgage-backed securities are used to hedge mortgage risk by seeking to mitigate the effects of changes in interest rates.

Equity Market Risk

Equity market risk arises from exposure to securities that represent an ownership interest in a corporation in the form of common stock or other equity-linked instruments. The instruments held that would lead to this exposure include, but are not limited to, the following: common stock, listed equity options (puts and calls), over-the-counter equity options, equity total return swaps, equity index futures and convertible bonds. We seek to mitigate the risk associated with these securities via hedging on a portfolio or name basis that focuses on reducing volatility from changes in stock prices. Instruments used for risk mitigation include options, futures, swaps, convertible bonds and cash positions.

Commodity Risk

Commodity risk represents exposures we have to products traded in the petroleum, natural gas, metals and power markets. Our principal exposure to these markets emanates from customer-driven transactions. These transactions consist primarily of futures, forwards, swaps and options. We seek to mitigate exposure to the commodity markets with instruments including, but not limited to, options, futures and swaps in the same or similar commodity product, as well as cash positions.

Issuer Credit Risk

Our portfolio is exposed to issuer credit risk where the value of an asset may be adversely impacted for various reasons directly related to the issuer, such as management performance, financial leverage or reduced demand for the issuer's goods or services. Perceived changes in the creditworthiness of a particular debtor or sector can have significant effects on the replacement costs of cash and derivative positions. We seek to mitigate the impact of credit spreads, credit migration and default risks on the market value of the trading portfolio with the use of CDS, and credit fixed income and similar securities.

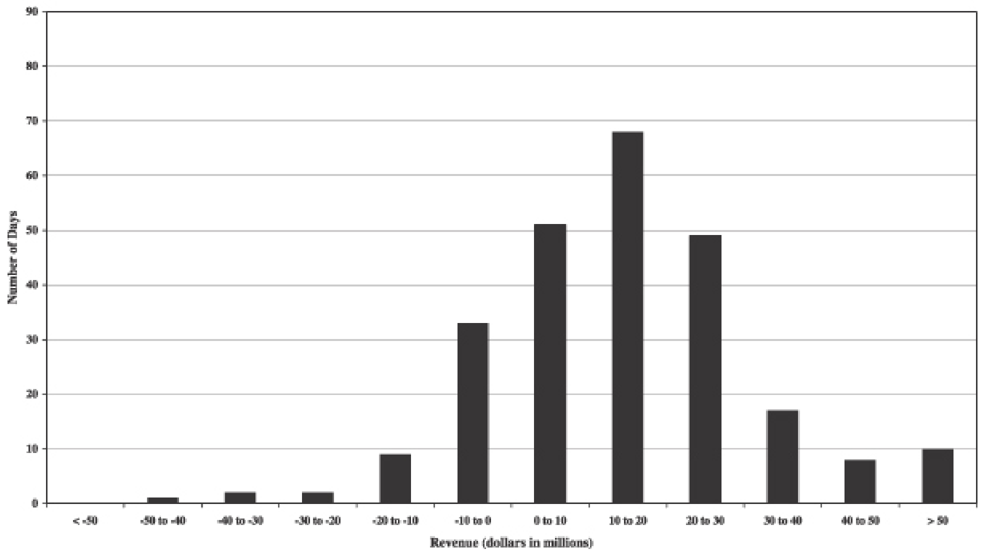
Trading Risk Management

Trading-related revenues represent the amount earned from our trading positions, which include trading account assets and liabilities, as well as derivative positions and, prior to the conversion of the Certificates into MSRs, market value adjustments to the Certificates and the MSRs. Trading positions are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities, and derivative positions are reported at fair value. MSRs are reported at the lower of cost or market. For more information on fair value, see Complex Accounting Estimates beginning on page 62. For additional information on MSRs, see Notes 1 and 9 of the Consolidated Financial Statements. Trading Account Profits represent the net amount earned from our trading positions and, as reported in the

Consolidated Statement of Income, do not include the Net Interest Income recognized on trading positions, or the related funding charge or benefit. Trading Account Profits can be volatile and are largely driven by general market conditions and customer demand. Trading Account Profits are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment.

The histogram of daily revenue or loss below is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for 2005. Trading-related revenue encompasses proprietary trading and customer-related activities. During 2005, positive trading-related revenue was recorded for 81 percent of the trading days. Furthermore, only six percent of the total trading days had losses greater than $10 million, and the largest loss was $41 million. This can be compared to 2004, where positive trading-related revenue was recorded for 87 percent of the trading days and only five percent of the total trading days had losses greater than $10 million, and the largest loss was $27 million.

Histogram of Daily Trading-related Revenue
Twelve Months Ended December 31, 2005



To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. At a portfolio and corporate level, we use Value-at-Risk (VAR) modeling and stress testing. VAR is a key statistic used to measure and manage market risk. Trading limits and VAR are used to manage day-to-day risks and are subject to testing where we compare expected performance to actual performance. This testing provides us a view of our models' predictive accuracy. All limit excesses are communicated to senior management for review.

A VAR model estimates a range of hypothetical scenarios to calculate a potential loss which is not expected to be exceeded with a specified confidence level. These estimates are impacted by the nature of the positions in the portfolio and the correlation within the portfolio. Within any VAR model, there are significant and numerous assumptions that will differ from company to company. Our VAR model assumes a 99 percent confidence level. Statistically, this means that losses will exceed VAR, on average, one out of 100 trading days, or two to three times each year. Actual losses did not exceed VAR in 2005 or 2004.

In addition to reviewing our underlying model assumptions, we seek to mitigate the uncertainties related to these assumptions and estimates through close monitoring and by updating the assumptions and estimates on an ongoing basis. If the results of our analysis indicate higher than expected levels of risk, proactive measures are taken to adjust risk levels.

The following graph shows actual losses did not exceed VAR in 2005.

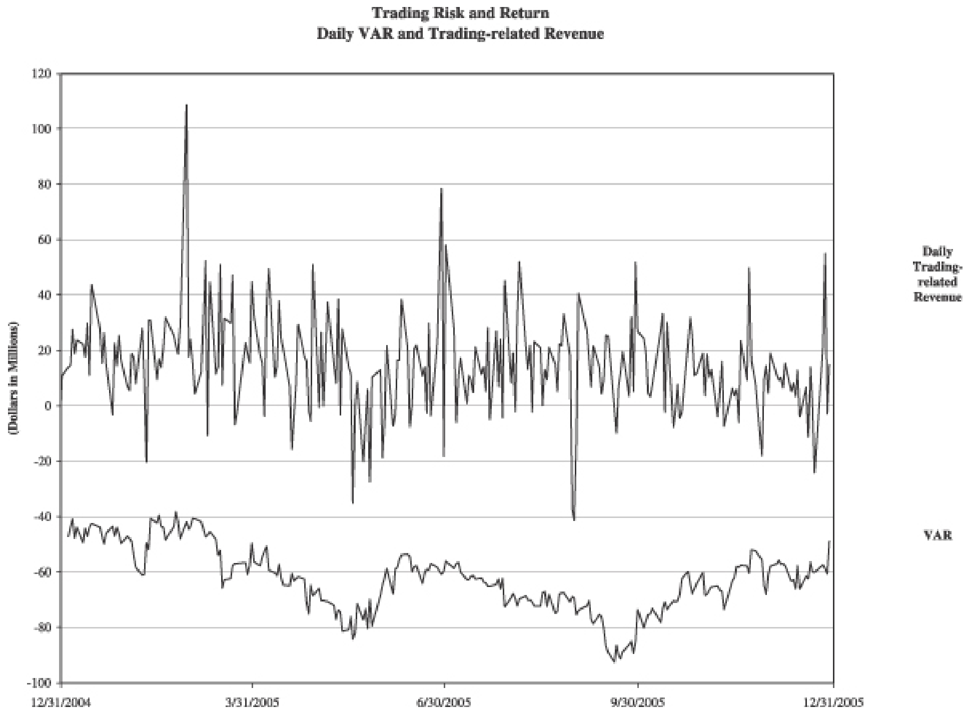


Table 26 presents average, high and low daily VAR for 2005 and 2004.

Table 26

Trading Activities Market Risk

	Twelve Months Ended December 31					
	2005			2004		
	VAR			VAR		
(Dollars in millions)	**Average**	**High[(1)]**	**Low[(1)]**	Average	High[(1)]	Low[(1)]
Foreign exchange	**$ 5.6**	**$ 12.1**	**$ 2.6**	$ 3.6	$ 8.1	$ 1.4
Interest rate	**24.7**	**58.2**	**10.8**	26.2	51.5	10.7
Credit[(2)]	**55.4**	**77.3**	**35.9**	35.7	61.4	21.9
Real estate/mortgage[(3)]	**11.4**	**20.7**	**6.5**	10.5	26.0	4.6
Equities	**18.1**	**35.1**	**9.6**	21.8	51.5	7.9
Commodities	**6.6**	**10.6**	**3.5**	6.5	10.2	3.8
Portfolio diversification	**(59.6)**	**—**	**—**	(56.3)	—	—
Total trading portfolio	**$ 62.2**	**$ 92.4**	**$ 38.0**	$ 48.0	$ 78.5	$ 29.4
Total market-based trading portfolio[(4)]	**$ 40.7**	**$ 66.4**	**$ 26.4**	$ 44.1	$ 79.0	$ 23.7

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

(2) Credit includes credit fixed income and CDS used for credit risk management. Average VAR for CDS was $69.0 million and $23.5 million in 2005 and 2004. In 2005, the Credit VAR was less than VAR for CDS used for credit risk management as the positions in credit fixed income typically offset the risk of CDS. The relationship between overall Credit VAR and the VAR for CDS can change over time as a result of changes in the relative sizes of the credit fixed income and CDS exposures.

(3) Real estate/mortgage includes capital market real estate and the Certificates. Effective June 1, 2004, Real estate/mortgage no longer includes the Certificates. For additional information on the Certificates, see Note 1 of the Consolidated Financial Statements.

(4) Total market-based trading portfolio excludes CDS used for credit risk management, net of the effect of diversification.

The increase in average VAR of the trading portfolio for 2005 was primarily due to increases in the average risk taken in credit due to an increase in credit protection purchased to hedge the credit risk in our commercial loan portfolio.

Stress Testing

Because the very nature of a VAR model suggests results can exceed our estimates, we "stress test" our portfolio. Stress testing estimates the value change in our trading portfolio due to abnormal market movements. Various stress scenarios are run regularly against the trading portfolio to verify that, even under extreme market moves, we will preserve our capital; to determine the effects of significant historical events; and to determine the effects of specific, extreme hypothetical, but plausible events. The results of the stress scenarios are calculated daily and reported to senior management as part of the regular reporting process. The results of certain specific, extreme hypothetical scenarios are presented to the Asset and Liability Committee.

Interest Rate Risk Management

Interest rate risk represents the most significant market risk exposure to our nontrading financial instruments. Our overall goal is to manage interest rate risk so that movements in interest rates do not adversely affect Net Interest Income. Interest rate risk is measured as the potential volatility in our Net Interest Income caused by changes in market interest rates. Client facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet. Interest rate risk from these activities as well as the impact of changing market conditions is managed through our ALM activities.

Sensitivity simulations are used to estimate the impact on Net Interest Income of numerous interest rate scenarios, balance sheet trends and strategies. These simulations estimate levels of short-term financial instruments, debt securities, loans, deposits, borrowings and derivative instruments. In addition, these simulations incorporate assumptions about balance sheet dynamics such as loan and deposit growth and pricing, changes in funding mix, and asset and liability repricing and maturity characteristics. In addition to Net Interest Income sensitivity simulations, market value sensitivity measures are also utilized.

The Balance Sheet Management group maintains a Net Interest Income forecast utilizing different rate scenarios, with the base case utilizing the forward market curve. The Balance Sheet Management group constantly updates the Net Interest Income forecast for changing assumptions and differing outlooks based on economic trends and market conditions. Thus, we continually monitor our balance sheet position in an effort to maintain an acceptable level of exposure to volatile interest rate changes.

We prepare forward looking forecasts of Net Interest Income. These baseline forecasts take into consideration expected future business growth, ALM positioning, and the direction of interest rate movements as implied by the markets' forward interest rate curve. We then measure and evaluate the impact that alternative interest rate scenarios have to these static baseline forecasts in order to assess interest rate sensitivity under varied conditions. The spot and 12-month forward rates used in our respective baseline forecasts at December 31, 2005 and 2004 were as follows:

Table 27

Forward Rates

	December 31			
	2005		2004	
	Federal Funds	**Ten-Year Constant Maturity Swap**	Federal Funds	Ten-Year Constant Maturity Swap
Spot rates	**4.25%**	**4.94%**	2.25%	4.64%
12-month forward rates	**4.75**	**4.97**	3.25	4.91

The following table reflects the pre-tax dollar impact to forecasted Core Net Interest Income over the next twelve months from December 31, 2005 and 2004, resulting from a 100 bp gradual parallel increase, a 100 bp gradual parallel decrease, a 100 bp gradual curve flattening (increase in short-term rates) and a 100 bp gradual curve steepening (increase in long-tem rates) from the forward curve.

Table 28

Estimated Net Interest Income at Risk

(Dollars in millions)			December 31	
Curve Change	**Short Rate**	**Long Rate**	**2005**	2004 (Restated)
+100 Parallel shift	+100	+100	**$(357)**	$ (183)
-100 Parallel shift	-100	-100	**244**	(126)
Flatteners				
Short end	+100	—	**(523)**	(462)
Long end	—	-100	**(298)**	(677)
Steepeners				
Short end	-100	—	**536**	497
Long end	—	+100	**168**	97

The sensitivity analysis above assumes that we take no action in response to these rate shifts over the indicated years.

Beyond what is already implied in the forward curve, we are modestly exposed to rising rates primarily due to increased funding costs. Conversely, we would benefit from falling rates or a steepening of the yield curve beyond what is already implied in the forward curve.

As part of our ALM activities, we use securities, residential mortgages, and interest rate and foreign exchange derivatives in managing interest rate sensitivity.

Securities

The securities portfolio is integral to our ALM activities. The decision to purchase or sell securities is based upon the current assessment of economic and financial conditions, including the interest rate environment, liquidity and regulatory requirements, and the relative mix of our cash and derivative positions. During 2005, we purchased securities of $204.5 billion, sold $134.5 billion, and received paydowns of $37.7 billion. During 2004, we purchased securities of $243.6 billion, sold $117.7 billion, and received paydowns of $31.8 billion. During the year, we continuously monitored our interest rate risk position and effected changes in the securities portfolio in order to manage prepayment risk and interest rate risk. Through sales in the securities portfolio, we realized $1.1 billion in Gains on Sales of Debt Securities during 2005 and $1.7 billion during 2004. The decrease was primarily due to lower gains realized on mortgage-backed securities and corporate bonds.

Residential Mortgage Portfolio

During 2005, we purchased $32.0 billion of residential mortgages related to our ALM activities. We had whole mortgage loan sales of $10.1 billion during 2005. During 2004, we purchased $65.9 billion of residential mortgages related to our ALM activities and had minimal sales of whole mortgage loans. Additionally, we received paydowns of $35.8 billion and $44.4 billion for 2005 and 2004. Through sales of whole mortgage loans, we recognized gains that were recorded as Other Income of $45 million for 2005, compared to losses of $2 million in 2004.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to mitigate our risk. We use derivatives to hedge the changes in cash flows or market values of our balance sheet. See Note 5 of the Consolidated Financial Statements for additional information on our hedging activities.

Our interest rate contracts are generally nonleveraged generic interest rate and basis swaps, options, futures, and forwards. In addition, we use foreign currency contracts to mitigate the foreign exchange risk associated with foreign currency-denominated assets and liabilities, as well as our equity investments in foreign subsidiaries. Table 29 reflects the notional amounts, fair value, weighted average receive fixed and pay fixed rates, expected maturity, and estimated duration of our open ALM derivatives at December 31, 2005 and 2004.

The changes in our swap and option positions reflect actions taken associated with interest rate risk management. The decisions to reposition our derivative portfolio are based upon the current assessment of economic and financial conditions including the interest rate environment, balance sheet composition and trends, and the relative mix of our cash and derivative positions. The notional amount of our net receive fixed swap position (including foreign exchange contracts) decreased $328 million to $22.8 billion at December 31, 2005 compared to December 31, 2004. The notional amount of our net option position decreased $266.6 billion to $57.2 billion at December 31, 2005 compared to December 31, 2004. The vast majority of the decrease in the option notional amount was related to terminations and maturities of short duration options which were hedging short-term repricing risk of our liabilities.

Included in the futures and forward rate contract amounts are $35.0 billion of forward purchase contracts of mortgage-backed securities and mortgage loans at December 31, 2005 settling from January 2006 to April 2006 with an average yield of 5.46 percent and $46.7 billion of forward purchase contracts of mortgage-backed securities and mortgage loans at December 31, 2004 that settled from January 2005 to February 2005 with an average yield of 5.26 percent. There were no forward sale contracts of mortgage-backed securities at December 31, 2005, compared to $25.8 billion at December 31, 2004 that settled from January 2005 to February 2005 with an average yield of 5.47 percent.

The following table includes derivatives utilized in our ALM activities, including those designated as SFAS 133 hedges and those used as economic hedges that do not qualify for SFAS 133 hedge accounting treatment. The fair value of net ALM contracts decreased from $3.4 billion at December 31, 2004 to $(386) million at December 31, 2005. The decrease was attributable to decreases in the value of options, foreign exchange contracts and futures and forward rate contracts, partially offset by increases in the value of interest rate swaps. The decrease in the value of options was due to reduction in outstanding option positions due to terminations, maturities and decreases in the values of remaining open options positions. The decrease in the value of foreign exchange contracts was due to the strengthening of the U.S. dollar against most foreign currencies during 2005. The decrease in the value of futures and forward rate contracts was due to the impact of increases in interest rates during 2005 on long futures and forward rate contracts.

Table 29

Asset and Liability Management Interest Rate and Foreign Exchange Contracts

December 31, 2005

		Expected Maturity							
(Dollars in millions, average estimated duration in years)	**Fair Value**	**Total**	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Average Estimated Duration**
Receive fixed interest rate swaps [1]	**$(1,390)**								**4.17**
Notional amount		**$108,985**	**$ 4,337**	**$ 13,080**	**$ 6,144**	**$39,107**	**$10,387**	**$ 35,930**	
Weighted average fixed rate		**4.62%**	**4.75%**	**4.66%**	**4.02%**	**4.51%**	**4.43%**	**4.77%**	
Pay fixed interest rate swaps [1]	**(408)**								**3.85**
Notional amount		**$102,281**	**$ 5,100**	**$ 55,925**	**$10,152**	**$ —**	**$ —**	**$ 31,104**	
Weighted average fixed rate		**4.61%**	**3.23%**	**4.46%**	**4.24%**	**— %**	**— %**	**5.21%**	
Basis swaps	**(644)**								
Notional amount [3]		**$ 17,806**	**$ 514**	**$ 174**	**$ 884**	**$ 2,839**	**$ 3,094**	**$ 10,301**	
Option products [2]	**1,349**								
Notional amount [3]		**57,246**	**—**	**—**	**57,246**	**—**	**—**	**—**	
Foreign exchange contracts	**909**								
Notional amount		**16,061**	**1,335**	**51**	**1,436**	**1,826**	**3,485**	**7,928**	
Futures and forward rate contracts [4]	**(202)**								
Notional amount [3]		**34,716**	**34,716**	**—**	**—**	**—**	**—**	**—**	
Net ALM contracts	**$ (386)**								

December 31, 2004

		Expected Maturity							
(Dollars in millions, average estimated duration in years)	**Fair Value**	**Total**	**2005**	**2006**	**2007**	**2008**	**2009**	**Thereafter**	**Average Estimated Duration**
Receive fixed interest rate swaps [1]	$ (880)								4.43
Notional amount		$167,324	$ 2,580	$ 7,290	$23,598	$46,917	$25,601	$ 61,338	
Weighted average fixed rate		4.04%	4.78%	4.52%	3.11%	3.47%	3.83%	4.83%	
Pay fixed interest rate swaps [1]	(2,248)								4.77
Notional amount		$157,837	$ 39	$ 6,320	$62,584	$16,136	$10,289	$ 62,469	
Weighted average fixed rate		4.24%	5.01%	3.54%	3.58%	3.91%	3.85%	5.13%	
Basis swaps	(4)								
Notional amount [3]		$ 6,700	$ 500	$ 4,400	$ —	$ —	$ —	$ 1,800	
Option products [2]	3,492								
Notional amount [3]		323,835	145,200	90,000	17,500	58,404	—	12,731	
Foreign exchange contracts	2,748								
Notional amount		13,606	71	1,529	55	1,587	2,091	8,273	
Futures and forward rate contracts [4]	287								
Notional amount [3]		(10,889)	10,111	(21,000)	—	—	—	—	
Net ALM contracts	$ 3,395								

(1) At December 31, 2005, $46.6 billion of the receive fixed swap notional amount and $41.9 billion of the pay fixed swap notional amount represented forward starting swaps that will not be effective until their respective contractual start dates. At December 31, 2004, $39.9 billion of the receive fixed swap notional amount and $75.9 billion of the pay fixed swap notional amount represented forward starting swaps that will not be effective until their respective contractual start dates.

(2) Option products include caps, floors, swaptions and exchange-traded options on index futures contracts. These strategies may include option collars or spread strategies, which involve the buying and selling of options on the same underlying security or interest rate index.

(3) Reflects the net of long and short positions.

(4) Futures and forward rate contracts include Eurodollar futures, U.S. Treasury futures, and forward purchase and sale contracts.

The Corporation uses interest rate and foreign exchange rate derivative instruments to hedge the variability in the cash flows of its variable rate assets and liabilities, and other forecasted transactions (cash flow hedges). The net losses on both open and closed derivative instruments recorded in Accumulated OCI net-of-tax at December 31, 2005 was $(4.3) billion. These net losses are expected to be reclassified into earnings in the same period when the hedged item affects earnings and will decrease income or increase expense on the respective hedged items. Assuming no change in open cash flow derivative hedge positions and no changes to interest and foreign exchange rates beyond what is implied in forward yield curves at December 31, 2005, the net losses are expected to be reclassified into earnings as follows: 9 percent within the next year, 57 percent within five years, 82 percent within 10 years, with the remaining 18 percent thereafter. For more information on derivatives designated as cash flow hedges, see Note 5 of the Consolidated Financial Statements.

The amount included in Accumulated OCI for terminated derivative contracts was a loss of $2.5 billion and a gain of $143 million, net-of-tax, at December 31, 2005 and 2004. The decrease was due primarily to the termination of derivative contracts with previously unrealized losses caused by interest rate fluctuations.

Mortgage Banking Risk Management

Interest rate lock commitments (IRLCs) on loans intended to be sold are subject to interest rate risk between the date of the IRLC and the date the loan is funded. Loans held-for-sale are subject to interest rate risk from the date of funding until the loans are sold to the secondary market. To hedge interest rate risk, we utilize forward loan sale commitments and other derivative instruments including purchased options. These instruments are used either as an economic hedge of IRLCs and loans held-for-sale, or designated as a cash flow hedge of loans held-for-sale, in which case their net-of-tax unrealized gains and losses are included in Accumulated OCI. At December 31, 2005, the notional amount of derivatives hedging the IRLCs and loans held-for-sale was $26.9 billion. The related net-of-tax unrealized loss on the derivatives designated as cash flow hedges included in Accumulated OCI at December 31, 2005 was $3 million. The notional amount of the IRLCs adjusted for fallout in the pipeline at December 31, 2005 was $4.3 billion. The amount of loans held-for-sale at December 31, 2005 was $6.1 billion.

We manage changes in the value of MSRs by entering into derivative financial instruments and by purchasing and selling securities. MSRs are an intangible asset created when the underlying mortgage loan is sold to investors and we retain the right to service the loan. As of December 31, 2005, the consumer MSR balance was $2.7 billion, or 13 percent higher than December 31, 2004. For more information on consumer MSRs, refer to page 21.

We designate certain derivatives such as purchased options and interest rate swaps as fair value hedges of specified MSRs under SFAS 133. At December 31, 2005, the amount of MSRs identified as being hedged by derivatives in accordance with SFAS 133 was approximately $2.3 billion. The notional amount of the derivative contracts designated as SFAS 133 hedges of MSRs at December 31, 2005 was $33.7 billion. The changes in the fair values of the derivative contracts are substantially offset by changes in the fair values of the MSRs that are hedged by these derivative contracts. During 2005, the change in value attributed to SFAS 133 hedged MSRs was $291 million, offset by derivative hedge losses of $124 million.

In addition, we hold additional derivatives and certain securities (i.e. mortgage-backed securities) as economic hedges of MSRs, which are not designated as SFAS 133 accounting hedges. During 2005, Interest Income from securities used as an economic hedge of MSRs of $18 million was recognized. At December 31, 2005, the amount of MSRs covered by such economic hedges was $250 million. At December 31, 2005, the unrealized loss on AFS Securities held as economic hedges of MSRs was $29 million compared to an unrealized gain of $21 million on December 31, 2004.

See Notes 1 and 9 of the Consolidated Financial Statements for additional information.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, including system conversions and integration, and external events. Successful operational risk management is particularly important to a diversified financial services company like ours because of the very nature, volume and complexity of our various businesses.

In keeping with our management governance structure, the lines of business are responsible for all the risks within the business including operational risks. Such risks are managed through corporate-wide or line of business specific policies and procedures, controls, and monitoring tools. Examples of these include personnel management practices, data reconciliation processes, fraud management units, transaction processing monitoring and analysis, business recovery planning, and new product introduction processes.

We approach operational risk from two perspectives, enterprise-wide and line of business-specific. The Compliance and Operational Risk Committee, chartered in 2005 as a subcommittee of the Finance Committee, provides consistent communication and oversight of significant operational and compliance issues and oversees the adoption of best practices. Two groups within Risk Management, Compliance Risk Management and Enterprise Operational Risk

Management, facilitate the consistency of effective policies, industry best practices, controls and monitoring tools for managing and assessing operational risks across the Corporation. These groups also work with the line of business executives and their Risk Management counterparts to implement appropriate policies, processes and assessments at the line of business level and support groups. Compliance and operational risk awareness is also driven across the Corporation through training and strategic communication efforts. For selected risks, we establish specialized support groups, for example, Information Security and Supply Chain Management. These specialized groups develop corporate-wide risk management practices, such as an information security program and a supplier program to ensure suppliers adopt appropriate policies and procedures when performing work on behalf of the Corporation. These specialized groups also assist the lines of business in the development and implementation of risk management practices specific to the needs of the individual businesses.

At the line of business level, the Line of Business Risk Executives are responsible for adherence to corporate practices and oversight of all operational risks in the line of business they support. Operational and compliance risk management, working in conjunction with senior line of business executives, have developed key tools to help manage, monitor and summarize operational risk. One tool the businesses and executive management utilize is a corporate-wide self-assessment process, which helps to identify and evaluate the status of risk issues, including mitigation plans, if appropriate. Its goal is to continuously assess changing market and business conditions and evaluate all operational risks impacting the line of business. The self-assessment process assists in identifying emerging operational risk issues and determining at the line of business or corporate level how they should be managed. In addition to information gathered from the self-assessment process, key operational risk indicators have been developed and are used to help identify trends and issues on both a corporate and a line of business level.

More generally, we mitigate operational risk through a broad-based approach to process management and process improvement. Improvement efforts are focused on reduction of variation in outputs. We have a dedicated Quality and Productivity team to manage and certify the process management and improvement efforts.

Recent Accounting and Reporting Developments

See Note 1 of the Consolidated Financial Statements for a discussion of recently issued or proposed accounting pronouncements.

Complex Accounting Estimates

Our significant accounting principles as described in Note 1 of the Consolidated Financial Statements, are essential in understanding Management's Discussion and Analysis of Results of Operations and Financial Condition. Many of our significant accounting principles require complex judgments to estimate values of assets and liabilities. We have procedures and processes to facilitate making these judgments.

The more judgmental estimates are summarized below. We have identified and described the development of the variables most important in the estimation process that, with the exception of accrued taxes, involves mathematical models to derive the estimates. In many cases, there are numerous alternative judgments that could be used in the process of determining the inputs to the model. Where alternatives exist, we have used the factors that we believe represent the most reasonable value in developing the inputs. Actual performance that differs from our estimates of the key variables could impact Net Income. Separate from the possible future impact to Net Income from input and model variables, the value of our lending portfolio and market sensitive assets and liabilities may change subsequent to the balance sheet measurement, often significantly, due to the nature and magnitude of future credit and market conditions. Such credit and market conditions may change quickly and in unforeseen ways and the resulting volatility could have a significant, negative effect on future operating results. These fluctuations would not be indicative of deficiencies in our models or inputs.

Allowance for Credit Losses

The allowance for credit losses is our estimate of probable losses in the loans and leases portfolio and within our unfunded lending commitments. Changes to the allowance for credit losses are reported in the Consolidated Statement of Income in the Provision for Credit Losses. Our process for determining the allowance for credit losses is discussed in the Credit Risk Management section beginning on page 37 and Note 1 of the Consolidated Financial Statements. Due to the variability in the drivers of the assumptions made in this process, estimates of the portfolio's inherent risks and overall collectibility change with changes in the economy, individual industries, countries and individual borrowers' or counterparties' ability and willingness to repay their obligations. The degree to which any particular assumption affects the allowance for credit losses depends on the severity of the change and its relationship to the other assumptions.

Key judgments used in determining the allowance for credit losses include: (i) risk ratings for pools of commercial loans and leases, (ii) market and collateral values and discount rates for individually evaluated loans, (iii) product type classifications for consumer and commercial loans and leases, (iv) loss rates used for consumer and commercial loans and leases, (v) adjustments made to assess current events and conditions, (vi) considerations regarding domestic and global economic uncertainty, and (vii) overall credit conditions.

Our Allowance for Loan and Lease Losses is sensitive to the risk rating assigned to commercial loans and leases and to the loss rates used for the consumer and commercial portfolios. Assuming a downgrade of one level in the internal risk rating for commercial loans and leases, except loans already risk rated Doubtful as defined by regulatory authorities, the Allowance for Loan and Lease Losses for the commercial portfolio would increase by approximately $894 million at December 31, 2005. The Allowance for Loan and Lease Losses as a percentage of loan and lease outstandings at December 31, 2005 was 1.40 percent and this hypothetical increase in the allowance would raise the ratio to approximately 1.56 percent. A 10 percent increase in the loss rates used on the consumer and commercial loan and lease portfolios would increase the Allowance for Loan and Lease Losses at December 31, 2005 by approximately $348 million, of which $283 million would relate to consumer and $65 million to commercial.

These sensitivity analyses do not represent management's expectations of the deterioration in risk ratings or the increases in loss rates but are provided as hypothetical scenarios to assess the sensitivity of the Allowance for Loan and Lease Losses to changes in key inputs. We believe the risk ratings and loss severities currently in use are appropriate and that the probability of a downgrade of one level of the internal credit ratings for commercial loans and leases within a short period of time is remote.

The process of determining the level of the allowance for credit losses requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Fair Value of Financial Instruments

Trading Account Assets and Liabilities are recorded at fair value, which is primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair value of Trading Account Assets or Liabilities. Market price quotes may not be readily available for some positions, or positions within a market sector where trading activity has slowed significantly or ceased. Situations of illiquidity generally are triggered by the market's perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more rating agencies. At December 31, 2005, $4.9 billion, or four percent, of Trading Account Assets were fair valued using these alternative approaches. An immaterial amount of Trading Account Liabilities were fair valued using these alternative approaches at December 31, 2005.

Trading Account Profits, which represent the net amount earned from our trading positions, can be volatile and are largely driven by general market conditions and customer demand. Trading Account Profits are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time. To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. At a portfolio and corporate level, we use trading limits, stress testing and tools such as VAR modeling, which estimates a potential loss which is not expected to be exceeded with a specified confidence level, to measure and manage market risk. At December 31, 2005, the amount of our VAR was $61 million based on a 99 percent confidence level. For more information on VAR, see pages 55 through 57.

The fair values of Derivative Assets and Liabilities include adjustments for market liquidity, counterparty credit quality, future servicing costs and other deal specific factors, where appropriate. To ensure the prudent application of estimates and management judgment in determining the fair value of Derivative Assets and Liabilities, various processes and controls have been adopted, which include: a Model Validation Policy that requires a review and approval of quantitative models used for deal pricing, financial statement fair value determination and risk quantification; a Trading Product Valuation Policy that requires verification of all traded product valuations; and a periodic review and substantiation of daily profit and loss reporting for all traded products. These processes and controls are performed independently of the business segment.

The fair values of Derivative Assets and Liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The predominance of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case quantitative based extrapolations of rate, price or index scenarios are used in determining fair values. At December 31, 2005, the fair values of Derivative Assets and Liabilities determined by these quantitative models were $10.5 billion and $6.4 billion. These amounts reflect the full fair value of the derivatives and do not isolate the discrete value associated with the subjective valuation variable. Further, they represent four percent and three percent of Derivative Assets and Liabilities, before the impact of legally enforceable master netting agreements. For the year ended December 31, 2005, there were no changes to the quantitative models, or uses of such models, that resulted in a material adjustment to the income statement.

The Corporation recognizes gains and losses at inception of a derivative contract only if the fair value of the contract is evidenced by a quoted market price in an active market, an observable price or other market transaction, or other observable data supporting a valuation model. For those gains and losses not evidenced by the above mentioned market data, the transaction price is used as the fair value of the derivative contract. Any difference between the transaction price and the model fair value is considered an unrecognized gain or loss at inception of the contract. Previously unrecognized gains and losses are recorded in income using the straight line method of amortization over the contractual life of the derivative contract. Earlier recognition of the full unrecognized gain or loss is permitted if the trade is terminated early, subsequent market activity is observed which supports the model fair value of the contract, or significant inputs used in the valuation model become observable.

AFS Securities are recorded at fair value, which is generally based on direct market quotes from actively traded markets.

Principal Investing

Principal Investing is included within *Equity Investments* included in *All Other* and is discussed in more detail in Business Segment Operations beginning on page 15. Principal Investing is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages, from start-up to buyout. These investments are made either directly in a company or held through a fund. Some of these companies may need access to additional cash to support their long-term business models. Market conditions and company performance may impact whether funding is available from private investors or the capital markets.

Investments with active market quotes are carried at estimated fair value; however, the majority of our investments do not have publicly available price quotations. At December 31, 2005, we had nonpublic investments of $6.1 billion or approximately 95 percent of the total portfolio. Valuation of these investments requires significant management judgment. Management determines values of the underlying investments based on multiple methodologies including in-depth semi-annual reviews of the investee’s financial statements and financial condition, discounted cash flows, the prospects of the investee’s industry and current overall market conditions for similar investments. In addition, on a quarterly basis as events occur or information comes to the attention of management that indicates a change in the value of an investment is warranted, investments are adjusted from their original invested amount to estimated fair values at the balance sheet date with changes being recorded in Equity Investment Gains in the Consolidated Statement of Income. Investments are not adjusted above the original amount invested unless there is clear evidence of a fair value in excess of the original invested amount. This evidence is often in the form of a recent transaction in the investment. As part of the valuation process, senior management reviews the portfolio and determines when an impairment needs to be recorded. The Principal Investing portfolio is not material to our Consolidated Balance Sheet, but the impact of the valuation adjustments may be material to our operating results for any particular quarter.

Accrued Income Taxes

As more fully described in Notes 1 and 18 of the Consolidated Financial Statements, we account for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes” (SFAS 109). Accrued income taxes, reported as a component of Accrued Expenses and Other Liabilities on our Consolidated Balance Sheet, represents the net amount of current income taxes we expect to pay to or receive from various taxing jurisdictions attributable to our operations to date. We currently file income tax returns in more than 100 jurisdictions and consider many factors—including statutory, judicial and regulatory guidance—in estimating the appropriate accrued income taxes for each jurisdiction.

In applying the principles of SFAS 109, we monitor relevant tax authorities and change our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities. These revisions of our estimate of accrued income taxes, which also may result from our own income tax planning and from the resolution of income tax controversies, can materially affect our operating results for any given quarter.

Goodwill and Other Intangibles

The nature of and accounting for Goodwill and Other Intangibles is discussed in detail in Notes 1 and 10 of the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis, or in interim periods if events or circumstances indicate a potential impairment. The reporting units utilized for this test were those that are one level below the business segments identified on page 15. The impairment test is performed in two steps. The first step of the Goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including Goodwill. If the fair value of the reporting unit exceeds its carrying amount, Goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step must be performed. The second step compares the implied fair value of the reporting unit’s Goodwill, as defined in SFAS No. 142, “Goodwill and Other Intangible Assets” (SFAS 142), with the carrying amount of that Goodwill. An impairment loss is recorded to the extent that the carrying amount of Goodwill exceeds its implied fair value.

For Intangible Assets subject to amortization, impairment exists when the carrying amount of the Intangible Asset exceeds its fair value. An impairment loss shall be recognized only if the carrying amount of the Intangible Asset is not recoverable and exceeds its fair value. The carrying amount of the Intangible Asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from it. An Intangible Asset subject to amortization shall be tested for recoverability whenever events or changes in circumstances, such as a significant or adverse change in the business climate that could affect the value of the Intangible Asset, indicate that its carrying amount may not be recoverable. An impairment loss shall be measured as the amount by which the carrying amount of the Intangible Asset exceeds its fair value.

The fair values of the reporting units were determined using a combination of valuation techniques consistent with the income approach and the market approach and the fair values of the Intangible Assets were determined using the income approach. For purposes of the income approach, discounted cash flows were calculated by taking the net present value of estimated cash flows using a combination of historical results, estimated future cash flows and an appropriate price to earnings multiple. We use our internal forecasts to estimate future cash flows and actual results may differ from forecasted results. However, these differences have not been material and we believe that this methodology provides a reasonable means to determine fair values. Cash flows were discounted using a discount rate based on expected equity return rates, which was 11 percent for 2005. Expected rates of equity returns were estimated based on historical market returns and risk/return rates for similar industries of the reporting unit. For purposes of the market approach, valuations of reporting units were based on actual comparable market transactions and market earnings multiples for similar industries of the reporting unit.

Our evaluations for the year ended December 31, 2005 indicated there was no impairment of Goodwill and Other Intangibles.

2004 Compared to 2003

The following discussion and analysis provides a comparison of our results of operations for 2004 and 2003. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes. In addition, Tables 2 and 3 contain financial data to supplement this discussion.

Overview

Net Income

Net Income totaled $13.9 billion, or $3.64 per diluted common share, in 2004 compared to $10.8 billion, or $3.55 per diluted common share, in 2003. The return on average common shareholders' equity was 16.47 percent in 2004 compared to 21.50 percent in 2003. These earnings provided sufficient cash flow to allow us to return $8.8 billion and $9.8 billion in 2004 and 2003, in capital to shareholders in the form of dividends and share repurchases, net of employee stock options exercised.

Net Interest Income

Net Interest Income on a FTE basis increased $7.5 billion to $28.7 billion in 2004. This increase was driven by the impact of FleetBoston, higher ALM portfolio levels (primarily consisting of securities and whole loan mortgages), the impact of higher rates, growth in consumer loan levels (primarily credit card and home equity) and higher core deposit funding levels. Partially offsetting these increases were reductions in the large corporate and foreign loan balances, lower trading-related contributions, lower mortgage warehouse levels and the continued runoff of previously exited consumer businesses. The net interest yield on a FTE basis declined nine bps to 3.17 percent in 2004 due to the adverse impact of increased trading-related balances, which have a lower yield than other earning assets.

Noninterest Income

Noninterest Income increased $3.7 billion to $21.0 billion in 2004, due primarily to increases in Card Income of $1.5 billion, Service Charges of $1.4 billion, Investment and Brokerage Services of $1.2 billion, Equity Investment Gains of $648 million, and Trading Account Profits of $461 million. Card Income increased due to increased fees and interchange income, including the impact of the FleetBoston card portfolio. Investment and Brokerage Services increased due to the impact of the FleetBoston business as well as market appreciation. Service Charges grew driven by organic account growth and the impact of FleetBoston customers. Offsetting these increases was lower Mortgage Banking Income of $1.5 billion due to lower production levels, a decrease in the gains on sales of loans to the secondary market and writedowns of the value of MSRs.

Provision for Credit Losses

The Provision for Credit Losses declined $70 million to $2.8 billion in 2004 driven by lower commercial net charge-offs of $748 million and continued improvements in credit quality in the commercial loan portfolio. Offsetting these decreases were increases in the Provision for Credit Losses in our consumer credit card portfolio. These increases reflected higher credit card net charge-offs of $791 million in part due to the impact of the FleetBoston credit card portfolio, organic growth and continued seasoning of accounts, and new advances on accounts for which previous loan balances were sold to the securitization trusts. Also contributing to the consumer provision was the establishment of reserves for changes made to card minimum payment requirements.

Gains on Sales of Debt Securities

Gains on Sales of Debt Securities in 2004 and 2003, were $1.7 billion and $941 million, as we continued to reposition the ALM portfolio in response to interest rate fluctuations and to manage mortgage prepayment risk.

Noninterest Expense

Noninterest Expense increased $6.9 billion in 2004 from 2003, due primarily to higher Personnel Expense, increased Other General Operating Expense, and higher Merger and Restructuring Charges. Personnel Expense increased $3.0 billion primarily due to the impact of FleetBoston associates. Other General Operating Expense increased $1.5 billion related to the impact of FleetBoston, $370 million of litigation expenses incurred during 2004 and the $285 million related to the mutual fund settlement. Merger and Restructuring Charges were $618 million in connection with the integration of FleetBoston's operations.

Income Tax Expense

Income Tax Expense was $7.0 billion, reflecting an effective tax rate of 33.3 percent, in 2004 compared to $5.0 billion and 31.8 percent, in 2003. The difference in the effective tax rate between years resulted primarily from the application of purchase accounting to certain leveraged leases acquired in the FleetBoston merger, an increase in state tax expense generally related to higher tax rates in the Northeast and the reduction in 2003 of Income Tax Expense resulting from a tax settlement with the Internal Revenue Service.

Business Segment Operations

Global Consumer and Small Business Banking

Total Revenue increased $5.3 billion, or 27 percent, in 2004 compared to 2003, primarily due to the impact of FleetBoston. Overall loan and deposit growth from the impact of FleetBoston customers contributed to the $4.7 billion, or 42 percent, increase in Net Interest Income. This increase was largely due to the net effect of growth in consumer loans and leases, deposit balances and ALM activities. Increases in Card Income and Service Charges drove the $604 million, or seven percent, increase in Noninterest Income. FleetBoston also contributed to the increase in Noninterest Income. Partially offsetting these increases was a decrease in Mortgage Banking Income. Net Income rose $583 million, or 11 percent, due to the increases in Net Interest Income and Noninterest Income discussed above, offset by increases in the Provision for Credit Losses and Noninterest Expense. Higher credit card net charge-offs, the impact of the FleetBoston credit card portfolio, organic growth and seasoning of credit card accounts, new advances on accounts for which previous loan balances were sold to the securitization trusts, and increases in card minimum payment requirements resulted in a $1.6 billion, or 97 percent, increase in the Provision for Credit Losses. Noninterest Expense increased $2.7 billion, or 29 percent, due to increases in Personnel Expense, Processing Costs and Other General Operating Expense related to the impact of FleetBoston.

Global Corporate and Investment Banking

Total Revenue increased $4.2 billion, or 29 percent, in 2004 compared to 2003. Net Interest Income increased $2.2 billion, or 26 percent, largely due to the increase in commercial loans and leases, deposit balances driven by the impact of FleetBoston earning assets and the net results of ALM activities, partially offset by a decrease in market-based Net Interest Income. Noninterest Income increased $2.1 billion, or 35 percent due to increases in Trading Account Profits, Service Charges and other noninterest income, and the impact of FleetBoston. Noninterest Expense increased $2.7 billion, or 35 percent, due to the impact of FleetBoston, an increase in litigation-related charges, higher incentive compensation for market-based activities, and this segment's allocation of the mutual fund settlement. Net Income rose $2.0 billion, or 52 percent, due to the increases discussed above. Also impacting Net Income was the Provision for Credit Losses which declined $1.7 billion to negative $886 million, driven by a notable improvement in credit quality and a reduction in net charge-offs.

Global Wealth and Investment Management

Total Revenue increased $2.0 billion, or 49 percent, in 2004. Net Interest Income increased $967 million, or 49 percent, due to growth in Deposits, loan growth and the impact of FleetBoston earning assets to the portfolio.

Noninterest Income increased $1.0 billion, or 48 percent, driven by increased Investment and Brokerage Services revenue primarily due to the impact of FleetBoston. Net Income increased $381 million, or 30 percent. This increase was due to the increases in Net Interest Income and Noninterest Income offset by higher Noninterest Expense. Noninterest Expense increased $1.4 billion, or 67 percent, related to the impact of FleetBoston and this segment's allocation of the mutual fund settlement.

All Other

In 2004 compared to 2003, Total Revenue decreased $274 million, or 44 percent. Net Interest Income decreased $291 million to negative $636 million primarily due to a reduction of capital in *Other* as more capital was deployed to the business segments. Offsetting this decrease was a $166 million increase in total revenue associated with the change in the fair value derivatives used as economic hedges of interest and foreign exchange rate fluctuations that do not qualify for SFAS 133 hedge accounting. Provision for Credit Losses increased $45 million, or 15 percent. Gains on Sales of Debt Securities increased $675 million to $1.6 billion in 2004 as we continued to reposition the ALM portfolio in response to changes in interest rates and to manage mortgage prepayment risk. Other Noninterest Expense increased $43 million and included Merger and Restructuring Charges of $618 million in 2004. As a result of the items discussed above,, Net Income improved $199 million.

Table I

Average Balances and Interest Rates—FTE Basis

(Dollars in millions)	2005 Average Balance	2005 Interest Income/ Expense	2005 Yield/ Rate	2004 (Restated) Average Balance	2004 (Restated) Interest Income/ Expense	2004 (Restated) Yield/ Rate	2003 (Restated) Average Balance	2003 (Restated) Interest Income/ Expense	2003 (Restated) Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments	**$ 14,286**	**$ 472**	**3.30%**	$ 14,254	$ 362	2.54%	$ 9,056	$ 172	1.90%
Federal funds sold and securities purchased under agreements to resell	**169,132**	**5,012**	**2.96**	128,981	1,940	1.50	78,857	1,266	1.61
Trading account assets	**133,502**	**5,883**	**4.41**	104,616	4,092	3.91	97,222	4,005	4.12
Securities	**219,843**	**11,047**	**5.03**	150,171	7,320	4.88	70,644	3,135	4.44
Loans and leases (1):									
Residential mortgage	**173,773**	**9,424**	**5.42**	167,270	9,056	5.42	127,131	6,873	5.41
Credit card	**53,997**	**6,253**	**11.58**	43,435	4,653	10.71	28,210	2,886	10.23
Home equity lines	**56,289**	**3,412**	**6.06**	39,400	1,835	4.66	22,890	1,040	4.55
Direct/Indirect consumer	**44,981**	**2,589**	**5.75**	38,078	2,093	5.50	32,593	1,964	6.03
Other consumer (2)	**6,908**	**667**	**9.67**	7,717	594	7.70	8,865	588	6.63
Total consumer	**335,948**	**22,345**	**6.65**	295,900	18,231	6.16	219,689	13,351	6.08
Commercial—domestic	**128,034**	**8,266**	**6.46**	114,644	6,978	6.09	93,458	6,441	6.89
Commercial real estate	**34,304**	**2,046**	**5.97**	28,085	1,263	4.50	20,042	862	4.30
Commercial lease financing	**20,441**	**992**	**4.85**	17,483	819	4.68	10,061	395	3.92
Commercial—foreign	**18,491**	**1,292**	**6.99**	16,505	850	5.15	12,970	460	3.55
Total commercial	**201,270**	**12,596**	**6.26**	176,717	9,910	5.61	136,531	8,158	5.98
Total loans and leases	**537,218**	**34,941**	**6.50**	472,617	28,141	5.95	356,220	21,509	6.04
Other earning assets	**38,013**	**2,103**	**5.53**	34,634	1,815	5.24	37,599	1,729	4.60
Total earning assets (3)	**1,111,994**	**59,458**	**5.35**	905,273	43,670	4.82	649,598	31,816	4.90
Cash and cash equivalents	**33,199**			28,511			22,637		
Other assets, less allowance for loan and lease losses	**124,699**			110,847			76,869		
Total assets	**$1,269,892**			$1,044,631			$749,104		
Interest-bearing liabilities									
Domestic interest-bearing deposits:									
Savings	**$ 36,602**	**$ 211**	**0.58%**	$ 33,959	$ 119	0.35%	$ 24,538	$ 108	0.44%
NOW and money market deposit accounts	**227,722**	**2,839**	**1.25**	214,542	1,921	0.90	148,896	1,236	0.83
Consumer CDs and IRAs	**124,385**	**4,091**	**3.29**	94,770	2,540	2.68	70,246	2,556	3.64
Negotiable CDs, public funds and other time deposits	**6,865**	**250**	**3.65**	5,977	290	4.85	7,627	130	1.70
Total domestic interest-bearing deposits	**395,574**	**7,391**	**1.87**	349,248	4,870	1.39	251,307	4,030	1.60
Foreign interest-bearing deposits (4):									
Banks located in foreign countries	**22,945**	**1,202**	**5.24**	18,426	679	3.68	13,959	285	2.04
Governments and official institutions	**7,418**	**238**	**3.21**	5,327	97	1.82	2,218	31	1.40
Time, savings and other	**31,603**	**661**	**2.09**	27,739	275	0.99	19,027	216	1.14
Total foreign interest-bearing deposits	**61,966**	**2,101**	**3.39**	51,492	1,051	2.04	35,204	532	1.51
Total interest-bearing deposits	**457,540**	**9,492**	**2.08**	400,740	5,921	1.48	286,511	4,562	1.59
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	**326,408**	**11,615**	**3.56**	227,565	4,072	1.79	140,458	1,871	1.33
Trading account liabilities	**57,689**	**2,364**	**4.10**	35,326	1,317	3.73	37,176	1,286	3.46
Long-term debt	**97,709**	**4,418**	**4.52**	92,303	3,683	3.99	67,077	2,948	4.40
Total interest-bearing liabilities (3)	**939,346**	**27,889**	**2.97**	755,934	14,993	1.98	531,222	10,667	2.01
Noninterest-bearing sources:									
Noninterest-bearing deposits	**174,892**			150,819			119,722		
Other liabilities	**55,793**			53,063			48,069		
Shareholders' equity	**99,861**			84,815			50,091		
Total liabilities and shareholders' equity	**$1,269,892**			$1,044,631			$749,104		
Net interest spread			**2.38**			2.84			2.89
Impact of noninterest-bearing sources			**0.46**			0.33			0.37
Net interest income/yield on earning assets		**$ 31,569**	**2.84%**		$28,677	3.17%		$ 21,149	3.26%

(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 $3,137 million, $3,735 million and $4,137 million in 2005, 2004 and 2003, respectively; foreign consumer of $3,565 million, $3,020 million and $1,977 million in 2005, 2004 and 2003, respectively; and consumer lease financing of $206 million, $962 million and $2,751 million in 2005, 2004 and 2003, respectively.

(3) Interest income includes the impact of interest rate risk management contracts, which increased interest income on the underlying assets $704 million, $2,130 million and $2,581 million in 2005, 2004 and 2003, respectively. Interest expense includes the impact of interest rate risk management contracts, which increased interest expense on the underlying liabilities $1,335 million, $1,452 million and $873 million in 2005, 2004 and 2003, respectively. For further information on interest rate contracts, see "Interest Rate Risk Management" beginning on page 57.

(4) Primarily consists of time deposits in denominations of $100,000 or more.

Table II

Analysis of Changes in Net Interest Income—FTE Basis

(Dollars in millions)	From 2004 to 2005 (Restated) Due to Change in[(1)] Volume	Rate	Net Change	From 2003 to 2004 (Restated) Due to Change in[(1)] Volume	Rate	Net Change
Increase (decrease) in interest income						
Time deposits placed and other short-term investments	$ 1	$ 109	$ 110	$ 99	$ 91	$ 190
Federal funds sold and securities purchased under agreements to resell	597	2,475	3,072	811	(137)	674
Trading account assets	1,128	663	1,791	305	(218)	87
Securities	3,408	319	3,727	3,533	652	4,185
Loans and leases:						
Residential mortgage	362	6	368	2,176	7	2,183
Credit card	1,130	470	1,600	1,557	210	1,767
Home equity lines	788	789	1,577	753	42	795
Direct/Indirect consumer	381	115	496	332	(203)	129
Other consumer	(62)	135	73	(76)	82	6
Total consumer			4,114			4,880
Commercial—domestic	819	469	1,288	1,458	(921)	537
Commercial real estate	281	502	783	346	55	401
Commercial lease financing	138	35	173	290	134	424
Commercial—foreign	102	340	442	126	264	390
Total commercial			2,686			1,752
Total loans and leases			6,800			6,632
Other earning assets	177	111	288	(136)	222	86
Total interest income			$15,788			$11,854
Increase (decrease) in interest expense						
Domestic interest-bearing deposits:						
Savings	$ 9	$ 83	$ 92	$ 41	$ (30)	$ 11
NOW and money market deposit accounts	128	790	918	545	140	685
Consumer CDs and IRAs	781	770	1,551	894	(910)	(16)
Negotiable CDs, public funds and other time deposits	43	(83)	(40)	(28)	188	160
Total domestic interest-bearing deposits			2,521			840
Foreign interest-bearing deposits:						
Banks located in foreign countries	165	358	523	91	303	394
Governments and official institutions	38	103	141	44	22	66
Time, savings and other	38	348	386	100	(41)	59
Total foreign interest-bearing deposits			1,050			519
Total interest-bearing deposits			3,571			1,359
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	1,771	5,772	7,543	1,156	1,045	2,201
Trading account liabilities	835	212	1,047	(64)	95	31
Long-term debt	216	519	735	1,113	(378)	735
Total interest expense			12,896			4,326
Net increase in net interest income			$ 2,892			$ 7,528

(1) The changes for each category of interest income and expense are divided between the portion of change attributable to the variance in volume or rate for that category. The unallocated change in rate or volume variance has been allocated between the rate and volume variances.

Table III

Selected Loan Maturity Data[1]

(Dollars in millions)	December 31, 2005 — Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years	Total
Commercial—domestic	$ 52,186	$ 56,557	$ 31,790	$140,533
Commercial real estate—domestic	13,830	17,976	3,375	35,181
Foreign[2]	20,801	4,518	437	25,756
Total selected loans	$ 86,817	$ 79,051	$ 35,602	$201,470
Percent of total	43.1%	39.2%	17.7%	100.0%
Sensitivity of loans to changes in interest rates for loans due after one year:				
Fixed interest rates		$ 8,927	$ 14,737	
Floating or adjustable interest rates		70,124	20,865	
Total		$ 79,051	$ 35,602	

(1) Loan maturities are based on the remaining maturities under contractual terms.
(2) Loan maturities include other consumer, commercial—foreign and commercial real estate loans.

Table IV

Short-term Borrowings

(Dollars in millions)	2005 Amount	2005 Rate	2004 (Restated) Amount	2004 (Restated) Rate	2003 (Restated) Amount	2003 (Restated) Rate
Federal funds purchased						
At December 31	**$ 2,715**	**4.06%**	$ 3,108	2.23%	$ 2,356	0.92%
Average during year	**3,670**	**3.09**	3,724	1.31	5,736	1.10
Maximum month-end balance during year	**5,964**	**—**	7,852	—	7,877	—
Securities sold under agreements to repurchase						
At December 31	**237,940**	**4.26**	116,633	2.23	75,690	1.12
Average during year	**227,081**	**3.62**	161,494	1.86	102,074	1.15
Maximum month-end balance during year	**273,544**	**—**	191,899	—	124,746	—
Commercial paper						
At December 31	**24,968**	**4.21**	25,379	2.09	7,605	1.09
Average during year	**26,335**	**3.22**	21,178	1.45	2,976	1.29
Maximum month-end balance during year	**31,380**	**—**	26,486	—	9,136	—
Other short-term borrowings						
At December 31	**91,301**	**4.58**	53,219	2.48	27,375	1.98
Average during year	**69,322**	**3.51**	41,169	1.73	29,672	2.02
Maximum month-end balance during year	**91,301**	**—**	53,756	—	46,635	—

Table V

Non-exchange Traded Commodity Contracts

(Dollars in millions)	Asset Positions	Liability Positions
Net fair value of contracts outstanding, January 1, 2005	$ 2,195	$ 1,452
Effects of legally enforceable master netting agreements	4,449	4,449
Gross fair value of contracts outstanding, January 1, 2005	6,644	5,901
Contracts realized or otherwise settled	(1,990)	(1,947)
Fair value of new contracts	1,763	1,887
Other changes in fair value	2,240	2,074
Gross fair value of contracts outstanding, December 31, 2005	8,657	7,915
Effects of legally enforceable master netting agreements	(5,636)	(5,636)
Net fair value of contracts outstanding, December 31, 2005	**$ 3,021**	**$ 2,279**

Table VI

Non-exchange Traded Commodity Contract Maturities

	December 31, 2005	
(Dollars in millions)	**Asset Positions**	**Liability Positions**
Maturity of less than 1 year	$ 4,295	$ 4,190
Maturity of 1-3 years	3,798	3,196
Maturity of 4-5 years	373	441
Maturity in excess of 5 years	191	88
Gross fair value of contracts	8,657	7,915
Effects of legally enforceable master netting agreements	(5,636)	(5,636)
Net fair value of contracts outstanding	**$ 3,021**	**$ 2,279**

Table VII

Selected Quarterly Financial Data

(Dollars in millions, except per share information)	2005 Quarters				2004 Quarters			
	Fourth[2]	Third (Restated)	Second (Restated)	First (Restated)	Fourth (Restated)	Third (Restated)	Second (Restated)	First (Restated)
Income statement								
Net interest income	**$ 7,859**	$ 7,735	$ 7,637	$ 7,506	$ 7,550	$ 7,515	$ 7,366	$ 5,529
Noninterest income	**5,951**	6,416	6,955	6,032	6,174	6,012	4,870	3,949
Total revenue	**13,810**	14,151	14,592	13,538	13,724	13,527	12,236	9,478
Provision for credit losses	**1,400**	1,159	875	580	706	650	789	624
Gains on sales of debt securities	**71**	29	325	659	101	333	795	495
Noninterest expense	**7,320**	7,285	7,019	7,057	7,333	7,021	7,228	5,430
Income before income taxes	**5,161**	5,736	7,023	6,560	5,786	6,189	5,014	3,919
Income tax expense	**1,587**	1,895	2,366	2,167	1,931	2,086	1,673	1,271
Net income	**3,574**	3,841	4,657	4,393	3,855	4,103	3,341	2,648
Average common shares issued and outstanding (in thousands)	**3,996,024**	4,000,573	4,005,356	4,032,550	4,032,979	4,052,304	4,062,384	2,880,306
Average diluted common shares issued and outstanding (in thousands)	**4,053,859**	4,054,659	4,065,355	4,099,062	4,106,040	4,121,375	4,131,290	2,933,402
Performance ratios								
Return on average assets	**1.09%**	1.18%	1.46%	1.49%	1.33%	1.49%	1.23%	1.28%
Return on average common shareholders' equity	**14.21**	15.09	18.93	17.97	15.57	16.94	14.26	21.58
Return on average tangible common shareholders' equity [1]	**29.29**	30.71	39.27	37.34	32.95	35.84	31.36	29.37
Total ending equity to total ending assets	**7.86**	8.12	8.13	8.16	9.03	9.19	9.37	6.23
Total average equity to total average assets	**7.64**	7.80	7.72	8.25	8.54	8.78	8.59	5.92
Dividend payout	**56.24**	52.60	38.90	41.71	47.36	44.72	49.10	43.74
Per common share data								
Earnings	**$ 0.89**	$ 0.96	$ 1.16	$ 1.09	$ 0.95	$ 1.01	$ 0.82	$ 0.92
Diluted earnings	**0.88**	0.95	1.14	1.07	0.94	0.99	0.81	0.90
Dividends paid	**0.50**	0.50	0.45	0.45	0.45	0.45	0.40	0.40
Book value	**25.32**	25.28	25.16	24.45	24.70	24.29	23.54	17.23
Average balance sheet								
Total loans and leases	**$ 563,589**	$ 539,497	$ 520,415	$ 524,921	$ 515,437	$ 503,049	$ 497,129	$ 374,047
Total assets	**1,305,057**	1,294,754	1,277,478	1,200,859	1,152,524	1,096,653	1,094,427	833,161
Total deposits	**628,922**	632,771	640,593	627,420	609,936	587,879	582,305	425,075
Long-term debt	**99,601**	98,326	96,697	96,167	98,556	98,116	94,655	77,751
Common shareholders' equity	**99,677**	100,974	98,558	99,130	98,452	96,268	94,024	49,314
Total shareholders' equity	**99,948**	101,246	98,829	99,401	98,723	96,540	94,347	49,368
Capital ratios (period end)								
Risk-based capital:								
Tier 1	**8.25%**	8.27%	8.16%	8.26%	8.20%	8.18%	8.26%	7.89%
Total	**11.08**	11.19	11.23	11.52	11.73	11.81	12.02	11.62
Leverage	**5.91**	5.90	5.66	5.86	5.89	6.00	5.87	5.55
Market price per share of common stock								
Closing	**$ 46.15**	$ 42.10	$ 45.61	$ 44.10	$ 46.99	$ 43.33	$ 42.31	$ 40.49
High closing	**46.99**	45.98	47.08	47.08	47.44	44.98	42.72	41.38
Low closing	**41.57**	41.60	44.01	43.66	43.62	41.81	38.96	39.15

(1) Return on average tangible common shareholders' equity equals net income available to common shareholders plus amortization of intangibles, divided by average common shareholders' equity less goodwill, core deposit intangibles and other intangibles.

(2) The Corporation provided unaudited financial information relating to the fourth quarter of 2005 in the current report on Form 8-K filed on January 23, 2006.

Table VIII

Quarterly Average Balances and Interest Rates—FTE Basis

(Dollars in millions)	Fourth Quarter 2005[5] Average Balance	Fourth Quarter 2005[5] Interest Income/ Expense	Fourth Quarter 2005[5] Yield/ Rate	Third Quarter 2005 (Restated) Average Balance	Third Quarter 2005 (Restated) Interest Income/ Expense	Third Quarter 2005 (Restated) Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments	$ 14,619	$ 132	3.59%	$ 14,498	$ 125	3.43%
Federal funds sold and securities purchased under agreements to resell	165,908	1,477	3.55	176,650	1,382	3.12
Trading account assets	139,441	1,648	4.72	142,287	1,578	4.42
Securities	221,411	2,842	5.13	225,952	2,820	4.99
Loans and leases[1]:						
Residential mortgage	178,764	2,424	5.42	171,012	2,298	5.37
Credit card	56,858	1,747	12.19	55,271	1,651	11.85
Home equity lines	60,571	1,012	6.63	58,046	910	6.22
Direct/Indirect consumer	47,181	703	5.91	47,900	702	5.81
Other consumer[2]	6,653	184	11.01	6,715	170	10.05
Total consumer	350,027	6,070	6.90	338,944	5,731	6.73
Commercial—domestic	137,224	2,280	6.59	127,044	2,095	6.54
Commercial real estate	36,017	597	6.58	34,663	542	6.20
Commercial lease financing	20,178	241	4.79	20,402	239	4.69
Commercial—foreign	20,143	378	7.45	18,444	349	7.51
Total commercial	213,562	3,496	6.50	200,553	3,225	6.38
Total loans and leases	563,589	9,566	6.75	539,497	8,956	6.60
Other earning assets	40,582	596	5.83	38,745	542	5.57
Total earning assets[3]	1,145,550	16,261	5.65	1,137,629	15,403	5.39
Cash and cash equivalents	33,693			32,969		
Other assets, less allowance for loan and lease losses	125,814			124,156		
Total assets	$ 1,305,057			$ 1,294,754		
Interest-bearing liabilities						
Domestic interest-bearing deposits:						
Savings	$ 35,535	$ 68	0.76%	$ 35,853	$ 56	0.62%
NOW and money market deposit accounts	224,122	721	1.28	224,341	743	1.31
Consumer CDs and IRAs	120,321	1,029	3.39	130,975	1,094	3.31
Negotiable CDs, public funds and other time deposits	5,085	27	2.13	4,414	47	4.23
Total domestic interest-bearing deposits	385,063	1,845	1.90	395,583	1,940	1.95
Foreign interest-bearing deposits[4]:						
Banks located in foreign countries	24,451	355	5.77	19,707	292	5.89
Governments and official institutions	7,579	73	3.84	7,317	62	3.37
Time, savings and other	32,624	203	2.46	32,024	177	2.19
Total foreign interest-bearing deposits	64,654	631	3.87	59,048	531	3.57
Total interest-bearing deposits	449,717	2,476	2.18	454,631	2,471	2.16
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	364,140	3,855	4.20	339,980	3,190	3.72
Trading account liabilities	56,880	619	4.32	68,132	707	4.12
Long-term debt	99,601	1,209	4.85	98,326	1,102	4.48
Total interest-bearing liabilities[3]	970,338	8,159	3.34	961,069	7,470	3.09
Noninterest-bearing sources:						
Noninterest-bearing deposits	179,205			178,140		
Other liabilities	55,566			54,299		
Shareholders' equity	99,948			101,246		
Total liabilities and shareholders' equity	$ 1,305,057			$ 1,294,754		
Net interest spread			2.31			2.30
Impact of noninterest-bearing sources			0.51			0.48
Net interest income/yield on earning assets		$ 8,102	2.82%		$ 7,933	2.78%

(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 $2,916 million, $3,063 million, $3,212 million and $3,362 million in the fourth, third, second and first quarters of 2005, respectively, and $3,473 million in the fourth quarter of 2004; foreign consumer of $3,682 million, $3,541 million, $3,505 million and $3,532 million in the fourth, third, second and first quarters of 2005, respectively, and $3,523 million in the fourth quarter of 2004; and consumer lease financing of $55 million, $111 million, $251 million and $411 million in the fourth, third, second and first quarters of 2005, respectively, and $561 million in the fourth quarter of 2004.

	Second Quarter 2005 (Restated)			First Quarter 2005 (Restated)			Fourth Quarter 2004 (Restated)		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Interest Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments	$ 13,696	$ 113	3.31%	$ 14,327	$ 101	2.87%	$ 15,620	$ 128	3.24%
Federal funds sold and securities purchased under agreements to resell	185,835	1,249	2.69	147,855	904	2.46	149,226	699	1.87
Trading account assets	134,196	1,454	4.34	117,748	1,203	4.10	110,585	1,067	3.85
Securities	227,182	2,825	4.98	204,574	2,559	5.01	171,173	2,082	4.86
Loans and leases(1):									
Residential mortgage	167,263	2,285	5.47	178,075	2,415	5.44	178,853	2,447	5.46
Credit card	52,474	1,481	11.32	51,310	1,373	10.85	49,366	1,351	10.88
Home equity lines	54,941	799	5.83	51,477	692	5.45	48,336	609	5.01
Direct/Indirect consumer	43,132	612	5.69	41,620	573	5.58	39,526	551	5.55
Other consumer(2)	6,968	155	8.96	7,305	158	8.75	7,557	153	8.07
Total consumer	324,778	5,332	6.58	329,787	5,211	6.38	323,638	5,111	6.29
Commercial—domestic	123,927	1,938	6.27	123,803	1,954	6.40	121,412	1,883	6.17
Commercial real estate	33,484	477	5.72	33,016	430	5.29	31,355	392	4.98
Commercial lease financing	20,446	252	4.93	20,745	260	5.01	20,204	254	5.01
Commercial—foreign	17,780	306	6.90	17,570	259	5.97	18,828	272	5.76
Total commercial	195,637	2,973	6.09	195,134	2,903	6.03	191,799	2,801	5.81
Total loans and leases	520,415	8,305	6.40	524,921	8,114	6.25	515,437	7,912	6.12
Other earning assets	37,194	512	5.52	35,466	455	5.19	35,937	457	5.08
Total earning assets(3)	1,118,518	14,458	5.18	1,044,891	13,336	5.14	997,978	12,345	4.93
Cash and cash equivalents	34,731			31,382			31,028		
Other assets, less allowance for loan and lease losses	124,229			124,586			123,518		
Total assets	$ 1,277,478			$ 1,200,859			$ 1,152,524		
Interest-bearing liabilities									
Domestic interest-bearing deposits:									
Savings	$ 38,043	$ 52	0.54%	$ 37,000	$ 35	0.39%	$ 36,927	$ 36	0.39%
NOW and money market deposit accounts	229,174	723	1.27	233,392	651	1.13	234,596	589	1.00
Consumer CDs and IRAs	127,169	1,004	3.17	118,989	965	3.29	109,243	721	2.63
Negotiable CDs, public funds and other time deposits	7,751	82	4.22	10,291	95	3.73	7,563	81	4.27
Total domestic interest-bearing deposits	402,137	1,861	1.86	399,672	1,746	1.77	388,329	1,427	1.46
Foreign interest-bearing deposits(4):									
Banks located in foreign countries	25,546	294	4.61	22,085	260	4.77	17,953	200	4.43
Governments and official institutions	7,936	59	2.97	6,831	43	2.58	5,843	33	2.21
Time, savings and other	30,973	149	1.94	30,770	133	1.75	30,459	104	1.36
Total foreign interest-bearing deposits	64,455	502	3.13	59,686	436	2.96	54,255	337	2.47
Total interest-bearing deposits	466,592	2,363	2.03	459,358	2,182	1.93	442,584	1,764	1.59
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	323,916	2,582	3.20	276,483	1,988	2.91	252,413	1,452	2.29
Trading account liabilities	60,987	611	4.02	44,507	427	3.89	37,387	352	3.74
Long-term debt	96,697	1,074	4.45	96,167	1,033	4.30	98,556	1,020	4.14
Total interest-bearing liabilities(3)	948,192	6,630	2.80	876,515	5,630	2.60	830,940	4,588	2.20
Noninterest-bearing sources:									
Noninterest-bearing deposits	174,001			168,062			167,352		
Other liabilities	56,456			56,881			55,509		
Shareholders' equity	98,829			99,401			98,723		
Total liabilities and shareholders' equity	$ 1,277,478			$ 1,200,859			$ 1,152,524		
Net interest spread			2.38			2.54			2.73
Impact of noninterest-bearing sources			0.42			0.42			0.37
Net interest income/yield on earning assets		$ 7,828	2.80%		$ 7,706	2.96%		$ 7,757	3.10%

(3) Interest income includes the impact of interest rate risk management contracts, which increased interest income on the underlying assets $29 million, $86 million, $168 million and $421 million in the fourth, third, second and first quarters of 2005, respectively, and $439 million in the fourth quarter of 2004. Interest expense includes the impact of interest rate risk management contracts, which increased interest expense on the underlying liabilities $254 million, $274 million, $303 million and $504 million in the fourth, third, second and first quarters of 2005, respectively, and $295 million in the fourth quarter of 2004. For further information on interest rate contracts, see "Interest Rate Risk Management" beginning on page 57.

(4) Primarily consists of time deposits in denominations of $100,000 or more.

(5) The Corporation provided unaudited financial information relating to the fourth quarter of 2005 in its current report on Form 8-K filed on January 23, 2006.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Internal Control Over Financial Reporting

The management of Bank of America Corporation is responsible for establishing and maintaining adequate internal control over financial reporting.

The Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Corporation's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2005, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on that assessment, management concluded that, as of December 31, 2005, the Corporation's internal control over financial reporting is effective based on the criteria established in Internal Control—Integrated Framework.

Management's assessment of the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2005, has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm.

Kenneth D. Lewis
Chairman, President and Chief Executive Officer

Alvaro G. de Molina
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Bank of America Corporation:

We have completed integrated audits of Bank of America Corporation’s 2005 and 2004 Consolidated Financial Statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 Consolidated Financial Statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated Financial Statements

In our opinion, the accompanying Consolidated Balance Sheet and the related Consolidated Statement of Income, Consolidated Statement of Changes in Shareholders’ Equity and Consolidated Statement of Cash Flows present fairly, in all material respects, the financial position of Bank of America Corporation and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These Consolidated Financial Statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audits. We conducted our audits of these Consolidated Financial Statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 of the Consolidated Financial Statements, the Corporation has restated its 2004 and 2003 Consolidated Financial Statements.

Internal Control Over Financial Reporting

Also, in our opinion, management’s assessment, included in the Report of Management on Internal Control Over Financial Reporting appearing above, that the Corporation maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. The Corporation’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management’s assessment and on the effectiveness of the Corporation’s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management’s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 14, 2006, except as to the effects of
reclassifications of balances for reportable
segments as reflected in Note 20 for which the
date is May 25, 2006

BANK OF AMERICA CORPORATION AND SUBSIDIARIES

Consolidated Statement of Income

(Dollars in millions, except per share information)	Year Ended December 31 2005	2004 (Restated)	2003 (Restated)
Interest income			
Interest and fees on loans and leases	**$ 34,843**	$ 28,051	$ 21,381
Interest and dividends on securities	**10,937**	7,256	3,071
Federal funds sold and securities purchased under agreements to resell	**5,012**	1,940	1,266
Trading account assets	**5,743**	4,016	3,947
Other interest income	**2,091**	1,690	1,507
Total interest income	**58,626**	42,953	31,172
Interest expense			
Deposits	**9,492**	5,921	4,562
Short-term borrowings	**11,615**	4,072	1,871
Trading account liabilities	**2,364**	1,317	1,286
Long-term debt	**4,418**	3,683	2,948
Total interest expense	**27,889**	14,993	10,667
Net interest income	**30,737**	27,960	20,505
Noninterest income			
Service charges	**7,704**	6,989	5,618
Investment and brokerage services	**4,184**	3,614	2,371
Mortgage banking income	**805**	414	1,922
Investment banking income	**1,856**	1,886	1,736
Equity investment gains	**2,040**	863	215
Card income	**5,753**	4,592	3,052
Trading account profits	**1,812**	869	408
Other income	**1,200**	1,778	2,007
Total noninterest income	**25,354**	21,005	17,329
Total revenue	**56,091**	48,965	37,834
Provision for credit losses	**4,014**	2,769	2,839
Gains on sales of debt securities	**1,084**	1,724	941
Noninterest expense			
Personnel	**15,054**	13,435	10,446
Occupancy	**2,588**	2,379	2,006
Equipment	**1,199**	1,214	1,052
Marketing	**1,255**	1,349	985
Professional fees	**930**	836	844
Amortization of intangibles	**809**	664	217
Data processing	**1,487**	1,330	1,104
Telecommunications	**827**	730	571
Other general operating	**4,120**	4,457	2,930
Merger and restructuring charges	**412**	618	—
Total noninterest expense	**28,681**	27,012	20,155
Income before income taxes	**24,480**	20,908	15,781
Income tax expense	**8,015**	6,961	5,019
Net income	**$ 16,465**	$ 13,947	$ 10,762
Net income available to common shareholders	**$ 16,447**	$ 13,931	$ 10,758
Per common share information			
Earnings	**$ 4.10**	$ 3.71	$ 3.62
Diluted earnings	**$ 4.04**	$ 3.64	$ 3.55
Dividends paid	**$ 1.90**	$ 1.70	$ 1.44
Average common shares issued and outstanding (in thousands)	**4,008,688**	3,758,507	2,973,407
Average diluted common shares issued and outstanding (in thousands)	**4,068,140**	3,823,943	3,030,356

See accompanying Notes to Consolidated Financial Statements.

BANK OF AMERICA CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheet

(Dollars in millions)	December 31 2005	2004 (Restated)
Assets		
Cash and cash equivalents	**$ 36,999**	$ 28,936
Time deposits placed and other short-term investments	**12,800**	12,361
Federal funds sold and securities purchased under agreements to resell (includes **$148,299** and $91,243 pledged as collateral)	**149,785**	91,360
Trading account assets (includes **$68,223** and $38,929 pledged as collateral)	**131,707**	93,587
Derivative assets	**23,712**	30,235
Securities:		
Available-for-sale (includes **$116,659** and $45,127 pledged as collateral)	**221,556**	194,743
Held-to-maturity, at cost (market value—**$47** and $329)	**47**	330
Total securities	**221,603**	195,073
Loans and leases	**573,791**	521,813
Allowance for loan and lease losses	**(8,045)**	(8,626)
Loans and leases, net of allowance	**565,746**	513,187
Premises and equipment, net	**7,786**	7,517
Mortgage servicing rights	**2,806**	2,481
Goodwill	**45,354**	45,262
Core deposit intangibles and other intangibles	**3,194**	3,887
Other assets	**90,311**	86,546
Total assets	**$ 1,291,803**	$ 1,110,432
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	**$ 179,571**	$ 163,833
Interest-bearing	**384,155**	396,645
Deposits in foreign offices:		
Noninterest-bearing	**7,165**	6,066
Interest-bearing	**63,779**	52,026
Total deposits	**634,670**	618,570
Federal funds purchased and securities sold under agreements to repurchase	**240,655**	119,741
Trading account liabilities	**50,890**	36,654
Derivative liabilities	**15,000**	17,928
Commercial paper and other short-term borrowings	**116,269**	78,598
Accrued expenses and other liabilities (includes **$395** and $402 of reserve for unfunded lending commitments)	**31,938**	41,590
Long-term debt	**100,848**	97,116
Total liabilities	**1,190,270**	1,010,197
Commitments and contingencies (Notes 9 and 13)		
Shareholders' equity		
Preferred stock, $0.01 par value; authorized—100,000,000 shares; issued and outstanding—**1,090,189** shares	**271**	271
Common stock and additional paid-in capital, $0.01 par value; authorized—7,500,000,000 shares; issued and outstanding—**3,999,688,491** and 4,046,546,212 shares	**41,693**	44,236
Retained earnings	**67,552**	58,773
Accumulated other comprehensive income (loss)	**(7,556)**	(2,764)
Other	**(427)**	(281)
Total shareholders' equity	**101,533**	100,235
Total liabilities and shareholders' equity	**$ 1,291,803**	$ 1,110,432

See accompanying Notes to Consolidated Financial Statements.

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)[1,2]	Other	Total Share-holders' Equity	Compre-hensive Income
Balance, December 31, 2002 (As previously reported)	$ 58	3,001,382	$ 496	$ 48,517	$ 1,232	$ 16	$ 50,319	
Restatement adjustments[3]				1,011	(131)		880	
Balance, December 31, 2002 (Restated)	58	3,001,382	496	49,528	1,101	16	51,199	
Net income				10,762			10,762	$ 10,762
Net unrealized losses on available-for-sale debt and marketable equity securities					(564)		(564)	(564)
Net unrealized gains on foreign currency translation adjustments					2		2	2
Net losses on derivatives					(2,959)		(2,959)	(2,959)
Cash dividends paid:								
Common				(4,277)			(4,277)	
Preferred				(4)			(4)	
Common stock issued under employee plans and related tax benefits		139,298	4,372			(123)	4,249	
Common stock repurchased		(258,686)	(4,936)	(4,830)			(9,766)	
Conversion of preferred stock	(4)	294	4					
Other			93	(17)	(14)	(47)	15	(14)
Balance, December 31, 2003 (Restated)	54	2,882,288	29	51,162	(2,434)	(154)	48,657	7,227
Net income				13,947			13,947	13,947
Net unrealized losses on available-for-sale debt and marketable equity securities					(127)		(127)	(127)
Net unrealized gains on foreign currency translation adjustments					13		13	13
Net losses on derivatives					(185)		(185)	(185)
Cash dividends paid:								
Common				(6,452)			(6,452)	
Preferred				(16)			(16)	
Common stock issued under employee plans and related tax benefits		121,149	4,066			(127)	3,939	
Stock issued in acquisition[4]	271	1,186,728	46,480				46,751	
Common stock repurchased		(147,859)	(6,375)	89			(6,286)	
Conversion of preferred stock	(54)	4,240	54					
Other			(18)	43	(31)		(6)	(31)
Balance, December 31, 2004 (Restated)	271	4,046,546	44,236	58,773	(2,764)	(281)	100,235	13,617
Net income				**16,465**			**16,465**	**16,465**
Net unrealized losses on available-for-sale debt and marketable equity securities					**(2,781)**		**(2,781)**	**(2,781)**
Net unrealized gains on foreign currency translation adjustments					**32**		**32**	**32**
Net losses on derivatives					**(2,059)**		**(2,059)**	**(2,059)**
Cash dividends paid:								
Common				**(7,665)**			**(7,665)**	
Preferred				**(18)**			**(18)**	
Common stock issued under employee plans and related tax benefits		**79,579**	**3,222**			**(145)**	**3,077**	
Common stock repurchased		**(126,437)**	**(5,765)**				**(5,765)**	
Other				**(3)**	**16**	**(1)**	**12**	**16**
Balance, December 31, 2005	**$ 271**	**3,999,688**	**$ 41,693**	**$ 67,552**	**$ (7,556)**	**$ (427)**	**$ 101,533**	**$ 11,673**

(1) At December 31, 2005, 2004 and 2003, Accumulated Other Comprehensive Income (Loss) includes Net Unrealized Gains (Losses) on Available-for-sale (AFS) Debt and Marketable Equity Securities of $(2,978) million, $(197) million and $(70) million, respectively; Net Unrealized Gains (Losses) on Foreign Currency Translation Adjustments of $(122) million, $(155) million and $(168) million, respectively; Net Gains (Losses) on Derivatives of $(4,338) million, $(2,279) million and $(2,094) million, respectively; and Other of $(118) million, $(133) million and $(102) million, respectively.

(2) For additional information on Accumulated OCI, see Note 14 of the Consolidated Financial Statements.

(3) For additional information on the restatement adjustments, see Note 1 of the Consolidated Financial Statements.

(4) Includes adjustment for the fair value of outstanding FleetBoston Financial Corporation (FleetBoston) stock options of $862 million.

See accompanying Notes to Consolidated Financial Statements.

BANK OF AMERICA CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows

(Dollars in millions)	Year Ended December 31 2005	2004 (Restated)	2003 (Restated)
Operating activities			
Net income	**$ 16,465**	$ 13,947	$ 10,762
Reconciliation of net income to net cash provided by (used in) operating activities:			
Provision for credit losses	**4,014**	2,769	2,839
Gains on sales of debt securities	**(1,084)**	(1,724)	(941)
Depreciation and premises improvements amortization	**959**	972	890
Amortization of intangibles	**809**	664	217
Deferred income tax expense (benefit)	**1,695**	(519)	(295)
Net increase in trading and derivative instruments	**(18,911)**	(13,944)	(13,639)
Net (increase) decrease in other assets	**(104)**	(11,928)	10,647
Net increase (decrease) in accrued expenses and other liabilities	**(8,205)**	4,594	12,067
Other operating activities, net	**(7,861)**	1,647	439
Net cash provided by (used in) operating activities	**(12,223)**	(3,522)	22,986
Investing activities			
Net increase in time deposits placed and other short-term investments	**(439)**	(1,147)	(1,238)
Net increase in federal funds sold and securities purchased under agreements to resell	**(58,425)**	(3,880)	(31,614)
Proceeds from sales of available-for-sale securities	**134,490**	117,672	171,711
Proceeds from maturities of available-for-sale securities	**39,519**	26,973	26,953
Purchases of available-for-sale securities	**(204,476)**	(243,573)	(195,852)
Proceeds from maturities of held-to-maturity securities	**283**	153	779
Proceeds from sales of loans and leases	**14,458**	4,416	32,672
Other changes in loans and leases, net	**(71,078)**	(32,350)	(74,037)
Additions to mortgage servicing rights, net	**(736)**	(1,075)	(1,690)
Net purchases of premises and equipment	**(1,228)**	(863)	(209)
Proceeds from sales of foreclosed properties	**132**	198	247
Investment in China Construction Bank	**(3,000)**	—	—
Investment in Grupo Financiero Santander Serfin	**—**	—	(1,600)
Net cash (paid for) acquired in business acquisitions	**(49)**	4,936	(141)
Other investing activities, net	**104**	986	898
Net cash used in investing activities	**(150,445)**	(127,554)	(73,121)
Financing activities			
Net increase in deposits	**16,100**	64,423	27,655
Net increase in federal funds purchased and securities sold under agreements to repurchase	**120,914**	35,752	12,967
Net increase in commercial paper and other short-term borrowings	**37,671**	37,437	13,917
Proceeds from issuance of long-term debt	**21,958**	21,289	16,963
Retirement of long-term debt	**(15,107)**	(16,904)	(9,282)
Proceeds from issuance of common stock	**2,846**	3,712	3,970
Common stock repurchased	**(5,765)**	(6,286)	(9,766)
Cash dividends paid	**(7,683)**	(6,468)	(4,281)
Other financing activities, net	**(117)**	(91)	(72)
Net cash provided by financing activities	**170,817**	132,864	52,071
Effect of exchange rate changes on cash and cash equivalents	**(86)**	64	175
Net increase in cash and cash equivalents	**8,063**	1,852	2,111
Cash and cash equivalents at January 1	**28,936**	27,084	24,973
Cash and cash equivalents at December 31	**$ 36,999**	$ 28,936	$ 27,084
Supplemental cash flow disclosures			
Cash paid for interest	**$ 26,239**	$ 13,765	$ 10,214
Cash paid for income taxes	**7,049**	6,088	3,870

Assets and liabilities of a certain multi-seller asset-backed commercial paper conduit that was consolidated amounted to $4,350 million in 2003.

Net transfers of Loans and Leases to loans held-for-sale (included in Other Assets) from the loan portfolio for Asset and Liability Management purposes amounted to $73 million in 2005.

Net transfers of Loans and Leases from loans held-for-sale to the loan portfolio for Asset and Liability Management purposes amounted to $1,106 million and $9,683 million in 2004 and 2003.

In 2004, the fair values of noncash assets acquired and liabilities assumed in the merger with FleetBoston were $224,492 million and $182,862 million.

In 2004, approximately 1.2 billion shares of common stock, valued at approximately $45,622 million, were issued in connection with the merger with FleetBoston.

See accompanying Notes to Consolidated Financial Statements.

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 December 31, 2005, the Corporation operated its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A.) and Bank of America, N.A. (USA). On June 13, 2005, Fleet National Bank merged with and into Bank of America, N.A., with Bank of America, N.A. as the surviving entity. This merger had no impact on the Consolidated Financial Statements of the Corporation. On June 30, 2005, the Corporation announced a definitive agreement to acquire all outstanding shares of MBNA Corporation (MBNA). The transaction was effective January 1, 2006. On April 1, 2004, the Corporation acquired all of the outstanding stock of FleetBoston.

Note 1—Summary of Significant Accounting Principles

Restatement

The Corporation is restating its historical financial statements for the years 2004 and 2003, for the quarters in 2005 and 2004, and other selected financial data for the years 2002 and 2001. These restatements and resulting revisions relate to 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).

As a result of an internal review completed in the first quarter of 2006 of the hedge accounting treatment of certain derivatives, the Corporation concluded that certain hedging relationships did not adhere to the requirements of SFAS 133. The derivatives involved were used as hedges principally against changes in interest rates and foreign currency rates in Asset and Liability Management (ALM) activities.

A number of the transactions included in the restatement did not meet the strict requirements of the “shortcut” method of accounting under SFAS 133. Although these hedging relationships would have qualified for hedge accounting if the “long haul” method had been applied, SFAS 133 does not permit the use of the “long haul” method retroactively. Consequently, the restatement assumes hedge accounting was not applied to these derivatives and the related hedged item during the periods under review. A majority of these transactions related to internal interest rate swaps whereby the Corporation used its centralized trading desk to execute these trades to achieve operational effectiveness and cost efficiency. These interest rate swap trades were executed internally between the Corporation’s treasury operations and the centralized trading desk. It has been the Corporation’s long standing policy to lay these internal swaps off to an external party within a three-day period. In almost all cases, cash was exchanged (either paid or received) with the external counterparty to compensate for market rate movements between the time that the internal swap and the matching trade with the external counterparty were executed. Although the overall external trade, including the cash exchanged, was transacted at a fair market value of zero, the cash exchanged offset the fair market value of the external swap which was other than zero. Swaps with a fair market value other than zero at the inception of the hedge cannot qualify for hedge accounting under the shortcut method. Accordingly, the shortcut method was incorrectly applied for such derivative instruments.

The Corporation also entered into certain cash flow hedges which utilized the centralized trading desk to lay off the internal trades with an external party. The key attributes, including interest rates and maturity dates, of the internal and external trades were not properly matched. The Corporation performed the effectiveness assessment and measure of ineffectiveness on the internal trades instead of the external trades. As a result, such tests were not performed in accordance with the requirements of SFAS 133. Accordingly, hedge accounting was incorrectly applied for such derivative instruments.

The Corporation used various derivatives in other hedging relationships to hedge changes in fair value or cash flows attributable to either interest or foreign currency rates. Although these transactions were documented as hedging relationships at inception of the hedge, the upfront and ongoing effectiveness testing was either not performed, documented or assessed in accordance with SFAS 133. In addition, for one cash flow hedge transaction relating to the anticipated purchase of securities, which impacted the third quarter of 2004 by $399 million, the timing of an amount reclassified from Accumulated OCI to earnings upon the subsequent sale of such securities was adjusted. Adjustments to correct the accounting for those hedging relationships are included in the restated results. We do not believe that these adjustments are material individually or in the aggregate to our financial results for any reported period.

The following table sets forth the effects of the adjustments on Net Income for the years 2004 and 2003. Since we could not apply hedge accounting for those transactions, the derivative transactions have been marked to market through the Consolidated Statement of Income with no related offset for hedge accounting.

Increase (Decrease) in Net Income [(1)]

	Year Ended December 31	
(Dollars in millions)	2004	2003
As Previously Reported net income	$ 14,143	$ 10,810
Internal fair value hedges	(190)	(144)
Internal cash flow hedges	(281)	104
Other, net	275	(9)
Total adjustment	(196)	(49)
Restated net income	$ 13,947	$ 10,762
Percent change	(1.4)%	(0.5)%

(1) For presentation purposes, certain numbers have been rounded.

The following tables set forth the effects of the restatement adjustments on affected line items within our previously reported Consolidated Statement of Income for the years 2004 and 2003, Consolidated Balance Sheet as of December 31, 2004, Consolidated Statement of Changes in Shareholders' Equity for the years 2004 and 2003, and Consolidated Statement of Cash Flows for the years 2004 and 2003.

Bank of America Corporation and Subsidiaries

Consolidated Statement of Income

	Year Ended December 31			
	2004		2003	
(Dollars in millions, except per share information)	As Previously Reported	Restated	As Previously Reported	Restated
Interest and fees on loans and leases	$ 28,213	$ 28,051	$ 21,668	$ 21,381
Interest and dividends on securities	7,262	7,256	3,068	3,071
Federal funds sold and securities purchased under agreements to resell	2,043	1,940	1,373	1,266
Total interest income	43,224	42,953	31,563	31,172
Deposits	6,275	5,921	4,908	4,562
Short-term borrowings	4,434	4,072	1,871	1,871
Long-term debt	2,404	3,683	2,034	2,948
Total interest expense	14,430	14,993	10,099	10,667
Net interest income	28,794	27,960	21,464	20,505
Trading account profits	869	869	409	408
Other income	858	1,778	1,127	2,007
Total noninterest income	20,085	21,005	16,450	17,329
Total revenue	48,879	48,965	37,914	37,834
Gains on sales of debt securities	2,123	1,724	941	941
Income before income taxes	21,221	20,908	15,861	15,781
Income tax expense	7,078	6,961	5,051	5,019
Net income	$ 14,143	$ 13,947	$ 10,810	$ 10,762
Net income available to common shareholders	$ 14,127	$ 13,931	$ 10,806	$ 10,758
Per common share information				
Earnings	$ 3.76	$ 3.71	$ 3.63	$ 3.62
Diluted earnings	$ 3.69	$ 3.64	$ 3.57	$ 3.55

Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet

(Dollars in millions)	December 31, 2004 As Previously Reported	December 31, 2004 Restated
Loans and leases, net of allowance for loan and lease losses	$ 513,211	$ 513,187
Total assets	1,110,457	1,110,432
Accrued expenses and other liabilities	41,243	41,590
Long-term debt	98,078	97,116
Total liabilities	1,010,812	1,010,197
Retained earnings	58,006	58,773
Accumulated other comprehensive income (loss)	(2,587)	(2,764)
Total shareholders' equity	99,645	100,235
Total liabilities and shareholders' equity	$ 1,110,457	$ 1,110,432

Bank of America Corporation and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity

(Dollars in millions)	Retained Earnings[1]		Accumulated Other Comprehensive Income (Loss)		Other		Total Shareholders' Equity		Comprehensive Income	
	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated
Balance, December 31, 2002	**$ 48,517**	**$ 49,528**	**$ 1,232**	**$ 1,101**	**$ 16**	**$ 16**	**$ 50,319**	**$ 51,199**	**$ —**	**$ —**
Net income	10,810	10,762					10,810	10,762	10,810	10,762
Net gains (losses) on derivatives			(2,803)	(2,959)			(2,803)	(2,959)	(2,803)	(2,959)
Balance, December 31, 2003	**50,198**	**51,162**	**(2,148)**	**(2,434)**	**(153)**	**(154)**	**47,980**	**48,657**	**7,430**	**7,227**
Net income	14,143	13,947					14,143	13,947	14,143	13,947
Net gains (losses) on derivatives			(294)	(185)			(294)	(185)	(294)	(185)
Balance, December 31, 2004	**$ 58,006**	**$ 58,773**	**$ (2,587)**	**$ (2,764)**	**$ (281)**	**$ (281)**	**$ 99,645**	**$100,235**	**$ 13,704**	**$ 13,617**

(1) The cumulative effect of the restatement adjustments on Retained Earnings as of December 31, 2002 was approximately $1.0 billion.

Bank of America Corporation and Subsidiaries
Consolidated Statement of Cash Flows

(Dollars in millions)	Year Ended December 31 2004 As Previously Reported	2004 Restated	2003 As Previously Reported	2003 Restated
Operating activities				
Net income	$ 14,143	$ 13,947	$ 10,810	$ 10,762
Gains on sales of debt securities	(2,123)	(1,724)	(941)	(941)
Deferred income tax benefit	(402)	(519)	(263)	(295)
Net increase in trading and derivative instruments	(13,180)	(13,944)	(13,153)	(13,639)
Other operating activities, net	564	1,647	38	439
Net cash provided by (used in) operating activities	(3,927)	(3,522)	23,151	22,986
Investing activities				
Proceeds from sales of available-for-sale securities	$ 107,107	$ 117,672	$ 171,711	$ 171,711
Purchases of available-for-sale securities	(232,609)	(243,573)	(195,852)	(195,852)
Other changes in loans and leases, net	(32,344)	(32,350)	(74,202)	(74,037)
Net cash used in investing activities	(127,149)	(127,554)	(73,286)	(73,121)

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. Results of operations of companies purchased are included from the dates of acquisition. Certain prior period amounts have been reclassified to conform to current period presentation. Assets held in an agency or fiduciary capacity are not included in the Consolidated Financial Statements. The Corporation accounts for investments in companies in which it owns a voting interest of 20 percent to 50 percent and for which it has the ability to exercise significant influence over operating and financing decisions using the equity method of accounting. These investments are included in Other Assets and the Corporation's proportionate share of income or loss is included in Other Income and Accumulated Other Comprehensive Income (OCI), where applicable.

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates and assumptions.

Recently Issued or Proposed Accounting Pronouncements

On February 16, 2006, the Financial Accounting Standards Board (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, with earlier adoption permitted. Management is currently evaluating the effect of the statement on the Corporation's results of operations and financial condition.

On August 11, 2005, the FASB issued two exposure drafts which would amend SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125" (SFAS 140). The exposure draft, "Accounting for Transfers of Financial Assets," would revise and clarify the criteria for derecognition of transferred financial assets. It would also place restrictions on the ability of a qualifying special purpose entity to roll over beneficial interests such as short-term commercial paper. The provisions of this exposure draft are expected to be effective at various dates beginning in 2006. Management is currently evaluating the effect of the provisions of the exposure draft on the Corporation's results of operations and financial condition. The second exposure draft, "Accounting for Servicing of Financial Assets," would permit, but 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 changes in fair value recorded in income. The exposure draft is expected to be issued during the first quarter of 2006, to be effective as of January 1, 2006. The Corporation expects to utilize the fair value approach for MSRs upon adoption of this standard. The final statement is not expected to have a material impact on the Corporation's results of operations or financial condition.

On July 14, 2005, the FASB issued an exposure draft, FASB Staff Position (FSP) No. FAS 13-a, "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-a). The FASB has met recently to discuss modifications to and finalization of FSP 13-a due, in part, to comment letters received in response to the exposure draft. It is anticipated that FSP 13-a will be effective January 1, 2007 and that the impact of adoption should be reflected as a change in the opening balance of retained earnings in the period of adoption. FSP 13-a's principal provision 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. This provision is expected to be retained in the final version, which the FASB expects to complete during the first quarter of 2006.

Management is considering the potential impact of the Internal Revenue Service's (IRS) stated position on certain leveraged leases and the impact of such position on the Corporation and its predecessors' federal income tax returns. Depending on the final provisions of FSP 13-a and the final resolution with the IRS, adoption of FSP 13-a may have a material impact on the Corporation's current accounting treatment for leveraged leases. Adoption of the FSP would result in both an adjustment to Goodwill for leveraged leases acquired as part of the FleetBoston merger and a change in the opening balance of retained earnings in the period of adoption.

On July 14, 2005, the FASB issued an exposure draft, "Accounting for Uncertain Tax Positions—an interpretation of FASB Statement No. 109." The exposure draft, as modified by recent FASB deliberations, requires recognition of a tax benefit to the extent of management's best estimate of the impact of a tax position, provided it is more likely than not that the tax position would be sustained based on its technical merits. The exposure draft is expected to be effective

January 1, 2007. Management is currently evaluating the effect of the exposure draft, which is required to be reflected as a change in the opening balance of retained earnings in the period of adoption.

On December 16, 2004, the FASB issued SFAS No. 123 (revised 2004) “Share-based Payment” (SFAS 123R) which eliminates the ability to account for share-based compensation transactions, including grants of employee stock options, using Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees” (APB 25), and generally requires that such transactions be accounted for using a fair value-based method with the resulting compensation cost recognized over the period that the employee is required to provide service in order to receive their compensation. SFAS 123R also amends SFAS No. 95, “Statement of Cash Flows,” requiring the benefits of tax deductions in excess of recognized compensation costs to be reported as financing cash flows, rather than as operating cash flows as currently required. The Corporation adopted the fair value-based method of accounting for stock-based employee compensation prospectively as of January 1, 2003. The Corporation adopted SFAS 123R effective January 1, 2006 under the modified-prospective application. Upon adoption of SFAS 123R and as a result of a recent Securities and Exchange Commission (SEC) Staff (the Staff) interpretation, the Corporation changed its approach for recognizing stock compensation cost for employees who meet certain age and service criteria and thus, are retirement eligible as described in the plan. For any new awards granted, the Corporation will recognize stock compensation cost immediately for awards granted to retirement eligible employees or over the period from the grant date to the date retirement eligibility is achieved. Prior to adoption of SFAS 123R, awards granted to retirement eligible employees were expensed over the stated vesting period. Accordingly, the Corporation expects that earnings per common share will be reduced by approximately $0.05 in the first quarter due to the acceleration of stock-based compensation expense. The incremental impact of the change is approximately $0.04 for the full year when compared to expensing over the stated vesting period.

Stock-based Compensation

SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123,” (SFAS 148) was adopted prospectively by the Corporation on January 1, 2003. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. All stock options granted under plans before the adoption date will continue to be accounted for under APB 25 unless these stock options are modified or settled subsequent to adoption. SFAS 148 was effective for all stock option awards granted in 2003 and thereafter. Under APB 25, the Corporation accounted for stock options using the intrinsic value method and no compensation expense was recognized, as the grant price was equal to the strike price. Under the fair value method, stock option compensation expense is measured on the date of grant using an option-pricing model. The option-pricing model is based on certain assumptions and changes to those assumptions may result in different fair value estimates.

In accordance with SFAS 148, the Corporation provides disclosures as if it had adopted the fair value-based method of measuring all outstanding employee stock options during 2005, 2004 and 2003. The following table presents the effect on Net Income and Earnings per Common Share had the fair value-based method been applied to all outstanding and unvested awards for 2005, 2004 and 2003.

	Year Ended December 31		
(Dollars in millions, except per share data)	**2005**	2004 (Restated)	2003 (Restated)
Net income (as reported)	**$16,465**	$13,947	$10,762
Stock-based employee compensation expense recognized during the year, net of related tax effects	**203**	161	78
Stock-based employee compensation expense determined under fair value-based method, net of related tax effects [1]	**(203)**	(198)	(225)
Pro forma net income	**$16,465**	$13,910	$10,615
As reported			
Earnings per common share	**$ 4.10**	$ 3.71	$ 3.62
Diluted earnings per common share	**4.04**	3.64	3.55
Pro forma			
Earnings per common share	**4.10**	3.70	3.57
Diluted earnings per common share	**4.04**	3.63	3.50

(1) Includes all awards granted, modified or settled for which the fair value was required to be measured under SFAS 123, except restricted stock. Restricted stock expense (net of taxes), included in Net Income for 2005, 2004 and 2003 was $308 million, $187 million and $179 million.

In determining the pro forma disclosures in the previous table, the fair value of options granted was estimated on the date of grant using the Black-Scholes option-pricing model and assumptions appropriate to each plan. The Black-Scholes model was developed to estimate the fair value of traded options, which have different characteristics than employee stock options, and changes to the subjective assumptions used in the model can result in materially different fair value estimates. The weighted average grant date fair values of the options granted during 2005, 2004 and 2003 were based on the assumptions below. See Note 17 of the Consolidated Financial Statements for further discussion.

	Shareholder Approved Plans		
	2005	2004	2003
Risk-free Interest Rate	**3.94%**	3.36%	3.82%
Dividend Yield	**4.60%**	4.56%	4.40%
Volatility	**20.53%**	22.12%	26.57%
Expected Lives (Years)	**6**	5	7

Compensation expense under the fair value-based method is recognized over the vesting period of the related stock options. Accordingly, the pro forma results of applying SFAS 123 in 2005, 2004 and 2003 may not be indicative of future amounts.

Cash and Cash Equivalents

Cash on hand, cash items in the process of collection, and amounts due from correspondent banks and the Federal Reserve Bank are included in Cash and Cash Equivalents.

Securities Purchased under Agreements to Resell and Securities Sold under Agreements to Repurchase

Securities Purchased under Agreements to Resell and Securities Sold under Agreements to Repurchase are treated as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. The Corporation’s policy is to obtain the use of Securities Purchased under Agreements to Resell. The market value of the underlying securities, which collateralize the related receivable on agreements to resell, is monitored, including accrued interest. The Corporation may require counterparties to deposit additional collateral or return collateral pledged, when appropriate.

Collateral

The Corporation has accepted collateral that it is permitted by contract or custom to sell or repledge. At December 31, 2005, the fair value of this collateral was approximately $179.1 billion of which $112.5 billion was sold or repledged. At December 31, 2004, the fair value of this collateral was approximately $152.5 billion of which $117.5 billion was sold or repledged. The primary source of this collateral is reverse repurchase agreements. The Corporation pledges securities as collateral in transactions that consist of repurchase agreements, public and trust deposits, Treasury tax and loan notes, and other short-term borrowings. This collateral can be sold or repledged by the counterparties to the transactions.

In addition, the Corporation obtains collateral in connection with its derivative activities. Required collateral levels vary depending on the credit risk rating and the type of counterparty. Generally, the Corporation accepts collateral in the form of cash, U.S. Treasury securities and other marketable securities. Based on provisions contained in legal netting agreements, the Corporation has netted cash collateral against the applicable derivative mark-to-market exposures. Accordingly, the Corporation offsets its obligation to return or its right to reclaim cash collateral against the fair value of the derivatives being collateralized.

Trading Instruments

Financial instruments utilized in trading activities are stated at fair value. Fair value is generally based on quoted market prices. If quoted market prices are not available, fair values are estimated based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics. Realized and unrealized gains and losses are recognized in Trading Account Profits.

Derivatives and Hedging Activities

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 recognizes gains and losses at inception of a contract only if the fair value of the contract is evidenced by a quoted market price in an active market, an observable price or other market transaction, or other observable data supporting a valuation model in accordance with EITF Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities". For those gains and losses not evidenced by the above mentioned market data, the transaction price is used as the fair value of the contract. Any difference between the transaction price and the model fair value is considered an unrecognized gain or loss at inception of the contract. These unrecognized gains and losses are recorded in income using the straight line method of amortization over the contractual life of the derivative contract. Earlier recognition of the full unrecognized gain or loss is permitted if the trade is terminated early, subsequent market activity is observed which supports the model fair value of the contract, or significant inputs used in the valuation model become observable in the market.

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 Trading Account Profits, Mortgage Banking Income or Other Income on the Consolidated Statement of Income. Credit derivatives used by the Corporation do not qualify for hedge accounting under SFAS 133 despite being effective economic hedges with changes in the fair value of these derivatives included in Trading Account Profits. Changes in the fair value of derivatives that serve as economic hedges of MSRs are recorded in Mortgage Banking Income, after June 1, 2004. Changes in the fair value of derivatives that serve as ALM economic hedges, which do not qualify or were not designated as accounting hedges, are recorded in Other Income.

For SFAS 133 hedges, the Corporation formally documents at inception all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various accounting hedges. Additionally, the Corporation uses dollar offset or regression analysis at the hedge's inception and for each reporting period thereafter to assess whether the derivative used in its hedging transaction is expected to be and has been highly effective in offsetting changes in the fair value or cash flows of the hedged items. The Corporation discontinues hedge accounting when it is determined that a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value in earnings after termination of the hedge relationship.

The Corporation uses its derivatives designated as hedging for accounting purposes as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The Corporation manages interest rate and foreign currency exchange rate sensitivity predominantly through the use of derivatives. Fair value hedges are used to limit the Corporation's exposure to total changes in the fair value of its fixed interest-earning assets or interest-bearing liabilities that are due to interest rate or foreign exchange volatility. Cash flow hedges are used to minimize the variability in cash flows of interest-earning assets or interest-bearing liabilities or forecasted transactions caused by interest rate or foreign exchange fluctuation. The maximum length of time over which forecasted transactions are hedged is 29 years, with a substantial portion of the hedged transactions being less than 10 years. Changes in the fair value of derivatives designated for hedging activities that are highly effective as hedges are recorded in earnings or Accumulated OCI, depending on whether the hedging relationship satisfies the criteria for a fair value or cash flow hedge. Hedge ineffectiveness and gains and losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in earnings in the same income statement caption that is used to record hedge effectiveness. SFAS 133 retains certain concepts under SFAS No. 52, "Foreign Currency Translation," (SFAS 52) for foreign currency exchange hedging. Consistent with SFAS 52, the Corporation records changes in the fair value of derivatives used as hedges of the net investment in foreign operations as a component of Accumulated OCI, to the extent effective.

The Corporation, from time to time, purchases or issues financial instruments containing embedded derivatives. The embedded derivative is separated from the host contract and carried at fair value if the economic characteristics of the derivative are not clearly and closely related to the economic characteristics of the host contract. To the extent that the Corporation cannot reliably identify and measure the embedded derivative, the entire contract is carried at fair value on the Consolidated Balance Sheet with changes in fair value reflected in earnings.

If a derivative instrument in a fair value hedge is terminated or the hedge designation removed, the previous adjustments of the carrying amount of the hedged asset or liability are subsequently accounted for in the same manner as other components of the carrying amount of that asset or liability. For interest-earning assets and interest-bearing liabilities, such adjustments are amortized to earnings over the remaining life of the respective asset or liability. If a derivative instrument in a cash flow hedge is terminated or the hedge designation is removed, related amounts in Accumulated OCI are reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings.

Interest Rate Lock Commitments

The Corporation enters into interest rate lock commitments (IRLCs) in connection with its mortgage banking activities to fund residential mortgage loans at specified times in the future. IRLCs that relate to the origination of mortgage loans that will be held for sale are considered derivative instruments under SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149). As such, these IRLCs are recognized at fair value with changes in fair value recorded in Mortgage Banking Income.

Consistent with SEC Staff Accounting Bulletin No. 105, "Application of Accounting Principles to Loan Commitments," the Corporation does not record any unrealized gain or loss at the inception of the loan commitment, which is the time the commitment is issued to the borrower. The initial value of the loan commitment derivative is based on the consideration exchanged, if any, for entering into the commitment. In estimating the subsequent fair value of an IRLC, the Corporation assigns a probability to the loan commitment based on an expectation that it will be exercised and the loan will be funded. This probability is commonly referred to as the pull through assumption. The fair value of the commitments is derived from the fair value of related mortgage loans, which is based on a highly liquid, readily observable market. Changes to the fair value of IRLCs are recognized based on interest rate changes, changes in the probability that the commitment will be exercised and the passage of time. Changes from the expected future cash flows related to the customer relationship or loan servicing are excluded from the valuation of the IRLCs.

Outstanding IRLCs expose the Corporation to the risk that the price of the loans underlying the commitments might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. To protect against this risk, the Corporation utilizes forward loan sales commitments and other derivative instruments, including options, to economically hedge the risk of potential changes in the value of the loans that would result from the commitments. The Corporation expects that the changes in the fair value of these derivative instruments will offset changes in the fair value of the IRLCs.

Securities

Debt securities are classified based on management's intention on the date of purchase and recorded on the Consolidated Balance Sheet as Securities as of the trade date. Debt securities which management has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Debt securities that are bought and held principally for the purpose of resale in the near term are classified as trading instruments and are stated at fair value with unrealized gains and losses included in Trading Account Profits. All other debt securities are classified as available-for-sale (AFS) and carried at fair value with net unrealized gains and losses included in Accumulated OCI on an after-tax basis.

Interest on debt securities, including amortization of premiums and accretion of discounts, are included in Interest Income. Realized gains and losses from the sales of debt securities, which are included in Gains on Sales of Debt Securities, are determined using the specific identification method.

Marketable equity securities are classified based on management's intention on the date of purchase and recorded on the Consolidated Balance Sheet as of the trade date. Marketable equity securities that are bought and held principally for the purpose of resale in the near term are classified as trading instruments and are stated at fair value with unrealized gains and losses included in Trading Account Profits. Other marketable equity securities are classified as AFS and either recorded as AFS Securities, if they are a component of the ALM portfolio, or otherwise recorded as Other Assets. All AFS marketable equity securities are carried at fair value with net unrealized gains and losses included in Accumulated OCI on an after-tax basis. Dividend income on AFS marketable equity securities is included in Interest Income. Dividend income on marketable equity securities recorded in Other Assets is included in Noninterest Income. Realized gains and losses on the sale of all AFS marketable equity securities, which are recorded in Equity Investment Gains, are determined using the weighted average method.

Investments in equity securities without readily determinable market values are recorded in Other Assets, are generally accounted for using the cost method and are subject to impairment testing as applicable.

Equity investments held by Principal Investing, a diversified equity investor in companies at all stages of their life cycle from startup to buyout, are reported at fair value. Equity investments for which there are active market quotes are carried at estimated fair value based on market prices and recorded as Other Assets. Nonpublic and other equity investments for which representative market quotes are not readily available are initially valued at cost. Subsequently, these investments are reviewed semi-annually or on a quarterly basis, where appropriate, and adjusted to reflect changes in value as a result of initial public offerings, market liquidity, the investees' financial results, sales restrictions, or other than temporary declines in value. Gains and losses on equity investments, both unrealized and realized, are recorded in Equity Investment Gains.

Loans and Leases

Loans are reported at their outstanding principal balances net of any unearned income, charge-offs, unamortized deferred fees and costs on originated loans, and premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are deferred and recognized as adjustments to income over the lives of the related loans. Unearned income, discounts and premiums are amortized to income using methods that approximate the interest method.

The Corporation provides equipment financing to its customers through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments receivable plus estimated residual value of the leased property, less unearned income. Leveraged leases, which are a form of financing lease, are carried net of nonrecourse debt. Unearned income on leveraged and direct financing leases is amortized over the lease terms by methods that approximate the interest method.

Allowance for Credit Losses

The allowance for credit losses which includes the Allowance for Loan and Lease Losses and the reserve for unfunded lending commitments, represents management's estimate of probable losses inherent in the Corporation's lending activities. The Allowance for Loan and Lease Losses represents the estimated probable credit losses in funded consumer and commercial loans and leases while the reserve for unfunded lending commitments, including standby letters of credit (SBLCs) and binding unfunded loan commitments, represents estimated probable credit losses in these off-balance sheet credit instruments based on utilization assumptions. Credit exposures, excluding Derivative Assets and Trading Account Assets, deemed to be uncollectible are charged against these accounts. Cash recovered on previously charged off amounts are credited to these accounts.

The Corporation performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectibility of those portfolios. The allowance on certain homogeneous loan portfolios, which generally consist of consumer loans, is based on aggregated portfolio segment evaluations generally by product type. Loss forecast models are utilized for these segments which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic conditions and credit scores. These consumer loss forecast models are updated on a quarterly basis in order to incorporate information reflective of the current economic environment. The remaining commercial portfolios are reviewed on an individual loan basis. Loans subject to individual reviews are analyzed and segregated by risk according to the Corporation's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information (including individual valuations on nonperforming loans in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," (SFAS 114)) result in the estimation of the allowance for credit losses. The historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

If necessary, a specific Allowance for Loan and Lease Losses is established for individual impaired commercial loans. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. Once a loan has been identified as individually impaired, management measures impairment in accordance with SFAS 114. Individually impaired loans are measured based on the present value of payments expected to be received, observable market prices, or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral. If the recorded investment in impaired loans exceeds the present value of payments expected to be received, a specific allowance is established as a component of the Allowance for Loan and Lease Losses.

Two components of the Allowance for Loan and Lease Losses are allocated to cover the estimated probable losses in each loan and lease category based on the results of the Corporation's detailed review process described above. The first component covers those commercial loans that are either nonperforming or impaired. The second component covers consumer loans and leases, and performing commercial loans and leases. Included within this second component of the Allowance for Loan and Lease Losses and determined separately from the procedures outlined above are reserves which are maintained to cover uncertainties that affect the Corporation's estimate of probable losses including the imprecision inherent in the forecasting methodologies, as well as domestic and global economic uncertainty and large single name defaults or event risk. Management evaluates the adequacy of the Allowance for Loan and Lease Losses based on the combined total of these two components.

In addition to the Allowance for Loan and Lease Losses, the Corporation also estimates probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Corporation's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions, performance trends within specific portfolio segments and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments.

The allowance for credit losses related to the loan and lease portfolio, and the reserve for unfunded lending commitments are reported on the Consolidated Balance Sheet in the Allowance for Loan and Lease Losses, and Accrued Expenses and Other Liabilities. Provision for Credit Losses related to the loans and leases portfolio and unfunded lending commitments are reported in the Consolidated Statement of Income in the Provision for Credit Losses.

Nonperforming Loans and Leases

Credit card loans are charged off at 180 days past due or 60 days from notification of bankruptcy filing and are not classified as nonperforming. Unsecured consumer loans and deficiencies in non-real estate secured loans are charged off at 120 days past due and not classified as nonperforming. Real estate secured consumer loans are placed on nonaccrual status and classified as nonperforming at 90 days past due. The amount deemed uncollectible on real estate secured loans is charged off at 180 days past due. Consumer loans are generally returned to performing status when principal or interest is less than 90 days past due.

Commercial loans and leases that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including loans that are individually identified as being impaired, are generally classified as nonperforming unless well-secured and in the process of collection. Loans whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial difficulties, without compensation on restructured loans, are classified as nonperforming until the loan is performing for an adequate period of time under the restructured agreement. In situations where the Corporation does not receive adequate compensation, the restructuring is considered a troubled debt restructuring. Interest accrued but not collected is reversed when a commercial loan is classified as nonperforming. Interest collections on commercial nonperforming loans and leases for which the ultimate collectibility of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when received. Commercial loans and leases may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

Loans Held-for-Sale

Loans held-for-sale include residential mortgage, loan syndications, and to a lesser degree, commercial real estate, consumer finance and other loans, and are carried at the lower of aggregate cost or market value. Loans held-for-sale are included in Other Assets.

Premises and Equipment

Premises and Equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets. Estimated lives range up to 40 years for buildings, up to 12 years for furniture and equipment, and the shorter of lease term or estimated useful life for leasehold improvements.

Mortgage Servicing Rights

Pursuant to agreements between the Corporation and its counterparties, \$2.2 billion of Excess Spread Certificates (the Certificates) were converted into MSRs on June 1, 2004. Prior to the conversion of the Certificates into MSRs, the Certificates were accounted for on a mark-to-market basis (i.e. fair value) and changes in the value were recognized as Trading Account Profits. On the date of the conversion, the Corporation recorded these MSRs at the Certificates' fair market value, and that value became their new cost basis. Subsequent to the conversion, the Corporation accounts for the MSRs at the lower of cost or market with impairment recognized as a reduction of Mortgage Banking Income. Except for Note 9 of the Consolidated Financial Statements, what are now referred to as MSRs include the Certificates for periods prior to the conversion.

During 2004, the Corporation discussed with the Staff the accounting treatment for the Certificates and MSRs. As a result of this discussion, the conclusion was reached that the Certificates lacked sufficient separation from the MSRs to be accounted for as described above (i.e. fair value). Accordingly, the Corporation should have continued to account for the Certificates as MSRs (i.e. lower of cost or market). The effect on our previously filed Consolidated Financial Statements of following lower of cost or market accounting for the Certificates compared to fair value accounting (i.e. the prior accounting) was adjusted and was not material.

When applying SFAS 133 hedge accounting for derivative financial instruments that have been designated to hedge MSRs, loans underlying the MSRs being hedged are stratified into pools that possess similar interest rate and prepayment risk exposures. The Corporation has designated the hedged risk as the change in the overall fair value of these stratified pools within a daily hedge period. The Corporation performs both prospective and retrospective hedge effectiveness evaluations, using regression analyses. A prospective test is performed to determine whether the hedge is expected to be highly effective at the inception of the hedge. A retrospective test is performed at the end of the daily hedge period to determine whether the hedge was actually effective.

Other derivatives are used as economic hedges of the MSRs, but are not designated as hedges under SFAS 133. These derivatives are marked to market and recognized through Mortgage Banking Income. Securities are also used as economic hedges of MSRs, but do not qualify as hedges under SFAS 133 and, therefore, are accounted for as AFS Securities with realized gains recorded in Gains on Sales of Debt Securities and unrealized gains or losses recorded in Accumulated OCI in Shareholders' Equity.

Goodwill and Other Intangibles

Net assets of companies acquired in purchase transactions are recorded at fair value at the date of acquisition, as such, the historical cost basis of individual assets and liabilities are adjusted to reflect their fair value. Identified intangibles are amortized on an accelerated or straight-line basis over the period benefited. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or if events or circumstances indicate a potential impairment, at the reporting unit level. The impairment test is performed in two phases. The first step of the Goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including Goodwill. If the fair value of the reporting unit exceeds its carrying amount, Goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting unit's Goodwill (as defined in SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142)) with the carrying amount of that Goodwill. An impairment loss is recorded to the extent that the carrying amount of Goodwill exceeds its implied fair value. In 2005, 2004 and 2003, Goodwill was tested for impairment and no impairment charges were recorded.

Other intangible assets subject to amortization are evaluated for impairment in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). An impairment loss will be recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. At December 31, 2005, intangible assets included on the Consolidated Balance Sheet consist of core deposit intangibles, purchased credit card relationship intangibles and other customer-related intangibles that are amortized on an accelerated or straight-line basis using an estimated range of anticipated lives of 6 to 10 years.

Special Purpose Financing Entities

In the ordinary course of business, the Corporation supports its customers' financing needs by facilitating the customers' access to different funding sources, assets and risks. In addition, the Corporation utilizes certain financing arrangements to meet its balance sheet management, funding, liquidity, and market or credit risk management needs. These financing entities may be in the form of corporations, partnerships, limited liability companies or trusts, and are generally not consolidated on the Corporation's Consolidated Balance Sheet. The majority of these activities are basic term or revolving securitization vehicles for mortgages or other types of loans which are generally funded through term-amortizing debt structures. Other special purpose entities finance their activities by issuing short-term commercial paper. Both types of vehicles are designed to be paid off from the underlying cash flows of the assets held in the vehicle.

Securitizations

The Corporation securitizes, sells and services interests in residential mortgage loans, and from time to time, consumer finance, commercial and credit card loans. The accounting for these activities are governed by SFAS 140. The securitization vehicles are Qualified Special Purpose Entities (QSPEs) which, in accordance with SFAS 140, are legally isolated, bankruptcy remote and beyond the control of the seller. QSPEs are not included in the consolidated financial statements of the seller. When the Corporation securitizes assets, it may retain interest-only strips, one or more subordinated tranches and, in some cases, a cash reserve account which are generally considered residual interests in the securitized assets. The Corporation may also retain senior tranches in these securitizations. Gains and losses upon sale of the assets depend, in part, on the Corporation's allocation of the previous carrying amount of the assets to the retained interests. Previous carrying amounts are allocated in proportion to the relative fair values of the assets sold and interests retained.

Quoted market prices are used to obtain fair values of senior retained interests. Generally, quoted market prices for retained residual interests are not available; therefore, the Corporation estimates fair values based upon the present value of the associated expected future cash flows. This may require management to estimate credit losses, prepayment speeds, forward yield curves, discount rates and other factors that impact the value of retained interests. See Note 9 of the Consolidated Financial Statements for further discussion.

The excess cash flows expected to be received over the amortized cost of the retained interest is recognized as Interest Income using the effective yield method. If the fair value of the retained interest has declined below its carrying amount and there has been an adverse change in estimated contractual cash flows of the underlying assets, then such decline is determined to be other-than-temporary and the retained interest is written down to fair value with a corresponding adjustment to earnings.

Other Special Purpose Financing Entities

Other special purpose financing entities are generally funded with short-term commercial paper. These financing entities are usually contractually limited to a narrow range of activities that facilitate the transfer of or access to various types of assets or financial instruments and provide the investors in the transaction protection from creditors of the Corporation in the event of bankruptcy or receivership of the Corporation. In certain situations, the Corporation provides liquidity commitments and/or loss protection agreements.

The Corporation determines whether these entities should be consolidated by evaluating the degree to which it maintains control over the financing entity and will receive the risks and rewards of the assets in the financing entity. In making this determination, the Corporation considers whether the entity is a QSPE, which is generally not required to be consolidated by the seller or investors in the entity. For non-QSPE structures or VIEs, the Corporation assesses whether it is the primary beneficiary of the entity. In accordance with FASB Interpretation No. 46 (Revised December 2003), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" (FIN 46R), the primary beneficiary is the party that consolidates a VIE based on its assessment that it will absorb a majority of the expected losses or expected residual returns of the entity, or both. For additional information on other special purpose financing entities, see Note 9 of the Consolidated Financial Statements.

Income Taxes

The Corporation accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109), resulting in two components of Income Tax Expense: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences in the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements.

Deferred tax assets have also been recognized for net operating loss carryforwards and tax credit carryforwards. Valuation allowances are then recorded to reduce deferred tax assets to the amounts management concludes are more likely than not to be realized.

Retirement Benefits

The Corporation has established qualified retirement plans covering substantially all full-time and certain part-time employees. Pension expense under these plans is charged to current operations and consists of several components of net pension cost based on various actuarial assumptions regarding future experience under the plans.

In addition, the Corporation has established unfunded supplemental benefit plans and supplemental executive retirement plans for selected officers of the Corporation and its subsidiaries that provide benefits that cannot be paid from a qualified retirement plan due to Internal Revenue Code restrictions. These plans are nonqualified under the Internal Revenue Code and assets used to fund benefit payments are not segregated from other assets of the Corporation; therefore, in general, a participant's or beneficiary's claim to benefits under these plans is as a general creditor.

In addition, the Corporation has established several postretirement healthcare and life insurance benefit plans.

Other Comprehensive Income

The Corporation records unrealized gains and losses on AFS Securities, foreign currency translation adjustments, related hedges of net investments in foreign operations and gains and losses on cash flow hedges in Accumulated OCI. Gains and losses on AFS Securities are reclassified to Net Income as the gains or losses are realized upon sale of the securities. Other-than-temporary impairment charges are reclassified to Net Income at the time of the charge. Translation gains or losses on foreign currency translation adjustments are reclassified to Net Income upon the sale or liquidation of investments in foreign operations. Gains or losses on derivatives accounted for as hedges are reclassified to Net Income when the hedged transaction affects earnings.

Earnings Per Common Share

Earnings per Common Share is computed by dividing Net Income Available to Common Shareholders by the weighted average common shares issued and outstanding. For Diluted Earnings per Common Share, Net Income Available to Common Shareholders can be affected by the conversion of the registrant's convertible preferred stock. Where the effect of this conversion would have been dilutive, Net Income Available to Common Shareholders is adjusted by the associated preferred dividends. This adjusted Net Income is divided by the weighted average number of common shares issued and outstanding for each period plus amounts representing the dilutive effect of stock options outstanding, restricted stock units and the dilution resulting from the conversion of the registrant's convertible preferred stock, if applicable. The effects of convertible preferred stock, restricted stock units and stock options are excluded from the computation of diluted earnings per common share in periods in which the effect would be antidilutive. Dilutive potential common shares are calculated using the treasury stock method.

Foreign Currency Translation

Assets, liabilities and operations of foreign branches and subsidiaries are recorded based on the functional currency of each entity. For certain of the foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated, for consolidation purposes, at current exchange rates from the local currency to the reporting currency, the U.S. dollar. The resulting unrealized gains or losses are reported as a component of Accumulated OCI on an after-tax basis. When the foreign entity is not a free-standing operation or is in a hyperinflationary economy, the functional currency used to measure the financial statements of a foreign entity is the U.S. dollar. In these instances, the resulting realized gains or losses are included in Net Income.

Co-Branding Credit Card Arrangements

The Corporation has co-brand arrangements that entitle a cardholder to receive benefits based on purchases made with the card. These arrangements have remaining terms generally not exceeding five years. The Corporation may pay one-time fees which would be deferred ratably over the term of the arrangement. The Corporation makes monthly payments to the co-brand partners based on the volume of cardholders' purchases and on the number of points awarded to cardholders. Such payments are expensed as incurred and are recorded as contra-revenue.

Note 2—FleetBoston Merger and Restructuring Activity

Pursuant to the Agreement and Plan of Merger, dated October 27, 2003, by and between the Corporation and FleetBoston (the FleetBoston Merger Agreement), the Corporation acquired 100 percent of the outstanding stock of FleetBoston on April 1, 2004, in a tax-free merger to the Corporation, in order to expand the Corporation's presence in the Northeast. FleetBoston's results of operations were included in the Corporation's results beginning April 1, 2004.

As provided by the FleetBoston Merger Agreement, approximately 1.069 billion shares of FleetBoston common stock were exchanged for approximately 1.187 billion shares of the Corporation's common stock. At the date of the FleetBoston merger, this represented approximately 29 percent of the Corporation's outstanding common stock. FleetBoston shareholders also received cash of $4 million in lieu of any fractional shares of the Corporation's common stock that would have otherwise been issued on April 1, 2004. Holders of FleetBoston preferred stock received 1.1 million shares of the Corporation's preferred stock. The Corporation's preferred stock that was exchanged was valued using the book value of FleetBoston preferred stock. The depositary shares underlying the FleetBoston preferred stock, each representing a one-fifth interest in the FleetBoston preferred stock prior to the FleetBoston merger, represent a one-fifth interest in a share of the Corporation's preferred stock. The purchase price was adjusted to reflect the effect of the 15.7 million shares of FleetBoston common stock that the Corporation already owned.

The FleetBoston merger was accounted for under the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations" (SFAS 141). Accordingly, the final purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the FleetBoston merger date as summarized below.

(In millions except per share amounts)		
Purchase price		
FleetBoston common stock exchanged (in thousands)	1,068,635	
Exchange ratio	1.1106	
Total shares of the Corporation's common stock exchanged (in thousands)	1,186,826	
Purchase price per share of the Corporation's common stock (1)	$ 38.44	
Total value of the Corporation's common stock exchanged		$ 45,622
FleetBoston preferred stock converted to the Corporation's preferred stock		271
Fair value of outstanding stock options, direct acquisition costs and the effect of FleetBoston shares already owned by the Corporation		1,360
Total purchase price		$ 47,253
Allocation of the purchase price		
FleetBoston stockholders' equity		$ 19,329
FleetBoston goodwill and other intangible assets		(4,709)
Adjustments to reflect assets acquired and liabilities assumed at fair value:		
Securities		(84)
Loans and leases		(776)
Premises and equipment		(766)
Identified intangibles		3,243
Other assets and deferred income tax		312
Deposits		(313)
Other liabilities		(313)
Exit and termination liabilities		(641)
Long-term debt		(1,182)
Fair value of net assets acquired		14,100
Goodwill resulting from the FleetBoston merger		$ 33,153

(1) The value of the shares of common stock exchanged with FleetBoston 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, October 27, 2003, the date of the FleetBoston Merger Agreement.

Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information presents the Corporation's results of operations had the FleetBoston merger taken place at the beginning of each year.

(Dollars in millions, except per common share information)	**2004 (Restated)**	2003 (Restated)
Net interest income	**$ 29,747**	$ 27,249
Noninterest income	**22,523**	22,756
Provision for credit losses	**2,769**	3,864
Gains on sales of debt securities	**1,773**	1,069
Merger and restructuring charges	**618**	—
Other noninterest expense	**28,507**	27,319
Income before income taxes	**22,149**	19,891
Net income	**14,707**	13,250
Per common share information		
Earnings	**$ 3.62**	$ 3.20
Diluted earnings	**$ 3.56**	$ 3.15
Average common shares issued and outstanding (in thousands)	**4,054,322**	4,138,139
Average diluted common shares issued and outstanding (in thousands)	**4,124,671**	4,201,053

Merger and Restructuring Charges

Merger and Restructuring Charges are recorded in the Consolidated Statement of Income, and include incremental costs to integrate the Corporation's and FleetBoston's operations. These charges represent costs associated with these one-time activities and do not represent on-going costs of the fully integrated combined organization. Systems integrations and related charges, and other, as shown in the following table, are expensed as incurred.

In addition, Merger and Restructuring Charges include costs related to an infrastructure initiative that was initiated in the third quarter of 2004 to simplify the Corporation's business model. These costs were solely severance related. The Corporation does not expect to incur additional severance costs related to this initiative.

(Dollars in millions)	2005	2004
Severance and employee-related charges:		
Merger-related	$ 38	$138
Infrastructure initiative	1	102
Systems integrations and related charges	218	249
Other	155	129
Total merger and restructuring charges	$412	$618

Exit Costs and Restructuring Reserves

As of December 31, 2004, there were $382 million of exit costs reserves remaining, which included $291 million for severance, relocation and other employee-related costs, $87 million for contract terminations, and $4 million for other charges. During 2005, $17 million of reductions to the exit costs reserves were recorded as a result of revised estimates. Cash payments of $306 million were charged against this liability in 2005, including $239 million of severance, relocation and other employee-related costs, and $67 million of contract terminations reducing the balance in the liability to $59 million at December 31, 2005.

As of December 31, 2004, there were $166 million of restructuring reserves remaining related to severance and other employee-related charges. Restructuring reserves in 2005 included an additional charge for the legacy Bank of America associate severance and other employee-related charges of $58 million. These charges included $20 million as a result of revised estimates to complete relocations to the Northeast. During 2005, cash payments of $151 million for severance and other employee-related costs have been charged against this liability reducing the balance to $73 million as of December 31, 2005.

Payments under these exit costs and restructuring reserves are expected to be substantially completed in 2006.

Exit Costs and Restructuring Reserves

	Exit Costs Reserves(1)		Restructuring Reserves(2)	
(Dollars in millions)	2005	2004	2005	2004
Balance, January 1	$ 382	$ —	$ 166	$ —
FleetBoston exit costs	(17)	658	—	—
Restructuring charges	—	—	57	138
Infrastructure initiative	—	—	1	102
Cash payments	(306)	(276)	(151)	(74)
Balance, December 31	$ 59	$ 382	$ 73	$ 166

(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.

Note 3—MBNA Merger

Pursuant to the Agreement and Plan of Merger, dated June 30, 2005, by and between the Corporation and MBNA (the MBNA Merger Agreement), the Corporation acquired 100 percent of the outstanding stock of MBNA on January 1, 2006. 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 company 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. MBNA's results of operations will be included in the Corporation's results beginning January 1, 2006.

Under the terms of the MBNA Merger Agreement, MBNA stockholders received 0.5009 of a share of the Corporation's common stock plus $4.125 for each MBNA share of common stock. As provided by the MBNA Merger Agreement, approximately 1,260 million shares of MBNA common stock were exchanged for approximately 631 million shares of the Corporation's common stock. At the date of the MBNA merger, this represented approximately 16 percent of the Corporation's outstanding common stock. MBNA shareholders also received cash of $5.2 billion. On November 3, 2005, MBNA redeemed all shares of its 7 1/2% Series A Cumulative Preferred Stock and Series B Adjustable Rate Cumulative Preferred Stock, in accordance with the terms of the MBNA Merger Agreement.

The MBNA merger will be accounted for under the purchase method of accounting in accordance with SFAS 141. 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 below. This allocation is based on management's current estimation and could change as the fair value calculations are finalized and more information becomes available.

(Unaudited)
(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		440
Total purchase price		$ 34,579
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		(270)
Premises and equipment		(588)
Identified intangibles [(2)]		8,080
Other assets		(824)
Deposits		(100)
Exit and termination liabilities		(1,185)
Other liabilities and deferred income taxes		(706)
Long-term debt		(404)
Estimated fair value of net assets acquired		13,849
Estimated goodwill resulting from the MBNA merger [(3)]		$ 20,730

(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 Agreement.

(2) Includes core deposit intangibles of $204 million, purchased credit card receivables of $5,468 million, affinity relationships of $2,018 million and other intangibles of $390 million. The amortization life for core deposit intangibles is 10 years and purchased credit card receivables and affinity relationships are 15 years.

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

Note 4—Trading Account Assets and Liabilities

The Corporation engages in a variety of trading-related activities that are either for clients or its own account.

The following table presents the fair values of the components of Trading Account Assets and Liabilities at December 31, 2005 and 2004.

(Dollars in millions)	December 31 2005	2004
Trading account assets		
Corporate securities, trading loans and other	**$ 46,554**	$ 35,227
U.S. government and agency securities [(1)]	**31,091**	20,462
Equity securities	**31,029**	19,504
Mortgage trading loans and asset-backed securities	**12,290**	9,625
Foreign sovereign debt	**10,743**	8,769
Total	**$131,707**	$ 93,587
Trading account liabilities		
U.S. government and agency securities [(2)]	**$ 23,179**	$ 14,332
Equity securities	**11,371**	8,952
Foreign sovereign debt	**8,915**	4,793
Corporate securities and other	**7,407**	8,538
Mortgage trading loans and asset-backed securities	**18**	39
Total	**$ 50,890**	$ 36,654

(1) Includes $22.1 billion and $17.3 billion at December 31, 2005 and 2004 of government-sponsored enterprise obligations that are not backed by the full faith and credit of the U.S. government.

(2) Includes $1.4 billion and $1.2 billion at December 31, 2005 and 2004 of government-sponsored enterprise obligations that are not backed by the full faith and credit of the U.S. government.

Note 5—Derivatives

The Corporation designates a derivative as held for trading, an economic hedge not designated as a SFAS 133 hedge, or a qualifying SFAS 133 hedge when it enters into the derivative contract. The designation may change based upon management's reassessment or changing circumstances. Derivatives utilized by the Corporation include swaps, financial futures and forward settlement contracts, and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Financial futures and forward settlement contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date, and rate or price. An option contract is an agreement that conveys to the purchaser the right, but not the obligation, to buy or sell a quantity of a financial instrument (including another derivative financial instrument), index, currency or commodity at a predetermined rate or price during a period or at a time in the future. Option agreements can be transacted on organized exchanges or directly between parties. The Corporation also provides credit derivatives to customers who wish to increase or decrease credit exposures. In addition, the Corporation utilizes credit derivatives to manage the credit risk associated with the loan portfolio.

Credit Risk Associated with Derivative Activities

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. In managing derivative credit risk, both the current exposure, which is the replacement cost of contracts on the measurement date, as well as an estimate of the potential change in value of contracts over their remaining lives are considered. The Corporation's derivative activities are primarily with financial institutions and corporations. To minimize credit risk, the Corporation enters into legally enforceable master netting agreements, which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon occurrence of certain events. In addition, the Corporation reduces credit risk by obtaining collateral from counterparties. The determination of the need for and the levels of collateral will vary based on an assessment of the credit risk of the counterparty. Generally, the Corporation accepts collateral in the form of cash, U.S. Treasury securities and other marketable securities. The Corporation held $24.9 billion of collateral on derivative positions, of which $17.1 billion could be applied against credit risk at December 31, 2005.

A portion of the derivative activity involves exchange-traded instruments. Exchange-traded instruments conform to standard terms and are subject to policies set by the exchange involved, including margin and security deposit requirements. Management believes the credit risk associated with these types of instruments is minimal. The average fair value of Derivative Assets for 2005 and 2004 was $25.9 billion and $28.0 billion. The average fair value of Derivative Liabilities for 2005 and 2004 was $16.8 billion and $15.7 billion.

The following table presents the contract/notional amounts and credit risk amounts at December 31, 2005 and 2004 of all the Corporation's derivative positions. These derivative positions are primarily executed in the over-the-counter market. 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 December 31, 2005 and 2004, the cash collateral applied against Derivative Assets on the Consolidated Balance Sheet was $9.3 billion and $9.4 billion. In addition, at December 31, 2005 and 2004, the cash collateral placed against Derivative Liabilities was $7.6 billion and $6.0 billion.

Derivatives[1]

	December 31			
	2005		2004	
(Dollars in millions)	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Interest rate contracts				
Swaps	$ 14,401,577	$ 11,085	$ 11,597,813	$ 12,705
Futures and forwards	2,113,717	—	1,833,216	332
Written options	900,036	—	988,253	—
Purchased options	869,471	3,345	1,243,809	4,840
Foreign exchange contracts				
Swaps	333,487	3,735	305,999	7,859
Spot, futures and forwards	944,321	2,481	956,995	3,593
Written options	214,668	—	167,225	—
Purchased options	229,049	1,214	163,243	679
Equity contracts				
Swaps	28,287	548	34,130	1,039
Futures and forwards	6,479	44	4,078	—
Written options	69,048	—	37,080	—
Purchased options	57,693	6,729	32,893	5,741
Commodity contracts				
Swaps	8,809	2,475	10,480	2,099
Futures and forwards	5,533	—	6,307	6
Written options	7,854	—	9,270	—
Purchased options	3,673	546	5,535	301
Credit derivatives[2]	2,017,896	766	499,741	430
Credit risk before cash collateral		32,968		39,624
Less: Cash collateral applied		9,256		9,389
Total derivative assets		$ 23,712		$ 30,235

(1) Includes long and short derivative positions.

(2) The increase in credit derivatives notional amounts reflects structured basket transactions and customer-driven activity.

ALM Activities

Interest rate contracts and foreign exchange contracts are utilized in the Corporation's ALM activities. The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect Net Interest Income. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation. Interest Income and Interest Expense on hedged variable-rate assets and liabilities increase or decrease as a result of interest rate fluctuations. Gains and losses on the derivative instruments that are linked to these hedged assets and liabilities are expected to substantially offset this variability in earnings.

Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow the Corporation to manage its interest rate risk position. Non-leveraged generic interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments based on the contractual underlying notional amount. Basis swaps involve the exchange of interest payments based on the contractual underlying notional amounts, where both the pay rate and the receive rate are floating rates based on different indices. Option products primarily consist of caps, floors, swaptions and options on index futures contracts. Futures contracts used for the Corporation's ALM activities are primarily index futures providing for cash payments based upon the movements of an underlying rate index.

The Corporation uses foreign currency contracts to manage the foreign exchange risk associated with certain foreign currency-denominated assets and liabilities, as well as the Corporation's equity investments in foreign subsidiaries. Foreign exchange contracts, which include spot, futures and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Foreign exchange option contracts are similar to interest rate option contracts except that they are based on currencies rather than interest rates. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

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 fixed-rate 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 variable-rate assets and liabilities, and other forecasted transactions (cash flow hedges).

For cash flow hedges, gains and losses on derivative contracts reclassified from Accumulated OCI to current period earnings are included in the line item in the Consolidated Statement of Income in which the hedged item is recorded and in the same period the hedged item affects earnings. During the next 12 months, net losses on derivative instruments included in Accumulated OCI of approximately $632 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 hedging activities for 2005 and 2004:

(Dollars in millions)	**2005**	2004
Fair value hedges		
Hedge ineffectiveness recognized in earnings [1]	**$166**	$ 10
Net loss excluded from assessment of effectiveness [2]	**(13)**	(6)
Cash flow hedges		
Hedge ineffectiveness recognized in earnings [3]	**(31)**	(11)
Net investment hedges		
Gains (losses) included in foreign currency translation adjustments within Accumulated OCI	**66**	(157)

(1) Included $5 million and $(8) million recorded in Net Interest Income, $167 million and $18 million recorded in Mortgage Banking Income, $(5) million and $0 recorded in Investment Banking Income, and $(1) million and $0 recorded in Trading Account Profits in the Consolidated Statement of Income for 2005 and 2004.

(2) Included $0 and $(5) million recorded in Net Interest Income and $(15) million and $(1) million recorded in Mortgage Banking Income, and $2 million and $0 recorded in Investment Banking Income in the Consolidated Statement of Income for 2005 and 2004.

(3) Included $(17) million and $(13) million recorded in Net Interest Income and $(14) million and $2 million recorded in Mortgage Banking Income from other cash flow hedges in the Consolidated Statement of Income for 2005 and 2004.

Note 6 – Securities

The amortized cost, gross unrealized gains and losses, and fair value of AFS debt and marketable equity securities, and Held-to-maturity securities at December 31, 2005, 2004 and 2003 were:

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
2005				
U.S. Treasury securities and agency debentures	**$ 730**	**$ —**	**$ 13**	**$ 717**
Mortgage-backed securities	**197,101**	**198**	**5,268**	**192,031**
Foreign securities	**10,944**	**1**	**54**	**10,891**
Other taxable securities (1)	**13,198**	**126**	**99**	**13,225**
Total taxable	**221,973**	**325**	**5,434**	**216,864**
Tax-exempt securities	**4,693**	**31**	**32**	**4,692**
Total available-for-sale securities	**$226,666**	**$ 356**	**$ 5,466**	**$221,556**
Available-for-sale marketable equity securities(2)	**$ 4,060**	**$ 305**	**$ 18**	**$ 4,347**
2004				
U.S. Treasury securities and agency debentures	$ 826	$ —	$ 1	$ 825
Mortgage-backed securities	173,697	174	624	173,247
Foreign securities	7,437	36	26	7,447
Other taxable securities (1)	9,493	—	13	9,480
Total taxable	191,453	210	664	190,999
Tax-exempt securities	3,662	87	5	3,744
Total available-for-sale securities	$ 195,115	$ 297	$ 669	$ 194,743
Available-for-sale marketable equity securities(2)	$ 3,571	$ 32	$ 2	$ 3,601
2003				
U.S. Treasury securities and agency debentures	$ 710	$ 5	$ 2	$ 713
Mortgage-backed securities	56,403	63	575	55,891
Foreign securities	2,816	23	38	2,801
Other taxable securities (3)	4,765	36	69	4,732
Total taxable	64,694	127	684	64,137
Tax-exempt securities	2,167	79	1	2,245
Total available-for-sale securities	$ 66,861	$ 206	$ 685	$ 66,382
Available-for-sale marketable equity securities (2)	$ 2,803	$ 394	$ 31	$ 3,166
Held-to-maturity securities				
2005				
Taxable securities	**$ 4**	**$ —**	**$ —**	**$ 4**
Tax-exempt securities	**43**	**—**	**—**	**43**
Total held-to-maturity securities	**$ 47**	**$ —**	**$ —**	**$ 47**
2004				
Taxable securities	$ 41	$ 4	$ 4	$ 41
Tax-exempt securities	289	—	1	288
Total held-to-maturity securities	$ 330	$ 4	$ 5	$ 329
2003				
Taxable securities	$ 96	$ 3	$ 3	$ 96
Tax-exempt securities	151	7	—	158
Total held-to-maturity securities	$ 247	$ 10	$ 3	$ 254

(1) Includes corporate debt, asset-backed securities and equity instruments.
(2) Represents those AFS marketable equity securities that are recorded in Other Assets on the Consolidated Balance Sheet.
(3) Includes corporate debt and asset-backed securities.

At December 31, 2005, accumulated net unrealized losses on AFS debt and marketable equity securities included in Accumulated OCI were $3.0 billion, net of the related income tax benefit of $1.8 billion. At December 31, 2004, accumulated net unrealized losses on these securities were $196 million, net of the related income tax benefit of $146 million.

The following table presents the current fair value and the associated unrealized losses only on investments in securities with unrealized losses at December 31, 2005 and 2004. The table also discloses whether these securities have had unrealized losses for less than twelve months, or for twelve months or longer.

	December 31, 2005					
	Less than twelve months		Twelve months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities						
U.S. Treasury securities and agency debentures (1)	**$ 251**	**$ (9)**	**$ 163**	**$ (4)**	**$ 414**	**$ (13)**
Mortgage-backed securities	**149,979**	**(3,766)**	**40,236**	**(1,502)**	**190,215**	**(5,268)**
Foreign securities	**3,455**	**(41)**	**852**	**(13)**	**4,307**	**(54)**
Other taxable securities	**3,882**	**(79)**	**469**	**(20)**	**4,351**	**(99)**
Total taxable securities	**157,567**	**(3,895)**	**41,720**	**(1,539)**	**199,287**	**(5,434)**
Tax-exempt securities(1)	**2,308**	**(27)**	**156**	**(5)**	**2,464**	**(32)**
Total temporarily-impaired available-for-sale securities	**159,875**	**(3,922)**	**41,876**	**(1,544)**	**201,751**	**(5,466)**
Temporarily-impaired marketable equity securities	**146**	**(18)**	**—**	**—**	**146**	**(18)**
Total temporarily-impaired securities	**$ 160,021**	**$ (3,940)**	**$ 41,876**	**$ (1,544)**	**$ 201,897**	**$ (5,484)**

	December 31, 2004					
	Less than twelve months		Twelve months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities						
U.S. Treasury securities and agency debentures (1)	$ 381	$ (1)	$ 22	$ —	$ 403	$ (1)
Mortgage-backed securities	52,687	(297)	17,426	(327)	70,113	(624)
Foreign securities	4,964	(11)	99	(15)	5,063	(26)
Other taxable securities	1,130	(9)	37	(4)	1,167	(13)
Total taxable securities	59,162	(318)	17,584	(346)	76,746	(664)
Tax-exempt securities(1)	1,088	(5)	21	—	1,109	(5)
Total temporarily-impaired available-for-sale securities	60,250	(323)	17,605	(346)	77,855	(669)
Temporarily-impaired marketable equity securities	83	(2)	—	—	83	(2)
Held-to-maturity securities						
Taxable securities	41	(4)	—	—	41	(4)
Tax-exempt securities	288	(1)	—	—	288	(1)
Total temporarily-impaired held-to-maturity securities	329	(5)	—	—	329	(5)
Total temporarily-impaired securities	$ 60,662	$ (330)	$ 17,605	$ (346)	$ 78,267	$ (676)

(1) Unrealized losses less than $500 thousand are shown as zero.

The unrealized losses associated with U.S. Treasury securities and agency debentures, mortgage-backed securities, certain foreign securities, other taxable securities and tax-exempt securities are not considered to be other-than-temporary because their unrealized losses are related to changes in interest rates and do not affect the expected cash flows of the underlying collateral or issuer. The Corporation has the ability and intent to hold these securities for a period of time sufficient to recover all unrealized losses. Accordingly, the Corporation has not recognized any other-than-temporary impairments for these securities.

The Corporation had investments in securities from the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) that exceeded 10 percent of consolidated Shareholders' Equity as of December 31, 2005 and 2004. Those investments had market values of $144.1 billion and $46.9 billion at December 31, 2005 and $133.6 billion and $35.8 billion at December 31, 2004. In addition, these investments had total amortized costs of $148.0 billion and $48.3 billion at December 31, 2005 and $132.9 billion and $35.9 billion at December 31, 2004.

Pursuant to an agreement dated June 17, 2005, the Corporation committed to purchase approximately nine percent of the stock of China Construction Bank (CCB) for $3.0 billion. Under this agreement, the Corporation made an initial purchase of CCB shares for $2.5 billion in August 2005 and during CCB's initial public offering in October 2005, made an additional purchase of $500 million. These shares are non-transferable until the third anniversary of the initial public offering. The Corporation also holds an option to increase its ownership interest in CCB to 19.9 percent over the next five years. At December 31, 2005, this $3.0 billion investment in CCB was included in Other Assets.

Securities are pledged or assigned to secure borrowed funds, government and trust deposits and for other purposes. The carrying value of pledged securities was $116.7 billion and $45.1 billion at December 31, 2005 and 2004.

The expected maturity distribution of the Corporation's mortgage-backed securities and the contractual maturity distribution of the Corporation's other securities, and the yields of the Corporation's securities portfolio at December 31, 2005 are summarized in the following table. Actual maturities may differ from the contractual or expected maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

	Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years(1)		Total	
(Dollars in millions)	Amount	Yield(2)	Amount	Yield(2)	Amount	Yield(2)	Amount	Yield(2)	Amount	Yield(2)
Fair value of available-for-sale securities										
U.S. Treasury securities and agency debentures	$ 15	3.24%	$ 378	3.52%	$ 324	4.34%	$ —	— %	$ 717	3.88%
Mortgage-backed securities	18	4.40	56,130	4.94	126,789	5.09	9,094	5.23	192,031	5.06
Foreign securities	891	4.44	339	4.41	9,620	5.66	41	6.06	10,891	5.58
Other taxable securities	278	4.86	6,245	4.54	4,712	4.91	1,990	5.51	13,225	4.73
Total taxable	1,202	4.52	63,092	4.89	141,445	5.13	11,125	5.28	216,864	5.06
Tax-exempt securities(3)	1,255	4.53	331	6.79	2,767	5.78	339	5.67	4,692	5.50
Total available-for-sale securities	**$ 2,457**	**4.53%**	**$ 63,423**	**4.90%**	**$144,212**	**5.14%**	**$ 11,464**	**5.26%**	**$221,556**	**5.07%**
Amortized cost of available- for-sale securities	**$ 2,514**		**$ 64,885**		**$147,538**		**$ 11,729**		**$226,666**	
Amortized cost of held-to- maturity securities										
Taxable securities	$ 4	4.00%	$ —	— %	$ —	— %	$ —	— %	$ 4	4.00%
Tax-exempt securities(3)	10	3.37	31	3.58	2	5.51	—	—	43	3.61
Total held-to-maturity securities	**$ 14**	**3.38%**	**$ 31**	**3.58%**	**$ 2**	**5.51%**	**$ —**	**— %**	**$ 47**	**3.65%**
Fair value of held-to- maturity securities	**$ 14**		**$ 31**		**$ 2**		**$ —**		**$ 47**	

(1) Includes securities with no stated maturity.
(2) Yields are calculated based on the amortized cost of the securities.
(3) Yield of tax-exempt securities calculated on a FTE basis.

The components of realized gains and losses on sales of debt securities for 2005, 2004 and 2003 were:

(Dollars in millions)	2005	2004 (Restated)	2003
Gross gains	**$1,154**	$ 2,270	$1,246
Gross losses	**(70)**	(546)	(305)
Net gains on sales of debt securities	**$ 1,084**	$ 1,724	$ 941

The Income Tax Expense attributable to realized net gains on debt securities sales was $400 million, $640 million and $329 million in 2005, 2004 and 2003, respectively.

Note 7—Outstanding Loans and Leases

Outstanding loans and leases at December 31, 2005 and 2004 were:

(Dollars in millions)	December 31 2005	December 31 2004 (Restated)
Consumer		
Residential mortgage	**$182,596**	$ 178,079
Credit card	**58,548**	51,726
Home equity lines	**62,098**	50,126
Direct/Indirect consumer	**45,490**	40,513
Other consumer[(1)]	**6,725**	7,439
Total consumer	**355,457**	327,883
Commercial		
Commercial—domestic	**140,533**	122,095
Commercial real estate[(2)]	**35,766**	32,319
Commercial lease financing	**20,705**	21,115
Commercial—foreign	**21,330**	18,401
Total commercial	**218,334**	193,930
Total	**$573,791**	$ 521,813

(1) Includes consumer finance of $2,849 million and $3,395 million; foreign consumer of $3,841 million and $3,563 million; and consumer lease financing of $35 million and $481 million at December 31, 2005 and 2004.

(2) Includes domestic commercial real estate loans of $35,181 million and $31,879 million; and foreign commercial real estate loans of $585 million and $440 million at December 31, 2005 and 2004.

The following table presents the gross recorded investment in specific loans, without consideration to the specific component of the Allowance for Loan and Lease Losses, that were considered individually impaired in accordance with SFAS 114 at December 31, 2005 and 2004. SFAS 114 impairment includes performing troubled debt restructurings, and excludes all commercial leases.

(Dollars in millions)	December 31 2005	December 31 2004
Commercial—domestic	**$613**	$ 868
Commercial real estate	**49**	87
Commercial—foreign	**34**	273
Total impaired loans	**$696**	$1,228

The average recorded investment in certain impaired loans for 2005, 2004 and 2003 was approximately $852 million, $1.6 billion and $3.0 billion, respectively. At December 31, 2005 and 2004, the recorded investment in impaired loans requiring an Allowance for Loan and Lease Losses based on individual analysis per SFAS 114 guidelines was $517 million and $926 million, and the related Allowance for Loan and Lease Losses was $55 million and $202 million. For 2005, 2004 and 2003, Interest Income recognized on impaired loans totaled $17 million, $21 million and $105 million, respectively, all of which was recognized on a cash basis.

At December 31, 2005 and 2004, nonperforming loans and leases, including impaired loans and nonaccrual consumer loans, totaled $1.5 billion and $2.2 billion. Nonperforming securities amounted to zero and $140 million at December 31, 2005 and 2004. In addition, included in Other Assets were nonperforming loans held for sale and leveraged lease partnership interests of $50 million and $151 million at December 31, 2005 and 2004.

Foreclosed properties amounted to $92 million and $102 million at December 31, 2005 and 2004, and are included in Other Assets on the Consolidated Balance Sheet. The cost of carrying foreclosed properties in 2005, 2004 and 2003 amounted to $4 million, $3 million and $3 million, respectively.

Note 8—Allowance for Credit Losses

The following table summarizes the changes in the allowance for credit losses for 2005, 2004 and 2003:

(Dollars in millions)	2005	2004	2003
Allowance for loan and lease losses, January 1	**$ 8,626**	$ 6,163	$ 6,358
FleetBoston balance, April 1, 2004	**—**	2,763	—
Loans and leases charged off	**(5,794)**	(4,092)	(3,867)
Recoveries of loans and leases previously charged off	**1,232**	979	761
Net charge-offs	**(4,562)**	(3,113)	(3,106)
Provision for loan and lease losses	**4,021**	2,868	2,916
Transfers	**(40)**	(55)	(5)
Allowance for loan and lease losses, December 31	**8,045**	8,626	6,163
Reserve for unfunded lending commitments, January 1	**402**	416	493
FleetBoston balance, April 1, 2004	**—**	85	—
Provision for unfunded lending commitments	**(7)**	(99)	(77)
Reserve for unfunded lending commitments, December 31	**395**	402	416
Total Allowance for Credit Losses	**$ 8,440**	$ 9,028	$ 6,579

Note 9—Special Purpose Financing Entities

The Corporation securitizes assets and may retain 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 retained interests 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.

Mortgage-related Securitizations

The Corporation securitizes the majority of its residential mortgage loan originations in conjunction with or shortly after loan closing. In addition, the Corporation may, from time to time, securitize commercial mortgages and first residential mortgages that it originates or purchases from other entities. In 2005 and 2004, the Corporation converted a total of $102.6 billion (including $23.3 billion originated by other entities) and $96.9 billion (including $18.0 billion originated by other entities), of residential first mortgages and commercial mortgages into mortgage-backed securities issued through Fannie Mae, Freddie Mac, Government National Mortgage Association, Bank of America, N.A. and Banc of America Mortgage Securities. At December 31, 2005 and 2004, the Corporation retained $7.2 billion (including $2.4 billion issued prior to 2005) and $9.2 billion (including $1.2 billion issued prior to 2004) of securities. At December 31, 2005, these retained interests were valued using quoted market prices.

In 2005, the Corporation reported $577 million in gains on loans converted into securities and sold, of which gains of $592 million were from loans originated by the Corporation and losses of $15 million were from loans originated by other entities. In 2004, the Corporation reported $952 million in gains on loans converted into securities and sold, of which gains of $886 million were from loans originated by the Corporation and gains of $66 million were from loans originated by other entities. At December 31, 2005, the Corporation had recourse obligations of $471 million with varying terms up to seven years on loans that had been securitized and sold.

In 2005 and 2004, the Corporation purchased $19.6 billion and $31.1 billion of mortgage-backed securities from third parties and resecuritized them. Net gains, which include net interest income earned during the holding period, totaled $13 million and $55 million. The Corporation did not retain any of the securities issued in these transactions.

The Corporation has retained MSRs from the sale or securitization of mortgage loans. Servicing fee and ancillary fee income on all mortgage loans serviced, including securitizations, was $789 million and $568 million in 2005 and 2004. The following table presents activity in MSRs in 2005 and 2004. Effective June 1, 2004, Excess Spread Certificates (the Certificates) were converted to MSRs.

(Dollars in millions)	2005	2004
Balance, January 1	**$2,481**	$ 479
Additions	**910**	3,035(1)
Amortization	**(637)**	(360)
Sales of MSRs	**(176)**	—
Valuation adjustment of MSRs(2)	**228**	(673)
Balance, December 31(3)	**$2,806**	$2,481

(1) Includes $2.2 billion of Excess Spread Certificates converted to MSRs on June 1, 2004.
(2) For 2005 and 2004, includes $291 million and $(210) million related to change in value attributed to SFAS 133 hedged MSRs and $63 million and $463 million of impairment.
(3) Net of impairment allowance of $257 million and $361 million for 2005 and 2004.

The estimated fair value of MSRs was $2.8 billion and $2.5 billion at December 31, 2005 and 2004.

The key economic assumptions used in valuations of MSRs include modeled prepayment rates and resultant expected weighted average lives of the MSRs and the option adjusted spread (OAS) levels. An OAS model runs multiple interest rate scenarios and projects prepayments specific to each one of those interest rate scenarios.

As of December 31, 2005, the modeled weighted average lives of MSRs related to fixed and adjustable rate loans (including hybrid ARMs) were 4.94 years and 3.03 years. A decrease of 10 and 20 percent in modeled prepayments would extend the expected weighted average lives for MSRs related to fixed rate loans to 5.26 years and 5.63 years, and would extend the expected weighted average lives for MSRs related to adjustable rate loans to 3.30 years and 3.63 years. The expected extension of weighted average lives would increase the value of MSRs by a range of $126 million to $269 million. An increase of 10 and 20 percent in modeled prepayments would reduce the expected weighted average lives for MSRs related to fixed rate loans to 4.65 years and 4.40 years, and would reduce the expected weighted average lives for MSRs related to adjustable rate loans to 2.81 years and 2.62 years. The expected reduction of weighted average lives would decrease the value of MSRs by a range of $112 million to $212 million. A decrease of 100 and 200 basis points (bps) in the OAS level would result in an increase in the value of MSRs ranging from $97 million to $202 million, and an increase of 100 and 200 bps in the OAS level would result in a decrease in the value of MSRs ranging from $90 million to $175 million.

For purposes of evaluating and measuring impairment, the Corporation stratifies the portfolio based on the predominant risk characteristics of loan type and note rate. Indicated impairment, by risk stratification, is recognized as a reduction in Mortgage Banking Income, through a valuation allowance, for any excess of adjusted carrying value over estimated fair value.

Other Securitizations

As a result of the FleetBoston merger in 2004, the Corporation acquired an interest in several credit card, home equity loan and commercial loan securitization vehicles, which had aggregate debt securities outstanding of $4.1 billion as of December 31, 2005.

At December 31, 2005 and 2004, the Corporation retained investment grade securities of $4.4 billion (including $2.6 billion issued in 2005) and $2.9 billion, which are valued using quoted market prices, in the AFS securities portfolio. At December 31, 2005 there were no recognized servicing assets associated with these securitization transactions.

The Corporation has provided protection on a subset of one consumer finance securitization in the form of a guarantee with a maximum payment of $220 million that will only be paid if over-collateralization is not sufficient to absorb losses and certain other conditions are met. The Corporation projects no payments will be due over the remaining life of the contract, which is less than one year.

Key economic assumptions used in measuring the fair value of certain residual interests (included in Other Assets) in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are as follows:

	Credit Card[(1)]		Subprime Consumer Finance[(2)]		Automobile Loans		Commercial Loans	
(Dollars in millions)	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Carrying amount of residual interests (at fair value) [(3)]	**$ 203**	$ 349	**$ 290**	$ 313	**$ 93**	$ 34	**$ 92**	$ 130
Balance of unamortized securitized loans	**2,237**	6,903	**2,667**	4,892	**3,996**	1,644	**1,904**	3,337
Weighted average life to call or maturity (in years) [(4)]	**0.5**	1.2	**0.8**	1.3	**1.6**	1.4	**1.8**	1.8
Revolving structures—annual payment rate	**12.1%**	13.7%					**25.8%**	26.0%
Amortizing structures—annual constant prepayment rate:								
Fixed rate loans			**26.3-28.9%**	28.3-32.7%	**17.6-25.5%**	24.9%		
Adjustable rate loans			**37.6**	27.0-40.8	**—**	—		
Impact on fair value of 100 bps favorable change	**$ 2**	$ 1	**$ —**	$ 1	**$ —**	$ —	**$ —**	$ 2
Impact on fair value of 200 bps favorable change	**3**	2	**—**	11	**1**	—	**1**	2
Impact on fair value of 100 bps adverse change	**(2)**	(1)	**(8)**	(9)	**(1)**	—	**—**	(1)
Impact on fair value of 200 bps adverse change	**(3)**	(2)	**(9)**	(17)	**(1)**	(1)	**(1)**	(1)
Expected credit losses[(5)]	**4.0-4.3%**	5.3-9.7%	**3.9-5.6%**	5.1-11.3%	**1.8-1.8%**	1.6%	**0.4%**	0.4%
Impact on fair value of 10% favorable change	**$ 3**	$ 18	**$ 7**	$ 27	**$ 7**	$ 3	**$ 1**	$ 1
Impact on fair value of 25% favorable change	**8**	47	**18**	71	**15**	6	**2**	2
Impact on fair value of 10% adverse change	**(3)**	(15)	**(7)**	(27)	**(6)**	(2)	**(1)**	(1)
Impact on fair value of 25% adverse change	**(8)**	(27)	**(18)**	(68)	**(15)**	(6)	**(2)**	(2)
Residual cash flows discount rate (annual rate)	**12.0%**	6.0-12.0%	**30.0%**	30.0%	**15.0-20.0%**	20.0%	**12.3%**	12.3%
Impact on fair value of 100 bps favorable change	**$ —**	$ —	**$ 5**	$ 6	**$ 3**	$ 1	**$ 1**	$ 1
Impact on fair value of 200 bps favorable change	**—**	—	**11**	12	**5**	1	**1**	2
Impact on fair value of 100 bps adverse change	**—**	—	**(5)**	(6)	**(2)**	(1)	**(1)**	(1)
Impact on fair value of 200 bps adverse change	**—**	—	**(10)**	(12)	**(5)**	(1)	**(1)**	(2)

(1) The impact of changing residual cash flows discount rates is immaterial.
(2) Subprime consumer finance includes subprime real estate loan securitizations, which are serviced by third parties.
(3) Residual interests include interest-only strips, one or more subordinated tranches, accrued interest receivable, and in some cases, a cash reserve account.
(4) Before any optional clean-up calls are executed, economic analysis will be performed.
(5) Annual rates of expected credit losses are presented for credit card, home equity lines and commercial securitizations. Cumulative lifetime rates of expected credit losses (incurred plus projected) are presented for subprime consumer finance securitizations and auto securitizations.

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 the retained interest 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.

Static pool net credit losses are considered in determining the value of retained interests. Static pool net credit losses include actual losses incurred plus projected credit losses divided by the original balance of each securitization pool. For auto loan securitizations, weighted average static pool net credit losses for securitizations entered into in 2005 were 1.77 percent for the year ended December 31, 2005. For securitizations entered into in 2004, the weighted average static pool net credit losses were 1.79 percent for the year ended December 31, 2005, and 1.63 percent for the year ended December 31, 2004. For the subprime consumer finance securitizations, weighted average static pool net credit losses for securitizations entered into in 2001 were 5.50 percent for the year ended December 31, 2005, and 5.93 percent for the year ended December 31, 2004. For securitizations entered into in 1999, the weighted average static pool net credit losses were 9.16 percent for the year ended December 31, 2005, and 12.22 percent for the year ended December 31, 2004.

Proceeds from collections reinvested in revolving credit card securitizations were $2.0 billion and $6.8 billion in 2005 and 2004. Credit card servicing fee income totaled $97 million and $134 million in 2005 and 2004. Other cash flows received on retained interests, such as cash flows from interest-only strips, were $206 million and $345 million in 2005 and 2004, for credit card securitizations. Proceeds from collections reinvested in revolving commercial loan securitizations were $8.7 billion and $7.5 billion in 2005 and 2004. Servicing fees and other cash flows received on retained interests, such as cash flows from interest-only strips, were $3 million and $34 million in 2005, and $4 million and $11 million in 2004 for commercial loan securitizations.

The Corporation 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 loans in revolving securitizations, which include credit cards, home equity lines and commercial loans. 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 corresponding reduction in Noninterest Income. Portfolio balances, delinquency and historical loss amounts of the managed loans and leases portfolio for 2005 and 2004 were as follows:

(Dollars in millions)	December 31, 2005 Total Principal Amount of Loans and Leases	December 31, 2005 Principal Amount of Accruing Loans and Leases Past Due 90 Days or More(1)	December 31, 2005 Principal Amount of Nonperforming Loans and Leases	December 31, 2004 (Restated) Total Principal Amount of Loans and Leases	December 31, 2004 (Restated) Principal Amount of Accruing Loans and Leases Past Due 90 Days or More(1)	December 31, 2004 (Restated) Principal Amount of Nonperforming Loans and Leases
Residential mortgage	$ 182,596	$ —	$ 570	$ 178,079	$ —	$ 554
Credit card	60,785	1,217	—	58,629	1,223	—
Home equity lines	62,553	3	117	50,756	3	66
Direct/Indirect consumer	45,490	75	37	40,513	58	33
Other consumer	6,725	15	61	7,439	23	85
Total consumer	358,149	1,310	785	335,416	1,307	738
Commercial—domestic	142,437	117	581	125,432	121	855
Commercial real estate	35,766	4	49	32,319	1	87
Commercial lease financing	20,705	15	62	21,115	14	266
Commercial—foreign	21,330	32	34	18,401	2	267
Total commercial	220,238	168	726	197,267	138	1,475
Total managed loans and leases	578,387	$ 1,478	$ 1,511	532,683	$ 1,445	$ 2,213
Loans in revolving securitizations	(4,596)			(10,870)		
Total held loans and leases	$ 573,791			$ 521,813		

(Dollars in millions)	Year Ended December 31, 2005 Average Loans and Leases Outstanding	Year Ended December 31, 2005 Loans and Leases Net Losses	Year Ended December 31, 2005 Net Loss Ratio(2)	Year Ended December 31, 2004 (Restated) Average Loans and Leases Outstanding	Year Ended December 31, 2004 (Restated) Loans and Leases Net Losses	Year Ended December 31, 2004 (Restated) Net Loss Ratio(2)
Residential mortgage	$ 173,773	$ 27	0.02%	$ 167,270	$ 36	0.02%
Credit card	59,048	4,086	6.92	50,296	2,829	5.62
Home equity lines	56,842	31	0.05	39,942	15	0.04
Direct/Indirect consumer	44,981	248	0.55	38,078	208	0.55
Other consumer	6,908	275	3.98	7,717	193	2.50
Total consumer	341,552	4,667	1.37	303,303	3,281	1.08
Commercial—domestic	130,870	157	0.12	117,422	184	0.16
Commercial real estate	34,304	—	—	28,085	(3)	(0.01)
Commercial lease financing	20,441	231	1.13	17,483	9	0.05
Commercial—foreign	18,491	(72)	(0.39)	16,505	173	1.05
Total commercial	204,106	316	0.16	179,495	363	0.20
Total managed loans and leases	545,658	$ 4,983	0.91%	482,798	$ 3,644	0.75%
Loans in revolving securitizations	(8,440)			(10,181)		
Total held loans and leases	$ 537,218			$ 472,617		

(1) Excludes consumer real estate loans, which are placed on nonperforming status at 90 days past due.
(2) The net loss ratio is calculated by dividing managed loans and leases net losses by average managed loans and leases outstanding for each loan and lease category.

Variable Interest Entities

At 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 AFS Securities, Other Assets, and Commercial Paper and Other Short-term Borrowings in *Global Corporate and Investment Banking.* As of December 31, 2005 and 2004, the Corporation held $6.6 billion and $7.7 billion of assets in these entities while the Corporation's maximum loss exposure associated with these entities including unfunded lending commitments was approximately $8.0 billion and $9.4 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 December 31, 2005 and 2004, the amount of assets of these entities was $750 million and $560 million, and the Corporation's maximum possible loss exposure was $212 million and $132 million.

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 December 31, 2005 and 2004 were approximately $32.5 billion and $32.9 billion. Revenues associated with administration, liquidity, letters of credit and other services were approximately $121 million and $154 million for the year ended December 31, 2005 and 2004. At December 31, 2005 and 2004, the Corporation's maximum loss exposure associated with these VIEs was approximately $26.7 billion and $25.0 billion, which is net of amounts syndicated.

Management does not believe losses resulting from its involvement with the entities discussed above will be material. See Note 1 of the Consolidated Financial Statements for additional discussion of special purpose financing entities.

Note 10—Goodwill and Other Intangibles

The following table presents allocated Goodwill at December 31, 2005 and 2004 for each business segment and*All Other*. The increases from December 31, 2004 were primarily due to the $65 million of goodwill adjustments related to National Processing, Inc. (NPC) and the acquisitions of Works, Inc., which added approximately $49 million to Goodwill.

	December 31	
(Dollars in millions)	**2005**	2004
Global Consumer and Small Business Banking	**$18,491**	$18,453
Global Corporate and Investment Banking	**21,292**	21,207
Global Wealth and Investment Management	**5,333**	5,338
All Other	**238**	264
Total	**$45,354**	$45,262

The gross carrying value and accumulated amortization related to core deposit intangibles and other intangibles at December 31, 2005 and 2004 are presented below:

	December 31			
	2005		2004	
(Dollars in millions)	**Gross Carrying Value**	**Accumulated Amortization**	Gross Carrying Value	Accumulated Amortization
Core deposit intangibles	**$ 3,661**	**$ 1,881**	$ 3,668	$ 1,354
Other intangibles	**2,353**	**939**	2,256	683
Total	**$ 6,014**	**$ 2,820**	$ 5,924	$ 2,037

As a result of the FleetBoston merger, the Corporation recorded $2.2 billion of core deposit intangibles, $660 million of purchased credit card relationship intangibles and $409 million of other customer relationship intangibles. The weighted average amortization period of these intangibles is approximately nine years. As a result of the acquisition of NPC during 2004, the Corporation allocated $479 million to other intangibles with a weighted average amortization period of approximately 10 years.

Amortization expense on core deposit intangibles and other intangibles was $809 million, $664 million and $217 million for 2005, 2004, and 2003, respectively. The increase for the year ended December 31, 2005 was primarily due to the impact of FleetBoston. The Corporation estimates that aggregate amortization expense will be $746 million, $599 million, $486 million, $385 million and $311 million for 2006, 2007, 2008, 2009 and 2010, respectively.

Note 11—Deposits

The Corporation had domestic certificates of deposit of $100 thousand or more totaling $47.0 billion and $56.2 billion at December 31, 2005 and 2004. The Corporation had other domestic time deposits of $100 thousand or more totaling $1.4 billion and $1.1 billion at December 31, 2005 and 2004. Foreign certificates of deposit and other foreign time deposits of $100 thousand or more totaled $38.8 billion and $28.6 billion at December 31, 2005 and 2004.

The following table presents the maturities of domestic and foreign certificates of deposit of $100 thousand or more, and of other domestic time deposits of $100 thousand or more at December 31, 2005.

(Dollars in millions)	Three months or less	Over three months to six months	Over six months to twelve months	Thereafter	Total
Domestic certificates of deposit of $100 thousand or more	$19,922	$ 12,271	$ 8,762	$ 6,023	$46,978
Domestic other time deposits of $100 thousand or more	99	113	205	991	1,408
Foreign certificates of deposit and other time deposits of $100 thousand or more	35,595	1,994	208	989	38,786

At December 31, 2005, the scheduled maturities for total time deposits were as follows:

(Dollars in millions)	Domestic	Foreign	Total
Due in 2006	$ 101,461	$ 60,733	$ 162,194
Due in 2007	12,103	100	12,203
Due in 2008	3,521	245	3,766
Due in 2009	2,650	26	2,676
Due in 2010	1,856	1	1,857
Thereafter	1,123	1,182	2,305
Total	**$122,714**	**$62,287**	**$185,001**

Note 12—Short-term Borrowings and Long-term Debt

Short-term Borrowings

Bank of America Corporation and certain other subsidiaries issue commercial paper in order to meet short-term funding needs. Commercial paper outstanding at December 31, 2005 was $25.0 billion compared to $25.4 billion at December 31, 2004.

Bank of America, N.A. maintains a domestic program to offer up to a maximum of $60.0 billion, at any one time, of bank notes with fixed or floating rates and maturities of at least seven days from the date of issue. Short-term bank notes outstanding under this program totaled $22.5 billion at December 31, 2005 compared to $9.6 billion at December 31, 2004. These short-term bank notes, along with Treasury tax and loan notes, term federal funds purchased and commercial paper, are reflected in Commercial Paper and Other Short-term Borrowings on the Consolidated Balance Sheet.

Long-term Debt

The following table presents Long-term Debt at December 31, 2005 and 2004:

(Dollars in millions)	December 31 2005	December 31 2004 (Restated)
Notes issued by Bank of America Corporation[1]		
Senior notes:		
Fixed, ranging from 0.73% to 9.25%, due 2006 to 2043	**$ 36,357**	34,218
Floating, ranging from 0.20% to 6.41%, due 2006 to 2041	**19,050**	15,452
Subordinated notes:		
Fixed, ranging from 3.95% to 10.20%, due 2006 to 2037	**20,596**	22,688
Floating, 4.29%, due 2019	**10**	10
Junior subordinated notes (related to trust preferred securities):		
Fixed, ranging from 5.25% to 11.45%, due 2026 to 2035	**10,337**	7,582
Floating, ranging from 4.87% to 5.54%, due 2027 to 2033	**1,922**	1,957
Total notes issued by Bank of America Corporation	**88,272**	81,907
Notes issued by Bank of America, N.A. and other subsidiaries[1]		
Senior notes:		
Fixed, ranging from 0.93% to 17.20%, due 2006 to 2033	**1,096**	927
Floating, ranging from 1.00% to 5.49%, due 2006 to 2051	**4,985**	5,569
Subordinated notes:		
Fixed, ranging from 5.75% to 7.38%, due 2006 to 2009	**1,871**	2,186
Floating, 4.54%, due 2019	**8**	8
Total notes issued by Bank of America, N.A. and other subsidiaries	**7,960**	8,690
Notes issued by NB Holdings Corporation[1]		
Junior subordinated notes (related to trust preferred securities):		
Fixed, ranging from 7.95% to 8.06%, due 2026	**515**	515
Floating, 5.16%, due 2027	**258**	258
Total notes issued by NB Holdings Corporation	**773**	773
Other debt		
Advances from the Federal Home Loan Bank of Atlanta		
Fixed, ranging from 4.16% to 5.87%, due 2006 to 2007	**2,750**	2,750
Advances from the Federal Home Loan Bank of New York		
Fixed, ranging from 4.00% to 8.29%, due 2006 to 2016	**296**	638
Advances from the Federal Home Loan Bank of Seattle		
Fixed, ranging from 5.45% to 7.42%, due 2006 to 2031	**578**	2,081
Advances from the Federal Home Loan Bank of Boston		
Fixed, ranging from 1.00% to 7.72%, due 2006 to 2025	**178**	230
Other	**41**	47
Total other debt	**3,843**	5,746
Total long-term debt	**$ 100,848**	$ 97,116

(1) Rates and maturity dates reflect outstanding debt at December 31, 2005.

The majority of the floating rates are based on three- and six-month London InterBank Offered Rates (LIBOR). Bank of America Corporation and Bank of America, N.A. maintain various domestic and international debt programs to offer both senior and subordinated notes. The notes may be denominated in U.S. dollars or foreign currencies. At December 31, 2005 and 2004, the amount of foreign currency denominated debt translated into U.S. dollars included in total long-term debt was $23.1 billion and $16.2 billion. Foreign currency contracts are used to convert certain foreign currency denominated debt into U.S. dollars.

At December 31, 2005 and 2004, Bank of America Corporation was authorized to issue approximately $27.0 billion and $37.1 billion of additional corporate debt and other securities under its existing shelf registration statements. At December 31, 2005 and 2004, Bank of America, N.A. was authorized to issue approximately $9.5 billion and $27.2 billion of bank notes and Euro medium-term notes.

The weighted average effective interest rates for total long-term debt, total fixed-rate debt and total floating-rate debt (based on the rates in effect at December 31, 2005) were 5.22 percent, 5.53 percent and 4.31 percent, respectively, at December 31, 2005 and (based on the rates in effect at December 31, 2004) were 4.97 percent, 5.64 percent and 2.69 percent, respectively, at December 31, 2004. These obligations were denominated primarily in U.S. dollars.

Aggregate annual maturities of long-term debt obligations (based on final maturity dates) at December 31, 2005 are as follows:

(Dollars in millions)	2006	2007	2008	2009	2010	Thereafter	Total
Bank of America Corporation	$ 6,834	$ 5,250	$ 13,998	$ 8,222	$ 11,442	$ 42,526	$ 88,272
Bank of America, N.A. and other subsidiaries	1,615	1,839	2,345	718	50	1,393	7,960
NB Holdings Corporation	—	—	—	—	—	773	773
Other	2,739	562	71	20	237	214	3,843
Total	**$ 11,188**	**$ 7,651**	**$ 16,414**	**$ 8,960**	**$ 11,729**	**$ 44,906**	**$ 100,848**

Trust Preferred Securities

Trust preferred securities (Trust Securities) are issued by the trust companies (the Trusts) that were deconsolidated by the Corporation as a result of the adoption of FIN 46R. These Trust Securities are mandatorily redeemable preferred security obligations of the Trusts. The sole assets of the Trusts are Junior Subordinated Deferrable Interest Notes of the Corporation (the Notes). The Trusts are 100 percent owned finance subsidiaries of the Corporation. Obligations associated with these securities are included in junior subordinated notes related to Trust Securities in the Long-term Debt table on the previous page. See Note 15 of the Consolidated Financial Statements for a discussion regarding the treatment for regulatory capital purposes of the Trust Securities.

At December 31, 2005, the Corporation had 32 Trusts which have issued Trust Securities to the public. Certain of the Trust Securities were issued at a discount and may be redeemed prior to maturity at the option of the Corporation. The Trusts have invested the proceeds of such Trust Securities in the Notes. Each issue of the Notes has an interest rate equal to the corresponding Trust Securities distribution rate. The Corporation has the right to defer payment of interest on the Notes at any time or from time to time for a period not exceeding five years provided that no extension period may extend beyond the stated maturity of the relevant Notes. During any such extension period, distributions on the Trust Securities will also be deferred, and the Corporation's ability to pay dividends on its common and preferred stock will be restricted.

The Trust Securities are subject to mandatory redemption upon repayment of the related Notes at their stated maturity dates or their earlier redemption at a redemption price equal to their liquidation amount plus accrued distributions to the date fixed for redemption and the premium, if any, paid by the Corporation upon concurrent repayment of the related Notes.

Periodic cash payments and payments upon liquidation or redemption with respect to Trust Securities are guaranteed by the Corporation to the extent of funds held by the Trusts (the Preferred Securities Guarantee). The Preferred Securities Guarantee, when taken together with the Corporation's other obligations, including its obligations under the Notes, will constitute a full and unconditional guarantee, on a subordinated basis, by the Corporation of payments due on the Trust Securities.

The following table is a summary of the outstanding Trust Securities and the Notes at December 31, 2005 as originated by Bank of America Corporation and the predecessor banks.

(Dollars in millions)

Issuer	Issuance Date	Aggregate Principal Amount of Trust Securities	Aggregate Principal Amount of the Notes	Stated Maturity of the Notes	Per Annum Interest Rate of the Notes	Interest Payment Dates	Redemption Period
Bank of America							
Capital Trust I	December 2001	$ 575	**$ 593**	December 2031	7.00%	3/15,6/15,9/15,12/15	On or after 12/15/06
Capital Trust II	January 2002	900	**928**	February 2032	7.00	2/1, 5/1,8/1,11/1	On or after 2/01/07
Capital Trust III	August 2002	500	**516**	August 2032	7.00	2/15, 5/15,8/15,11/15	On or after 8/15/07
Capital Trust IV	April 2003	375	**387**	May 2033	5.88	2/1, 5/1,8/1,11/1	On or after 5/01/08
Capital Trust V	November 2004	518	**534**	November 2034	6.00	2/3, 5/3,8/3,11/3	On or after 11/03/09
Capital Trust VI	February 2005	1,000	**1,031**	March 2035	5.63	3/8,9/8	Any time
Capital Trust VII	August 2005	1,461	**1,507**	August 2035	5.25	2/10,8/10	Any time
Capital Trust VIII	August 2005	530	**546**	August 2035	6.00	2/25,5/25,8/25,11/25	On or after 8/25/10
NationsBank							
Capital Trust II	December 1996	365	**376**	December 2026	7.83	6/15,12/15	On or after 12/15/06
Capital Trust III	February 1997	494	**509**	January 2027	3-mo. LIBOR +55 bps	1/15,4/15,7/15,10/15	On or after 1/15/07
Capital Trust IV	April 1997	498	**513**	April 2027	8.25	4/15,10/15	On or after 4/15/07
BankAmerica							
Institutional Capital A	November 1996	450	**464**	December 2026	8.07	6/30,12/31	On or after 12/31/06
Institutional Capital B	November 1996	300	**309**	December 2026	7.70	6/30,12/31	On or after 12/31/06
Capital II	December 1996	450	**464**	December 2026	8.00	6/15,12/15	On or after 12/15/06
Capital III	January 1997	400	**412**	January 2027	3-mo. LIBOR +57 bps	1/15,4/15, 7/15,10/15	On or after 1/15/02
Barnett							
Capital I	November 1996	300	**309**	December 2026	8.06	6/1,12/1	On or after 12/01/06
Capital II	December 1996	200	**206**	December 2026	7.95	6/1,12/1	On or after 12/01/06
Capital III	January 1997	250	**258**	February 2027	3-mo. LIBOR +62.5 bps	2/1,5/1,8/1,11/1	On or after 2/01/07
Fleet							
Capital Trust II	December 1996	250	**258**	December 2026	7.92	6/15,12/15	On or after 12/15/06
Capital Trust V	December 1998	250	**258**	December 2028	3-mo. LIBOR +100 bps	3/18, 6/18,9/18, 12/18	On or after 12/18/03
Capital Trust VII	September 2001	500	**515**	December 2031	7.20	3/15, 6/15,9/15, 12/15	On or after 9/17/06
Capital Trust VIII	March 2002	534	**551**	March 2032	7.20	3/15, 6/15,9/15,12/15	On or after 3/08/07
Capital Trust IX	July 2003	175	**180**	August 2033	6.00	2/1, 5/1,8/1,11/1	On or after 7/31/08
BankBoston							
Capital Trust I	November 1996	250	**258**	December 2026	8.25	6/15,12/15	On or after 12/15/06
Capital Trust II	December 1996	250	**258**	December 2026	7.75	6/15,12/15	On or after 12/15/06
Capital Trust III	June 1997	250	**258**	June 2027	3-mo. LIBOR +75 bps	3/15, 6/15,9/15,12/15	On or after 6/15/07
Capital Trust IV	June 1998	250	**258**	June 2028	3-mo. LIBOR +60 bps	3/8, 6/8,9/8,12/8	On or after 6/08/03
Summit							
Capital Trust I	March 1997	150	**155**	March 2027	8.40	3/15,9/15	On or after 3/15/07
Progress							
Capital Trust I	June 1997	9	**9**	June 2027	10.50	6/1,12/1	On or after 6/01/07
Capital Trust II	July 2000	6	**6**	July 2030	11.45	1/19,7/19	On or after 7/19/10
Capital Trust III	November 2002	10	**10**	November 2032	3-mo. LIBOR +33.5 bps	2/15,5/15,8/15,11/15	On or after 11/15/07
Capital Trust IV	December 2002	5	**5**	January 2033	3-mo. LIBOR +33.5 bps	1/7, 4/7,7/7,10/7	On or after 1/07/08
Total		$ 12,455	**$ 12,841**				

Note 13—Commitments and Contingencies

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those instruments recorded on the Corporation's Consolidated Balance Sheet.

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, SBLCs and commercial letters of credit to meet the financing needs of its customers. The outstanding unfunded lending commitments shown in the following table have been reduced by amounts participated to other financial institutions of $30.4 billion and $23.4 billion at December 31, 2005 and 2004. The carrying amount for these commitments, which represents the liability recorded related to these instruments, at December 31, 2005 and 2004 was $458 million and $520 million. At December 31, 2005, the carrying amount included deferred revenue of $63 million and a reserve for unfunded lending commitments of $395 million. At December 31, 2004, the carrying amount included deferred revenue of $118 million and a reserve for unfunded lending commitments of $402 million.

	December 31	
(Dollars in millions)	**2005**	2004
Loan commitments[1]	**$277,757**	$ 245,042
Home equity lines of credit	**78,626**	60,128
Standby letters of credit and financial guarantees	**43,095**	42,850
Commercial letters of credit	**5,154**	5,653
Legally binding commitments	**404,632**	353,673
Credit card lines	**192,968**	165,694
Total	**$597,600**	$ 519,367

(1) At December 31, 2005 and 2004, there were equity commitments of $1.4 billion and $2.0 billion, related to obligations to further fund Principal Investing equity investments.

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.

The Corporation issues SBLCs and financial guarantees to support the obligations of its customers to beneficiaries. Additionally, in many cases, the Corporation holds collateral in various forms against these SBLCs. As part of its risk management activities, the Corporation continuously monitors the creditworthiness of the customer as well as SBLC exposure; however, if the customer fails to perform the specified obligation to the beneficiary, the beneficiary may draw upon the SBLC by presenting documents that are in compliance with the letter of credit terms. In that event, the Corporation either repays the money borrowed or advanced, makes payment on account of the indebtedness of the customer or makes payment on account of the default by the customer in the performance of an obligation to the beneficiary up to the full notional amount of the SBLC. The customer is obligated to reimburse the Corporation for any such payment. If the customer fails to pay, the Corporation would, as contractually permitted, liquidate collateral and/or set off accounts.

Commercial letters of credit, issued primarily to facilitate customer trade finance activities, are usually collateralized by the underlying goods being shipped to the customer and are generally short-term. Credit card lines are unsecured commitments that are not legally binding. Management reviews credit card lines at least annually, and upon evaluation of the customers' creditworthiness, the Corporation has the right to terminate or change certain terms of the credit card lines.

The Corporation uses various techniques to manage risk associated with these types of instruments that include obtaining collateral and/or adjusting commitment amounts based on the borrower's financial condition; therefore, the total commitment amount does not necessarily represent the actual risk of loss or future cash requirements. For each of these types of instruments, the Corporation's maximum exposure to credit loss is represented by the contractual amount of these instruments.

Other Commitments

At December 31, 2005 and 2004, charge cards (nonrevolving card lines) to individuals and government entities guaranteed by the U.S. government in the amount of $9.4 billion and $10.9 billion were not included in credit card line commitments in the previous table. The outstanding balances related to these charge cards were $171 million and $205 million at December 31, 2005 and 2004.

At December 31, 2005, the Corporation had whole mortgage loan purchase commitments of $4.0 billion, all of which will settle in the first quarter of 2006. At December 31, 2004, the Corporation had whole mortgage loan purchase commitments of $3.3 billion, all of which settled in the first quarter of 2005. At December 31, 2005 and 2004, the Corporation had no forward whole mortgage loan sale commitments.

The Corporation has entered into operating leases for certain of its premises and equipment. Commitments under these leases approximate $1.3 billion in 2006, $1.1 billion in 2007, $1.1 billion in 2008, $799 million in 2009, $650 million in 2010 and $3.5 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. In 2005, the Corporation purchased $5.0 billion of such loans and at December 31, 2005, the remaining commitment amount was $47.0 billion. Under the agreement, the Corporation is committed to purchase up to $7.0 billion of such loans for the period January 1, 2006 through June 30, 2006 and up to $10.0 billion in each of the agreement's next four fiscal years.

Other Guarantees

The Corporation sells products that offer book value protection primarily to plan sponsors of Employee Retirement Income Security Act of 1974 (ERISA) governed pension plans, such as 401(k) plans and 457 plans. The book value protection is provided on portfolios of intermediate/short-term investment grade fixed income securities and is intended to cover any shortfall in the event that plan participants withdraw funds when market value is below book value. The Corporation retains the option to exit the contract at any time. If the Corporation exercises its option, the purchaser can require the Corporation to purchase zero coupon bonds with the proceeds of the liquidated assets to assure the return of principal. To manage its exposure, the Corporation imposes significant restrictions and constraints on the timing of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed, and the investment parameters of the underlying portfolio. These constraints, combined with structural protections, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are booked as derivatives and marked to market in the trading portfolio. At December 31, 2005 and 2004, the notional amount of these guarantees totaled $34.0 billion and $26.3 billion with estimated maturity dates between 2006 and 2035. As of December 31, 2005 and 2004, the Corporation has not made a payment under these products, and management believes that the probability of payments under these guarantees is remote.

The Corporation also sells products that guarantee the return of principal to investors at a preset future date. These guarantees cover a broad range of underlying asset classes and are designed to cover the shortfall between the market value of the underlying portfolio and the principal amount on the preset future date. To manage its exposure, the Corporation requires that these guarantees be backed by structural and investment constraints and certain pre-defined triggers that would require the underlying assets or portfolio to be liquidated and invested in zero-coupon bonds that mature at the preset future date. The Corporation is required to fund any shortfall at the preset future date between the proceeds of the liquidated assets and the purchase price of the zero-coupon bonds. These guarantees are booked as derivatives and marked to market in the trading portfolio. At December 31, 2005 and 2004, the notional amount of these guarantees totaled $6.5 billion and $8.1 billion. These guarantees have various maturities ranging from 2006 to 2016. At December 31, 2005 and 2004, the Corporation had not made a payment under these products, and management believes that the probability of payments under these guarantees is remote.

The Corporation also has written put options on highly rated fixed income securities. Its obligation under these agreements is to buy back the assets at predetermined contractual yields in the event of a severe market disruption in the short-term funding market. These agreements have various maturities ranging from two to seven years, and the pre-determined yields are based on the quality of the assets and the structural elements pertaining to the market disruption. The notional amount of these put options was $803 million and $653 million at December 31, 2005 and 2004. Due to the high quality of the assets and various structural protections, management believes that the probability of incurring a loss under these agreements is remote.

In the ordinary course of business, the Corporation enters into various agreements that contain indemnifications, such as tax indemnifications, whereupon payment may become due if certain external events occur, such as a change in tax law. These agreements typically contain an early termination clause that permits the Corporation to exit the agreement upon these events. The maximum potential future payment under indemnification agreements is difficult to assess for several reasons, including the inability to predict future changes in tax and other laws, the difficulty in determining how such laws would apply to parties in contracts, the absence of exposure limits contained in standard contract language and the timing of the early termination clause. Historically, any payments made under these guarantees have been de minimis. Management has assessed the probability of making such payments in the future as remote.

The Corporation has entered into additional guarantee agreements, including lease end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately $1.8 billion and $2.1 billion at December 31, 2005 and 2004. The estimated maturity dates of these obligations are between 2006 and 2033. The Corporation has made no material payments under these 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. In 2005 and 2004, the Corporation processed $352.9 billion and $143.1 billion of transactions and recorded losses as a result of these chargebacks of $13 million and $6 million.

At December 31, 2005 and 2004, the Corporation held as collateral approximately $248 million and $203 million of merchant escrow deposits which the Corporation has the right to set off 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 December 31, 2005 and 2004, the maximum potential exposure totaled approximately $118.2 billion and $93.4 billion.

Within the Corporation's brokerage business, the Corporation has contracted with a third party to provide clearing services that include underwriting margin loans to the Corporation's clients. This contract stipulates that the Corporation will indemnify the third party for any margin loan losses that occur in their issuing margin to the Corporation's clients. The maximum potential future payment under this indemnification was $1.1 billion and $1.2 billion at December 31, 2005 and 2004. Historically, any payments made under this indemnification have been immaterial. As these margin loans are highly collateralized by the securities held by the brokerage clients, the Corporation has assessed the probability of making such payments in the future as remote. This indemnification would end with the termination of the clearing contract.

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.

Litigation and Regulatory Matters

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to many pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. Certain of these actions and proceedings are based on alleged violations of consumer protection, securities, environmental, banking, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries.

In the ordinary course of business, the Corporation and its subsidiaries are also subject to regulatory examinations, information gathering requests, inquiries and investigations. Certain subsidiaries of the Corporation are registered broker/dealers or investment advisors and are subject to regulation by the SEC, the National Association of Securities Dealers, the New York Stock Exchange and state securities regulators. In connection with formal and informal inquiries by those agencies, such subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek very large or indeterminate damages or where the cases present novel legal theories or involve a large number of parties, the Corporation cannot state with confidence what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with SFAS No. 5, “Accounting for Contingencies”, the Corporation establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, the Corporation does not establish reserves. In some of the matters described below, including but not limited to the Parmalat Finanziaria, S.p.A. matter, loss contingencies are not both probable and estimable in the view of management, and, accordingly, reserves have not been established for those matters. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending litigation and regulatory matters, including the litigation and regulatory matters described below, will have a material adverse effect on the consolidated financial position or liquidity of the Corporation, but may be material to the Corporation’s operating results for any particular reporting period.

Adelphia Communications Corporation (Adelphia)

Bank of America, N.A. (BANA) and Banc of America Securities LLC (BAS) are defendants, among other defendants, in a putative class action and individual civil actions relating to Adelphia. The first of these actions was filed in June 2002; these actions have been consolidated for pre-trial purposes in the U.S. District Court for the Southern District of New York. BAS was a member of seven underwriting syndicates of securities issued by Adelphia, and BANA was an agent and/or lender in connection with five credit facilities in which Adelphia subsidiaries were borrowers. Fleet National Bank (FNB) and Fleet Securities, Inc. (FSI) are also named as defendants in certain of the actions. FSI was a member of three underwriting syndicates of securities issued by Adelphia, and FNB was a lender in connection with four credit facilities in which Adelphia subsidiaries were borrowers. The complaints allege claims under the Securities Act of 1933, the Securities Exchange Act of 1934, and various state law theories. The complaints seek damages of unspecified amounts.

The court has granted the motions of BANA, BAS and other bank defendants to dismiss certain class plaintiffs’ claims on statute of limitations grounds. The court permitted plaintiffs who purchased bonds in a 2001 $750 million bond offering, of which BAS underwrote fifty percent, to assert claims against BAS relating to that offering and certain other offerings made under the same registration statement. The court has also granted in part and denied in part defendants’ motions to dismiss certain of the individual actions. Other motions to dismiss the class action and certain of the individual actions remain pending.

BANA, BAS, FNB, and FSI are also defendants in an adversary proceeding brought by the Official Committee of Unsecured Creditors on behalf of Adelphia and Adelphia as co-plaintiffs that had been pending in the U.S. Bankruptcy Court for the Southern District of New York. The lawsuit names over 400 defendants and asserts over 50 claims under federal statutes, including the Bank Holding Company Act, state common law, and various provisions of the Bankruptcy Code. The plaintiffs seek avoidance and recovery of payments, equitable subordination, disallowance and re-characterization of claims, and recovery of damages in an unspecified amount. The Official Committee of Equity Security Holders of Adelphia has intervened in this proceeding and filed its own complaint, which is similar to the unsecured creditors’ committee complaint and also asserts claims under RICO and additional state law theories. BANA, BAS and FSI have filed motions to dismiss both complaints. On February 9, 2006, the U.S. District Court for the Southern District of New York overseeing the Adelphia securities litigation granted the motions of the adversary defendants to withdraw the adversary proceeding from the bankruptcy court, except with respect to the pending motions to dismiss.

Data Treasury

The Corporation and BANA have been named as defendants in an action filed by Data Treasury Corporation in the U.S. District Court for the Eastern District of Texas. Plaintiff alleges that defendants have “provided, sold, installed, utilized, and assisted others to use and utilize image-based banking and archival solutions” in a manner that infringes United States Patent Nos. 5,910,988 and 6,032,137. Plaintiff seeks unspecified damages and injunctive relief against the alleged infringement. The court has scheduled a trial of this action for October 2, 2007.

The Corporation and BANA have been named as defendants, along with 54 other defendants, in an action filed by Data Treasury Corporation in the U.S. District Court for the Eastern District of Texas. Plaintiff alleges that the Corporation and BANA, among other defendants, are “making, using, selling, offering for sale, and/or importing into the United States, directly, contributory, and/or by inducement, without authority, products and services that fall within the scope of the claims of” United States Patent Nos. 5,265,007; 5,583,759; 5,717,868; and 5,930,778. Plaintiff seeks unspecified damages and injunctive relief against the alleged infringement.

In re Initial Public Offering Securities

Beginning in 2001, Robertson Stephens, Inc. (an investment banking subsidiary of FleetBoston that ceased operations during 2002), BAS, other underwriters, and various issuers and others, were named as defendants in purported class action lawsuits alleging violations of federal securities laws in connection with the underwriting of initial public offerings (IPOs) and seeking unspecified damages. Robertson Stephens, Inc. and BAS were named in certain of the 309 purported class actions that have been consolidated in the U.S. District Court for the Southern District of New York as *In re Initial Public Offering Securities Litigation.* The plaintiffs contend that the defendants failed to make certain required disclosures and manipulated prices of IPO securities through, among other things, alleged agreements with institutional investors receiving allocations to purchase additional shares in the aftermarket, and false and misleading analyst reports. On October 13, 2004, the court granted in part and denied in part plaintiffs' motions to certify as class actions six of the 309 cases. On June 30, 2005, the U.S. Court of Appeals for the Second Circuit granted the underwriter defendants' petition for permission to appeal the court's class certification order. The appeal is pending.

The plaintiffs have reached a settlement with 298 of the issuer defendants, in which the issuer defendants guaranteed that the plaintiffs will receive at least $1.0 billion in the settled actions and assigned to the plaintiffs the issuers' interest in all claims against the underwriters for "excess compensation." On February 15, 2005, the U.S. District Court for the Southern District of New York conditionally approved the issuer defendants' settlement. A fairness hearing is scheduled for April 24, 2006.

Robertson Stephens, Inc. and other underwriters also have been named as defendants in putative class action lawsuits filed in the U.S. District Court for the Southern District of New York under the federal antitrust laws alleging that the underwriters conspired to manipulate the aftermarkets for IPO securities and to extract anticompetitive fees in connection with IPOs. The complaint seeks declaratory relief and unspecified treble damages. On September 28, 2005, the Court of Appeals for the Second Circuit reversed the district court's dismissal of the antitrust class actions, remanding the cases to the district court for further proceedings. The defendants have filed a petition for certiorari with the United States Supreme Court, which is pending.

Interchange Anti-trust Litigation

The Corporation and certain of its subsidiaries are defendants in putative class actions that have been transferred for coordinated pre-trial proceedings to the U.S. District Court for the Eastern District of New York, under the caption *In Re Payment Card Interchange Fee and Merchant Discount Anti-Trust Litigation.* Defendants include other financial institutions and, among others, Visa and MasterCard. Plaintiffs seek certification of a class of retail merchants and allege, among other claims, that defendants conspired to fix the level of interchange and merchant discount fees and that certain practices that prohibit merchants from charging cardholders for fees the merchant pays to the credit card companies violate the federal antitrust laws. Plaintiffs seek unspecified treble damages and injunctive relief.

Miller

On August 13, 1998, a predecessor of BANA was named as a defendant in a class action filed in Superior Court of California, County of San Francisco, entitled *Paul J. Miller v. Bank of America, N.A.,* challenging its practice of debiting accounts that received, by direct deposit, governmental benefits to repay fees incurred in those accounts. The action alleges fraud, negligent misrepresentation and violations of certain California laws. On October 16, 2001, a class was certified consisting of more than one million California residents who have, had or will have, at any time after August 13, 1994, a deposit account with BANA into which payments of public benefits are or have been directly deposited by the government. The case proceeded to trial on January 20, 2004.

On March 4, 2005, the trial court entered a judgment that awards the plaintiff class restitution in the amount of $284 million, plus attorneys' fees, and provides that class members whose accounts were assessed an insufficient funds fee in violation of law suffered substantial emotional or economic harm and, therefore, are entitled to an additional $1,000 penalty. The judgment also includes injunctive relief.

On May 13, 2005, BANA filed with the California Court of Appeal, First Appellate District, a notice of appeal and, on May 16, 2005, a writ of supersedeas, seeking a stay of the trial court's judgment pending appeal. On November 22, 2005, the Court of Appeal granted BANA's writ, staying the judgment, including the injunction, pending appeal. The appeal remains pending.

Mutual Fund Operations Matters

In early 2005, the Corporation entered into settlement agreements with the New York Attorney General and the SEC relating to late trading and market timing of mutual funds. The Corporation is continuing to respond to inquiries from federal and state regulatory and law enforcement agencies concerning mutual fund related matters.

In addition, lawsuits seeking unspecified damages concerning mutual fund trading were brought against the Corporation and its pre-merger FleetBoston subsidiaries, including putative class actions purportedly brought on behalf of shareholders in Nations Funds mutual funds, derivative actions brought on behalf of one or more Nations Funds mutual funds by Nations Funds shareholders, putative ERISA class actions brought on behalf of participants in Bank of America Corporation's 401(k) plan, derivative actions brought against the Corporation's directors on behalf of the Corporation by shareholders in the Corporation, class actions and derivative actions brought by shareholders in third-party mutual funds alleging that the Corporation or its subsidiaries facilitated improper trading in those funds, and a private attorney general action brought under California law. The lawsuits filed to date with respect to pre-merger FleetBoston subsidiaries include putative class actions purportedly brought on behalf of shareholders in Columbia mutual funds, derivative actions brought on behalf of one or more Columbia mutual funds or trusts by Columbia mutual fund shareholders, and an individual shareholder action.

All lawsuits pending in federal courts with respect to alleged late trading or market timing in mutual funds have been transferred to the U.S. District Court for the District of Maryland for coordinated pre-trial proceedings under the caption *In re Mutual Funds Investment Litigation*, other than a putative class action complaint filed on February 22, 2006 in the U.S. District Court for the Southern District of New York alleging, among other things, market timing in the Nations Funds. Motions to remand to state court remain pending in two of those lawsuits. One lawsuit that originated in state court was removed to the U.S. District Court for the Southern District of Illinois. Pursuant to an order of the U.S. Court of Appeals for the Seventh Circuit, the U.S. District Court for the Southern District of Illinois dismissed that action. On January 6, 2006, the U.S. Supreme Court granted plaintiff's petition for review on the issue of whether the Court of Appeals for the Seventh Circuit had appellate jurisdiction to review the remand order.

On August 25, 2005, the U.S. District Court for the District of Maryland dismissed the state law claims and derivative claims filed by Janus shareholders against the Corporation and certain of its subsidiaries. The claims under Section 10(b) of the Securities Exchange Act of 1934 were not dismissed. On November 3, 2005, the court dismissed the state law claims and derivative claims filed against the Corporation and certain of its subsidiaries by shareholders in various third-party mutual funds. The claims under Section 10(b) of the Securities Exchange Act of 1934 were not dismissed. Also on November 3, 2005, the court dismissed the claims under the Securities Act of 1933, the claims under Sections 34(b) and 36(a) of the Investment Company Act of 1940 (ICA) and the state law claims against the Corporation and certain of its pre-merger FleetBoston subsidiaries. The claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Section 36(b) of the ICA were not dismissed.

On December 15, 2005, the Corporation and its named subsidiaries entered into a settlement of the direct and derivative claims brought on behalf of the Nations Funds shareholders and the ERISA claims brought on behalf of Bank of America Corporation's 401(k) plan participants. Among other conditions, the settlement is contingent upon a minimum threshold amount being received by the Nations Funds shareholders and/or the Nations Funds mutual funds from the previously established regulatory settlement fund consisting of $250 million in disgorgement and $125 million in civil penalties paid by the Corporation in 2005. The settlement is subject to court approval. If the settlement is approved, the Corporation and its named subsidiaries would pay settlement administration costs and fees to plaintiffs' counsel as approved by the court.

Parmalat Finanziaria S.p.A.

On December 24, 2003, Parmalat Finanziaria S.p.A. was admitted into insolvency proceedings in Italy, known as "extraordinary administration." The Corporation, through certain of its subsidiaries, including BANA, provided financial services and extended credit to Parmalat and its related entities. On June 21, 2004, Extraordinary Commissioner Dr. Enrico Bondi filed with the Italian Ministry of Production Activities a plan of reorganization for the restructuring of the companies of the Parmalat group that are included in the Italian extraordinary administration proceeding.

In July 2004, the Italian Ministry of Production Activities approved the Extraordinary Commissioner's restructuring plan, as amended, for the Parmalat group companies that are included in the Italian extraordinary administration proceeding. This plan was approved by the voting creditors of Parmalat and subsequently, on October 1, 2005, the Court of Parma, Italy issued its decision approving those claimants who would be recognized as creditors in the proceeding.

Litigation and investigations relating to Parmalat are pending in both Italy and the United States, and the Corporation is responding to inquiries concerning Parmalat from regulatory and law enforcement authorities in Italy and the United States.

Proceedings in Italy

On May 26, 2004, the Public Prosecutor's Office for the Court of Milan, Italy filed criminal charges against Luca Sala, Luis Moncada, and Antonio Luzi, three former employees, alleging the crime of market manipulation in connection with a press release issued by Parmalat. The Public Prosecutor's Office also filed a related charge against the

Corporation asserting administrative liability based on an alleged failure to maintain an organizational model sufficient to prevent the alleged criminal activities of its former employees. Preliminary hearings began on this charge on February 22, 2006.

The main trial of the market manipulation charges against Messrs. Luzi, Moncada, and Sala began in the Court of Milan, Italy on September 28, 2005. Hearing dates in this trial are currently set through June 2006. The Corporation is participating in this trial as a party that has been damaged by the alleged actions of defendants other than its former employees, including former Parmalat officials. Additionally, pursuant to a December 19, 2005 court ruling, other third parties are participating in the trial who claim damages against BANA as a result of the alleged criminal violations of the Corporation's former employees and other defendants.

Separately, The Public Prosecutor's Office for the Court of Parma, Italy is conducting an investigation into the collapse of Parmalat. The Corporation has cooperated, and continues to cooperate, with The Public Prosecutor's Office with respect to this investigation. The Public Prosecutor's Office has given notice of its intention to file charges, including a charge of the crime of fraudulent bankruptcy under Italian criminal law, in connection with this investigation against the same three former employees of the Corporation who are named in the Milan criminal proceedings, Messrs. Luzi, Moncada and Sala.

Proceedings in the United States

On March 5, 2004, a First Amended Complaint was filed in a putative securities class action pending in the U.S. District Court for the Southern District of New York entitled *Southern Alaska Carpenters Pension Fund et al. v. Bonlat Financing Corporation et al.,* which names the Corporation as a defendant. The action is brought on behalf of a putative class of purchasers of Parmalat securities. The First Amended Complaint alleges causes of action against the Corporation for violations of the federal securities laws based upon the Corporation's alleged role in the alleged Parmalat accounting fraud. This action was consolidated with several other putative class actions filed against multiple defendants, and on October 18, 2004, an Amended Consolidated Complaint was filed. Unspecified damages are being sought. On July 13, 2005, the court granted in its entirety the motion to dismiss filed by the Corporation, BANA and Banc of America Securities Limited in the consolidated putative class actions. The court granted the plaintiffs a right to file a second amended complaint. After the filing of the second amended complaint and the Corporation's motion to dismiss such complaint, on February 9, 2006, the court granted the Corporation's motion to dismiss in part, allowing the plaintiff to proceed on claims with respect to two transactions entered into between the Corporation and Parmalat. On February 27, 2006, the Corporation filed its answer to the second amended complaint.

On October 7, 2004, Enrico Bondi filed an action in the U.S. District Court for the Western District of North Carolina on behalf of Parmalat and its shareholders and creditors against the Corporation and various related entities, entitled *Dr. Enrico Bondi, Extraordinary Commissioner of Parmalat Finanziaria, S.p.A., et al. v. Bank of America Corporation, et al.* (the Bondi Action). The complaint alleges federal and state RICO claims and various state law claims, including fraud. The complaint seeks damages in excess of $10.0 billion. The Bondi Action was transferred to the U.S. District Court for the Southern District of New York for coordinated pre-trial purposes with the putative class actions and other related cases against non-Bank of America defendants under the caption *In re Parmalat Securities Litigation*.

On August 5, 2005, the U.S. District Court for the Southern District of New York granted the Corporation's motion to dismiss the Bondi Action in part, dismissing ten of the twelve counts. After the plaintiff's filing of a First Amended Complaint on September 9, 2005, and the Corporation's motion to dismiss such complaint on January 31, 2006, the court granted the Corporation's motion to dismiss in part, allowing the plaintiff to proceed on the previously dismissed claims with respect to three transactions entered into between the Corporation and Parmalat. On February 10, 2006, the Corporation filed its answer to the First Amended Complaint and also its request to file counterclaims in the Bondi Action.

On November 23, 2005, the Official Liquidators of Food Holdings Limited and Dairy Holdings Limited, two entities in liquidation proceedings in the Cayman Islands, filed a complaint in the U.S. District Court for the Southern District of New York against the Corporation and several related entities, entitled *Food Holdings Ltd, et al. v. Bank of America Corp., et al.* (the Food Holdings Action). The complaint in the Food Holdings Action alleges that the Corporation and other defendants conspired with Parmalat in carrying out transactions involving the plaintiffs in connection with the funding of Parmalat's Brazilian entities, and it asserts claims for fraud, negligent misrepresentation, breach of fiduciary duty and other related claims. The complaint seeks damages in excess of $400 million. The Food Holdings Action was consolidated for pretrial purposes with the other pending actions in the *In Re Parmalat Securities Litigation* matter.

On November 23, 2005, the Provisional Liquidators of Parmalat Capital Finance Limited (PCFL) (who are also the Official Liquidators of Food Holdings Ltd. and Dairy Holdings Ltd.) filed a complaint against the Corporation and several related entities in North Carolina state court for Mecklenburg County, entitled *Parmalat Capital Finance Limited v. Bank of America Corp., et al.* (the PCFL Action). PCFL is a Cayman Islands corporation that is in liquidation proceedings in Grand Cayman. The PCFL Action alleges that the Corporation and other defendants conspired with Parmalat insiders to loot and divert monies from PCFL, and it asserts claims for breach of fiduciary duty, aiding and abetting breach of fiduciary duty and other related claims. PCFL asserts that it lost hundreds of millions of dollars as a direct result of the Corporation's activities. The Corporation has filed a notice of removal to the U.S. District Court for the Western District of North Carolina. The PCFL Action has been transferred to the U.S. District Court for the Southern District of New York for coordinated pre-trial purposes with the other Parmalat-related proceedings.

On December 15, 2005, certain purchasers of Parmalat-related private placement offerings filed first amended petitions against the Corporation and various related entities in state courts in Iowa, entitled *Principal Global Investors, LLC, et al. v. Bank of America Corporation, et al. (Principal Global Investors)* and *Monumental Life Insurance Company, et al. v. Bank of America Corporation, et al. (Monumental Life Insurance Company).* The actions allege violations of Iowa state securities law and various state law claims, and seek rescission and unspecified damages based upon the Corporation's and related entities' alleged roles in certain private placement offerings issued by Parmalat-related companies. On January 4 and 5, 2006, respectively, the Principal Global Investors case was removed to the U.S. District Court for the Southern District of Iowa, and the Monumental Life Insurance Company case was removed to the U.S. District Court for the Northern District of Iowa. On February 13, 2006, the Corporation filed its answers to each of these complaints. On February 15, 2006, these cases were consolidated for pretrial purposes with the *In Re Parmalat Securities Litigation* matter.

On January 18, 2006, Gerald K. Smith, in his capacity as Trustee of Farmland Dairies LLC Litigation Trust, filed a complaint against the Corporation, BANA, BAS, BASL, Bank of America National Trust & Savings Association and BankAmerica International Limited, as well as other financial institutions and accounting firms, in the U.S. District Court for the Southern District of New York, entitled *Gerald K. Smith, Litigation Trustee v. Bank of America Corporation, et al.* (the "Farmland Action"). Prior to bankruptcy restructuring, Farmland Dairies LLC was a wholly-owned subsidiary of Parmalat USA Corporation, which was a wholly-owned subsidiary of Parmalat SpA. The Farmland Action asserts claims of aiding and abetting, breach of fiduciary duty, civil conspiracy and related claims against the Bank of America defendants and other defendants. The plaintiff seeks unspecified damages. On February 23, 2006, the plaintiff filed its first amended complaint.

Pension Plan Matters

The Corporation is a defendant in a putative class action entitled *William L. Pender, et al. v. Bank of America Corporation, et al.* (formerly captioned *Anita Pothier, et al. v. Bank of America Corporation, et al.*), which was initially filed June 2004 in the U.S. District Court for the Southern District of Illinois and subsequently transferred to the U.S. District Court for the Western District of North Carolina. The action is brought on behalf of participants in or beneficiaries of The Bank of America Pension Plan (formerly known as the NationsBank Cash Balance Plan) and The Bank of America 401(k) Plan (formerly known as the NationsBank 401(k) Plan). The Third Amended Complaint names as defendants the Corporation, BANA, The Bank of America Pension Plan, The Bank of America 401(k) Plan, the Bank of America Corporation Corporate Benefits Committee and various members thereof, and PricewaterhouseCoopers LLP. The two named plaintiffs are alleged to be a current and a former participant in The Bank of America Pension Plan and 401(k) Plan.

The Third Amended Complaint alleges the defendants violated various provisions of ERISA, including that the design of The Bank of America Pension Plan violated ERISA's defined benefit pension plan standards and that such plan's definition of normal retirement age is invalid. In addition, the complaint alleges age discrimination in the design and operation of The Bank of America Pension Plan, unlawful lump sum benefit calculation, violation of ERISA's "anti-backloading" rule, improper benefit to the Corporation and its predecessor, and various prohibited transactions and fiduciary breaches. The complaint further alleges that certain voluntary transfers of assets by participants in The Bank of America 401(k) Plan to The Bank of America Pension Plan violated ERISA.

The complaint alleges that current and former participants in these plans are entitled to greater benefits and seeks declaratory relief, monetary relief in an unspecified amount, equitable relief, including an order reforming The Bank of America Pension Plan, attorneys' fees and interest.

The court has scheduled the case for trial in September 2006. On September 25, 2005, defendants moved to dismiss the Third Amended Complaint. The motion is pending.

On December 1, 2005, the named plaintiffs moved to certify classes consisting of, among others, (1) all persons who accrued or who are currently accruing benefits under The Bank of America Pension Plan and (2) all persons who elected to have amounts representing their account balances under The Bank of America 401(k) Plan transferred to The Bank of America Pension Plan. The motion for class certification is pending.

The IRS is conducting an audit of the 1998 and 1999 tax returns of The Bank of America Pension Plan and The Bank of America 401(k) Plan. This audit includes a review of voluntary transfers by participants of 401(k) Plan assets to The Bank of America Pension Plan and whether such transfers were in accordance with applicable law. In December 2005, the Corporation received a Technical Advice Memorandum from the National Office of the IRS that concludes that the amendments made to The Bank of America 401(k) Plan in 1998 to permit the voluntary transfers to The Bank of America Pension Plan violated the anti-cutback rule of Section 411(d)(6) of the Internal Revenue Code. The Corporation continues to participate in administrative proceedings with the IRS regarding issues raised in the audit.

On September 29, 2004, a separate putative class action, entitled *Donna C. Richards v. FleetBoston Financial Corp. and the FleetBoston Financial Pension Plan* (Fleet Pension Plan), was filed in the U.S. District Court for the District of Connecticut on behalf of all former and current Fleet employees who on December 31, 1996, were not at least age 50 with 15 years of vesting service and who participated in the Fleet Pension Plan before January 1, 1997, and who have participated in the Fleet Pension Plan at any time since January 1, 1997.

The complaint alleges that FleetBoston or its predecessor violated ERISA by amending the Fleet Financial Group, Inc. Pension Plan (a predecessor to the Fleet Pension Plan) to add a cash balance benefit formula without notifying participants that the amendment significantly reduced their plan benefits, by conditioning the amount of benefits payable under the Fleet Pension Plan upon the form of benefit elected, by reducing the rate of benefit accruals on account of age, and by failing to inform participants of the correct amount of their pensions and related claims. The complaint also alleges that the Fleet Pension Plan violates the “anti-backloading” rule of ERISA.

The complaint seeks equitable and remedial relief, including a declaration that the cash balance amendment to the Fleet Pension Plan was ineffective, additional unspecified benefit payments, attorneys’ fees and interest.

On December 28, 2004, plaintiff filed a motion for class certification. On January 25, 2005, the defendants moved to dismiss the action. These motions are pending.

Refco

Beginning in October 2005, BAS was named as a defendant in several federal class action and derivative lawsuits filed in the U.S. District Court for the Southern District of New York relating to Refco Inc. The lawsuits variously name as other defendants Refco’s outside auditors, certain officers and directors of Refco, other financial services companies (including in two cases the Corporation), and other individuals and companies. The actions allege violations of federal securities laws and state laws in connection with the sale of Refco securities, including the Refco senior subordinated notes offering in August 2004 and the Refco initial public offering in August 2005. Customers of Refco have also named BAS, the Corporation and other underwriters as defendants in a federal class action under the federal securities laws. The complaints seek unspecified damages. BAS is also responding to various regulatory inquiries relating to Refco.

Trading and Research Activities

The SEC has been conducting a formal investigation with respect to certain trading and research-related activities of BAS. These matters primarily arose during the period 1999-2001 in BAS’ San Francisco operations. In September 2005, the SEC staff advised BAS that it intends to recommend to the SEC an enforcement action against BAS in connection with these matters. This matter remains pending.

Note 14—Shareholders' Equity and Earnings Per Common Share

The following table presents share repurchase activity for the three months and years ended December 31, 2005, 2004 and 2003, 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) Dollars	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**	**12,859**	**197,111**
Three months ended September 30, 2005	**10,673**	**43.32**	**11,403**	**186,438**
October 1-31, 2005	**0**	**0.00**	**11,403**	**186,438**
November 1-30, 2005	**11,550**	**45.38**	**10,879**	**174,888**
December 1-31, 2005	**20,700**	**46.42**	**9,918**	**154,188**
Three months ended December 31, 2005	**32,250**	**46.05**		
Year ended December 31, 2005	**126,437**	**45.61**		

(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 (4) Dollars	Shares
Three months ended March 31, 2004	24,306	$ 40.03	$ 12,378	204,178
Three months ended June 30, 2004	49,060	41.07	7,978	155,118
Three months ended September 30, 2004	40,430	43.56	6,217	114,688
October 1-31, 2004	16,102	44.24	5,505	98,586
November 1-30, 2004	11,673	45.84	4,969	86,913
December 1-31, 2004	6,288	46.32	4,678	80,625
Three months ended December 31, 2004	34,063	45.17		
Year ended December 31, 2004	147,859	42.52		

(Dollars in millions, except per share information; shares in thousands)	Number of Common Shares Repurchased under Announced Programs(5)	Weighted Average Per Share Price(5)	Remaining Buyback Authority under Announced Programs (6) Dollars	Shares
Three months ended March 31, 2003	36,800	$ 34.24	$ 13,930	270,370
Three months ended June 30, 2003	60,600	37.62	10,610	209,770
Three months ended September 30, 2003	50,230	40.32	8,585	159,540
October 1-31, 2003	13,800	40.28	8,029	145,740
November 1-30, 2003	64,212	37.68	5,610	81,528
December 1-31, 2003	33,044	38.10	4,351	48,484
Three months ended December 31, 2003	111,056	38.13		
Year ended December 31, 2003	258,686	37.88		

(1) Reduced Shareholders' Equity by $5.8 billion and increased diluted earnings per common share by $0.05 in 2005. These repurchases were partially offset by the issuance of approximately 79.6 million shares of common stock under employee plans, which increased Shareholders' Equity by $3.1 billion, net of $145 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by $0.04 in 2005.

(2) On January 28, 2004, 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 third quarter of 2005. On March 22, 2005, 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 $6.3 billion and increased diluted earnings per common share by $0.06 in 2004. These repurchases were partially offset by the issuance of approximately 121 million shares of common stock under employee plans, which increased Shareholders' Equity by $3.9 billion, net of $127 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by $0.06 in 2004.

(4) On January 22, 2003, the Board authorized a stock repurchase program of up to 260 million shares of the Corporation's common stock at an aggregate cost of $12.5 billion. This repurchase plan was completed during the second quarter of 2004. On January 28, 2004, 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 third quarter of 2005.

(5) Reduced Shareholders' Equity by $9.8 billion and increased diluted earnings per common share by $0.11 in 2003. These repurchases were partially offset by the issuance of approximately 139 million shares of common stock under employee plans, which increased Shareholders' Equity by $4.2 billion, net of $123 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by $0.08 in 2003.

(6) On December 11, 2001, the Board authorized a stock repurchase program of up to 260 million shares of the Corporation's common stock at an aggregate cost of up to $10.0 billion. This repurchase plan was completed during the second quarter of 2003. On January 22, 2003, the Board authorized a stock repurchase program of up to 260 million shares of the Corporation's common stock at an aggregate cost of $12.5 billion. This repurchase plan was completed during the second quarter of 2004.

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 programs. 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.

At December 31, 2005, the Corporation had 690,000 shares authorized and 382,450 shares, or $96 million, outstanding of Bank of America 6.75% Perpetual Preferred Stock with a stated value of $250 per share. Ownership is held in the form of depositary shares paying dividends quarterly at an annual rate of 6.75 percent. On or after April 15, 2006, the Corporation may redeem Bank of America 6.75% Perpetual Preferred Stock, in whole or in part, at its option, at $250 per share, plus accrued and unpaid dividends.

The Corporation also had 805,000 shares authorized and 700,000 shares, or $175 million, outstanding of Bank of America Fixed/Adjustable Rate Cumulative Preferred Stock with a stated value of $250 per share. Ownership is held in the form of depositary shares paying dividends quarterly at an annual rate of 6.60 percent through April 1, 2006. After April 1, 2006, the dividend rate on Fixed/Adjustable Rate Cumulative Preferred Stock will be a rate per annum equal to 0.50 percent plus the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate, and the Thirty Year Constant Maturity Rate, as each term is defined in BAC's Amended and Restated Certificate of Designations establishing the Fixed/Adjustable Rate Cumulative Preferred Stock. The applicable rate per annum for any dividend period beginning on or after April 1, 2006 will not be less than 7.00 percent nor greater than 13.00 percent. On or after April 1, 2006, the Corporation may redeem Bank of America Fixed/Adjustable Rate Cumulative Preferred Stock, in whole or in part, at its option, at $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 Corporation may redeem the Series B Preferred Stock, in whole or in part, at its option, at $100 per share, plus accrued and unpaid dividends.

All preferred stock outstanding has preference over our common stock with respect to the payment of dividends and distribution of our assets in the event of a liquidation or dissolution. Except in certain circumstances, the holders of preferred stock have no voting rights.

The following table presents the changes in Accumulated OCI for 2005 and 2004.

(Dollars in millions)(1)	Securities	Derivatives(2)	Other	Total
Balance, December 31, 2003 (Restated)	$ (70)	$ (2,094)	$ (270)	$(2,434)
Net change in fair value recorded in Accumulated OCI	1,088	(294)	(18)	776
Less: Net gains (losses) reclassified into earnings (3)	1,215	(109)	—	1,106
Balance, December 31, 2004 (Restated)	(197)	(2,279)	(288)	(2,764)
Net change in fair value recorded in Accumulated OCI	**(1,907)**	**(2,225)**	**48**	**(4,084)**
Less: Net gains (losses) reclassified into earnings (3)	**874**	**(166)**	**—**	**708**
Balance, December 31, 2005	**$ (2,978)**	**$ (4,338)**	**$ (240)**	**$(7,556)**

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

(2) The amount included in Accumulated OCI for terminated derivative contracts was a loss of $2.5 billion and a gain of $143 million, net-of-tax, at December 31, 2005 and 2004.

(3) 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 transaction affects earnings.

The calculation of earnings per common share and diluted earnings per common share for 2005, 2004 and 2003 is presented below. See Note 1 of the Consolidated Financial Statements for a discussion on the calculation of earnings per common share.

(Dollars in millions, except per share information; shares in thousands)	2005	2004 (Restated)	2003 (Restated)
Earnings per common share			
Net income	**$ 16,465**	$ 13,947	$ 10,762
Preferred stock dividends	**(18)**	(16)	(4)
Net income available to common shareholders	**$ 16,447**	$ 13,931	$ 10,758
Average common shares issued and outstanding	**4,008,688**	3,758,507	2,973,407
Earnings per common share	**$ 4.10**	$ 3.71	$ 3.62
Diluted earnings per common share			
Net income available to common shareholders	**$ 16,447**	$ 13,931	$ 10,758
Convertible preferred stock dividends	**—**	2	4
Net income available to common shareholders and assumed conversions	**$ 16,447**	$ 13,933	$ 10,762
Average common shares issued and outstanding	**4,008,688**	3,758,507	2,973,407
Dilutive potential common shares [1, 2]	**59,452**	65,436	56,949
Total diluted average common shares issued and outstanding	**4,068,140**	3,823,943	3,030,356
Diluted earnings per common share	**$ 4.04**	$ 3.64	$ 3.55

(1) For 2005, 2004 and 2003, average options to purchase 39 million, 62 million and 34 million shares, respectively, were outstanding but not included in the computation of earnings per common share because they were antidilutive.

(2) Includes incremental shares from assumed conversions of convertible preferred stock, restricted stock units, restricted stock shares and stock options.

Effective for the third quarter dividend, the Board increased the quarterly cash dividend 11 percent from $0.45 to $0.50 per common share. In October 2005, the Board declared a fourth quarter cash dividend which was paid on December 23, 2005 to common shareholders of record on December 2, 2005. In January 2006, the Board declared a quarterly cash dividend of $0.50 per common share payable on March 24, 2006 to shareholders of record on March 3, 2006.

Note 15—Regulatory Requirements and Restrictions

The Board of Governors of the Federal Reserve System (FRB) requires the Corporation's banking subsidiaries to maintain reserve balances based on a percentage of certain deposits. Average daily reserve balances required by the FRB were $6.4 billion and $6.3 billion for 2005 and 2004. Currency and coin residing in branches and cash vaults (vault cash) are used to partially satisfy the reserve requirement. The average daily reserve balances, in excess of vault cash, held with the Federal Reserve Bank amounted to $361 million and $627 million for 2005 and 2004.

The primary source of funds for cash distributions by the Corporation to its shareholders is dividends received from its banking subsidiaries. Bank of America, N.A., Bank of America, N.A. (USA) and Fleet National Bank declared and paid dividends of $7.4 billion, $1.9 billion and $750 million, respectively, for 2005 to the parent. On June 13, 2005, Fleet National Bank merged with and into Bank of America, N.A., with Bank of America, N.A. as the surviving entity. In 2006, Bank of America, N.A. and Bank of America, N.A. (USA) can declare and pay dividends to the parent of $12.1 billion and $879 million plus an additional amount equal to its net profits for 2006, as defined by statute, up to the date of any such dividend declaration. The other subsidiary national banks can initiate aggregate dividend payments in 2006 of $44 million plus an additional amount equal to their net profits for 2006, as defined by statute, up to the date of any such dividend declaration. The amount of dividends that each subsidiary bank may declare in a calendar year without approval by the OCC is the subsidiary bank's net profits for that year combined with its net retained profits, as defined, for the preceding two years.

The FRB, the OCC and the Federal Deposit Insurance Corporation (collectively, the Agencies) have issued regulatory capital guidelines for U.S. banking organizations. Failure to meet the capital requirements can initiate certain mandatory and discretionary actions by regulators that could have a material effect on the Corporation's financial statements. At December 31, 2005 and 2004, the Corporation, Bank of America, N.A. and Bank of America, N.A. (USA) were classified as well-capitalized under this regulatory framework. There have been no conditions or events since December 31, 2005 that management believes have changed the Corporation's, Bank of America, N.A.'s and Bank of America, N.A. (USA)'s capital classifications.

The regulatory capital guidelines measure capital in relation to the credit and market risks of both on and off-balance sheet items using various risk weights. Under the regulatory capital guidelines, Total Capital consists of three tiers of capital. Tier 1 Capital includes Common Shareholders' Equity, Trust Securities, minority interests and qualifying Preferred Stock, less Goodwill and other adjustments. Tier 2 Capital consists of Preferred Stock not qualifying as Tier 1 Capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to 1.25 percent of risk-weighted assets and other adjustments. Tier 3 Capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the FRB and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank's risk-based capital ratio to fall or remain below the required minimum. Tier 3 Capital can only be used to satisfy the Corporation's market risk capital requirement and may not be used to support its credit risk requirement. At December 31, 2005 and 2004, the Corporation had no subordinated debt that qualified as Tier 3 Capital.

Certain corporate sponsored trust companies which issue trust preferred securities (Trust Securities) are not consolidated under FIN 46R. As a result, the Trust Securities are not included on our Consolidated Balance Sheets. On March 1, 2005, the FRB issued Risk-Based Capital Standards: Trust Preferred Securities and the Definition of Capital (the Final Rule) which allows Trust Securities to continue to qualify as Tier 1 Capital with revised quantitative limits that would be effective after a five-year transition period. As a result, Trust Securities are included in Tier 1 Capital.

The FRB's Final Rule limits restricted core capital elements to 15 percent for internationally active bank holding companies. Internationally active bank holding companies are those with consolidated assets greater than $250 billion or on-balance sheet exposure greater than $10 billion. At December 31, 2005, our restricted core capital elements comprised 16.6 percent of total core capital elements. In addition, the FRB revised the qualitative standards for capital instruments included in regulatory capital. We expect to be fully compliant with the revised limits prior to the implementation date of March 31, 2009.

On July 28, 2004, the FRB and other regulatory agencies issued the Final Capital Rule for Consolidated Asset-backed Commercial Paper Program Assets (the Final Rule). The Final Rule allows companies to exclude from risk-weighted assets, the assets of consolidated asset-backed commercial paper (ABCP) conduits when calculating Tier 1 and Total Risk-based Capital ratios. The Final Rule also requires that liquidity commitments provided by the Corporation to ABCP conduits, whether consolidated or not, be included in the capital calculations. The Final Rule was effective September 30, 2004. There was no material impact to Tier 1 and Total Risk-based Capital as a result of the adoption of this rule.

To meet minimum, adequately-capitalized regulatory requirements, an institution must maintain a Tier 1 Capital ratio of four percent and a Total Capital ratio of eight percent. A well-capitalized institution must generally maintain capital ratios 200 bps higher than the minimum guidelines. The risk-based capital rules have been further supplemented by a leverage ratio, defined as Tier 1 Capital divided by adjusted quarterly average Total Assets, after certain adjustments. The leverage ratio guidelines establish a minimum of three percent. Banking organizations must maintain a leverage capital ratio of at least five percent to be classified as well-capitalized. As of December 31, 2005, the Corporation was classified as well-capitalized for regulatory purposes, the highest classification.

Net Unrealized Gains (Losses) on AFS Debt Securities, Net Unrealized Gains on AFS Marketable Equity Securities and the Net Unrealized Gains (Losses) on Derivatives included in Shareholders' Equity at December 31, 2005 and 2004, are excluded from the calculations of Tier 1 Capital and leverage ratios. The Total Capital ratio excludes all of the above with the exception of up to 45 percent of Net Unrealized Gains on AFS Marketable Equity Securities.

Regulatory Capital Developments

In June 2004, the Basel Committee on Banking Supervision issued a new set of risk-based capital standards (Basel II) with the intent of more closely aligning regulatory capital requirements with underlying risk. In August 2003, the U.S. regulatory agencies drafted the Advanced Notice of Proposed Rulemaking to establish a comparable rule for large U.S. financial institutions. The final rule, which is expected to be issued during the second quarter of 2006, will provide us with clarification as to the requirements under U.S. regulations.

Several of our international units will begin implementing Basel II locally during 2006, with full implementation by 2007. U.S. regulatory agencies have delayed implementation of Basel II for the consolidated entity until 2008. During

2008, we will operate in a parallel testing environment, where current regulatory capital measures will be utilized simultaneously with the new rules. However, in 2009 and until at least 2011, the U.S. is expected to impose floors (limits) on capital reductions when compared to current measures.

Regulatory Capital

	December 31					
	2005			2004 (Restated)		
	Actual			Actual		
(Dollars in millions)	Ratio	Amount	Minimum Required(1)	Ratio	Amount	Minimum Required(1)
Risk-based capital						
Tier 1						
Bank of America Corporation	**8.25%**	**$ 74,375**	**$ 36,059**	8.20%	$ 65,049	$ 31,735
Bank of America, N.A.	**8.70**	**69,547**	**31,987**	8.23	46,546	22,628
Fleet National Bank(2)	—	—	—	10.10	14,741	5,837
Bank of America, N.A. (USA)	**8.66**	**5,567**	**2,570**	8.54	3,879	1,817
Total						
Bank of America Corporation	**11.08**	**99,901**	**72,118**	11.73	93,034	63,470
Bank of America, N.A.	**10.73**	**85,773**	**63,973**	10.27	58,079	45,255
Fleet National Bank(2)	—	—	—	13.32	19,430	11,673
Bank of America, N.A. (USA)	**11.46**	**7,361**	**5,140**	11.93	5,418	3,634
Leverage						
Bank of America Corporation	**5.91**	**74,375**	**37,732**	5.89	65,049	33,141
Bank of America, N.A.	**6.69**	**69,547**	**31,192**	6.22	46,546	22,444
Fleet National Bank(2)	—	—	—	8.15	14,741	5,427
Bank of America, N.A. (USA)	**9.37**	**5,567**	**1,783**	9.19	3,879	1,266

(1) Dollar amount required to meet guidelines for adequately capitalized institutions.
(2) On June 13, 2005, Fleet National Bank merged with and into Bank of America, N.A., with Bank of America, N.A. as the surviving entity.

Note 16—Employee Benefit Plans

Pension and Postretirement Plans

The Corporation sponsors noncontributory trusteed qualified pension plans that cover substantially all officers and employees. The plans provide defined benefits based on an employee's compensation, age and years of service. The Bank of America Pension Plan (the Pension Plan) provides participants with compensation credits, based on age and years of service. The Pension Plan allows participants to select from various earnings measures, which are based on the returns of certain funds or common stock of the Corporation. The participant-selected earnings measures determine the earnings rate on the individual participant account balances in the Pension Plan. Participants may elect to modify earnings measure allocations on a periodic basis subject to the provisions of the Pension Plan. The benefits become vested upon completion of five years of service. It is the policy of the Corporation to fund not less than the minimum funding amount required by ERISA.

The Pension Plan has a balance guarantee feature, applied at the time a benefit payment is made from the plan, that protects participant balances transferred and certain compensation credits from future market downturns. The Corporation is responsible for funding any shortfall on the guarantee feature.

The Corporation sponsors a number of noncontributory, nonqualified pension plans. These plans, which are unfunded, provide defined pension benefits to certain employees.

In addition to retirement pension benefits, full-time, salaried employees and certain part-time employees may become eligible to continue participation as retirees in health care and/or life insurance plans sponsored by the Corporation. Based on the other provisions of the individual plans, certain retirees may also have the cost of these benefits partially paid by the Corporation.

As a result of the FleetBoston merger, the Corporation assumed the obligations related to the plans of former FleetBoston. These plans are substantially similar to the legacy Bank of America plans discussed above, however, the

FleetBoston Financial Pension Plan does not allow participants to select various earnings measures; rather the earnings rate is based on a benchmark rate. The tables within this Note include the information related to these plans beginning on April 1, 2004.

Reflected in these results are key changes to the Postretirement Health and Life Plans and the Nonqualified Pension Plans. On December 8, 2003, the President signed the Medicare Act into law. The Medicare Act introduces a voluntary prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care plans that provide at least an actuarially equivalent benefit. In the third quarter of 2004, the Corporation adopted FSP No. 106-2, which resulted in a reduction of $53 million in the Corporation's accumulated postretirement benefit obligation. In addition, the Corporation's net periodic benefit cost for other postretirement benefits was decreased by $15 million for 2004 as a result of the remeasurement.

The following table summarizes the changes in the fair value of plan assets, changes in the projected benefit obligation (PBO), the funded status of both the accumulated benefit obligation (ABO) and the PBO, and the weighted average assumptions used to determine benefit obligations for the pension plans and postretirement plans at December 31, 2005 and 2004. Prepaid and accrued benefit costs are reflected in Other Assets, and Accrued Expenses and Other Liabilities on the Consolidated Balance Sheet. The discount rate assumption is based on a cash flow matching technique and this assumption is subject to change each year. This technique utilizes a yield curve based upon Moody's Aa corporate bonds with cash flows that match estimated benefit payments to produce the discount rate assumption. For the Pension Plan and the FleetBoston Pension Plan (the Qualified Pension Plans), as well as the Postretirement Health and Life Plans, the discount rate at December 31, 2005, was 5.50 percent. For both the Qualified Pension Plans and the Postretirement Health and Life Plans, the expected long-term return on plan assets will be 8.00 percent for 2006. The expected return on plan assets is determined using the calculated market-related value for the Qualified Pension Plans and the fair value for the Postretirement Health and Life Plans. The asset valuation method for the Qualified Pension Plans recognizes 60 percent of the market gains or losses in the first year, with the remaining 40 percent spread equally over the next four years.

	Qualified Pension Plans(1)		Nonqualified Pension Plans(1)		Postretirement Health and Life Plans(1)	
(Dollars in millions)	**2005**	2004	**2005**	2004	**2005**	2004
Change in fair value of plan assets						
(Primarily listed stocks, fixed income and real estate)						
Fair value, January 1	**$ 12,153**	$ 8,975	**$ 1**	$ —	**$ 166**	$ 156
FleetBoston balance, April 1, 2004	—	2,277	—	1	—	45
Actual return on plan assets	**803**	1,447	—	—	**11**	25
Company contributions(2)	**1,000**	200	**118**	63	**27**	40
Plan participant contributions	—	—	—	—	**98**	82
Benefits paid	**(859)**	(746)	**(118)**	(63)	**(176)**	(182)
Fair value, December 31	**$ 13,097**	$ 12,153	**$ 1**	$ 1	**$ 126**	$ 166
Change in projected benefit obligation						
Projected benefit obligation, January 1	**$ 11,461**	$ 8,428	**$ 1,094**	$ 712	**$ 1,352**	$ 1,127
FleetBoston balance, April 1, 2004	—	2,045	—	377	—	196
Service cost	**261**	257	**11**	27	**11**	9
Interest cost	**643**	623	**61**	62	**78**	76
Plan participant contributions	—	—	—	—	**98**	82
Plan amendments	**(77)**	19	**(1)**	(74)	—	(12)
Actuarial loss	**261**	835	**61**	53	**57**	56
Benefits paid	**(859)**	(746)	**(118)**	(63)	**(176)**	(182)
Projected benefit obligation, December 31	**$ 11,690**	$ 11,461	**$ 1,108**	$ 1,094	**$ 1,420**	$ 1,352
Funded status, December 31						
Accumulated benefit obligation (ABO)	**$ 11,383**	$ 11,025	**$ 1,085**	$ 1,080	**n/a**	n/a
Overfunded (unfunded) status of ABO	**1,714**	1,128	**(1,084)**	(1,079)	**n/a**	n/a
Provision for future salaries	**307**	436	**23**	14	**n/a**	n/a
Projected benefit obligation (PBO)	**11,690**	11,461	**1,108**	1,094	**1,420**	$ 1,352
Overfunded (unfunded) status of PBO	**$ 1,407**	$ 692	**$ (1,107)**	$ (1,093)	**$ (1,294)**	$ (1,186)
Unrecognized net actuarial loss	**2,621**	2,364	**262**	234	**92**	112
Unrecognized transition obligation	—	—	—	—	**221**	252
Unrecognized prior service cost	**209**	328	**(52)**	(59)	—	—
Prepaid (accrued) benefit cost	**$ 4,237**	$ 3,384	**$ (897)**	$ (918)	**$ (981)**	$ (822)
Weighted average assumptions, December 31						
Discount rate(3)	**5.50%**	5.75%	**5.50%**	5.75%	**5.50%**	5.75%
Expected return on plan assets	**8.50**	8.50	**n/a**	n/a	**8.50**	8.50
Rate of compensation increase	**4.00**	4.00	**4.00**	4.00	**n/a**	n/a

(1) The measurement date for the Qualified Pension Plans, Nonqualified Pension Plans, and Postretirement Health and Life Plans was December 31 of each year reported.

(2) The Corporation's best estimate of its contributions to be made to the Qualified Pension Plans, Nonqualified Pension Plans, and Postretirement Health and Life Plans in 2006 is $0 million, $97 million and $37 million.

(3) In connection with the FleetBoston merger, the plans of former FleetBoston were remeasured on April 1, 2004, using a discount rate of 6.00 percent.

n/a = not applicable

Amounts recognized in the Consolidated Financial Statements at December 31, 2005 and 2004 were as follows:

(Dollars in millions)	Qualified Pension Plans 2005	Qualified Pension Plans 2004	Nonqualified Pension Plans 2005	Nonqualified Pension Plans 2004	Postretirement Health and Life Plans 2005	Postretirement Health and Life Plans 2004
Prepaid benefit cost	**$ 4,237**	$ 3,384	**$ —**	$ —	**$ —**	$ —
Accrued benefit cost	**—**	—	**(897)**	(918)	**(981)**	(822)
Additional minimum liability	**—**	—	**(187)**	(161)	**—**	—
Intangible asset	**—**	—	**—**	1	**—**	—
Accumulated OCI	**—**	—	**187**	160	**—**	—
Net amount recognized at December 31	**$ 4,237**	$ 3,384	**$ (897)**	$ (918)	**$ (981)**	$ (822)

Net periodic pension benefit cost for 2005, 2004 and 2003 included the following components:

(Dollars in millions)	Qualified Pension Plans 2005	Qualified Pension Plans 2004	Qualified Pension Plans 2003	Nonqualified Pension Plans 2005	Nonqualified Pension Plans 2004	Nonqualified Pension Plans 2003
Components of net periodic pension benefit cost						
Service cost	**$ 261**	$ 257	$ 187	**$ 11**	$ 27	$ 25
Interest cost	**643**	623	514	**61**	62	45
Expected return on plan assets	**(983)**	(915)	(735)	**—**	—	—
Amortization of prior service cost	**44**	55	55	**(8)**	3	3
Recognized net actuarial loss	**182**	92	47	**24**	14	11
Recognized loss due to settlements and curtailments	**—**	—	—	**9**	—	—
Net periodic pension benefit cost	**$ 147**	$ 112	$ 68	**$ 97**	$ 106	$ 84
Weighted average assumptions used to determine net cost for years ended December 31						
Discount rate[(1)]	**5.75%**	6.25%	6.75%	**5.75%**	6.25%	6.75%
Expected return on plan assets	**8.50**	8.50	8.50	**n/a**	n/a	n/a
Rate of compensation increase	**4.00**	4.00	4.00	**4.00**	4.00	4.00

(1) In connection with the FleetBoston merger, the plans of former FleetBoston were remeasured on April 1, 2004, using a discount rate of 6.00 percent.
n/a = not applicable

For 2005, 2004 and 2003, net periodic postretirement benefit cost included the following components:

(Dollars in millions)	2005	2004[(1)]	2003
Components of net periodic postretirement benefit cost			
Service cost	**$ 11**	$ 9	$ 9
Interest cost	**78**	76	68
Expected return on plan assets	**(14)**	(16)	(15)
Amortization of transition obligation	**31**	32	32
Amortization of prior service cost	**—**	1	4
Recognized net actuarial loss	**80**	74	89
Net periodic postretirement benefit cost	**$ 186**	$ 176	$ 187
Weighted average assumptions used to determine net cost for years ended December 31			
Discount rate[(2)]	**5.75%**	6.25%	6.75%
Expected return on plan assets	**8.50**	8.50	8.50

(1) Includes the effect of the adoption of FSP No. 106-2, which reduced net periodic postretirement benefit cost by $15 million.
(2) In connection with the FleetBoston merger, the plans of former FleetBoston were remeasured on April 1, 2004, using a discount rate of 6.00 percent.

Net periodic postretirement health and life expense was determined using the "projected unit credit" actuarial method. Gains and losses for all benefits except postretirement health care are recognized in accordance with the standard amortization provisions of the applicable accounting standards. For the Postretirement Health Care Plans, 50 percent of the unrecognized gain or loss at the beginning of the fiscal year (or at subsequent remeasurement) is recognized on a level basis during the year.

Assumed health care cost trend rates affect the postretirement benefit obligation and benefit cost reported for the Postretirement Health Care Plans. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the Postretirement Health Care Plans was 10 percent for 2006, reducing in steps to 5 percent in 2011 and later years. A one-percentage-point increase in assumed health care cost trend rates would have increased the service and interest costs and the benefit obligation by $3 million and $51 million in 2005, $4 million and $56 million in 2004, and $4 million and $52 million in 2003. A one-percentage-point decrease in assumed health care cost trend rates would have lowered the service and interest costs and the benefit obligation by $3 million and $43 million in 2005, $3 million and $48 million in 2004, and $3 million and $48 million in 2003.

Plan Assets

The Qualified Pension Plans have been established as retirement vehicles for participants, and trusts have been established to secure benefits promised under the Qualified Pension Plans. The Corporation's policy is to invest the trust assets in a prudent manner for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administration. The Corporation's investment strategy is designed to provide a total return that, over the long-term, increases the ratio of assets to liabilities. The strategy attempts to maximize the investment return on assets at a level of risk deemed appropriate by the Corporation while complying with ERISA and any subsequent applicable regulations and laws. The investment strategy utilizes asset allocation as a principal determinant for establishing the risk/reward profile of the assets. Asset allocation ranges are established, periodically reviewed, and adjusted as funding levels and liability characteristics change. Active and passive investment managers are employed to help enhance the risk/return profile of the assets. An additional aspect of the investment strategy used to minimize risk (part of the asset allocation plan) includes matching the equity exposure of participant-selected earnings measures. For example, the common stock of the Corporation held in the trust is maintained as an offset to the exposure related to participants who selected to receive an earnings measure based on the return performance of common stock of the Corporation.

The Expected Return on Asset Assumption (EROA assumption) was developed through analysis of historical market returns, historical asset class volatility and correlations, current market conditions, anticipated future asset allocations, the funds' past experience, and expectations on potential future market returns. The EROA assumption represents a long-term average view of the performance of the Qualified Pension Plans and Postretirement Health and Life Plan assets, a return that may or may not be achieved during any one calendar year. In a simplistic analysis of the EROA assumption, the building blocks used to arrive at the long-term return assumption would include an implied return from equity securities of 8.75 percent, debt securities of 5.75 percent, and real estate of 8.75 percent for all pension plans and postretirement health and life plans.

The Qualified Pension Plans' asset allocation at December 31, 2005 and 2004 and target allocation for 2006 by asset category are as follows:

Asset Category	2006 Target Allocation	Percentage of Plan Assets at December 31	
		2005	2004
Equity securities	65 – 80%	**71%**	75%
Debt securities	20 – 35	**27**	23
Real estate	0 – 5	**2**	2
Total		**100%**	100%

Equity securities include common stock of the Corporation in the amounts of $798 million (6.10 percent of total plan assets) and $871 million (7.17 percent of total plan assets) at December 31, 2005 and 2004.

The Postretirement Health and Life Plans' asset allocation at December 31, 2005 and 2004 and target allocation for 2006 by asset category are as follows:

Asset Category	2006 Target Allocation	Percentage of Plan Assets at December 31 2005	2004
Equity securities	50 – 70%	**57%**	75%
Debt securities	30 – 50	**41**	24
Real estate	0 – 5	**2**	1
Total		**100%**	100%

The Bank of America Postretirement Health and Life Plans had no investment in the common stock of the Corporation at December 31, 2005 or 2004. The FleetBoston Postretirement Health and Life Plans included common stock of the Corporation in the amount of $0.3 million (0.27 percent of total plan assets) at December 31, 2005 and $0.3 million (0.20 percent of total plan assets) at December 31, 2004.

Projected Benefit Payments

Benefit payments projected to be made from the Qualified Pension Plans, the Nonqualified Pension Plans and the Postretirement Health and Life Plans are as follows:

			Postretirement Health and Life Plans	
(Dollars in millions)	Qualified Pension Plans(1)	Nonqualified Pension Plans(2)	Net Payments(3)	Medicare Subsidy
2006	$ 867	$ 97	$ 98	$ 3
2007	899	96	97	4
2008	925	109	97	4
2009	940	105	97	4
2010	945	109	96	4
2011 – 2015	4,885	554	447	18

(1) Benefit payments expected to be made from the plans' assets.
(2) Benefit payments expected to be made from the Corporation's assets.
(3) Benefit payments (net of retiree contributions) expected to be made from a combination of the plans' and the Corporation's assets.

Defined Contribution Plans

The Corporation maintains qualified defined contribution retirement plans and nonqualified defined contribution retirement plans. As a result of the FleetBoston merger, beginning on April 1, 2004, the Corporation maintains the defined contribution plans of former FleetBoston. There are two components of the qualified defined contribution plans, the Bank of America 401(k) Plan and the FleetBoston Financial Savings Plan (the 401(k) Plans), an employee stock ownership plan (ESOP) and a profit-sharing plan.

The Corporation contributed approximately $274 million, $267 million and $204 million for 2005, 2004 and 2003, in cash and stock. Contributions in 2003 were utilized primarily to purchase the Corporation's common stock under the terms of the Bank of America 401(k) Plan. At December 31, 2005 and 2004, an aggregate of 106 million shares and 113 million shares of the Corporation's common stock were held by the 401(k) Plans. During 2004, the Corporation converted the ESOP Preferred Stock held by the Bank of America 401(k) Plan to common stock so that there were no outstanding shares of preferred stock at December 31, 2004 in the 401(k) Plans.

Under the terms of the ESOP Preferred Stock provision, payments to the plan for dividends on the ESOP Preferred Stock were $4 million for 2004 and 2003. Payments to the plan for dividends on the ESOP Common Stock were $207 million, $181 million and $128 million during the same years.

In addition, certain non-U.S. employees within the Corporation are covered under defined contribution pension plans that are separately administered in accordance with local laws.

Rewarding Success Plan

In 2005, the Corporation introduced a broad-based cash incentive plan for more than 140,000 associates that meet certain eligibility criteria and are below certain compensation levels. The amount of the cash award is determined based on the Corporation's operating net income and common stock price performance for the full year. During 2005, the Corporation recorded an expense of $145 million for this plan.

Note 17—Stock-based Compensation Plans

At December 31, 2005, the Corporation had certain stock-based compensation plans that are described below. For all stock-based compensation awards issued prior to January 1, 2003, the Corporation applied the provisions of APB 25 in accounting for its stock option and award plans. Stock-based compensation plans enacted after December 31, 2002, are accounted for under the provisions of SFAS 123. For additional information on the accounting for stock-based compensation plans and pro forma disclosures, see Note 1 of the Consolidated Financial Statements.

The following table presents information on equity compensation plans at December 31, 2005:

	Number of Shares to be Issued Upon Exercise of Outstanding Options(1,4)	Weighted Average Exercise Price of Outstanding Options(2)	Number of Shares Remaining for Future Issuance Under Equity Compensation Plans(3)
Plans approved by shareholders	231,465,981	$ 35.91	167,163,952
Plans not approved by shareholders	20,032,226	30.63	—
Total	**251,498,207**	**$ 35.47**	**167,163,952**

(1) Includes 10,655,618 unvested restricted stock units.
(2) Does not take into account unvested restricted stock units.
(3) Excludes shares to be issued upon exercise of outstanding options.
(4) In addition to the securities presented in the table above, there were outstanding options to purchase 57,290,213 shares of the Corporation's common stock and 1,275,565 unvested restricted stock units granted to employees of predecessor companies assumed in mergers. The weighted average option price of the assumed options was $33.69 at December 31, 2005.

The Corporation has certain stock-based 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 December 31, 2005, approximately 90 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 merger, the shareholders authorized an additional 102 million shares for grant under the Key Associate Stock Plan. At December 31, 2005, approximately 130 million options were outstanding under this plan. Approximately 18 million shares of restricted stock and restricted stock units were granted during 2005. 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 $486 million, $288 million and $276 million in 2005, 2004 and 2003.

The Corporation has certain stock-based compensation plans that were not approved by its shareholders. These broad-based plans are the 2002 Associates Stock Option Plan and Take Ownership!. Descriptions of the material features of these plans follow.

2002 Associates Stock Option Plan

The Bank of America Corporation 2002 Associates Stock Option Plan covered all employees below a specified executive grade level. Under the plan, eligible employees received a one-time award of a predetermined number of options entitling them to purchase shares of the Corporation's common stock. All options are nonqualified and have an exercise price equal to the fair market value on the date of grant. Approximately 108 million options were granted on February 1, 2002. The award included two performance-based vesting triggers. During 2003, the first option vesting trigger was achieved. During 2004, the second option vesting trigger was achieved. In addition, the options continue to be exercisable following termination of employment under certain circumstances. At December 31, 2005, approximately 20 million options were outstanding under this plan. The options expire on January 31, 2007. No further awards may be granted.

Take Ownership!

The Bank of America Global Associate Stock Option Program (Take Ownership!) covered all employees below a specified executive grade level. Under the plan, eligible employees received an award of a predetermined number of stock options entitling them to purchase shares of the Corporation's common stock at the fair market value on the grant date. Options were granted on the first business day of 1999, 2000 and 2001. All options are nonqualified. At January 2, 2004, all options issued under this plan were fully vested. These options expire five years after the grant date. In addition, the options continue to be exercisable following termination of employment under certain circumstances. At December 31, 2005, approximately 134 thousand options were outstanding under this plan. No further awards may be granted. All remaining options expired January 2, 2006.

Additional stock option plans assumed in connection with various acquisitions remain outstanding and are included in the following tables. No further awards may be granted under these plans. The following tables present the status of all plans at December 31, 2005, 2004 and 2003, and changes during the years then ended:

	2005		2004		2003	
Employee stock options	**Shares**	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at January 1	**337,551,559**	**$ 32.93**	320,331,380	$ 30.66	411,447,300	$ 29.10
Options assumed through acquisition	—	—	78,761,708	28.68	—	—
Granted	**35,615,891**	**46.58**	63,472,170	40.80	61,336,790	35.03
Exercised	**(68,206,402)**	**29.89**	(111,958,135)	27.77	(132,491,842)	27.72
Forfeited	**(6,828,246)**	**38.59**	(13,055,564)	34.15	(19,960,868)	31.41
Outstanding at December 31	**298,132,802**	**35.13**	337,551,559	32.93	320,331,380	30.66
Options exercisable at December 31	**213,326,486**	**32.41**	243,735,846	30.73	167,786,372	30.02
Weighted average fair value of options granted during the year		**$ 6.48**		$ 5.59		$ 6.77

	2005		2004		2003	
Restricted stock/unit awards	**Shares**	**Weighted Average Grant Price**	Shares	Weighted Average Grant Price	Shares	Weighted Average Grant Price
Outstanding unvested grants at January 1	**20,449,565**	**$ 37.12**	16,170,546	$ 31.64	15,679,946	$ 30.37
Share obligations assumed through acquisition	—	—	7,720,476	31.62	—	—
Granted	**17,599,740**	**46.60**	10,338,327	41.03	8,893,718	34.69
Vested	**(9,409,844)**	**37.48**	(12,031,945)	29.43	(7,697,576)	32.47
Canceled	**(1,361,355)**	**43.49**	(1,747,839)	38.10	(705,542)	32.85
Outstanding unvested grants at December 31	**27,278,106**	**$ 42.79**	20,449,565	$ 37.12	16,170,546	$ 31.64

The following table summarizes information about stock options outstanding at December 31, 2005:

	Outstanding Options			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2005	Weighted Average Remaining Term	Weighted Average Exercise Price	Number Exercisable at December 31, 2005	Weighted Average Exercise Price
$ 5.00 – $15.00	60,888	0.2 years	$ 12.87	60,888	$ 12.87
$15.01 – $23.25	6,181,199	4.7 years	19.09	6,181,199	19.09
$23.26 – $32.75	121,675,632	4.2 years	28.93	121,674,932	28.93
$32.76 – $49.50	170,215,083	6.7 years	40.14	85,409,467	38.34
Total	**298,132,802**	**5.6 years**	**$ 35.13**	**213,326,486**	**$ 32.41**

Note 18—Income Taxes

The components of Income Tax Expense for 2005, 2004 and 2003 were as follows:

(Dollars in millions)	2005	2004 (Restated)	2003 (Restated)
Current income tax expense			
Federal	**$5,229**	$ 6,392	$ 4,642
State	**676**	683	412
Foreign	**415**	405	260
Total current expense	**6,320**	7,480	5,314
Deferred income tax expense (benefit)			
Federal	**1,577**	(512)	(249)
State	**85**	(23)	(50)
Foreign	**33**	16	4
Total deferred expense (benefit)	**1,695**	(519)	(295)
Total income tax expense (1)	**$8,015**	$ 6,961	$ 5,019

(1) Does not reflect the deferred tax effects of Unrealized Gains and Losses on AFS Debt and Marketable Equity Securities, Foreign Currency Translation Adjustments and Derivatives that are included in Accumulated OCI. As a result of these tax effects, Accumulated OCI increased $2,863 million, $303 million and $1,916 million in 2005, 2004 and 2003. Also, does not reflect tax benefits associated with the Corporation's employee stock plans which increased Common Stock and Additional Paid-in Capital $416 million, $401 million and $443 million in 2005, 2004 and 2003. Goodwill was reduced $22 million and $101 million in 2005 and 2004, reflecting the tax benefits attributable to exercises of employee stock options issued by FleetBoston which had vested prior to the merger date.

Income Tax Expense for 2005, 2004 and 2003 varied from the amount computed by applying the statutory income tax rate to Income before Income Taxes. A reconciliation between the expected federal income tax expense using the federal statutory tax rate of 35 percent to the Corporation's actual Income Tax Expense and resulting effective tax rate for 2005, 2004 and 2003 follows:

	2005		2004 (Restated)		2003 (Restated)	
(Dollars in millions)	Amount	Percent	Amount	Percent	Amount	Percent
Expected federal income tax expense	**$8,568**	**35.0%**	$7,318	35.0%	$5,523	35.0%
Increase (decrease) in taxes resulting from:						
Tax-exempt income, including dividends	**(605)**	**(2.5)**	(526)	(2.5)	(325)	(2.1)
State tax expense, net of federal benefit	**495**	**2.0**	429	2.1	235	1.5
Goodwill amortization	**—**	**—**	—	—	12	0.1
IRS tax settlement	—	—	—	—	(84)	(0.5)
Low income housing credits/other credits	**(423)**	**(1.7)**	(352)	(1.7)	(212)	(1.3)
Foreign tax differential	**(99)**	**(0.4)**	(78)	(0.4)	(50)	(0.3)
Other	**79**	**0.3**	170	0.8	(80)	(0.6)
Total income tax expense	**$8,015**	**32.7%**	$6,961	33.3%	$5,019	31.8%

During 2002, the Corporation reached a tax settlement agreement with the IRS. This agreement resolved issues for numerous tax returns of the Corporation and various predecessor companies and finalized all federal income tax liabilities, excluding those relating to FleetBoston, through 1999. As a result of the settlement, a reduction in Income Tax Expense of $84 million in 2003 was recorded representing refunds received.

The IRS is currently examining the Corporation's federal income tax returns for the years 2000 through 2002 as well as the tax returns of FleetBoston and certain other subsidiaries for years ranging from 1997 to 2000. The Corporation's current estimate of the resolution of these various examinations is reflected in accrued income taxes; however, final settlement of the examinations or changes in the Corporation's estimate may result in future income tax expense or benefit.

Significant components of the Corporation's net deferred tax liability at December 31, 2005 and 2004 are presented in the following table.

	December 31	
(Dollars in millions)	**2005**	2004 (Restated)
Deferred tax liabilities		
Equipment lease financing	**$6,455**	$ 6,192
Intangibles	**1,138**	803
Investments	**238**	1,088
State income taxes	**168**	222
Fixed assets	**152**	47
Loan fees and expenses	**142**	—
Deferred gains and losses	**15**	251
Other	**1,122**	874
Gross deferred tax liabilities	**9,430**	9,477
Deferred tax assets		
Security valuations	**2,822**	2,434
Allowance for credit losses	**2,623**	2,973
Available-for-sale securities	**1,845**	146
Accrued expenses	**1,235**	533
Employee compensation and retirement benefits	**559**	648
Foreign tax credit carryforward	**169**	467
Loan fees and expenses	—	241
Other	**416**	1,288
Gross deferred tax assets	**9,669**	8,730
Valuation allowance[1]	**(253)**	(155)
Total deferred tax assets, net of valuation allowance	**9,416**	8,575
Net deferred tax liabilities[2]	**$ 14**	$ 902

(1) At December 31, 2004, $70 million of the valuation allowance related to gross deferred tax assets was attributable to the FleetBoston merger. Future recognition of the tax attributes associated with these gross deferred tax assets would result in tax benefits being allocated to reduce Goodwill.

(2) The Corporation's net deferred tax liabilities were adjusted during 2005 and 2004 to include $279 million of net deferred tax liabilities and $2.0 billion of net deferred tax assets related to business combinations accounted for under the purchase method.

The valuation allowance at December 31, 2005 and 2004 is attributable to deferred tax assets generated in certain state and foreign jurisdictions. During 2005, deferred tax assets were recognized for certain state temporary differences that had previously not been recognized. The valuation allowance change for 2005 was primarily attributable to these deferred tax assets, as management continues to believe it is more likely than not that realization of these assets will not occur.

The foreign tax credit carryforward reflected in the table above represents foreign income taxes paid that are creditable against future U.S. income taxes. If not used, these credits begin to expire after 2012 and could fully expire after 2014.

The American Jobs Creation Act of 2004 (the Act) provides U.S. companies with the ability to elect to apply a special one-time tax deduction equal to 85 percent of certain earnings remitted from foreign subsidiaries, provided certain criteria are met. Management elected to apply the Act for 2005 and recorded a one-time tax benefit of $70 million for the year ended December 31, 2005.

At December 31, 2005 and 2004, federal income taxes had not been provided on $1.4 billion and $1.1 billion of undistributed earnings of foreign subsidiaries, earned prior to 1987 and after 1997 that have been reinvested for an indefinite period of time. If the earnings were distributed, an additional $249 million and $221 million of tax expense, net of credits for foreign taxes paid on such earnings and for the related foreign withholding taxes, would result in 2005 and 2004.

Note 19—Fair Value of Financial Instruments

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments" (SFAS 107), requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments. Since no quoted market prices exist for certain of the Corporation's financial instruments, the fair values of such instruments have been derived based on management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. The estimation methods for individual classifications of financial instruments are described more fully below. Different assumptions could significantly affect these estimates. Accordingly, the net realizable values could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the combined Corporation.

The provisions of SFAS 107 do not require the disclosure of the fair value of lease financing arrangements and nonfinancial instruments, including intangible assets such as goodwill, franchise, and credit card and trust relationships.

Short-term Financial Instruments

The carrying value of short-term financial instruments, including cash and cash equivalents, time deposits placed, federal funds sold and purchased, resale and repurchase agreements, commercial paper and other short-term investments and borrowings, approximates the fair value of these instruments. These financial instruments generally expose the Corporation to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market.

Financial Instruments Traded in the Secondary Market

Held-to-maturity securities, AFS debt and marketable equity securities, trading account instruments and long-term debt traded actively in the secondary market have been valued using quoted market prices. The fair values of trading account instruments and securities are reported in Notes 4 and 6 of the Consolidated Financial Statements.

Derivative Financial Instruments

All derivatives are recognized on the balance sheet at fair value, net of cash collateral held and taking into consideration the effects of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions 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 fair value of the Corporation's derivative assets and liabilities is presented in Note 5 of the Consolidated Financial Statements.

Loans

Fair values were estimated for groups of similar loans based upon type of loan and maturity. The fair value of loans was determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans and adjusted to reflect the inherent credit risk. Where quoted market prices were available, primarily for certain residential mortgage loans and commercial loans, such market prices were utilized as estimates for fair values.

Substantially all of the foreign loans reprice within relatively short timeframes. Accordingly, for foreign loans, the net carrying values were assumed to approximate their fair values.

Deposits

The fair value for deposits with stated maturities was calculated by discounting contractual cash flows using current market rates for instruments with similar maturities. The carrying value of foreign time deposits approximates fair value. For deposits with no stated maturities, the carrying amount was considered to approximate fair value and does not take into account the significant value of the cost advantage and stability of the Corporation's long-term relationships with depositors.

The book and fair values of certain financial instruments at December 31, 2005 and 2004 were as follows:

	December 31			
	2005		2004 (Restated)	
(Dollars in millions)	**Book Value**	**Fair Value**	Book Value	Fair Value
Financial assets				
Loans	**$ 545,238**	**$ 542,626**	$ 492,033	$ 497,614
Financial liabilities				
Deposits	**634,670**	**633,928**	618,570	618,409
Long-term debt	**100,848**	**101,446**	97,116	101,477

Note 20—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. Global Corporate and Investment Banking* is a new segment that represents the combination of *Global Business and Financial Services* and *Global Capital Markets and Investment Banking.* This new segment enables us to more effectively leverage the full breadth of the Corporation to better service our business clients. With this combination, teams of consumer, commercial and investment bankers work together to provide all clients, regardless of size, the right combination of products and services to meet their needs. As part of the business segment realignment, certain equity investment gains recorded in *Global Wealth and Investment Management* were reclassified to *All Other*. Also certain merchant services fees recorded in *Global Consumer and Small Business Banking* were reclassified to *Global Corporate and Investment Banking.* 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 and corporate 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 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 adjustment is included in Net Interest Income of each of the businesses and offset in *All Other*. The Net Interest Income of the businesses include 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 cost of certain centralized or shared functions are allocated based on methodologies which reflect utilization.

The following table presents Total Revenue on a FTE basis and Net Income in 2005, 2004 and 2003, and Total Assets at December 31, 2005 and 2004 for each business segment, as well as *All Other*.

Business Segments
At and for the Year Ended December 31

	Total Corporation			Global Consumer and Small Business Banking[1]			Global Corporate and Investment Banking[1]		
(Dollars in millions)	**2005**	2004 (Restated)	2003 (Restated)	**2005**	2004	2003	**2005**	2004	2003
Net interest income (FTE basis)	**$ 31,569**	$ 28,677	$ 21,149	**$ 16,853**	$ 15,721	$ 11,058	**$ 11,157**	$ 10,671	$ 8,482
Noninterest income	**25,354**	21,005	17,329	**11,432**	8,963	8,359	**9,443**	7,982	5,928
Total revenue (FTE basis)	**56,923**	49,682	38,478	**28,285**	24,684	19,417	**20,600**	18,653	14,410
Provision for credit losses	**4,014**	2,769	2,839	**4,271**	3,331	1,694	**(290)**	(886)	833
Gains (losses) on sales of debt securities	**1,084**	1,724	941	**(2)**	117	13	**263**	(10)	(14)
Amortization of intangibles	**809**	664	217	**551**	441	139	**174**	152	54
Other noninterest expense	**27,872**	26,348	19,938	**12,628**	11,912	9,465	**10,937**	10,134	7,549
Income before income taxes	**25,312**	21,625	16,425	**10,833**	9,117	8,132	**10,042**	9,243	5,960
Income tax expense	**8,847**	7,678	5,663	**3,888**	3,316	2,914	**3,644**	3,317	2,056
Net income	**$ 16,465**	$ 13,947	$ 10,762	**$ 6,945**	$ 5,801	$ 5,218	**$ 6,398**	$ 5,926	$ 3,904
Period-end total assets	**$ 1,291,803**	$ 1,110,432		**$ 331,244**	$ 333,477		**$ 633,374**	$ 508,502	

	Global Wealth and Investment Management[1]			All Other		
(Dollars in millions)	**2005**	2004	2003	**2005**	2004 (Restated)	2003 (Restated)
Net interest income (FTE basis)	**$ 3,815**	$ 2,921	$ 1,954	**$ (256)**	$ (636)	$ (345)
Noninterest income	**3,496**	3,079	2,078	**983**	981	964
Total revenue (FTE basis)	**7,311**	6,000	4,032	**727**	345	619
Provision for credit losses	**(7)**	(22)	11	**40**	346	301
Gains on sales of debt securities	**—**	—	—	**823**	1,617	942
Amortization of intangibles	**79**	66	20	**5**	5	4
Other noninterest expense	**3,625**	3,394	2,058	**682**	908	866
Income before income taxes	**3,614**	2,562	1,943	**823**	703	390
Income tax expense	**1,298**	931	693	**17**	114	—
Net income	**$ 2,316**	$ 1,631	$ 1,250	**$ 806**	$ 589	$ 390
Period-end total assets	**$ 135,016**	$ 130,419		**$ 192,169**	$ 138,034	

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

The following tables present reconciliations of the three business segments' Total Revenue on a FTE basis and Net Income to the Consolidated Statement of Income, and Total Assets to the Consolidated Balance Sheet. The adjustments presented in the table below include consolidated income and expense amounts not specifically allocated to individual business segments.

	Year Ended December 31		
(Dollars in millions)	**2005**	2004 (Restated)	2003 (Restated)
Segments' total revenue (FTE basis)	**$56,196**	$49,337	$37,859
Adjustments:			
ALM activities	**(501)**	20	421
Equity investments	**1,372**	448	(256)
Liquidating businesses	**214**	282	324
FTE basis adjustment	**(832)**	(717)	(644)
Other	**(358)**	(405)	130
Consolidated revenue	**$56,091**	$48,965	$37,834
Segments' net income	**$15,659**	$13,358	$10,372
Adjustments, net of taxes:			
ALM activities(1)	**52**	869	802
Equity investments	**796**	202	(246)
Liquidating businesses	**109**	78	(21)
Merger and restructuring charges	**(275)**	(411)	—
Litigation expense	**(33)**	66	(150)
Other	**157**	(215)	5
Consolidated net income	**$16,465**	$13,947	$10,762

(1) Includes pre-tax Gains on Sales of Debt Securities of $823 million, $1,612 million and $938 million in 2005, 2004 and 2003, respectively.

	December 31	
(Dollars in millions)	**2005**	2004 (Restated)
Segments' total assets	**$1,099,634**	$ 972,398
Adjustments:		
ALM activities, including securities portfolio	**365,068**	339,423
Equity investments	**6,712**	7,625
Liquidating businesses	**3,399**	4,390
Elimination of excess earning asset allocations	**(210,569)**	(228,106)
Other	**27,559**	14,702
Consolidated total assets	**$1,291,803**	$1,110,432

Note 21—Parent Company Information

The following tables present the Parent Company Only financial information:

Condensed Statement of Income

(Dollars in millions)	Year Ended December 31 2005	2004 (Restated)	2003 (Restated)
Income			
Dividends from subsidiaries:			
Bank subsidiaries	**$ 10,400**	$ 8,100	$ 8,950
Other subsidiaries	**63**	133	34
Interest from subsidiaries	**2,581**	1,085	610
Other income	**1,719**	2,463	2,717
Total income	**14,763**	11,781	12,311
Expense			
Interest on borrowed funds	**3,843**	2,876	2,153
Noninterest expense	**2,636**	2,057	2,310
Total expense	**6,479**	4,933	4,463
Income before income taxes and equity in undistributed earnings of subsidiaries	**8,284**	6,848	7,848
Income tax benefit	**791**	360	596
Income before equity in undistributed earnings of subsidiaries	**9,075**	7,208	8,444
Equity in undistributed earnings of subsidiaries:			
Bank subsidiaries	**6,518**	6,165	2,224
Other subsidiaries	**872**	574	94
Total equity in undistributed earnings of subsidiaries	**7,390**	6,739	2,318
Net income	**$ 16,465**	$ 13,947	$ 10,762
Net income available to common shareholders	**$ 16,447**	$ 13,931	$ 10,758

Condensed Balance Sheet

(Dollars in millions)	December 31 2005	2004 (Restated)
Assets		
Cash held at bank subsidiaries	**$ 49,670**	$ 47,138
Securities	**2,285**	2,694
Receivables from subsidiaries:		
Bank subsidiaries	**14,581**	10,531
Other subsidiaries	**18,766**	19,897
Investments in subsidiaries:		
Bank subsidiaries	**119,210**	114,334
Other subsidiaries	**2,472**	1,499
Other assets	**13,685**	14,036
Total assets	**$ 220,669**	$ 210,129
Liabilities and shareholders' equity		
Commercial paper and other short-term borrowings	**$ 19,333**	$ 19,611
Accrued expenses and other liabilities	**7,228**	7,124
Payables to subsidiaries:		
Bank subsidiaries	**1,824**	487
Other subsidiaries	**2,479**	765
Long-term debt	**88,272**	81,907
Shareholders' equity	**101,533**	100,235
Total liabilities and shareholders' equity	**$ 220,669**	$ 210,129

Condensed Statement of Cash Flows

	Year Ended December 31		
(Dollars in millions)	**2005**	2004 (Restated)	2003 (Restated)
Operating activities			
Net income	**$ 16,465**	$13,947	$10,762
Reconciliation of net income to net cash provided by operating activities:			
Equity in undistributed losses of subsidiaries	**(7,390)**	(6,739)	(2,318)
Other operating activities, net	**(1,035)**	(1,487)	295
Net cash provided by operating activities	**8,040**	5,721	8,739
Investing activities			
Net (purchases) sales of securities	**403**	(1,348)	(59)
Net payments from (to) subsidiaries	**(3,145)**	821	(1,160)
Other investing activities, net	**(3,001)**	3,348	(1,598)
Net cash provided by (used in) investing activities	**(5,743)**	2,821	(2,817)
Financing activities			
Net increase (decrease) in commercial paper and other short-term borrowings	**(292)**	15,937	2,482
Proceeds from issuance of long-term debt	**20,477**	19,965	14,713
Retirement of long-term debt	**(11,053)**	(9,220)	(5,928)
Proceeds from issuance of common stock	**3,077**	3,939	4,249
Common stock repurchased	**(5,765)**	(6,286)	(9,766)
Cash dividends paid	**(7,683)**	(6,468)	(4,281)
Other financing activities, net	**1,474**	293	201
Net cash provided by financing activities	**235**	18,160	1,670
Net increase in cash held at bank subsidiaries	**2,532**	26,702	7,592
Cash held at bank subsidiaries at January 1	**47,138**	20,436	12,844
Cash held at bank subsidiaries at December 31	**$ 49,670**	$47,138	$20,436

Note 22—Performance by Geographical Area

Since the Corporation's operations are highly integrated, certain asset, liability, income and expense amounts must be allocated to arrive at Total Assets, Total Revenue, Income (Loss) Before Income Taxes and Net Income (Loss) by geographic area. The Corporation identifies its geographic performance based upon the business unit structure used to manage the capital or expense deployed in the region as applicable. This requires certain judgments related to the allocation of revenue so that revenue can be appropriately matched with the related expense or capital deployed in the region.

			At December 31	Year Ended December 31		
(Dollars in millions)		Year	Total Assets[1]	Total Revenue[2]	Income (Loss) Before Income Taxes	Net Income (Loss)
Domestic[3]		**2005**	**$ 1,195,212**	**$ 52,714**	**$ 22,790**	**$15,357**
	(Restated)	2004	1,046,727	46,252	19,852	13,246
	(Restated)	2003		36,444	15,859	10,786
Asia		**2005**	**28,442**	**727**	**360**	**255**
		2004	21,658	674	260	192
		2003		416	57	54
Europe, Middle East and Africa		**2005**	**51,917**	**1,257**	**355**	**229**
		2004	27,580	1,136	335	224
		2003		850	25	23
Latin America and the Caribbean		**2005**	**16,232**	**1,393**	**975**	**624**
		2004	14,467	903	461	285
		2003		124	(160)	(101)
Total Foreign		**2005**	**96,591**	**3,377**	**1,690**	**1,108**
		2004	63,705	2,713	1,056	701
		2003		1,390	(78)	(24)
Total Consolidated		**2005**	**$ 1,291,803**	**$ 56,091**	**$ 24,480**	**$16,465**
	(Restated)	2004	1,110,432	48,965	20,908	13,947
	(Restated)	2003		37,834	15,781	10,762

(1) Total Assets includes long-lived assets, which are primarily located in the U.S.
(2) There were no material intercompany revenues between geographic regions for any of the periods presented.
(3) Includes the Corporation's Canadian operations, which had Total Assets of $4,052 million and $4,849 million at December 31, 2005 and 2004; Total Revenue of $113 million, $88 million, and $96 million; Income before Income Taxes of $66 million, $49 million, and $60 million; and Net Income of $56 million, $41 million, and $12 million for the years ended December 31, 2005, 2004 and 2003.

Note 23—Restatement of Quarterly Financial Statements (unaudited)

Consolidated Statement of Income

The following tables set forth the effects of the restatement for the quarters in 2005 and 2004.

	2005 Quarters							
	Fourth		Third		Second		First	
(Dollars in millions, except per share information)	As Previously Reported[1]	Restated	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated
Interest income								
Interest and fees on loans and leases	$ 9,559	$ 9,536	$ 8,956	$ 8,933	$ 8,312	$ 8,294	$ 8,107	$ 8,080
Interest and dividends on securities	2,819	2,815	2,797	2,793	2,799	2,796	2,534	2,533
Federal funds sold and securities purchased under agreements to resell	1,462	1,477	1,372	1,382	1,252	1,249	893	904
Trading account assets	1,585	1,585	1,550	1,550	1,426	1,426	1,182	1,182
Other interest income	605	605	547	547	502	502	437	437
Total interest income	16,030	16,018	15,222	15,205	14,291	14,267	13,153	13,136
Interest expense								
Deposits	2,434	2,476	2,439	2,471	2,379	2,363	2,043	2,182
Short-term borrowings	3,902	3,855	3,250	3,190	2,677	2,582	1,969	1,988
Trading account liabilities	619	619	707	707	611	611	427	427
Long-term debt	1,215	1,209	1,053	1,102	974	1,074	841	1,033
Total interest expense	8,170	8,159	7,449	7,470	6,641	6,630	5,280	5,630
Net interest income	7,860	7,859	7,773	7,735	7,650	7,637	7,873	7,506
Noninterest income								
Service charges	1,927	1,927	2,080	2,080	1,920	1,920	1,777	1,777
Investment and brokerage services	1,062	1,062	1,060	1,060	1,049	1,049	1,013	1,013
Mortgage banking income	215	215	180	180	189	189	221	221
Investment banking income	537	537	522	522	431	431	366	366
Equity investment gains	481	481	668	668	492	492	399	399
Card income	1,507	1,507	1,520	1,520	1,437	1,437	1,289	1,289
Trading account profits	253	253	514	514	285	285	760	760
Other income	280	(31)	290	(128)	562	1,152	324	207
Total noninterest income	6,262	5,951	6,834	6,416	6,365	6,955	6,149	6,032
Total revenue	14,122	13,810	14,607	14,151	14,015	14,592	14,022	13,538
Provision for credit losses	1,400	1,400	1,159	1,159	875	875	580	580
Gains on sales of debt securities	71	71	29	29	325	325	659	659
Noninterest expense								
Personnel	3,845	3,845	3,837	3,837	3,671	3,671	3,701	3,701
Occupancy	699	699	638	638	615	615	636	636
Equipment	305	305	300	300	297	297	297	297
Marketing	265	265	307	307	346	346	337	337
Professional fees	283	283	254	254	216	216	177	177
Amortization of intangibles	196	196	201	201	204	204	208	208
Data processing	394	394	361	361	368	368	364	364
Telecommunications	219	219	206	206	196	196	206	206
Other general operating	1,055	1,055	1,061	1,061	985	985	1,019	1,019
Merger and restructuring charges	59	59	120	120	121	121	112	112
Total noninterest expense	7,320	7,320	7,285	7,285	7,019	7,019	7,057	7,057
Income before income taxes	5,473	5,161	6,192	5,736	6,446	7,023	7,044	6,560
Income tax expense	1,705	1,587	2,065	1,895	2,150	2,366	2,349	2,167
Net income	$ 3,768	$ 3,574	$ 4,127	$ 3,841	$ 4,296	$ 4,657	$ 4,695	$ 4,393
Net income available to common shareholders	$ 3,764	$ 3,570	$ 4,122	$ 3,836	$ 4,292	$ 4,653	$ 4,690	$ 4,388
Per common share information								
Earnings	$ 0.94	$ 0.89	$ 1.03	$ 0.96	$ 1.07	$ 1.16	$ 1.16	$ 1.09
Diluted earnings	$ 0.93	$ 0.88	$ 1.02	$ 0.95	$ 1.06	$ 1.14	$ 1.14	$ 1.07
Dividends paid	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.45	$ 0.45	$ 0.45	$ 0.45
Average common shares issued and outstanding (in thousands)	3,996,024	3,996,024	4,000,573	4,000,573	4,005,356	4,005,356	4,032,550	4,032,550
Average diluted common shares issued and outstanding (in thousands)	4,053,859	4,053,859	4,054,659	4,054,659	4,065,355	4,065,355	4,099,062	4,099,062

(1) The Corporation provided unaudited financial information relating to the fourth quarter of 2005 in its current report on Form 8-K filed on January 23, 2006.

BANK OF AMERICA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

Consolidated Statement of Income

	2004 Quarters							
	Fourth		Third		Second		First	
(Dollars in millions, except per share information)	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated	As Previously Reported	Restated
Interest income								
Interest and fees on loans and leases	$ 7,919	$ 7,877	$ 7,508	$ 7,499	$ 7,237	$ 7,183	$ 5,549	$ 5,492
Interest and dividends on securities	2,065	2,063	2,078	2,076	1,907	1,907	1,212	1,210
Federal funds sold and securities purchased under agreements to resell	712	699	484	464	413	385	434	392
Trading account assets	1,035	1,035	960	960	1,009	1,009	1,012	1,012
Other interest income	464	464	457	457	424	424	345	345
Total interest income	12,195	12,138	11,487	11,456	10,990	10,908	8,552	8,451
Interest expense								
Deposits	1,829	1,764	1,711	1,616	1,529	1,427	1,206	1,114
Short-term borrowings	1,543	1,452	1,152	1,050	1,019	910	720	660
Trading account liabilities	352	352	333	333	298	298	334	334
Long-term debt	724	1,020	626	942	563	907	491	814
Total interest expense	4,448	4,588	3,822	3,941	3,409	3,542	2,751	2,922
Net interest income	7,747	7,550	7,665	7,515	7,581	7,366	5,801	5,529
Noninterest income								
Service charges	1,891	1,891	1,899	1,899	1,783	1,783	1,416	1,416
Investment and brokerage services	1,008	1,008	972	972	999	999	635	635
Mortgage banking income	156	156	(250)	(250)	299	299	209	209
Investment banking income	497	497	438	438	547	547	404	404
Equity investment gains	426	426	220	220	84	84	133	133
Card income	1,380	1,380	1,258	1,258	1,159	1,159	795	795
Trading account profits	269	269	184	184	413	414	3	2
Other income	339	547	201	1,291	183	(415)	135	355
Total noninterest income	5,966	6,174	4,922	6,012	5,467	4,870	3,730	3,949
Total revenue	13,713	13,724	12,587	13,527	13,048	12,236	9,531	9,478
Provision for credit losses	706	706	650	650	789	789	624	624
Gains on sales of debt securities	101	101	732	333	795	795	495	495
Noninterest expense								
Personnel	3,520	3,520	3,534	3,534	3,629	3,629	2,752	2,752
Occupancy	648	648	622	622	621	621	488	488
Equipment	326	326	309	309	318	318	261	261
Marketing	337	337	364	364	367	367	281	281
Professional fees	275	275	207	207	194	194	160	160
Amortization of intangibles	209	209	200	200	201	201	54	54
Data processing	371	371	341	341	333	333	284	284
Telecommunications	216	216	180	180	183	183	151	151
Other general operating	1,159	1,159	1,043	1,043	1,257	1,257	999	999
Merger and restructuring charges	272	272	221	221	125	125	—	—
Total noninterest expense	7,333	7,333	7,021	7,021	7,228	7,228	5,430	5,430
Income before income taxes	5,775	5,786	5,648	6,189	5,826	5,014	3,972	3,919
Income tax expense	1,926	1,931	1,884	2,086	1,977	1,673	1,291	1,271
Net income	$ 3,849	$ 3,855	$ 3,764	$ 4,103	$ 3,849	$ 3,341	$ 2,681	$ 2,648
Net income available to common shareholders	$ 3,844	$ 3,850	$ 3,759	$ 4,098	$ 3,844	$ 3,336	$ 2,680	$ 2,647
Per common share information								
Earnings	$ 0.95	$ 0.95	$ 0.93	$ 1.01	$ 0.95	$ 0.82	$ 0.93	$ 0.92
Diluted earnings	$ 0.94	$ 0.94	$ 0.91	$ 0.99	$ 0.93	$ 0.81	$ 0.91	$ 0.90
Dividends paid	$ 0.45	$ 0.45	$ 0.45	$ 0.45	$ 0.40	$ 0.40	$ 0.40	$ 0.40
Average common shares issued and outstanding (in thousands)	4,032,979	4,032,979	4,052,304	4,052,304	4,062,384	4,062,384	2,880,306	2,880,306
Average diluted common shares issued and outstanding (in thousands)	4,106,040	4,106,040	4,121,375	4,121,375	4,131,290	4,131,290	2,933,402	2,933,402

Consolidated Balance Sheet

(Dollars in millions)	2005 Quarters Fourth As Previously Reported[(1)]	Fourth Restated	Third As Previously Reported	Third Restated	Second As Previously Reported	Second Restated	First As Previously Reported	First Restated
Assets								
Cash and cash equivalents	$ 36,999	$ 36,999	$ 32,771	$ 32,771	$ 33,935	$ 33,935	$ 28,698	$ 28,698
Time deposits placed and other short-term investments	12,800	12,800	11,236	11,236	9,682	9,682	11,223	11,223
Federal funds sold and securities purchased under agreements to resell	149,785	149,785	135,409	135,409	149,287	149,287	139,396	139,396
Trading account assets	131,707	131,707	121,256	121,256	126,658	126,658	124,960	124,960
Derivative assets	23,712	23,712	26,005	26,005	26,019	26,019	26,182	26,182
Securities:								
Available-for-sale	221,556	221,556	227,349	227,349	233,412	233,412	218,675	218,675
Held-to-maturity, at cost	47	47	136	136	174	174	275	275
Total securities	221,603	221,603	227,485	227,485	233,586	233,586	218,950	218,950
Loans and leases	573,782	573,791	554,603	554,612	529,418	529,428	529,466	529,457
Allowance for loan and lease losses	(8,045)	(8,045)	(8,326)	(8,326)	(8,319)	(8,319)	(8,313)	(8,313)
Loans and leases, net of allowance	565,737	565,746	546,277	546,286	521,099	521,109	521,153	521,144
Premises and equipment, net	7,786	7,786	7,659	7,659	7,602	7,602	7,531	7,531
Mortgage servicing rights	2,807	2,806	2,764	2,763	2,366	2,365	2,668	2,667
Goodwill	45,354	45,354	45,298	45,298	45,381	45,381	45,378	45,378
Core deposit intangibles and other intangibles	3,194	3,194	3,356	3,356	3,472	3,472	3,679	3,679
Other assets	90,311	90,311	92,743	92,743	87,243	87,243	82,421	82,421
Total assets	$ 1,291,795	$ 1,291,803	$ 1,252,259	$ 1,252,267	$ 1,246,330	$ 1,246,339	$ 1,212,239	$ 1,212,229
Liabilities								
Deposits in domestic offices:								
Noninterest-bearing	$ 179,571	$ 179,571	$ 174,990	$ 174,990	$ 175,427	$ 175,427	$ 166,499	$ 166,499
Interest-bearing	384,155	384,155	390,973	390,973	397,778	397,778	403,534	403,534
Deposits in foreign offices:								
Noninterest-bearing	7,165	7,165	6,750	6,750	6,102	6,102	5,319	5,319
Interest-bearing	63,779	63,779	53,764	53,764	56,110	56,110	54,635	54,635
Total deposits	634,670	634,670	626,477	626,477	635,417	635,417	629,987	629,987
Federal funds purchased and securities sold under agreements to repurchase	240,655	240,655	217,053	217,053	207,710	207,710	187,652	187,652
Trading account liabilities	50,890	50,890	51,244	51,244	61,906	61,906	53,434	53,434
Derivative liabilities	15,000	15,000	15,711	15,711	15,630	15,630	15,363	15,363
Commercial paper and other short-term borrowings	116,269	116,269	107,655	107,655	93,763	93,763	93,440	93,440
Accrued expenses and other liabilities	31,749	31,938	32,976	33,250	34,470	34,940	35,081	35,319
Long-term debt	101,338	100,848	99,885	99,149	96,894	95,638	98,763	98,107
Total liabilities	1,190,571	1,190,270	1,151,001	1,150,539	1,145,790	1,145,004	1,113,720	1,113,302
Commitments and contingencies (Note 9)								
Shareholders' equity								
Preferred stock, $0.01 par value; authorized—100,000,000 shares for all periods; issued and outstanding—**1,090,189** shares for all periods	271	271	271	271	271	271	271	271
Common stock and additional paid-in capital, $0.01 par value [(2,3)]	41,693	41,693	42,548	42,548	42,507	42,507	43,589	43,589
Retained earnings	67,205	67,552	65,439	65,980	63,328	64,154	60,843	61,309
Accumulated other comprehensive income (loss)	(7,518)	(7,556)	(6,509)	(6,580)	(4,992)	(5,023)	(5,559)	(5,617)
Other	(427)	(427)	(491)	(491)	(574)	(574)	(625)	(625)
Total shareholders' equity	101,224	101,533	101,258	101,728	100,540	101,335	98,519	98,927
Total liabilities and shareholders' equity	$ 1,291,795	$ 1,291,803	$ 1,252,259	$ 1,252,267	$ 1,246,330	$ 1,246,339	$ 1,212,239	$ 1,212,229

(1) The Corporation provided unaudited financial information relating to the fourth quarter of 2005 in its current report on Form 8-K filed on January 23, 2006.
(2) Authorized—7,500,000,000 shares for the Fourth, Third, Second and First Quarters
(3) Issued and outstanding—3,999,688,491 shares, 4,013,063,444 shares, 4,016,703,839 shares and 4,035,318,509 shares for the Fourth, Third, Second and First Quarters

Consolidated Balance Sheet

(Dollars in millions)	2004 Quarters Fourth As Previously Reported	Fourth Restated	Third As Previously Reported	Third Restated	Second As Previously Reported	Second Restated	First As Previously Reported	First Restated
Assets								
Cash and cash equivalents	$ 28,936	$ 28,936	$ 29,252	$ 29,252	$ 31,789	31,789	22,296	22,296
Time deposits placed and other short-term investments	12,361	12,361	11,021	11,021	10,418	10,418	8,561	8,561
Federal funds sold and securities purchased under agreements to resell	91,360	91,360	104,570	104,570	81,437	81,437	73,057	73,057
Trading account assets	93,587	93,587	102,925	102,925	85,972	85,972	75,004	75,004
Derivative assets	30,235	30,235	25,398	25,398	25,908	25,908	28,481	28,481
Securities:								
Available-for-sale	194,743	194,743	163,438	163,438	166,175	166,175	139,546	139,546
Held-to-maturity, at cost	330	330	420	420	478	478	242	242
Total securities	195,073	195,073	163,858	163,858	166,653	166,653	139,788	139,788
Loans and leases	521,837	521,813	511,639	511,613	498,481	498,452	375,968	375,938
Allowance for loan and lease losses	(8,626)	(8,626)	(8,723)	(8,723)	(8,767)	(8,767)	(6,080)	(6,080)
Loans and leases, net of allowance	513,211	513,187	502,916	502,890	489,714	489,685	369,888	369,858
Premises and equipment, net	7,517	7,517	7,884	7,884	7,797	7,797	6,076	6,076
Mortgage servicing rights	2,482	2,481	2,453	2,452	3,005	3,004	2,184	2,182
Goodwill	45,262	45,262	44,709	44,709	44,672	44,672	11,468	11,468
Core deposit intangibles and other intangibles	3,887	3,887	3,726	3,726	3,922	3,922	854	854
Other assets	86,546	86,546	74,117	74,117	73,444	73,444	62,317	62,317
Total assets	$ 1,110,457	$ 1,110,432	$ 1,072,829	$ 1,072,802	$ 1,024,731	1,024,701	799,974	799,942
Liabilities								
Deposits in domestic offices:								
Noninterest-bearing	$ 163,833	$ 163,833	$ 155,406	$ 155,406	$ 154,061	154,061	121,629	121,629
Interest-bearing	396,645	396,645	380,956	380,956	369,446	369,446	267,850	267,850
Deposits in foreign offices:								
Noninterest-bearing	6,066	6,066	5,632	5,632	5,499	5,499	2,805	2,805
Interest-bearing	52,026	52,026	49,264	49,264	46,407	46,407	43,308	43,308
Total deposits	618,570	618,570	591,258	591,258	575,413	575,413	435,592	435,592
Federal funds purchased and securities sold under agreements to repurchase	119,741	119,741	142,992	142,992	119,264	119,264	115,434	115,434
Trading account liabilities	36,654	36,654	36,825	36,825	29,689	29,689	27,402	27,402
Derivative liabilities	17,928	17,928	12,721	12,721	14,381	14,381	16,290	16,290
Commercial paper and other short-term borrowings	78,598	78,598	61,585	61,585	63,162	63,162	56,614	56,614
Accrued expenses and other liabilities	41,243	41,590	28,851	29,205	28,682	28,747	18,635	19,269
Long-term debt	98,078	97,116	100,586	99,582	98,319	98,082	81,231	79,474
Total liabilities	1,010,812	1,010,197	974,818	974,168	928,910	928,738	751,198	750,075
Commitments and contingencies (Note 9)								
Shareholders' equity								
Preferred stock, $0.01 par value (1,2)	271	271	271	271	322	322	53	53
Common stock and additional paid-in capital, $0.01 par value (3,4)	44,236	44,236	44,756	44,756	45,669	45,669	29	29
Retained earnings	58,006	58,773	55,979	56,739	54,030	54,452	51,808	52,738
Accumulated other comprehensive income (loss)	(2,587)	(2,764)	(2,669)	(2,806)	(3,862)	(4,142)	(2,743)	(2,582)
Other	(281)	(281)	(326)	(326)	(338)	(338)	(371)	(371)
Total shareholders' equity	99,645	100,235	98,011	98,634	95,821	95,963	48,776	49,867
Total liabilities and shareholders' equity	$ 1,110,457	$ 1,110,432	$ 1,072,829	$ 1,072,802	$ 1,024,731	1,024,701	799,974	799,942

(1) Authorized—100,000,000 shares for the Fourth, Third, Second and First Quarters
(2) Issued and outstanding—1,090,189 shares, 1,090,189 shares, 2,292,013 shares and 1,239,563 shares for the Fourth, Third, Second and First Quarters
(3) Authorized—7,500,000,000 shares for the Fourth, Third, Second and First Quarters
(4) Issued and outstanding—4,046,546,212 shares, 4,049,062,685 shares, 2,031,328,433 shares and 1,445,487,313 shares for the Fourth, Third, Second and First Quarters

Consolidated Statement of Changes in Shareholders' Equity, As Previously Reported
For the Three, Six and Nine Months in 2005

(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 Share-holders' Equity	Comprehensive Income
Balance, December 31, 2004	$ 271	4,046,546	$ 44,236	$ 58,006	$ (2,587)	$ (281)	$ 99,645	
Net income				4,695			4,695	$ 4,695
Net unrealized gains (losses) on available-for-sale debt and marketable equity securities					(1,541)		(1,541)	(1,541)
Net unrealized gains (losses) on foreign currency translation adjustments					(5)		(5)	(5)
Net gains (losses) on derivatives					(1,426)		(1,426)	(1,426)
Cash dividends paid:								
Common				(1,830)			(1,830)	
Preferred				(5)			(5)	
Common stock issued under employee plans and related tax benefits		31,987	1,343			(344)	999	
Common stock repurchased		(43,214)	(1,990)				(1,990)	
Other				(23)			(23)	
Balance, March 31, 2005	**$ 271**	**4,035,319**	**$ 43,589**	**$ 60,843**	**$ (5,559)**	**$ (625)**	**$ 98,519**	**$ 1,723**
Balance, December 31, 2004	$ 271	4,046,546	$ 44,236	$ 58,006	$ (2,587)	$ (281)	$ 99,645	
Net income				8,991			8,991	$ 8,991
Net unrealized gains (losses) on available- for-sale debt and marketable equity securities					584		584	584
Net unrealized gains (losses) on foreign currency translation adjustments					30		30	30
Net gains (losses) on derivatives					(3,019)		(3,019)	(3,019)
Cash dividends paid:								
Common				(3,640)			(3,640)	
Preferred				(9)			(9)	
Common stock issued under employee plans and related tax benefits		53,672	2,090			(292)	1,798	
Common stock repurchased		(83,514)	(3,819)				(3,819)	
Other				(20)		(1)	(21)	
Balance, June 30, 2005	**$ 271**	**4,016,704**	**$ 42,507**	**$ 63,328**	**$ (4,992)**	**$ (574)**	**$100,540**	**$ 6,586**
Balance, December 31, 2004	$ 271	4,046,546	$ 44,236	$ 58,006	$ (2,587)	$ (281)	$ 99,645	
Net income				13,118			13,118	$ 13,118
Net unrealized gains (losses) on available-for-sale debt and marketable equity securities					(1,711)		(1,711)	(1,711)
Net unrealized gains (losses) on foreign currency translation adjustments					26		26	26
Net gains (losses) on derivatives					(2,237)		(2,237)	(2,237)
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				(13)		1	(12)	
Balance, September 30, 2005	**$ 271**	**4,013,063**	**$ 42,548**	**$ 65,439**	**$ (6,509)**	**$ (491)**	**$101,258**	**$ 9,196**

(1) At September 30, 2005, June 30, 2005, and March 31, 2005, Accumulated Other Comprehensive Income (Loss) includes Net Unrealized Gains (Losses) on AFS Debt and Marketable Equity Securities of $(1,908) million, $387 million and $(1,738) million, respectively; Net Unrealized Losses on Foreign Currency Translation Adjustments of $(129) million, $(125) million and $(160) million, respectively; Net Unrealized Gains (Losses) on Derivatives of $(4,338) million, $(5,120) million, and $(3,527) million, respectively; and Other of $(134) million, $(134) million and $(134) million, respectively.

Consolidated Statement of Changes in Shareholders' Equity, As Restated For the Three, Six and Nine Months in 2005

(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 Share-holders' Equity	Comprehensive Income
Balance, December 31, 2004	$ 271	4,046,546	$ 44,236	$ 58,773	$ (2,764)	$ (281)	$100,235	
Net income				4,393			4,393	$ 4,393
Net unrealized gains (losses) on available-for-sale debt and marketable equity securities					(1,541)		(1,541)	(1,541)
Net unrealized gains (losses) on foreign currency translation adjustments					(5)		(5)	(5)
Net gains (losses) on derivatives					(1,306)		(1,306)	(1,306)
Cash dividends paid:								
Common				(1,830)			(1,830)	
Preferred				(5)			(5)	
Common stock issued under employee plans and related tax benefits		31,987	1,343			(344)	999	
Common stock repurchased		(43,214)	(1,990)				(1,990)	
Other				(22)	(1)		(23)	(1)
Balance, March 31, 2005	**$ 271**	**4,035,319**	**$ 43,589**	**$ 61,309**	**$ (5,617)**	**$ (625)**	**$ 98,927**	**$ 1,540**
Balance, December 31, 2004	$ 271	4,046,546	$ 44,236	$ 58,773	$ (2,764)	$ (281)	$100,235	
Net income				9,050			9,050	$ 9,050
Net unrealized gains (losses) on available- for-sale debt and marketable equity securities					584		584	584
Net unrealized gains (losses) on foreign currency translation adjustments					30		30	30
Net gains (losses) on derivatives					(2,873)		(2,873)	(2,873)
Cash dividends paid:								
Common				(3,640)			(3,640)	
Preferred				(9)			(9)	
Common stock issued under employee plans and related tax benefits		53,672	2,090			(292)	1,798	
Common stock repurchased		(83,514)	(3,819)				(3,819)	
Other				(20)		(1)	(21)	
Balance, June 30, 2005	**$ 271**	**4,016,704**	**$ 42,507**	**$ 64,154**	**$ (5,023)**	**$ (574)**	**$101,335**	**$ 6,791**
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 gains (losses) on available-for-sale debt and marketable equity securities					(1,711)		(1,711)	(1,711)
Net unrealized gains (losses) on foreign currency translation adjustments					26		26	26
Net gains (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**

(1) At September 30, 2005, June 30, 2005, and March 31, 2005, Accumulated Other Comprehensive Income (Loss) includes Net Unrealized Gains (Losses) on AFS Debt and Marketable Equity Securities of $(1,908) million, $387 million and $(1,738) million, respectively; Net Unrealized Losses on Foreign Currency Translation Adjustments of $(129) million, $(125) million and $(160) million, respectively; Net Unrealized Gains (Losses) on Derivatives of $(4,409) million, $(5,152) million, and $(3,585) million, respectively; and Other of $(134) million, $(134) million and $(134) million, respectively.

Consolidated Statement of Changes in Shareholders' Equity, As Previously Reported
For the Three, Six and Nine Months in 2004

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital		Retained Earnings	Accumulated Other Comprehensive Income (Loss)[1]	Other	Total Share-holders' Equity	Comprehensive Income
		Shares	Amount					
Balance, December 31, 2003	$ 54	2,882,288	$ 29	$ 50,198	$ (2,148)	$ (153)	$ 47,980	
Net income				2,681			2,681	$ 2,681
Net unrealized gains (losses) on available-for-sale debt and marketable equity securities					661		661	661
Net unrealized gains (losses) on foreign currency translation adjustments					3		3	3
Net gains (losses) on derivatives					(1,259)		(1,259)	(1,259)
Cash dividends paid:								
Common				(1,158)			(1,158)	
Preferred				(1)			(1)	
Common stock issued under employee plans and related tax benefits		32,892	1,060			(218)	842	
Common stock repurchased		(24,306)	(1,061)	88			(973)	
Conversion of preferred stock	(1)	100	1					
Balance, March 31, 2004	**$ 53**	**2,890,974**	**$ 29**	**$ 51,808**	**$ (2,743)**	**$ (371)**	**$ 48,776**	**$ 2,086**
Balance, December 31, 2003	$ 54	2,882,288	$ 29	$ 50,198	$ (2,148)	$ (153)	$ 47,980	
Net income				6,530			6,530	$ 6,530
Net unrealized gains (losses) on available- for-sale debt and marketable equity securities					(2,025)		(2,025)	(2,025)
Net unrealized gains (losses) on foreign currency translation adjustments					(18)		(18)	(18)
Net gains (losses) on derivatives					329		329	329
Cash dividends paid:								
Common				(2,796)			(2,796)	
Preferred				(6)			(6)	
Common stock issued under employee plans and related tax benefits		66,804	2,280			(183)	2,097	
Stock issued in acquisition	271	1,186,728	46,480				46,751	
Common stock repurchased		(73,366)	(3,076)	88			(2,988)	
Conversion of preferred stock	(3)	202	1				(2)	
Other			(45)	16		(2)	(31)	
Balance, June 30, 2004	**$ 322**	**4,062,656**	**$ 45,669**	**$ 54,030**	**$ (3,862)**	**$ (338)**	**$ 95,821**	**$ 4,816**
Balance, December 31, 2003	$ 54	2,882,288	$ 29	$ 50,198	$ (2,148)	$ (153)	$ 47,980	
Net income				10,294			10,294	$ 10,294
Net unrealized gains (losses) on available-for-sale debt and marketable equity securities					(390)		(390)	(390)
Net unrealized gains (losses) on foreign currency translation adjustments					(9)		(9)	(9)
Net gains (losses) on derivatives					(122)		(122)	(122)
Cash dividends paid:								
Common				(4,629)			(4,629)	
Preferred				(11)			(11)	
Common stock issued under employee plans and related tax benefits		89,603	3,037			(172)	2,865	
Stocks issued in acquisition	271	1,186,728	46,480				46,751	
Common stock repurchased		(113,796)	(4,837)	88			(4,749)	
Conversion of preferred stock	(54)	4,240	54				—	
Other			(7)	39		(1)	31	
Balance, September 30, 2004	**$ 271**	**4,049,063**	**$ 44,756**	**$ 55,979**	**$ (2,669)**	**$ (326)**	**$ 98,011**	**$ 9,773**

(1) At September 30, 2004, June 30, 2004, and March 31, 2004, Accumulated Other Comprehensive Income (Loss) includes Net Unrealized Gains (Losses) on AFS Debt and Marketable Equity Securities of $(460) million, $(2,095) million and $591 million, respectively; Net Unrealized Losses on Foreign Currency Translation Adjustments of $(175) million, $(184) million and $(163) million, respectively; Net Unrealized Gains (Losses) on Derivatives of $(1,930) million, $(1,479) million, and $(3,067) million, respectively; and Other of $(104) million, $(104) million and $(104) million, respectively.

Consolidated Statement of Changes in Shareholders' Equity, As Restated
For the Three, Six and Nine Months in 2004

(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 Share-holders' Equity	Comprehensive Income
Balance, December 31, 2003	$ 54	2,882,288	$ 29	$ 51,162	$ (2,434)	$ (154)	$ 48,657	
Net income				2,648			2,648	$ 2,648
Net unrealized gains (losses) on available-for-sale debt and marketable equity securities					661		661	661
Net unrealized gains (losses) on foreign currency translation adjustments					3		3	3
Net gains (losses) on derivatives					(812)		(812)	(812)
Cash dividends paid:								
Common				(1,158)			(1,158)	
Preferred				(1)			(1)	
Common stock issued under employee plans and related tax benefits		32,892	1,060			(218)	842	
Common stock repurchased		(24,306)	(1,061)	88			(973)	
Conversion of preferred stock	(1)	100	1				—	
Other				(1)	—	1	—	
Balance, March 31, 2004	**$ 53**	**2,890,974**	**$ 29**	**$ 52,738**	**$ (2,582)**	**$ (371)**	**$ 49,867**	**$ 2,500**
Balance, December 31, 2003	$ 54	2,882,288	$ 29	$ 51,162	$ (2,434)	$ (154)	$ 48,657	
Net income				5,989			5,989	$ 5,989
Net unrealized gains (losses) on available- for-sale debt and marketable equity securities					(2,025)		(2,025)	(2,025)
Net unrealized gains (losses) on foreign currency translation adjustments					(18)		(18)	(18)
Net gains (losses) on derivatives					335		335	335
Cash dividends paid:								
Common				(2,796)			(2,796)	
Preferred				(6)			(6)	
Common stock issued under employee plans and related tax benefits		66,804	2,280			(183)	2,097	
Stocks issued in acquisition	271	1,186,728	46,480				46,751	
Common stock repurchased		(73,366)	(3,076)	88			(2,988)	
Conversion of preferred stock	(3)	202	1				(2)	
Other			(45)	15	—	(1)	(31)	
Balance, June 30, 2004	**$ 322**	**4,062,656**	**$ 45,669**	**$ 54,452**	**$ (4,142)**	**$ (338)**	**$ 95,963**	**$ 4,281**
Balance, December 31, 2003	$ 54	2,882,288	$ 29	$ 51,162	$ (2,434)	$ (154)	$ 48,657	
Net income				10,092			10,092	$ 10,092
Net unrealized gains (losses) on available-for-sale debt and marketable equity securities					(390)		(390)	(390)
Net unrealized gains (losses) on foreign currency translation adjustments					(9)		(9)	(9)
Net gains (losses) on derivatives					27		27	27
Cash dividends paid:								
Common				(4,629)			(4,629)	
Preferred				(11)			(11)	
Common stock issued under employee plans and related tax benefits		89,603	3,037			(172)	2,865	
Stocks issued in acquisition	271	1,186,728	46,480				46,751	
Common stock repurchased		(113,796)	(4,837)	88			(4,749)	
Conversion of preferred stock	(54)	4,240	54				—	
Other			(7)	37	—	—	30	
Balance, September 30, 2004	**$ 271**	**4,049,063**	**$ 44,756**	**$ 56,739**	**$ (2,806)**	**$ (326)**	**$ 98,634**	**$ 9,720**

(1) At September 30, 2004, June 30, 2004, and March 31, 2004, Accumulated Other Comprehensive Income (Loss) includes Net Unrealized Gains (Losses) on AFS Debt and Marketable Equity Securities of $(460) million, $(2,095) million and $591 million, respectively; Net Unrealized Losses on Foreign Currency Translation Adjustments of $(175) million, $(184) million and $(163) million, respectively; Net Unrealized Gains (Losses) on Derivatives of $(2,067) million, $(1,759) million, and $(2,906) million, respectively; and Other of $(104) million, $(104) million and $(104) million, respectively.

BANK OF AMERICA CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

Consolidated Statement of Cash Flows

(Dollars in millions)	2005 As Previously Reported	2005 Restated	2004 As Previously Reported	2004 Restated
	Three Months Ended March 31			
Operating activities				
Net income	**$ 4,695**	**$ 4,393**	$ 2,681	$ 2,648
Reconciliation of net income to net cash provided by (used in) operating activities:				
Provision for credit losses	**580**	**580**	624	624
Gains on sales of debt securities	**(659)**	**(659)**	(495)	(495)
Depreciation and premises improvements amortization	**240**	**240**	209	209
Amortization of intangibles	**208**	**208**	54	54
Deferred income tax benefit	**(85)**	**(267)**	(66)	(86)
Net increase in trading and derivative instruments	**(13,041)**	**(12,697)**	(8,528)	(7,475)
Net (increase) decrease in other assets	**4,283**	**4,283**	(5,063)	(5,063)
Net decrease in accrued expenses and other liabilities	**(4,489)**	**(4,489)**	(8,252)	(8,252)
Other operating activities, net	**(3,707)**	**(3,669)**	3,275	2,275
Net cash used in operating activities	**(11,975)**	**(12,077)**	(15,561)	(15,561)
Investing activities				
Net (increase) decrease in time deposits placed and other short-term investments	**1,138**	**1,138**	(510)	(510)
Net (increase) decrease in federal funds sold and securities purchased under agreements to resell	**(48,036)**	**(48,036)**	3,435	3,435
Proceeds from sales of available-for-sale securities	**38,451**	**38,451**	11,090	11,090
Proceeds from maturities of available-for-sale securities	**10,181**	**10,181**	1,848	1,848
Purchases of available-for-sale securities	**(74,552)**	**(74,552)**	(84,567)	(84,567)
Proceeds from maturities of held-to-maturity securities	**55**	**55**	5	5
Proceeds from sales of loans and leases	**1,113**	**1,113**	876	876
Other changes in loans and leases, net	**(9,560)**	**(9,574)**	(6,133)	(6,133)
Additions to mortgage servicing rights, net	**(168)**	**(168)**	(249)	(249)
Net purchases of premises and equipment	**(254)**	**(254)**	(249)	(249)
Proceeds from sales of foreclosed properties	**26**	**26**	49	49
Net cash paid for business acquisitions	**(116)**	**—**	(15)	(15)
Other investing activities, net	**(72)**	**(72)**	800	800
Net cash used in investing activities	**(81,794)**	**(81,692)**	(73,620)	(73,620)
Financing activities				
Net increase in deposits	**11,417**	**11,417**	21,479	21,479
Net increase in federal funds purchased and securities sold under agreements to repurchase	**67,911**	**67,911**	37,388	37,388
Net increase in commercial paper and other short-term borrowings	**14,842**	**14,842**	21,634	21,634
Proceeds from issuance of long-term debt	**4,768**	**4,768**	7,558	7,558
Retirement of long-term debt	**(2,702)**	**(2,702)**	(2,507)	(2,507)
Proceeds from issuance of common stock	**1,180**	**1,180**	1,000	1,000
Common stock repurchased	**(1,990)**	**(1,990)**	(973)	(973)
Cash dividends paid	**(1,835)**	**(1,835)**	(1,159)	(1,159)
Other financing activities, net	**(37)**	**(37)**	(23)	(23)
Net cash provided by financing activities	**93,554**	**93,554**	84,397	84,397
Effect of exchange rate changes on cash and cash equivalents	**(23)**	**(23)**	(4)	(4)
Net decrease in cash and cash equivalents	**(238)**	**(238)**	(4,788)	(4,788)
Cash and cash equivalents at January 1	**28,936**	**28,936**	27,084	27,084
Cash and cash equivalents at March 31	**$ 28,698**	**$ 28,698**	$ 22,296	$ 22,296

Consolidated Statement of Cash Flows

	Six Months Ended June 30			
	2005		2004	
(Dollars in millions)	As Previously Reported	Restated	As Previously Reported	Restated
Operating activities				
Net income	$ 8,991	$ 9,050	$ 6,530	$ 5,989
Reconciliation of net income to net cash provided by (used in) operating activities:				
Provision for credit losses	1,455	1,455	1,413	1,413
Gains on sales of debt securities	(984)	(984)	(1,290)	(1,290)
Depreciation and premises improvements amortization	478	478	477	477
Amortization of intangibles	412	412	255	255
Deferred income tax expense (benefit)	391	425	(11)	(335)
Net increase in trading and derivative instruments	(7,014)	(6,897)	(9,799)	(10,444)
Net increase in other assets	(299)	(299)	(281)	(281)
Net decrease in accrued expenses and other liabilities	(5,869)	(5,869)	(7,800)	(7,800)
Other operating activities, net	(4,858)	(5,150)	(669)	842
Net cash used in operating activities	(7,297)	(7,379)	(11,175)	(11,174)
Investing activities				
Net decrease in time deposits placed and other short-term investments	2,679	2,679	796	796
Net (increase) decrease in federal funds sold and securities purchased under agreements to resell	(57,927)	(57,927)	6,043	6,043
Proceeds from sales of available-for-sale securities	140,666	132,006	37,729	37,729
Proceeds from maturities of available-for-sale securities	14,794	21,808	12,215	12,215
Purchases of available-for-sale securities	(192,401)	(190,755)	(123,771)	(123,771)
Proceeds from maturities of held-to-maturity securities	156	156	5	5
Proceeds from sales of loans and leases	12,221	12,221	2,002	2,002
Other changes in loans and leases, net	(21,540)	(21,574)	(3,497)	(3,498)
Additions to mortgage servicing rights, net	(407)	(407)	(662)	(662)
Net purchases of premises and equipment	(563)	(563)	(585)	(585)
Proceeds from sales of foreclosed properties	58	58	97	97
Net cash (paid for) acquired in business acquisitions	(116)	—	5,608	5,608
Other investing activities, net	306	306	(138)	(138)
Net cash used in investing activities	(102,074)	(101,992)	(64,158)	(64,159)
Financing activities				
Net increase in deposits	16,847	16,847	21,266	21,266
Net increase in federal funds purchased and securities sold under agreements to repurchase	87,969	87,969	35,275	35,275
Net increase in commercial paper and other short-term borrowings	15,165	15,165	22,000	22,000
Proceeds from issuance of long-term debt	7,806	7,806	12,648	12,648
Retirement of long-term debt	(7,714)	(7,714)	(7,385)	(7,385)
Proceeds from issuance of common stock	1,927	1,927	2,052	2,052
Common stock repurchased	(3,819)	(3,819)	(2,988)	(2,988)
Cash dividends paid	(3,649)	(3,649)	(2,802)	(2,802)
Other financing activities, net	(58)	(58)	(9)	(9)
Net cash provided by financing activities	114,474	114,474	80,057	80,057
Effect of exchange rate changes on cash and cash equivalents	(104)	(104)	(19)	(19)
Net increase in cash and cash equivalents	4,999	4,999	4,705	4,705
Cash and cash equivalents at January 1	28,936	28,936	27,084	27,084
Cash and cash equivalents at June 30	$ 33,935	$ 33,935	$ 31,789	$ 31,789

Consolidated Statement of Cash Flows

	Nine Months Ended September 30			
	2005		2004	
(Dollars in millions)	As Previously Reported	Restated	As Previously Reported	Restated
Operating activities				
Net income	**$ 13,118**	**$ 12,891**	$ 10,294	$ 10,092
Reconciliation of net income to net cash provided by (used in) operating activities:				
Provision for credit losses	**2,614**	**2,614**	2,063	2,063
Gains on sales of debt securities	**(1,013)**	**(1,013)**	(2,022)	(1,623)
Depreciation and premises improvements amortization	**716**	**716**	723	723
Amortization of intangibles	**613**	**613**	455	455
Deferred income tax expense (benefit)	**262**	**126**	(402)	(524)
Net increase in trading and derivative instruments	**(10,305)**	**(10,503)**	(21,396)	(22,153)
Net increase in other assets	**(3,330)**	**(3,130)**	(590)	(590)
Net decrease in accrued expenses and other liabilities	**(6,015)**	**(6,015)**	(7,919)	(7,919)
Other operating activities, net	**(6,994)**	**(6,718)**	(1,043)	20
Net cash used in operating activities	**(10,334)**	**(10,419)**	(19,837)	(19,456)
Investing activities				
Net decrease in time deposits placed and other short-term investments	**1,125**	**1,125**	193	193
Net increase in federal funds sold and securities purchased under agreements to resell	**(44,049)**	**(44,049)**	(17,090)	(17,090)
Proceeds from sales of available-for-sale securities	**143,079**	**143,079**	77,860	88,425
Proceeds from maturities of available-for-sale securities	**24,378**	**24,378**	19,710	19,710
Purchases of available-for-sale securities	**(202,053)**	**(202,053)**	(165,359)	(176,323)
Proceeds from maturities of held-to-maturity securities	**194**	**194**	63	63
Proceeds from sales of loans and leases	**13,059**	**13,059**	3,192	3,192
Other changes in loans and leases, net	**(48,730)**	**(48,763)**	(18,938)	(18,942)
Additions to mortgage servicing rights, net	**(663)**	**(663)**	(841)	(841)
Net purchases of premises and equipment	**(858)**	**(858)**	(970)	(970)
Proceeds from sales of foreclosed properties	**101**	**101**	145	145
Investment in China Construction Bank	**(2,500)**	**(2,500)**	—	—
Net cash (paid in) acquired in business acquisitions	**(118)**	**—**	5,593	5,615
Other investing activities, net	**83**	**83**	788	788
Net cash used in investing activities	**(116,952)**	**(116,867)**	(95,654)	(96,035)
Financing activities				
Net increase in deposits	**7,907**	**7,907**	37,111	37,111
Net increase in federal funds purchased and securities sold under agreements to repurchase	**97,312**	**97,312**	59,003	59,003
Net increase in commercial paper and other short-term borrowings	**29,057**	**29,057**	20,424	20,424
Proceeds from issuance of long-term debt	**17,813**	**17,813**	19,080	19,080
Retirement of long-term debt	**(13,076)**	**(13,076)**	(11,286)	(11,286)
Proceeds from issuance of common stock	**2,215**	**2,215**	2,729	2,729
Common stock repurchased	**(4,281)**	**(4,281)**	(4,749)	(4,749)
Cash dividends paid	**(5,672)**	**(5,672)**	(4,640)	(4,640)
Other financing activities, net	**(104)**	**(104)**	(41)	(41)
Net cash provided by financing activities	**131,171**	**131,171**	117,631	117,631
Effect of exchange rate changes on cash and cash equivalents	**(50)**	**(50)**	28	28
Net increase in cash and cash equivalents	**3,835**	**3,835**	2,168	2,168
Cash and cash equivalents at January 1	**28,936**	**28,936**	27,084	27,084
Cash and cash equivalents at September 30	**$ 32,771**	**$ 32,771**	$ 29,252	$ 29,252