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7-Aug-2008

Quarterly Report

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Throughout the MD&A, we use certain acronyms and

abbreviations which are defined in the Glossary beginning on page 150.

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

This report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "anticipates," "believes," "estimates" and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could" are intended to identify such forward-looking statements. Readers of the Form 10-Q of Bank of America Corporation and its subsidiaries (the Corporation) should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report as well as those discussed under Item 1A. "Risk Factors" of the Corporation's 2007 Annual Report on Form 10-K. The statements are representative only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement.

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

The Corporation, headquartered in Charlotte, North Carolina, operates in 32 states, the District of Columbia and more than 30 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 (GCSBB), Global Corporate and Investment Banking (GCIB), and Global Wealth and Investment Management (GWIM).

At June 30, 2008, the Corporation had $1.7 trillion in assets and approximately 207,000 full-time equivalent employees. Notes to Consolidated Financial Statements referred to in the MD&A are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation.

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2008 Economic Environment

The slowing economy and declining housing prices continued to negatively affect our home equity and residential mortgage portfolios, as well as other areas of our consumer portfolio. In addition, we have seen sustained stress in the credit quality of our small business and commercial homebuilder portfolios. These factors have driven increases in consumer and commercial net charge-offs and nonperforming assets as well as higher commercial criticized utilized exposure and reserve increases across most portfolios during the first half of 2008. For more information on credit quality, see the Credit Risk Management discussion beginning on page 107.

The market dislocations that have been experienced in the financial markets over the past year continue to impact our results although to a lesser extent in the second quarter of 2008. We have incurred additional losses on CDOs and related subprime exposure (CDO exposure) and continue to reduce our exposure to these vehicles. For more information on CDOs, the related ongoing exposure and the impacts of the continuing market dislocation (e.g., leveraged finance and CMBS writedowns), see the Capital Markets and Advisory Services (CMAS) discussion beginning on page 77.

The market illiquidity continued to impact the credit ratings of certain structured investment vehicles (SIVs). During the first half of 2008, we provided additional support to certain cash funds managed within GWIM by utilizing existing capital commitments and purchasing certain investments from these funds. Further, some of the SIVs that we have purchased or are held by these funds are expected to be restructured which may result in additional losses. For more information on our cash fund support, see the GWIM discussion beginning on page 86.

The subprime mortgage dislocation also impacted the ratings of certain monoline insurance providers (monolines), which has affected the pricing of certain municipal securities and the liquidity of the short-term public finance markets. We have direct and indirect exposure to monolines and, in certain situations, recognized losses related to some of these exposures during the first half of 2008. For more information related to our monoline exposure, see the Industry Concentrations discussion on page 128.

The above conditions together with deterioration in the overall economy will continue to affect these and other markets in which we do business and will adversely impact our results throughout the remainder of 2008. The degree of the impact is dependent upon the duration and severity of the aforementioned conditions.

On July 1, 2008, the Corporation acquired Countrywide Financial Corporation (Countrywide) through its merger with a subsidiary of the Corporation. The impacts of the slowing economy and declining housing prices could also negatively affect the results of operations stemming from this acquisition that will be included in our results beginning July 1, 2008.

Recent Events

In July 2008, the Board of Directors (the Board) authorized a stock repurchase program of up to 75 million shares of the Corporation's common stock at an aggregate cost not to exceed $3.75 billion and is limited to a period of 12 to 18 months. This stock repurchase program replaced the previous stock repurchase program that expired in July 2008.

In July 2008, the Board declared a regular quarterly cash dividend on common stock of $0.64 per share, payable on September 26, 2008 to common shareholders of record on September 5, 2008. In April 2008, the Board declared a regular quarterly cash dividend on common stock of $0.64 per share which was paid on June 27, 2008 to common shareholders of record on June 6, 2008. In June and July 2008, we declared aggregate dividends on preferred stock of $472 million, and in

March and April 2008 declared aggregate dividends on preferred stock of $187 million.

On July 1, 2008, the Corporation acquired Countrywide through its merger with a subsidiary of the Corporation. Under the terms of the agreement, Countrywide shareholders received 0.1822 of a share of Bank of America Corporation common stock in exchange for one share of Countrywide common stock. The acquisition of Countrywide significantly improved our mortgage originating and servicing capabilities, while making us the nation's leading mortgage originator and servicer. For more information related to our Countrywide acquisition, see Note
2 - Merger and Restructuring Activity to the Consolidated Financial Statements.

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In June 2008, we reached a definitive agreement to sell our equity prime brokerage business to BNP Paribas. The decision to sell the business is part of a strategic realignment within GCIB which reflects the decision to exit certain brokerage processing and balance sheet-intensive activities. We remain committed to our hedge fund clients in equities as well as across asset classes and investment banking. The completion of this transaction is subject to obtaining all regulatory approvals and is expected to close in the third quarter of 2008.

In May and June 2008, we issued 117 thousand shares of Bank of America Corporation 8.20% Non-Cumulative Preferred Stock, Series H (Series H Preferred Stock) with a par value of $0.01 per share for $2.9 billion. Further, in April 2008, we issued 160 thousand shares of Bank of America Corporation Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M (Series M Preferred Stock) with a par value of $0.01 per share for $4.0 billion. The fixed rate is 8.125 percent through May 14, 2018 and then adjusts to three-month LIBOR plus 364 basis points (bps) thereafter.

Recent Accounting and Regulatory Developments

In July 2008, the President signed into law the Housing and Economic Recovery Act of 2008 (the Act). The Act has several provisions including the establishment of a voluntary program that permits the Federal Housing Administration (FHA) to refinance eligible mortgages for certain qualified borrowers. Some of the Act's other provisions include changes to the FHA program, increases in the limits on the principal balances of mortgage loans that the FHA and government sponsored enterprises (GSEs) can purchase, creating a new regulator for the GSEs, and establishing a registration system for loan originators. We are currently determining how we might use this new program in connection with ongoing home retention efforts within our mortgage business.

In May 2008, federal bank regulators in the U.S. proposed amendments to the rules regarding Unfair or Deceptive Acts or Practices (UDAP) and Truth in Lending that would restrict certain credit and charge card practices and require expanded disclosures to consumers. Similar legislative initiatives have been proposed. The proposed regulatory amendments include, among other matters, rules relating to the imposition by card issuers of interest rate increases on outstanding balances and the allocation of payments in respect of outstanding balances with different interest rates. If new regulations are adopted as proposed, we would likely make significant changes to our card practices. Also in the May 2008 proposal, the federal bank regulators proposed new regulations under the same UDAP authority and under the Truth in Savings Act that would require banks to offer consumer deposit customers the opportunity to opt-out of overdraft services and fees. If the new regulations are adopted as proposed, we would need to make significant changes in the manner in which we process transactions that affect consumer deposit accounts. We are continuing to evaluate the proposals and the potential impact on our financial condition and results of operations.

The FASB has decided to amend SFAS 140 which would impact the accounting for QSPEs and make certain changes to FIN 46R. Exposure drafts of the proposed requirements are expected in the third quarter of 2008. Based on the preliminary discussions and tentative decisions, and assuming no changes to the Corporation's current product offerings, it is possible that these changes may lead to the consolidation of certain QSPEs and VIEs. These consolidations may result in an increase in outstanding loans and on-balance sheet funding, higher provision and allowance for credit losses as well as changes in the timing of recognition and location of where items are classified on our income statement. In addition, regulatory capital amounts and ratios may be negatively impacted based on the outcome of the FASB's decisions. However, the impact on the Corporation cannot be determined until the FASB issues the final amendments to SFAS 140 and FIN 46R and regulators provide guidance on how these amendments will impact regulatory capital. See Note 1 - Summary of Significant Accounting Principles to the Consolidated Financial Statements for a further discussion of recently issued accounting pronouncements.

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Performance Overview

Net income was $3.4 billion, or $0.72 per diluted common share for the three months ended June 30, 2008, as compared to $5.8 billion, or $1.28 per diluted common share, for the three months ended June 30, 2007. Net income was $4.6 billion, or $0.95 per diluted common share for the six months ended June 30, 2008, as compared to $11.0 billion, or $2.44 per diluted common share, for the six months ended June 30, 2007.

Table 1
Business Segment Total Revenue and Net Income

	Three Months Ended June 30				Six Months Ended June 30			
	Total Revenue (1)		Net Income		Total Revenue (1)		Net Income	
(Dollars in millions)	2008	2007	2008	2007	2008	2007	2008	2007
Global Consumer and Small Business Banking (2)	$ 13,092	$ 11,821	$ 812	$ 2,422	$ 26,398	$ 23,152	$ 1,904	$ 5,089
Global Corporate and Investment Banking	5,960	5,943	1,746	1,692	9,119	11,386	1,853	3,166
Global Wealth and Investment Management	2,279	1,889	573	576	4,201	3,670	802	1,067
All Other (2)	(700)	367	279	1,071	(1,784)	356	61	1,694
Total FTE basis	20,631	20,020	3,410	5,761	37,934	38,564	4,620	11,016
FTE adjustment	(316)	(395)	-	-	(616)	(724)	-	-
Total Consolidated	$ 20,315	$ 19,625	$ 3,410	$ 5,761	$ 37,318	$ 37,840	$ 4,620	$ 11,016

(1) Total revenue is net of interest expense, and is on a FTE basis for the business segments and All Other. For more information on a FTE basis, see Supplemental Financial Data beginning on page 58.

(2) GCSBB is presented on a managed basis with a corresponding offset recorded in All Other.

The table above presents total revenue and net income for the business segments and All Other and the following discussion presents a summary of the related results. For more information on these results, see Business Segment

Operations beginning on page 65.

For the three months ended June 30, 2008, GCSBB's net income decreased as higher revenue was more than offset by increased provision for credit losses and noninterest expense. Total revenue increased driven by the organic and merger-related average loan and deposit growth, as well as higher service charges and mortgage banking income. Higher provision for credit losses resulted from the impacts of the housing weakness and slowing economy. Noninterest expense increased due to the addition of LaSalle Bank Corporation (LaSalle).

In addition to the drivers discussed above, during the six months ended June 30, 2008, GCSBB's results were favorably impacted by the Card Services' portion of the Visa IPO transactions. For more information on GCSBB, see page 66.

For the three months ended June 30, 2008, GCIB's net income increased as lower incentive compensation more than offset higher provision for credit losses. Revenue remained relatively flat as an increase in net interest income, primarily market-based, was offset by CDO-related writedowns and other market disruption-related losses incurred in CMAS. The higher provision for credit losses was due to the impact of the housing markets slowdown on the homebuilder loan portfolio.

In addition to the drivers discussed above, during the six months ended June 30, 2008, GCIB's results were favorably impacted by the Treasury Services' portion of the Visa IPO transactions. For more information on GCIB, see page 74.

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For the three months ended June 30, 2008, GWIM's net income remained relatively flat as higher total revenue was offset by higher noninterest expense and provision for credit losses. Total revenue increased due to growth in investment and brokerage services income, resulting from the U.S. Trust Corporation and LaSalle acquisitions, and higher net interest income. The increase in provision for credit losses was driven by deterioration in the housing markets. Noninterest expense increased due to the addition of U.S. Trust Corporation and LaSalle.

In addition to the drivers discussed above, during the six months ended June 30, 2008, GWIM's results were impacted by losses associated with the support provided to certain cash funds managed within GWIM. For more information on GWIM, see page 86.

For the three months ended June 30, 2008, All Other's net income decreased due to lower equity investment income, higher credit costs related to our ALM residential mortgage portfolio and an increase in merger and restructuring charges.

In addition to the drivers discussed above, during the six months ended June 30, 2008, All Other's results were impacted by the absence of our Latin America operations, which were sold in the first quarter of 2007. For more information on All Other, see page 92.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $2.2 billion to $10.9 billion and $3.8 billion to $21.2 billion for the three and six months ended June 30, 2008 compared to the same periods in 2007. The increases were driven by the beneficial impact of the current interest rate environment, strong loan growth, and the acquisition of LaSalle. The net interest yield on a FTE basis increased 33 bps to 2.92 percent and 23 bps to 2.83 percent for the three and six months ended June 30, 2008 compared to the same periods in 2007, due to the improvement in the market-based yield related to our CMAS business as well as an increase in loan levels originated at higher spreads partially offset by the impact of the LaSalle acquisition. For more information on net interest income on a FTE basis, see Tables 8 and 9 on pages 62 and 64.

Noninterest Income

Table 2
Noninterest Income

(Dollars in millions)	Three Months Ended June 30 2008	Three Months Ended June 30 2007	Six Months Ended June 30 2008	Six Months Ended June 30 2007
Card income	$ 3,451	$ 3,558	$ 7,090	$ 6,891
Service charges	2,638	2,200	5,035	4,272
Investment and brokerage services	1,322	1,193	2,662	2,342
Investment banking income	695	774	1,171	1,412
Equity investment income	592	1,829	1,646	2,843
Trading account profits (losses)	357	949	(1,426)	1,879
Mortgage banking income	439	148	890	361
Gains on sales of debt securities	127	2	352	64
Other income (loss)	73	583	(714)	1,117
Total noninterest income	$ 9,694	$ 11,236	$ 16,706	$ 21,181

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Noninterest income decreased $1.5 billion to $9.7 billion and $4.5 billion to $16.7 billion for the three and six months ended June 30, 2008 compared to the same periods in 2007.

Card income on a held basis decreased $107 million for the three months ended June 30, 2008 primarily due to the unfavorable change in value of the interest-only strip partially offset by increases in debit card income and various fees. Card income increased $199 million for the six months ended June 30, 2008 due to the same factors noted above except that the change in the value of the interest-only strip increased earnings when compared to the prior period.

Service charges grew $438 million and $763 million resulting from increased volume, new account growth in deposit accounts and the beneficial impact of the LaSalle acquisition.

Investment and brokerage services increased $129 million and $320 million due primarily to the U.S. Trust Corporation and LaSalle acquisitions. This increase was partially offset by the absence of fees related to Marsico Capital Management, LLC (Marsico) which was sold in late 2007.

Investment banking income decreased $79 million and $241 million driven by reduced underwriting and advisory fees due

to current markets disruptions.

Equity investment income decreased $1.2 billion for both the three and the six months ended June 30, 2008. This was due to a reduction in gains from our Principal Investing portfolio attributable to the lack of liquidity in the marketplace including the absence of the $600 million increase in value during the second quarter of 2007 of private equity funds which were sold during July 2007. For the six months ended June 30, 2008, the decrease was partially offset by the $776 million gain associated with the Visa IPO.

Trading account profits (losses) decreased $592 million and $3.3 billion driven by continued losses related to CDO exposure and the continuing impact of the market disruptions on various parts of our CMAS business. For more information on the impact of these events refer to the GCIB discussion beginning on page 83.

Mortgage banking income increased $291 million and $529 million due to increased production income driven by improved margins on higher mortgage volume originated for distribution and an increased MSR valuation.

Other income (loss) decreased $510 million and $1.8 billion due to impairment writedowns of $501 million and $1.1 billion associated with CDOs classified as AFS debt securities and $64 million and $503 million of writedowns associated with our leveraged finance loans and commitments. In addition, we recorded losses of $36 million and $256 million associated with the support provided to certain cash funds managed within GWIM and writedowns related to certain investments that were previously purchased from the funds.

Provision for Credit Losses

The provision for credit losses increased $4.0 billion to $5.8 billion and $8.8 billion to $11.8 billion for the three and six months ended June 30, 2008 compared to the same periods in 2007. Deterioration in the housing markets, particularly in geographic areas that have experienced the most significant home price declines, seasoning of the portfolio, reflective of growth, and the impacts of a slowing economy drove higher net charge-offs and reserve increases.

For more information on credit quality, see Provision for Credit Losses beginning on page 134.

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Noninterest Expense

Table 3
Noninterest Expense

(Dollars in millions)	Three Months Ended June 30 2008	Three Months Ended June 30 2007	Six Months Ended June 30 2008	Six Months Ended June 30 2007
Personnel	$ 4,420	$ 4,737	$ 9,146	$ 9,762
Occupancy	848	744	1,697	1,457

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