Bank of America
Implications of Supervisory Capital Assessment

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May 7, 2009

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Important Presentation Format Information

- **Adverse scenario estimates represent a hypothetical “what if” scenario that involves an economic outcome that is more adverse than expected.**
- **Estimates provided herein by the Federal Reserve or Bank of America are not to be considered forecasts of expected losses or revenues.**
- **We undertake no obligation to update any information to reflect future discussions with our regulators on this or other topics.**

Supervisory Capital Assessment Program (SCAP)

- **Regulatory capital standards**
- **Stress test methodology**
- **SCAP assumptions and findings**
- **BAC current capital levels**
- **Capital planning implications of SCAP**

Supervisory Capital Assessment Program (SCAP)

- Federal Reserve well capitalized standard for Tier 1 capital ratio remains at 6%
  - Bank of America well above standard with $171 billion or 10.09% at 3/31/09
  - At this level Bank of America is $69 billion above the well capitalized standard
- For purposes of this assessment, the Federal Reserve established a 4% Tier 1 common ratio guideline at the end of 2010
  - Bank of America above guideline with $76 billion or 4.49% at 3/31/09
  - $34 billion additional common capital would add 200 bps to current Tier 1 common
- New requirements to hold sufficient cushion to absorb additional losses, as determined by stress testing results performed by regulatory supervisors
- Tier 1 capital more than sufficient to absorb stress test results
- Tier 1 capital structure must shift toward more common to accommodate Tier 1 common guideline
- Tier 1 common is defined as total Tier 1 capital less preferred stock ($73 billion) and other regulatory defined preferred forms of capital ($22 billion)
  - Regulatory capital deducts, among other things, goodwill and certain intangibles and does not consider the impact of FAS115 (OCI)
- Results of regulatory stress testing show a shortfall in Tier 1 common capital over a two-year period (2009-2010) of $34 billion

Stress Test Methodology

- Based on “what if “ scenario
- Resulted in certain exclusions and estimations that differ from our assumptions under same stress scenario
- Examples of methodology differences
  - SCAP assumed credit and counterparty higher loss estimates, in some cases, than Bank of America approximations
  - SCAP excluded selected discretionary gains such as securities gains without adding back the net interest income benefits of retaining securities
  - SCAP projected higher depreciation and forced liquidation of debt and equity securities, contrary to our experience in the current recessionary environment
  - SCAP did not consider the benefit of deleveraging the combined balance sheets of Bank of America and Merrill Lynch
  - SCAP assumed different consumer loan prepayment assumptions, but did not include the resulting beneficial impact to net interest income, mortgage banking income and the mortgage servicing asset
- SCAP estimates of pre-provision earnings should be lower than our expected performance which would result in adjustments for 2Q and 3Q actual results

SCAP Assumptions and Findings

- Stress test results reflect two-year cumulative (2009-2010) assumptions in an adverse scenario
  - $75 billion in pre-tax pre-provision income net of reserve build (PPNR)
- $137 billion in loss projections
- $104 billion in net credit losses by asset class
  - $91 billion, net of purchase accounting adjustments
    - $62 billion consumer
    - $29 billion commercial
- $33 billion in other losses
  - $24 billion in trading and counterparty
  - $9 billion in debt and equity securities

Federal Reserve Disclosure on SCAP

Supervisory Capital Assessment Program
Estimates for Bank of America Corporation for the More Adverse Economic Scenario

The estimates below represent a hypothetical 'what-if' scenario that involves an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses or revenues.

	Bank of America Corporation	
At December 31, 2008	**$ Billions**	**As % of RWA**
Tier 1 Capital	173.2	10.6%
Tier 1 Common Capital	74.5	4.6%
Risk-Weighted Assets	1,633.8	

	More Adverse Scenario	
Estimated for 2009 and 2010 for the More Adverse Scenario	**$ Billions**	**As % of Loans**
Total Estimated Losses (Before purchase accounting adjustments)	136.6	
First Lien Mortgages	22.1	6.8%
Second/Junior Lien Mortgages	21.4	13.5%
Commercial and Industrial Loans	15.7	7.0%
Commercial Real Estate Loans	9.4	9.1%
Credit Card Loans	19.1	23.5%
Securities (AFS and HTM)	8.5	-na-
Trading & Counterparty	24.1	-na-
Other (1)	16.4	-na-
Memo: Purchase Accounting Adjustments	13.3	
Resources Other Than Capital to Absorb Losses (2)	74.5	
SCAP Buffer Added for More Adverse Scenario		
(SCAP buffer is defined as additional Tier 1 Common/contingent Common)		
Indicated SCAP Buffer as of December 31, 2008	46.5	
Less: Capital Actions and Effects of Q1 2009 Results (3)	10.9	
Other Capital Actions (4)	1.8	
SCAP Buffer	33.9	

(1) Includes other consumer and non-consumer loans and miscellaneous commitments and obligations
(2) Resources to absorb losses include pre-provision net revenue less the change in the allowance for loan and lease losses
(3) Capital actions include completed or contracted transactions since Q4 2008
(4) Capital benefit from risk-weighted asset impact of eligible asset guarantee
Note: Numbers may not sum due to rounding

BAC 1Q09 Position vs. SCAP Findings

($ in billions)

	BAC 1Q09		SCAP Results		
Tier 1 Common ratio		4.49%		4.00%	must remain above in adverse scenario
Pre-tax pre-provision earnings	$	19.1	$	9.3	SCAP run rate includes reserve build
Net charge-offs	$	6.9	$	11.4	Avg qtrly rate 2009-2010
Highlights of Loss assumptions					
Non-credit Losses					
Trading	$	(1.7)	$	(24.1)	
Debt and equity securities		(0.9)		(8.5)	
Total non-credit losses	$	(2.6)	$	(32.6)	
Credit Loss rates					
Core residential mortgage portfolio (adj.for SOP-03-3 portolio, Merrill)		1.30%		2.85%	Fed assumption halved for comparison
Commercial and Commercial R/E		1.68%		3.67%	Fed assumption halved for comparison

Highlights of SCAP Findings

Examples of differing loss methodology:

<u>Mortgage</u>

The inferred FRB 2-year loss rate on BAC's ***Core*** Mortgage Portfolio is 5.7%, or 2.85% per annum (adjusting out purchase accounting and excluding Countrywide Impaired, Merrill and Warehouse/Pipeline).

That compares to actual first quarter annualized loss rate on the equivalent portfolio of 1.30%. So, loss rates would have to more than double to 3.1% and remain there for the remaining 7 quarters to reach the FRB's projections.

<u>Commercial & Commercial Real Estate</u>

The inferred FRB 2-year loss rate on commercial and commercial real estate loans is 7.4%, or 3.7% per annum.

BAC's actual first quarter annualized loss rate on the equivalent portfolio was 1.68% . So, loss rates would have to more than double to 3.9% and remain there for the remaining 7 quarters to reach the FRB's projections.

Additionally, the FRB's loss rate is well above the combined commercial and commercial real estate peak loss rate experienced by BAC in both the 1991 recession and the 2002 recession.

<u>Debt and Equity Securities</u>

The FRB projected higher depreciation and forced liquidation of debt and equity securities, contrary to our experience in the current recessionary environment

SCAP Implications

Bank of America is deemed to need an additional $34 billion Tier 1 common capital

- **By June 8, 2009 Bank of America must submit a plan to meet the capital shortfall**
  - **Plan will include common issuances, asset sales, asset reductions and other items**
- **Capital actions must be completed by November 9, 2009**

Asset Wrap Guarantee

- Bank of America in discussions to terminate and abandon the previously planned asset wrap offered by the government
  - A termination of the agreement would reduce planned premium costs of $4 billion (preferred issuance) and $320 million dividends annually

Capital Raising to Build Tier 1 Common

- **Common equity raise of roughly $17 billion**
  - **Performed through a combination of an ATM (At-the-Market) issuance program as well as an offering to exchange preferred to common with institutional investors**
  - **Executed by Banc of America Securities Merrill Lynch**
  - **Preferred exchange to be executed at less than par**

Bank of America has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the company has filed with the SEC for more complete information about the company and this offering. You may obtain these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov.

Alternatively, Bank of America Corporation or the sales agents will arrange to send you the prospectus if you request it by contacting Bank of America Corporation, Corporate Treasury - Securities Administration, at 1-704-386-5681, Banc of America Securities LLC, toll free at 1-800-294-1322 or Merrill Lynch & Co., toll free at 1-866-500-5408.

Other Capital Planning to Build Tier 1 Common

- **Asset / business sales generating Tier 1 common of around $10 billion**
  - **Examples include First Republic, Columbia Management, joint venture arrangements and various others**
- **Other improvements to pre-tax pre-provision earnings expected during 2Q and 3Q, and various other items totaling roughly $7 billion**

The World's Premier Financial Institution

- **An Unparalleled Franchise**
  - Largest retail bank in the U.S., serving one in two households a trillion dollar deposit base
  - Largest commercial bank in the U.S., serving one-third of companies with revenues from $2.5MM to $2B
  - Relationships with 99 percent of U.S. *Fortune 500* companies
  - Leading market share in mortgages
  - Leading market share in credit cards
  - One of the largest global wealth management platforms with approximately 18,000 financial advisors
  - Leading positions in debt and equity underwriting
  - Scale in trading and derivatives businesses in equities, fixed income, and commodities in every major market and currency in the world
  - Outstanding cross-selling potential across client base
- **Management team focused on capitalizing on opportunities**
  - Outstanding partnership of legacy BAC and top-flight talent from acquired firms
  - Risk Management learnings immense from recent crisis
  - Cost synergies from mergers identified and ahead of schedule
  - Firmly believe the company will grow and thrive as we help businesses and individuals work through the recession
- **Capital strength and ample liquidity**
  - 3/31/09 Tier 1 capital of 10.1%
  - Earnings capacity and diversity will aid in building capital
  - Very strong liquidity profile

APPENDIX

Understanding Tier 1 Common Capital Calculation – 3/31/09

($ in millions)

Total Equity	**$**	**239,549**
Common		166,272
Preferred		73,277
Goodwill		86,910
Intangibles (excl MSR)		13,703
Related deferred tax liabilities		3,958
Total Assets		2,321,963
Capital ratios		
Total equity / assets		10.32%
Common equity / assets		7.16%
Tang equity / assets		6.42%
Tang common equity / assets		3.13%
Regulatory measures		
Tier 1 Capital	$	171,061
Less:		
Preferred stock		73,277
Minority interest in equity of consolidated subs		1,919
Trust originated preferred securities		19,721
Tier 1 Common		76,144
Risk-weighted assets		1,695,192
Tier 1 Ratio		10.09%
Tier 1 "common" ratio		4.49%

Primary differences between GAAP and regulatory capital

	$	**239,549**
Regulatory capital **includes**:		
Trust originated preferred securities		19,721
Minority interest in equity of consol. Subs.		1,919
Regulatory capital **excludes**:		
Other comprehensive income FAS115/133/158		(10,528)
Change in FVO due to company's creditworthiness		1,449
Goodwill		86,910
Certain Intangible assets		5,932
Other exclusions		6,365
	$	171,061

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