Communicating During an Economic Crisis: An Examination of the Use of Strategic Ambiguity Within the Banking Industry

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COMMUNICATING DURING AN ECONOMIC CRISIS:
AN EXAMINATION OF THE USE OF STRATEGIC AMBIGUITY
WITHIN THE BANKING INDUSTRY

A Thesis
Presented to
the Graduate School of
Clemson University

In Partial Fulfillment
of the Requirements for the Degree
Master of Arts
Professional Communication

by
Stephanie Williams Tarbet
May 2010

Accepted by:
Dr. Sean Williams, Committee Chair
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ABSTRACT

The current economic crisis has adversely affected companies and organizations throughout our nation and around the globe. One of the industries hit hardest by the unprecedented downturn was the banking industry. During these critical times, these companies have a responsibility to communicate information to stakeholders about the economy’s impact on financial results, operations, and future plans. The following research study describes how four major companies within the banking industry communicated with external stakeholder groups about the economic crisis. Specifically, I analyzed how these companies communicated with external stakeholder groups and whether their communications revealed instances of strategic ambiguity. Using Kathy Charmaz’ (2006) grounded theory model to expand upon Eric M. Eisenberg’s (1984) theoretical definition of strategic ambiguity, I examined how four large, national banks communicated externally about the financial crisis and how the sample of communications revealed instances of strategic ambiguity.
DEDICATION

The following thesis is dedicated to all of the important people who have helped me arrive at this point in my life. First of all, I would like to thank my amazing husband who has done everything imaginable to make this journey possible for me. I am forever grateful for your support and encouragement, and most of all, your endless love that was omnipresent throughout this process. I would also like to thank my parents who have always encouraged me to excel at everything I do in life. Your support has allowed me to reach this important milestone in my life and many others. Both of you set the example for me to follow to pursue higher education and obtain a master’s degree. I also dedicate this thesis to my sister and best friend who always followed in my footsteps growing up. However, now I am following in your footsteps since I am the last member of our immediate family to get a master’s degree. Thank you for showing me what it takes to achieve this level of distinction. Finally, I would like to thank my grandparents who have always provided words of encouragement and frequently tell me how proud they are of the things that I have accomplished. As you read this manuscript, I hope each of you know that this thesis would not have been possible had it not been for all of you. Thank you for your continued love and support; I am forever grateful.
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CHAPTER ONE

INTRODUCTION

The economic crisis of 2008-2009 has adversely affected companies and organizations throughout our nation and around the globe. One of the industries hit hardest by the unprecedented downturn was the banking industry. This economic turmoil has forced companies within this sector to reassess and redefine organizational goals, values, and expectations. During these critical times, companies have a responsibility to communicate information to stakeholders about the economy’s impact on financial results, operations, and future plans.

The following research study describes how four major companies within the banking industry communicated with external stakeholder groups about the economy’s impact on their day-to-day business and financial results. Specifically, I analyzed how these companies communicated with external stakeholder groups and whether their communications revealed instances of strategic ambiguity. In a time when clarity, transparency, and honesty are extremely important, it is necessary to examine in what ways these companies are communicating with their stakeholders. At one time it was believed that clear and open communication was the only way to communicate with stakeholder groups, but more recently, theorists (Barrett, 2005; Ceccarelli, 1998; Eisenberg, 1984; Kline et al., 2009; Moon & Hyun, 2009; Paul & Strbiak, 1997) have demonstrated that ambiguous communication may be beneficial in crisis situations. Today, more companies and organizations are using equivocal messages and strategic ambiguity to deliver information to audiences. Therefore, it is essential to characterize
what strategic ambiguity looks like in practice within companies today. A description of how strategic ambiguity is used to communicate with stakeholder groups during an economic crisis is missing from the current literature. If strategic ambiguity continues to be an approach practitioners use when communicating information, they need to understand how it is used within today’s environment and, specifically, during the economic crisis.

The current economic situation is an appropriate exigence to focus on when examining strategic ambiguity because of its prominence in the news. Stories and news articles about the financial crisis have pervaded television, newspapers, magazines, and Web sites. The crisis has been dealt with publicly and the media has attacked it from all angles. The last financial crisis took place more than 20 years ago before social media forms such as Twitter, RSS newsfeeds, Facebook, and blogs were used to communicate information. These new communication channels have changed the frequency of communication and the way information is communicated to stakeholder groups and publics. Therefore, it is imperative to provide an updated description of how practitioners are communicating during the current economic crisis and whether their external communications reveal instances of strategic ambiguity.

In a crisis such as the one facing the banking industry today, banks have a responsibility to communicate with their many stakeholder groups. Literature (Barrett, 2005; Kline et al., 2009) suggests in crisis situations practitioners use a form of strategic ambiguity when communicating with stakeholders. Kline, Simunich, and Weber (2009) found in their study that the use of equivocal messages did not consistently result in
higher reputation ratings. However, they suggest this is understandable given the general expectation that organizations be transparent on financial matters. A general expectation that organizations be transparent on financial matters may exist, but is this actually the case in the external communications created during the current economic crisis? The following study explores that question and provides a more current description of how practitioners are communicating during the economic crisis.

Using a grounded-theory model (Charmaz, 2006) to develop and expand upon Eric M. Eisenberg’s (1984) theoretical definition of strategic ambiguity, I examined how four large, national banks are communicating externally about the financial crisis and whether those communications reveal instances of strategic ambiguity. External communications include, but are not limited to, any documents that are public on a company’s Web site such as press releases, financial reports, blog posts, and executive speeches that are targeted toward specific stakeholder groups. Practitioners who use strategic ambiguity cannot rely solely upon Eisenberg’s (1984) definition—it provides a theoretical framework, but it does not facilitate an understanding of how to use the strategy. From an analytical frame, my goal is to uncover and describe what strategic ambiguity looks like in practice and determine if the instances of strategic ambiguity found in the external communications enact Eisenberg’s theory. The grounded theory approach (Charmaz, 2006) allowed me to examine, in depth, how practitioners are communicating about the economic crisis to determine if they were using strategic ambiguity as a communication strategy. The following chapters describe my methodology, results, conclusions, and suggestions for future research.
CHAPTER TWO  
LITERATURE REVIEW 

The following literature review provides a context for strategic ambiguity by defining the communication strategy. In addition, background about stakeholder theory provides context about the ways in which professional communicators use strategic ambiguity to communicate with various stakeholder groups. Finally, the literature review explores the ethics of strategic ambiguity and attempts to differentiate between the strategy and deception. 

Definition of Strategic Ambiguity 

Eisenberg (1984) is the first theorist whose name is associated with the concept of strategic ambiguity. However, this concept was discussed prior to 1984, dating back to the original classical rhetorical theorists including the Sophists and Aristotle. Although they may not have used the phrase “strategic ambiguity,” they were suggesting that language is not fixed and may have multiple meanings depending on the audience that is receiving the message. Based upon the orator’s artful presentation, multiple interpretations of speech may occur based upon the audience’s position and perceptions. As Gorgias so eloquently put it, “Man is the measure of all things” (p. 45). 

Eisenberg (1984) defines strategic ambiguity as “a way of satisfying conflicting goals; in organizational crises these conflicts can be between the organization, government, stakeholders, and/or the media” (p. 42). He goes on to say that strategic ambiguity is essential to organizing in that it: “promotes unified diversity, facilitates
organizational change, and amplifies existing source attributes and preserves privileged positions” (p. 277). A communicator’s goals are not assumed to be unitary or consistent; rather, individuals have multiple, often conflicting goals, which they orient toward in an effort to satisfy rather than maximize attainment of any one goal in particular (Eisenberg, 1984). This perspective has evolved largely as a critical response to the optimal model of communication, which equates effectiveness with clarity and openness. In 1984, Eisenberg challenged the prevailing assumption that openness and clarity should always be the overarching goals of organizational communication. Eisenberg rejected the notion that communication is about discovering and transmitting some pre-existing objective reality; rather, he suggests, communication is an interactional process of meaning construction. At the time, such a claim may have been controversial, but now, over two decades later, organizational communication scholars and practitioners have largely embraced the social constructionist frame of reference in their work.

Practitioners must not only understand the situation in which they are using strategic ambiguity, but also how to proceed depending on the nature of the situation. Lloyd Bitzer (1968) defines a rhetorical situation as “the context in which speakers or writers create rhetorical discourse” (p. 1). Specifically, the rhetorical situation is “a natural context of persons, events, objects, relations, and an exigence which strongly invites utterance” (p. 4). The current economic conditions have undoubtedly yielded a rhetorical situation in which an exigence is present. Bitzer defines an exigence as an “imperfection marked by urgency; it is a defect, an obstacle, something waiting to be done” (p. 6). In the case of the economic downturn, the controlling exigence is the
organizing principle of the rhetorical responses. In addition to the exigence, the audience is an essential part of the rhetorical situation. The audience is comprised of people who can be affected by language and have the ability to act to bring about change. Besides exigence and audience, every rhetorical situation also contains a set of constraints made up of “persons, events, objects, and relations which are parts of the situation because they have the power to constrain decision and action needed to modify the exigence” (p. 8).

The economic downturn is a rhetorical situation that calls for a response. Although the situation invites a response, it needs to be fitting and appropriate for the circumstances. Practitioners are responsible for crafting that fitting response; therefore, they must decide what type of message they will disseminate regarding the current economic situation’s effects on their organization. Professional communicators can approach the situation from a variety of angles. They can choose to respond to stakeholders with equivocal or nonequivocal messages. Kline et al. (2009) define equivocal communication as “the use of strategic language to provide reasonable answers to questions that, if answered with clear, direct communication, could cause negative repercussions” (p. 40). Nonequivocal messages, then, would be those that provide clear and direct answers that cannot be misinterpreted. Kline et al. suggest there are situations where organizations rely on the value of employing strategic ambiguity as well as transparency and full disclosure. They assert, “There are numerous reasons for managers to practice transparency or full disclosure during a corporate crisis” (p. 41). In addition, they argue, “Responses in a crisis should function to reduce uncertainty and ambiguity
through a consistent flow of information, but effective responses may also engage in strategic ambiguity” (p. 41).

This assertion highlights the issue of the use of closed and open communication during crises. Although communicating openly typically occurs when a crisis is characterized by definite facts, “open communication might not be the best way to proceed when a crisis is in its early stages” (Kline et al., 2009, p. 41). Most importantly, Kline et al. argue that “honesty and candor are important features of an organization’s information system with stakeholders and the media;” therefore, “it would appear important for communication managers to know the types of message practices effective at strategic ambiguity that are not deceitful or that do not violate standards of dialogue or critical discussion” (p. 41).

Theoretical work reflects a general willingness among leading scholars and practitioners to accept the notion that organizational members use symbols strategically to accomplish goals and in doing so may not always be open and clear. Kenneth Burke (1968) discusses symbolic action as the right to choose and stresses language as an aspect of “symbolic action” (p. 341). His notion of “terministic screens” suggests that any “nomenclature necessarily directs the attention into some channels rather than others” (p. 341). For Burke, behavior is not something “objectively there” as it must be observed through one or another kind of terministic screen that directs the attention in keeping with its nature (343). Burke has written suggestively about the strategic resources of ambiguity, which he views as an asset instead of a liability.
Eisenberg (1984) also discusses a similar idea that ambiguity of meaning rejects the notion that an objective world exists that waits to be discovered. With no purely objective reality to describe, the existence of “literal” language becomes questionable, and all meaning is seen as fundamentally contextual and constructed at least partly by individuals (Eisenberg, 1984). Ambiguous goals and language allow organizations to adapt in turbulent environments so they can preserve a sense of continuity. Eisenberg asserts that by complicating the sense-making responsibilities of the receiver, “strategically ambiguous communication allows the source to both reveal and conceal, to express and protect, should it become necessary to save face” (p. 236). Eisenberg distinguishes between the use of strategic ambiguity in different communicative contexts: type of audience (internal or external to the organization) and the level of formality (formal or informal). For external audiences, like I examined in my research study, there is a focus on the “preservation of future options and the deniability of formal statements to external audiences” (Eisenberg, 1984, p. 238). Returning to Burke’s (1968) notion of symbolic action, Eisenberg notes a common observation that “humans are both social and symbolic animals” and “what is less frequently recognized is that the strategic use of symbols can facilitate the operation of social order” (p. 239).

Much like Bitzer (1968), Kline et al. (2009) assert the goals and characteristics of the communicative situation shape the discourse within it. This assertion is also similar to Michel Foucault’s (1972) discussion of discourse communities and the rules set forth by each community that determine how people communicate information. He believes that each discourse community is made up of multiple stakeholders that follow similar
rules in order to participate in the discourse. Equivocal communication is strategic yet ambiguous language that is incorporated into speakers’ language when they must respond to an inquiry that would have negative repercussions if answered with clear, direct communication. Kline et al. express that avoidance-avoidance goal conflicts arise when the message options available to respond to a question have multiple negative outcomes in relation to one’s aims, yet a reply must be made (p. 44). To determine what types of messages corporate spokespeople use in crisis situations, Kline et al. created eight scenarios to mimic the most common corporate crises identified in literature including financial crises such as bankruptcy, layoffs, and mergers and acquisitions. They wanted to determine whether or not communication managers directly responded to the situation with a nonequivocal answer, gave an equivocal answer, or used neither a nonequivocal or equivocal response.

Kline et al. (2009) found that communication professionals considered equivocal responses to be more appropriate and linked to higher levels of corporate reputation when produced in response to crises with avoidance-avoidance goal conflicts. Avoidance-avoidance goal conflicts involve two unattractive alternatives. By contrast, nonequivocal messages were considered more appropriate and associated with higher levels of corporate reputation in situations containing approach goals. These goals are desirable outcomes that are present and sought after by communicators. An interesting finding was that professional views on equivocal message use were tempered for Securities and Exchange Commission (SEC) type crises, in which using equivocal messages did not consistently result in higher reputation ratings. This situational variation is
understandable given the general expectation that organizations be transparent on financial matters.

This finding from Kline et al.’s (2009) study is the basis for my inquiry. There is a general expectation that organizations are transparent on financial matters and this expectation applies to the banking industry more so than any other sector. The majority of the information that banks communicate is financial information; therefore, my study explored how transparent banks were in their external communications.

Scott Barrett (2005) advises organizations to use strategic ambiguity as a means “to provide time to make sense of the crisis and identify, develop, promulgate and, when needed, revise centralized messages thereby limiting damage to organization credibility” (p. 65). Strategic ambiguity is used in situations “where individuals use ambiguity to purposefully accomplish their goals” (Eisenberg, 1984, p. 230). Burke (1968) suggests that the resource of ambiguity can be used to further individual and organizational goals. Leah Ceccarelli (1998) also notes “strategic ambiguity is planned by the author and results in two or more otherwise conflicting groups of readers converging in praise of a single text” (p. 404). Ultimately, the power over textual signification remains with the author who inserts both meanings into the text and who benefits from the polysemic interpretation. Ceccarelli defines polysemy as the “existence of plural but finite denotational meanings for a single text” (p. 409).

Practitioners use strategic ambiguity as a communication strategy when it is necessary to satisfy conflicting goals among multiple stakeholder groups. The practitioners within the banking industry create external communications that are directed
at multiple stakeholder groups including shareholders, government officials, investors, customers, borrowers, and communities.

**Stakeholder Theory**

The term stakeholder includes “any group or individual who can affect or is affected by the achievement of the firm’s objectives” (Moon & Hyun, 198, p. 25). Moon and Hyun (2009) describe stakeholders as “people who have direct relevance to the firm’s core economic interests” (p. 62). Stakeholder theory contends that organizations owe an obligation to other stakeholder groups that extends beyond shareholders (Moon & Hyun, 2009). The corporation’s main purpose is to coordinate and balance competing stakeholder interests rather than maximize profits for shareholders (Moon & Hyun, 2009). Shareholders, customers, employees, suppliers, and communities are stakeholder groups to whom the organization has “a moral obligation and for whose benefits the firm should be managed” (Moon & Hyun, 2009, p. 64). In stakeholder theory, the public relations field is regarded as a bridge that connects corporate managers and the public. Therefore, improved public perception of corporate social performance is a major impetus of stakeholder theory as it taps into the general objectives of public relations that aim to communicate and build mutual understanding among various stakeholders. Stakeholder theory also recommends that organizations pay simultaneous and equal attention to moral interests of various stakeholders and coordinate competing interests of those stakeholders (Donaldson & Preston, 1995).
Using strategic ambiguity is one way that organizations can pay simultaneous and equal attention to the competing interests of stakeholder groups. The communication strategy allows practitioners to use statements that have the ability to satisfy multiple, conflicting goals simultaneously. However, the use of this communication strategy suggests that organizations are trying to address multiple groups for their own benefit. Does the use of strategic ambiguity benefit stakeholders as much as it benefits the organization that is employing the strategy? This question needs to be addressed by organizations as well as examining the ethical implications that are involved when strategic ambiguity is used.

*The Ethics of Strategic Ambiguity*

Determining if strategic ambiguity should be praised or denounced requires a sophisticated inquiry into the power relations at stake. With this assertion, the ethics of strategic ambiguity are called into question. Since strategically ambiguous communication leverages the vagueness inherent in language it warrants an explicit consideration of the ethics of strategic ambiguity. Ethics refer to what is good and right, an issue of considerable disagreement among philosophers. Both the effectiveness and ethics of any particular communicative strategy are relative to the goals and values of the communicator in the situation. Eisenberg (1984) asserts, “The use of more or less ambiguity is in itself not good or bad, effective or ineffective; whether a strategy is ethical depends upon the ends to which it is used, and whether it is effective depends upon the goals of the individual communicators” (p. 239).
Aristotle also believed that rhetoric, or the art of persuasion, was itself an amoral tool (neither immoral nor moral). Much like strategic ambiguity, it is the intent of the person delivering the communication that determines how the strategy is used: to benefit stakeholders or to benefit the company. Aristotle also suggests that all effective communication strategies involve ethos, pathos, and logos. Strategic ambiguity invokes ethos because it comes from a credible source, typically an official press release or executive speech from high-ranking members of an organization. Strategic ambiguity appeals to audiences’ emotions (pathos) because the audience members connect with the content of the message because it speaks to them. Strategic ambiguity allows for multiple interpretations from multiple audiences. The communication strategy is also logical (logos) because audience members are able to apply the message to their specific situation. Strategic ambiguity functions to deliver multiple messages at one time that inform multiple audiences.

Steven Katz (1992) also warns about the ethic of expediency and issues that may arise if communicators are more concerned about the ends rather than the means they take to arrive at their desired end result. Banks have a responsibility to communicate information to stakeholders, but in doing so, they must realize that what they say and how they say it is extremely important. They are obliged to provide stakeholders with information, but they need to have the stakeholders best interests in mind when creating a press release or writing an executive speech. Using strategic ambiguity to better the position of the bank without consideration of how it will affect the recipients of the message is unethical.
This assertion is much like Carolyn Miller’s (1986) idea that “an understanding of practical rhetoric as conduct provides what a techne cannot: a locus for questioning, for criticism, for distinguishing good practice from bad” (p. 23). Practitioners who use strategic ambiguity must do so from the highest practical sense (*praxis*) and consider both their practice and conduct (*phronesis*). If practitioners continue to use this strategy when communicating with stakeholder groups and publics, it is essential to do so in a responsible manner. Therefore, once those best practices and ethical implications are explored further, professional communication courses should incorporate the concept of strategic ambiguity into course syllabi to equip future and current practitioners with knowledge of how to use the strategy and use it ethically within the workplace.

Jim Paul and Christy A. Strbiak (1997) assert, “If a valid ethical system cannot be espoused to rationally justify the use of strategic ambiguity, the ethicality of strategically ambiguous communications remains indeterminate” (p. 155). Both ethical and unethical communicators use strategic ambiguity and the strategy itself does not minimize the importance of ethics. Intentional unethical use and the naïveté of communicators serve to minimize the ethical use of strategic ambiguity in organizations. Intrapersonal ethical analysis provides a framework to help communicators make decisions about the ethicality of strategic ambiguity as a communication tactic in specific organizations.

The use of strategic ambiguity raises numerous ethical concerns because it allows communicators to say just enough information without divulging everything to stakeholder groups. Although companies and organizations typically have good reasons for not wanting to communicate the whole story, it is necessary to ask whether their
withholding of information benefits or harms stakeholders. Many banks have severed relationships with customers over the past few years because of the amount of information they have withheld. Stakeholders have lost faith in the banking industry because of their lack of communication and transparency. In order to rebuild stakeholder trust, banks must choose to use strategic ambiguity and other communication strategies for the best interests of their stakeholders. Strategic ambiguity must be used ethically and not deceitfully in order to be an ethical strategy.

If strategic ambiguity does not harm stakeholder groups or put them at risk, then it is a strategy that can be considered when communicating with shareholders, customers, government officials, suppliers, and communities. However, if withholding information can be damaging to stakeholders and cause negative repercussions in the future, it should be avoided at all costs. Companies often use strategic ambiguity to make sense of crisis situations and to facilitate unified diversity among stakeholder groups. In crisis situations, it can be damaging for communicators to share too much information prematurely. Therefore, they use strategic ambiguity to communicate information to stakeholders to keep them abreast of the situation without going into too much detail. Also, companies use strategic ambiguity to address multiple groups and facilitate belonging among constituents from each group. If they favor one or more groups more than others, they run the risk of seeming partial or neglectful of certain populations. Therefore, they use strategic ambiguity to communicate with all stakeholder groups.

Strategic ambiguity should only be used in situations where there is no risk of stakeholders being harmed. If strategic ambiguity is used to hide information that can be
harmful to stakeholders, then it is unethical to use the strategy. If stakeholders find out that companies and organizations have withheld important, impactful information, relationships will be severed because their trust has been jeopardized. Strategic ambiguity should only be used if both parties benefit from the use of the strategy.
The first goal of my research study was to describe how practitioners are communicating about the economic crisis and to determine if this communication reveals strategic ambiguity. My second goal was to determine if practitioners within the banking industry are using strategic ambiguity how it enacts the theory on strategic ambiguity. Therefore, my two main research questions were:

**RQ1:** How are practitioners within the banking industry communicating about the economic crisis and does it reveal strategic ambiguity?

**RQ2:** If practitioners within the banking industry are using strategic ambiguity, how closely does it enact the theory on strategic ambiguity?

_A Grounded Theory Approach_

I executed a grounded theory approach set forth by Kathy Charmaz (2006) to describe how practitioners within the banking industry are communicating about the economic crisis. Research does not exist that describes how practitioners are communicating about the financial crisis. Therefore, it was appropriate for me to use a grounded theory method to generate rich data to describe what is occurring in the industry as a result of closely examining external communication documents through textual analysis. A grounded theory approach (Charmaz, 2006) allowed me to explore
these concepts and examine external communication documents from four large, national banks.

I chose grounded theory as my method for several reasons. According to Charmaz, “Grounded theory methods consist of systematic, yet flexible guidelines for collecting and analyzing qualitative data to construct theories ‘grounded’ in the data themselves.” She goes on to say, “The guidelines offer a set of general principles and heuristic devices rather than formulaic rules” (p. 2). Data form the foundation of the theory and analysis of these data generates the concepts constructed. This aspect of grounded theory was appealing to me because it was important for me to use a method that allowed me to closely examine the data and describe what the external communications were saying in regard to the economic crisis. Charmaz suggests that “grounded theory methods foster seeing data in fresh ways and exploring ideas about the data through early analytic writing” (p. 2). This approach allowed me to direct, manage, and streamline data collection to construct an original analysis of the data. Constructing an original analysis of the data was also important because I was unable to locate any other studies that examined the same concepts or provided descriptions of how the banking industry was communicating externally about the economic crisis.

Another reason I chose a grounded theory approach was because it provided me with flexibility as a researcher to make my own observations and then explore and refine my findings throughout the process. Grounded theory allows researchers to construct data through close observations and interactions. Charmaz (2006) says, “Most qualitative methods allow researchers to follow up on interesting data in whatever way they devise;
grounded theory methods have the additional advantage of containing explicit guidelines that show us how we may proceed” (p. 3). As quoted in Charmaz, Glaser (1978) and Strauss (1987) state the defining components of grounded theory practice include:

- Simultaneous involvement in data collection and analysis,
- Constructing analytic codes and categories from data, not from preconceived logically deduced hypotheses,
- Using the constant comparative method, which involves making comparisons during each stage of the analysis, and
- Advancing theory development during each step of data collection and analysis (p. 5).

All of these aspects of the method were appealing, but the ability to construct analytic codes and categories from data, not from preconceived, logically deduced hypotheses was the most appealing aspect for me. My approach was more inductive than deductive because I allowed the data to emerge from the external communications. I did not apply any coding schemes or predetermined categories to the data.

Data Collection

The four banks that I examined for my study included Bank of America, Citi Group, Inc., Wachovia, and Wells Fargo. As the banks with the largest footprint and customer base nationwide, I was particularly interested to see how they were communicating with their many stakeholder groups. Besides their size, I chose these four banks because of the extensive amount of information pertaining to the economic crisis
available on their corporate Web sites. All of the banks have a section dedicated to external communication that is either referred to as the “Newsroom” or “Press Room”.

This section includes archives containing press releases and additional external communications from the past ten years. For my study, I selected documents from the past four years, focusing on three specific periods of time: the months leading up to the financial crisis (January 2007 – December 2007), the months when the financial crisis hit (January 2008 – December 2009), and the period of time devoted to economic recovery after the financial crisis occurred (January 2010 – February 2010). All of the documents used for this study were retrieved from corporate Web site archives from the year 2007 to 2010.

Grounded theorists begin with data that is collected through observations, interactions, and materials that are gathered about the topic or setting. The data for my research study consisted of observations of two main types of external communications: press releases and executive speech transcripts. As I conducted my research, I analyzed a certain sample of texts and conducted a textual analysis. There are two main types of texts that researchers study qualitatively: elicited and extant texts. All qualitative research entails analyzing texts; however, some researchers study texts that they only partially shape or that they obtain from other sources. Elicited texts involve research participants producing written data in response to a researcher’s request and offer a means of generating data (Charmaz, 2006). Extant texts consist of varied documents that the researcher had no hand in shaping. Researchers treat extant texts as data to address their research questions although these texts were produced for other—often very
different—purposes. Archival data such as letters from a historical figure or era are a major source of extant texts. Researchers may use elicited and extant texts as either primary or supplementary sources of data.

In my study, I relied primarily on extant texts that were created for a different purpose other than this research study. The external communications such as press releases and executive speech transcripts were created for the four banks’ stakeholder groups. People construct texts for specific purposes and they do so within social, economic, historical, cultural, and situational contexts. Texts draw on particular discourses and provide accounts that “record, explore, explain, justify, or foretell actions, whether the specific texts are elicited or extant” (Charmaz, 2006, p. 35). As a discourse, a text follows certain conventions and assumes embedded meanings. Researchers can compare the style, contents, direction, and presentation of material to a larger discourse of which the text is a part. In this study, I compared the contents of the press releases and executive speech transcripts in several ways. First, I compared what individual banks were saying from year to year about the economic crisis. Then, I compared and contrasted the content of the external communications from each of the four banks to determine similarities and differences.

Extant texts contrast with elicited texts in that the researcher does not affect their construction. Among those researchers use are “public records, government reports, organizational documents, mass media, literature, autobiographies, personal correspondence, Internet discussions, and earlier qualitative materials from data banks” (Charmaz, 2006, p. 37). According to Charmaz, “Researchers value extant texts because
of their relative availability, typically unobtrusive method of data collection, and seeming objectivity” (p. 37). The press releases and executive speech transcripts are classified as extant texts. They were readily available on all four corporate Web sites, and I was able to easily gain access to them in order to analyze the communications and make observations.

One drawback to using extant texts is that much textual analysis is without context, or worse, out of context. To the extent possible, Charmaz (2006) encourages researchers to situate texts in their contexts. This was particularly important for my study since I focused on external communications created in response to a specific situation from certain time periods. Internet research offers endless opportunities for textual analysis—and poses enormous methodological issues. Providing description of the times, actors, and issues as well as using multiple methods such as interviewing key participants and using several types of documents helps researchers avoid some of these issues. Keeping these recommendations in mind, I situated each external communication by highlighting the date of each communication and reading the press releases and speeches that came both before and after each document. These actions helped me put each external communication in context as well as place it on a timeline according to whether it came before the crisis, during the crisis, or during the recovery period after the crisis.

Charmaz (2006) recommends researchers use texts as “objects for analytic scrutiny themselves rather than for corroborating evidence” (p. 39). Archival records and written narratives, video and photographic images, Internet posts, and graphics may give
researchers insights into perspectives, practices, and events not easily obtained through other qualitative methods. Nonetheless, all of these texts are products. The processes that shape them may be ambiguous, invisible, and, perhaps, unknowable, but Charmaz suggests a “close investigation of the text helps you to study it” (p. 39).

As part of my close investigation of the texts, I skimmed through four years of press releases and other external communication documents from the four banking institutions. I skimmed through more than a thousand external communications, and I noted the date and title of all of the press releases that mentioned the economic crisis. These press releases dealt with all types of subjects pertaining to the crisis such as annual and quarterly financial results, updates about the ongoing mortgage crisis, information on the U.S. Government’s relief efforts, new initiatives the banks created to address the crisis, and changes in the workforce, which typically meant reductions and layoffs. I omitted the press releases that did not refer to the economic crisis or included subjects such as new credit card launches, philanthropic events, and community outreach programs.

I found a total of 124 external communications that mentioned the economic crisis to some degree as a result of examining press releases and speech transcripts from the “Press Rooms” and “Newsrooms” of each of the four banks. That total was comprised of 53 press releases that mentioned the economic crisis from Bank of America’s archives, 16 from Wachovia’s archives, 20 from Wells Fargo’s archives, and 35 from Citi Group, Inc.’s archives. It is important to point out that Wachovia merged with Wells Fargo on
January 1, 2009, and all of the Wachovia press releases after that point were Wells Fargo releases.

I made my analysis more manageable by making the sample of external communications smaller. Therefore, I narrowed it down to a select group of press releases and executive speech transcripts, which primarily focused on information about the economic crisis. My focus was to determine how practitioners were communicating about the economic crisis and if the communication revealed instances of strategic ambiguity. To ensure validity, I focused my attention on only the external communications that addressed the economic crisis in detail. The press releases and speech transcripts that I omitted were those that only mentioned the crisis briefly in one or two instances. After going back through the releases to narrow down my original sample, I chose 30 press releases and executive speech transcripts from Bank of America, 12 from Wachovia, 13 from Wells Fargo, and 16 from Citi Group, Inc. My final total of press releases and executive speeches used for my research study was 71.

Coding

Once I had a representative sample of external communications, my next step included describing how practitioners were communicating about the economic crisis to determine if the communications revealed strategic ambiguity. I examined my sample of 71 press releases and speech transcripts through textual analysis. I analyzed these external communications by making observations about them through initial and focused coding phases. The two coding phases allowed me to work closely with the data and
describe in detail how the external communications addressed the economic situation. This approach also ensured validity in my data as it was closely tied to the original documents and described patterns that emerged from the texts.

Grounded theorists study early data by separating, sorting, and synthesizing themes through qualitative coding to emphasize what is happening in the text. Coding means that researchers attach labels to segments of data that depict what each segment is about. Coding distills data, sorts them, and allows researchers to make comparisons with other segments of data. Charmaz (2006) asserts, “By making and coding numerous comparisons, our analytic grasp of the data begins to take form” (p. 3). Researchers write preliminary analytic notes (“memos”) about the codes that emerge and any other ideas about the data. Studying data, comparing them, and writing memos allows researchers to define ideas that best fit and interpret the data as tentative analytic categories. Levels of abstraction are built directly from the data and, subsequently, additional data is gathered to check and refine emerging analytic categories. The outcome culminates in a grounded theory, or an “abstract theoretical understanding of the studied experience” (Charmaz, 2006, p. 4).

The first time I read through the press releases and executive speech transcripts, I highlighted instances where the external communications mentioned the economic crisis. This initial reading allowed me to generate a list of key words and phrases that related to the economic crisis that I searched for in all of the external communications. These key words and phrases included terms such as economic crisis, financial crisis, economic downturn, recession, optimistic, pessimistic, mortgage crisis, and economic recovery.
These terms became visual cues that allowed me to pinpoint specific instances in the external communications that referred to the economic crisis. I also noted how the communications overall referred to the economic crisis. I made notes about each press release and speech transcript and noted if their overall tone was positive, negative, transparent, ambiguous, or lacked clarity and openness. These initial notes and observations allowed me to become more familiar with the documents that I analyzed.

The next step was to make these observations more concrete by actually coding them and generating data.

In a grounded theory approach, coding is the pivotal link between collecting data and developing an emergent theory to explain the data. Through coding, researchers define what is happening in the data and begin to develop an understanding of what it means. Grounded theory coding consists of at least two main phases: “1) an initial phase involving naming each word, line, or segment of data that is followed by 2) a focused, selective phase that uses the most significant or frequent initial codes to sort, synthesize, integrate, and organize large amounts of data” (Charmaz, 2006, p. 46). During initial coding, the goal is to remain open to all possible theoretical directions indicated by interpretations and observations of the data. Researchers use focused coding to pinpoint and develop the most salient categories in large batches of data. According to Charmaz (2006), “Theoretical integration begins with focused coding and proceeds through all subsequent analytic steps” (p. 46). The logic of grounded theory coding differs from quantitative logic that applies preconceived categories or codes to the data. Researchers create codes by defining what is seen in the data and codes emerge as data is scrutinized.
Through this active coding, the researcher interacts with the data again and again and asks many different questions. As a result, coding may lead to unforeseen areas and new research questions. The following two sub-sections describe how I conducted both initial and focused coding phases to generate data. These two phases allowed me to code my observations and determine if the external communications revealed instances of strategic ambiguity.

**Initial Coding Phase**

Charmaz (2006) defines initial coding saying, “it sticks closely to the data by trying to see actions in each segment of data rather than applying preexisting categories to the data” (p. 50). There are two types of initial coding: word-by-word and line-by-line. Word-by-word coding “forces researchers to attend to images and meanings and is particularly helpful when working with documents or certain types of ephemera, such as Internet data” (Charmaz, 2006, p. 50). Researchers may attend to the structure and flow of words, and how both affect the sense made of them, as well as their specific content. Line-by-line coding means, “naming each line of your written data” (Glaser, 1978). Line-by-line coding works particularly well with detailed data about fundamental empirical problems or processes where data consist of interviews, observations, documents, ethnographies, or autobiographies (Charmaz, 2006).

In the initial coding phase, I selected 30 external communication documents including press releases and executive speech transcripts from Bank of America’s “Press Room.” I chose Bank of America’s communications for the initial coding phase because
they had the most external communications that dealt with the financial crisis. In addition, their releases and speeches dealt directly with the economic crisis and used multiple statements that referred to the crisis. In my examination of the external communications, I looked for specific examples of statements that addressed the economic crisis. I continued to look for key words and phrases that served as visual cues such as economic crisis, downturn, volatile markets, turbulent environment, and recession. However, Charmaz (2006) warns against applying preexisting categories and labels to data; therefore, I wanted to allow the data to speak for itself and record exactly what I saw without imposing any labels and categories that were predetermined.

I read through this sample of 30 external communications and observed how Bank of America communicated about the economic crisis. All of these documents focused on the bank’s interpretation of the crisis and what the bank was doing to address the situation. Beginning with the 2007 releases and speeches, I read through the documents and described how the practitioners were choosing to communicate about the crisis. I transferred each of the 30 documents into one master document so I could record observations about statements that focused on the economic situation. In instances where they referred to the financial crisis, I used comment bubbles to record my observations as phrases that described what was taking place in the document (see Appendix A). Charmaz (2006) recommends using verbs to characterize what is happening in the document, so I began my observations with verbs with the exception of a few phrases. Some examples of these phrases included “acknowledges that the past few quarters have been the most challenging periods in history,” “reaffirms the company’s commitment to
its business model and strategy and ability to succeed in difficult times,” and “accepts responsibility to take a strong leadership role in addressing the ongoing crisis.” These are only three examples of the hundreds of comments that I accrued as a result of reading, observing, and describing what was being said in regard to the economic crisis during my initial coding phase.

These comments and phrases allowed me to describe the contents of the external communications that pertained to the economic crisis. Then, I gathered all of these comments and sorted through them looking for common themes that emerged throughout all of Bank of America’s press releases and executive speech transcripts. After I read through 30 Bank of America external communications and described every instance where the crisis was mentioned, I went back through all of my comments and grouped together the descriptions that had a common theme. For example, many comments described how the banks focused on the positive aspects of the economic situation and had an optimistic outlook despite the bleak economy. The data grouped under this category included phrases such as “our earnings power from core business is strong and growing,” “we will emerge even stronger when the cycle turns,” and “we have taken steps to strengthen our position in the current economic environment.” I made a list of the 27 themes that were most prevalent throughout the 30 documents, which is displayed in Appendix B.

These 27 themes are explained in more detail in my results section. All of the comments used by Bank of America regarding the crisis were classified under one of
these main themes, which became categories. The 27 categories then became my coding reference for the next research phase: focused coding

**Focused Coding Phase**

Focused coding is the second major phase in a grounded theory approach. These codes are more directed, selective, and conceptual than word-by-word, line-by-line, and incident-by-incident coding (Glaser, 1978). Focused coding means using the most significant and frequent earlier codes to sift through large amounts of data. Focused coding requires decisions about which initial codes make the most analytic sense to categorize data incisively and completely. This phase allowed me to identify patterns in language, observe preliminary concepts, and systemize the data by initially developing basic categories that eventually build a theory out of the data. According to Charmaz (2006), “Coding is that first part of the adventure that enables you to make the leap from concrete events and descriptions to theoretical insight and theoretical possibilities” (p. 50). Grounded theory coding is more than a way of sifting, sorting, and synthesizing data, as is the usual purpose of qualitative coding. She suggests that grounded theory coding unifies ideas analytically because researchers keep in mind what the possible theoretical meanings of data and codes might be.

In the initial coding phase, I categorized segments of data with short phrases that summarized and accounted for what I observed in each of the 30 external communications. At the end of the initial coding phase, I ended up with 27 categories that described how Bank of America was communicating about the economic crisis that
were prevalent in all of their external communications. For my focused coding phase, I created a coding sheet with the 27 categories from my initial coding phase and applied them to external communication documents from the other three banks: Citi Group, Inc., Wachovia, and Wells Fargo. I read through each of the external communications from each bank and kept track of the number of times they used sentences or phrases that could be classified under one of the 27 categories. I recorded the exact phrases that were used that I classified under these categories on three different coding sheets corresponding to each of the three banks.

On each of the bank’s coding sheets, I used tally marks to record the number of times that statements or phrases were used that fit within the 27 categories from my initial coding phase. If phrases emerged that did not fit under the 27 categories, I recorded those statements and used tally marks to represent the frequency they appeared in the bank’s external communications. At the end of the focused coding phase, I generated conceptual data that allowed me to describe with specific examples how the banks were communicating about the financial crisis. My next step involved determining if these descriptions revealed instances of strategic ambiguity.

A Strategic Ambiguity Matrix

At the end of my focused coding phase, I had concrete observations from each of the four banks’ external communications to describe how professional communicators were communicating about the economic crisis. My next step was to take the information collected during my focused coding phase and look for phrases and
categories that revealed instances of strategic ambiguity. In addition, I wanted to
determine how closely the instances of strategic ambiguity enacted the theory on strategic
ambiguity. I decided to apply Eisenberg’s (1984) definition of strategic ambiguity to my
focused coding observations to determine whether or not the statements found in both the
press releases and executive speeches attempted to satisfy conflicting goals, promote
unified diversity, facilitate organizational change, amplify existing source attributes,
preserve privileged positions, or preserve future options (Eisenberg, 1984). I selected
Eisenberg’s definition because it was the first theory of strategic ambiguity and the most
well known in the field. I also examined the external communications to determine the
frequency in which the banks were communicating and the amount of transparency they
were using when communicating with stakeholders.

I examined the 27 categories that characterized how the banks were
communicating about the economic crisis to see if they contained instances of strategic
ambiguity based upon Eisenberg’s definition. I developed a matrix that applied
Eisenberg’s (1984) five main elements of strategic ambiguity to the 27 categories from
my focused coding phase, which is shown in Appendix C. This matrix allowed me to
determine if these five elements of strategic ambiguity were evident in external
communications from the banking industry. I listed the five main elements of strategic
ambiguity according to Eisenberg’s definition across the top row of the matrix. The five
elements of strategic ambiguity included: preserves future options, facilitates
organizational change, amplifies existing attributes, preserves privileged positions, and
promotes unified diversity. Then, I recorded each of the 27 categories that I found as a result of my focused coding phase in the left column of the matrix.

Charmaz (2006) suggests that checking and refining emerging analytic categories is an essential part of constructing grounded theory. In creating my matrix, I found that several of my 27 categories overlapped and captured similar ideas. Therefore, in my matrix, I decided to reflect those similarities by combining the categories that overlapped into one category that encompassed several similar categories. For example, I had two separate themes that dealt with the same idea of expressing confidence that the banks were doing the right thing and taking the right steps, so I combined them into one category in the matrix: “Expresses confidence that they are taking the right steps and doing the right things to strengthen the company's position in the current economic environment.” I did this with several other categories that were similar, and I ended up with a total of 17 overall themes derived from my focused coding of the external communications. These 17 themes are explained in more details in my results section. Then, I applied Eisenberg’s theoretical definition to see how these 17 categories enacted the five elements of his theory of strategic ambiguity.

The five elements of strategic ambiguity that created the top row of this matrix served as a way for me to classify my 17 categories. I examined each of the 17 categories and the phrases under each of those categories to determine which elements of strategic ambiguity applied. I checked each category one by one to see if it contained phrases that promoted unified diversity, facilitated organizational change, amplified existing source attributes, preserved privileged positions, or preserved future options.
Promotes Unified Diversity

The first aspect of strategic ambiguity, which makes it essential to organizing, is that it promotes unified diversity. Multiple interpretations are inevitable in social systems, and ambiguity “allows for both agreement in the abstract and the preservation of diverse viewpoints” (Eisenberg, 1984, p. 232). Press releases are targeted at stakeholders, but within those groups are very different people. In the banking world, that audience contains many groups including shareholders, small-business owners, mortgage borrowers, personal banking customers, and employees. All of these stakeholder groups have their own concerns about the economic crisis, and the goal of the communicator is to strategically use messages that do not favor one group more than the other. Categories that promoted unified diversity were those that contained phrases that functioned to satisfy multiple goals and stakeholder groups.

Facilitates Organizational Change

The second element of strategic ambiguity is that it facilitates organizational change. Eisenberg (1984) states, “Ambiguity is especially important to organizations in turbulent environments, in which ambiguous goals can preserve a sense of continuity while allowing for gradual change in interpretations over time” (p. 233). Categories classified under this element were those that contained statements and phrases that functioned to support organizational changes that were taking place in the companies as a result of the economic crisis. Phrases that involved mergers and acquisitions, workforce
reduction, and management shifts represented organizational changes.

Amplifies Existing Attributes and Preserves Privileged Positions

Strategic ambiguity also functions to amplify existing attributes and preserve privileged positions. Eisenberg (1984) asserts, “One common strategy for preserving existing impressions and protecting privileged positions is strategic ambiguity” (p. 234). In organizations, the deniability of ambiguous communication is a key element in the maintenance of privileged positions (Eisenberg, 1984). Rather than being entirely secretive or clear, organizational communicators often employ some form of deniable discourse, such as strategic ambiguity. One of the most prevalent examples of this communication found throughout all four banks’ external communications was the notion that they were an “industry leader” that was well equipped to weather the storm.

Preserves Future Options

One final element of strategic ambiguity is that it preserves future options. Eisenberg (1984) noted that strategic ambiguity in task-related communication can preserve future options. Many statements used throughout all four banks’ external communications were forward-looking and focused on the future. This element suggests that strategic ambiguity functions to preserve future options by not stating explicitly what the company is planning to do. Instead, the strategy allows communicators to hint at the fact that they are taking actions without going into detail about the details of the actions.
The matrix allowed me to answer my second research question and determine how the use of strategic ambiguity in external communications within the banking industry enacts Eisenberg’s theory. My findings from this matrix are detailed in my results section that follows.
CHAPTER FOUR

RESULTS

My findings align with my two main research goals to provide a description of how banking institutions are communicating about the economic crisis and whether these instances reveal strategic ambiguity and an explanation of how their use of strategic ambiguity enacts Eisenberg’s theory. The following results are from my three-step approach research design: initial coding phase, focused coding phase, and the strategic ambiguity matrix.

*Initial Coding Results*

The first phase of my research study focused on providing a description of how practitioners are communicating with stakeholders about the economic crisis to determine if they were using strategic ambiguity. As a result of my initial coding phase, I found 27 themes that emerged from Bank of America’s external communications. These themes were created to describe recurring statements that referred to the economic crisis that were all grouped together to form an overall category (Appendix B).

The first category that I created was “provides multiple explanations, multiple times for the causes of the economic and financial crisis.” This category captured statements where Bank of America openly communicated they were in a recession and provided details about what caused the crisis. In addition, statements included in this category were those that suggested the previous quarters had been some of the most challenging periods in history.
The second category that emerged from the data was “reaffirms the company’s commitment to its business model and strategy”. There were many instances where Bank of America reaffirmed their commitment to stakeholders by suggesting they were continuing to do business as usual and increasing their presence in the marketplace by introducing new, innovative products. An example of one of these statements found in the press releases included, “We are continuing to invest in growth initiatives across the company, and believe our core strengths - including our diverse income stream, liquidity and capital - put us in a strong position to withstand the jolts to the system and emerge even stronger when conditions improve.”

The third category that emerged from the data contained statements that “expressed disappointment in performance and results.” These statements also demonstrated the bank’s concern that the situation was continuing to get worse instead of improving. Statements under this category expressed how disappointed the bank was with their quarterly results that were well below expectations. For example, the following quote from Bank of America’s chairman and chief executive officer, Kenneth D. Lewis, stated, "Despite revenue growth in most of our businesses, these results clearly did not meet our expectations; the weakness in the economy and prolonged disruptions in the capital markets took their toll on our performance.”

The fourth category that emerged from statements collected during the initial coding phase was “provides reasons for the disappointing results and faults the weakness in the economy.” Bank of America frequently discussed their disappointing results and then provided reasons for the results by reporting primary factors for the reduced
earnings. They faulted the weakness in the economy and then gave examples of how the bank’s business was adversely affected. For example, one statement that fell under this category asserted, “The primary factors reducing first-quarter earnings were the following: provision expense increased by $4.78 billion from a year-ago, to $6.01 billion due to rising credit costs - particularly in the home equity, small business and homebuilder portfolios - including a $3.30 billion increase to the reserve.”

The fifth category that emerged was “expresses confidence that they are doing the right thing and taking the right steps”. This category included statements where the bank explained they were confident that they were taking the right steps and actions to address the financial crisis. One statement from Bank of America’s chief financial officer, Joe Price, explained to shareholders that Bank of America “has taken a number of steps to strengthen its position in the current environment.” He then went on to say, “We believe these moves position our company to emerge even stronger when the cycle turns.”

The sixth category that emerged from Bank of America’s external communications included statements that “showed continuous concern about the health of the economy”. Statements that fell under this category acknowledged the uncertainty and volatility of the markets and admitted that the bank was unable to predict the future. For example, one press release stated, “While we cannot predict the future, we are doing everything we can to drive earnings. As of today, we see no reason to change the dividend. If conditions change, and expectations are for a more prolonged recession, we will examine all measures necessary to prudently manage capital.”
The seventh category created from the data was “focuses on the positives and remains optimistic”. Statements that fit this description were found throughout all 30 of Bank of America’s press releases. They continued to say that they were optimistic or confident about their position in the marketplace and their ability to continue to do business. For example, one press release stated, “Investors' risk appetite has reached its highest point in more than three years amid continued optimism about the prospects for a global economic recovery and rising corporate profits.” Another statement that fell under this category was where Bank of America said, “We are hopeful that our ongoing efforts will not only improve economies across America, but also provide consumers the relief they need during these difficult times.”

The eighth category that emerged from the press releases was “uses forward-looking statements and focuses on the future”. One example of the statements that fell under this category includes, “While we cannot predict the near term, I am confident that such innovation and execution combined with the advantages of scale and reach are the formula for future success.” These statements all focused on looking toward the future and what would happen once the bank emerged from financial crisis.

The ninth category that emerged from the initial coding phase was “reassures stakeholders’ confidence by suggesting steps have been taken to strengthen the company’s position in the current economic environment”. This category is similar to the fifth category where the bank used statements to express confidence they were doing the right things and taking appropriate measures. The difference is that this ninth category is comprised of statements where the bank was not making general statements about how
they were taking the right steps, but instead, their focus in these statements was to reassure stakeholders’ confidence. An example from a press release was a statement directed toward shareholders where the bank said, “Combined, these actions strengthen Bank of America and will allow the company to continue business levels that both support the U.S. economy and create future value for shareholders.”

The 10th category from my initial coding phase was “reassures that they are continuing to lend, but explains that lending practices reflect a different mortgage environment”. Statements in this category were those that reassured customers that Bank of America was continuing to do business actively, but more responsibly. An example of one of these statements contained in a press release stated, “Bank of America will continue to offer a broad range of mortgages to meet the needs of qualified borrowers, while evolving lending practices to reflect a dramatically different mortgage environment.”

The 11th category that emerged from the data was “explains importance of offering trust and integrity to stakeholders including customers, associates, and shareholders”. Statements in this category suggested the bank was focused on regaining the trust of their stakeholders and demonstrated that they were conducting business with high levels of integrity. For example, one of these statements said in regard to the acquisition of Countrywide, “We believe this purchase is a positive step forward because it offers customers access to a full range of banking services, best-in-class mortgage products and offers the trust and integrity that customers, associates and shareholders have come to expect from Bank of America.”
The 12th category contained statements that “explained how the U.S. Government helped the company”. Statements under this category mainly dealt with TARP money and explained what the bank was doing with the money and their plans to repay the government and taxpayers. Other statements also described actions the company took to help strengthen the company and continue to do business that supports the U.S. economy. An example of one of these statements includes a quote from Barbara Desoer, president, Bank of America Mortgage, Home Equity and Insurance Services, who said, "We are confident that together with the Attorneys General we have developed a comprehensive program that provides more solutions than ever before to assist troubled borrowers and put them back on the path to sustained home ownership." Another statement under this category referred to the Lending and Investing Initiative report saying, “The report, which delivers on a commitment to provide greater transparency into the company's lending and investing efforts across the enterprise, demonstrates how Bank of America is using the government's investment in the company to support the U.S. economy.”

The 13th category included statements that “focused on a need for increased clarity and transparency and the use of ‘plain language’ when explaining things to customers”. These statements called for improving communications across the enterprise and said as a result of increased clarity, the bank would be able to effectively restore trust and confidence. In addition to transparent information, Bank of America also suggested they were working toward making communications more accurate and timely. Examples of these statements included, “A simple, one-page summary of key loan terms, this document lets borrowers review their loan details in plain language so they are confident
they have chosen a loan that is right for them,” and “the Home Equity Clarity Commitment helps us provide our customers with the simplicity and transparency they desire and deserve.” Another statement under this category said, “To stem client attrition and strengthen retention, advisors and wealth management firms will need to pursue more open and transparent client communications, provide enhanced information on risk factors, and increase levels of client service.”

The 14th category included statements where Bank of America “accepted shared responsibility in attributing to the economic crisis”. During a speech at the 2010 Economic Forecast Forum, Brian Moynihan, chief executive officer and president of Bank of America stated, “The surge of growth in the financial services industry over the past decade obviously went way too far. The broad industry over-lent, and consumers and companies over-borrowed, and we all overleveraged as we believed the risks of the new products could be managed effectively. This led to our recent economic crisis.” He also went on to say in the same speech, “We as an industry cannot avoid the simple fact that we caused a lot of damage, and we have to help make sure it doesn’t happen again.”

The 15th category also dealt with accepting responsibility, but instead of accepting responsibility for the crisis, this category involved statements that “accepted shared responsibility in improving the current situation”. At a 2009 Shareholders Meeting, Kenneth Lewis, then chief executive officer and president of Bank of America stated, “I do believe that we have a special responsibility to help lead the economic recovery. But we do not do this out of an inflated sense of altruism or patriotism that comes at the expense of shareholders.” This statement achieved two goals and
overlapped two categories, “accepting responsibility to improve the situation,” and “reassuring stakeholders, in this case shareholders’ confidence.” The bank also stated it was working to revive the nation’s economy along with the U.S. Government and other companies within the banking industry.

The 16th category included statements that “accepted responsibility to take a strong leadership role in addressing the ongoing crisis through the creation of new initiatives”. This category built upon the fifteenth category because this one included statements that described what the bank was doing to improve the situation. For example, one press release stated, “Today, Bank of America unveiled the Lending & Investing Initiative, a comprehensive plan to track and report on Bank of America's business activity in 10 areas key to reviving the nation's economy.” This initiative was one example of the steps that Bank of America took to become an industry leader in addressing the financial crisis.

Throughout the press releases and executive speeches there were statements that “addressed the nation’s ongoing mortgage foreclosure crisis and suggested that foreclosures have a devastating effect on families and communities”. These statements created the 17th category. A quote from one press release stated, “Foreclosures have devastating social and economic consequences on families and communities,” said Andrew D. Plepler, president, Bank of America Charitable Foundation. He went on to say, "Both Bank of America and Countrywide recognize that we have a shared responsibility to strengthen our neighborhoods by helping individuals and families keep their homes. We are pleased to do our part to address this ongoing crisis."
The 18th category included statements from press releases where the bank “used surveys and their findings to assess public/investors’ confidence levels and perception about the economic crisis”. Bank of America used these survey results to report findings such as “there is increased optimism among investors” or “global optimism has not spread everywhere.”

The 19th category included statements that “reinforced a heightened need for companies to reassure clients by focusing on increased transparency and simplicity”. The statements classified under this category were similar to those in category thirteen; however, these statements reinforced this need instead of suggesting it for the first time. The statements called for all business segments to continue to work toward increased transparency and clarity in all communications and business transactions. One press release stated that the increase in people leaving wealth management firms, “demonstrates the heightened need for wealth management firms to reassure clients, and focus on increased transparency and simplicity to mitigate any gaps in understanding between clients, advisors and firms.

The 20th category that emerged from the initial coding phase was “reaffirms commitment to responsible lending”. Statements under this category discussed how the bank was working to improve the economy and provide consumers with the relief they needed during difficult times. In addition, these statements suggested that despite a critical time in America’s recovery, Bank of America stayed true to their commitment to support the economic recovery by lending responsibly. This category is similar to the tenth category, but it differs in that these statements reaffirmed their commitment to
responsible lending instead of stating it for the first time. These statements were found later on in the press releases during late 2008 to 2009. An example of a statement that was classified under this category included, “During this critical time in America’s economic recovery, Bank of America also surpassed a significant milestone of lending more than $1 billion to CDFIs, becoming the nation's largest single lender to this group that extends credit to low-income and disadvantaged communities for small business microlending, housing, charter schools, childcare centers, and new primary health care facilities.

The 21st category included statements that “outlined the company’s progress in driving economic progress”. Bank of America developed a quarterly report called the Lending & Investing Initiative Report that outlined the company's progress in driving economic recovery through 10 key areas, including lending to consumers and businesses of all sizes, support for municipalities and nonprofits, community development, and other initiatives. Statements classified under this category were those that reported what the company had done to drive economic progress.

The 22nd category included statements that “delivered on a commitment to provide greater transparency into the company’s lending and investing efforts”. Statements in this category explained what actions Bank of America had taken to provide greater transparency to stakeholders. Although this category is similar to category thirteen, these statements described what the company had done to deliver on their commitment to use “plain language” and increase clarity. For example, after stating they would provide customers with increased transparency in lending documents, they
demonstrated their commitment by producing two deliverables: the Clarity Commitment and the Lending & Investing Initiative Report. In addition to these two reports, statements under this category described the other steps the bank had taken to improve stakeholder communications such as explaining in detail what the company had done with U.S. Government TARP money.

The 23rd category included statements where the company demonstrated they were “hopeful and cautiously optimistic about a slow, steady recovery”. Statements classified under this category included ones such as “Given our expectations for global growth led by emerging economies, a slow but steady U.S. recovery, and healthy S&P 500 EPS growth, we think that the pessimism bubble will finally burst in 2010.”

The 24th category included statements where survey results “indicated investors were looking forward to 2010 as a year of moderate economic growth”. For example, in December 2009, the Bank of America Merrill Lynch Survey of Fund Managers suggested, “Investors are looking forward to 2010 as a year of moderate economic growth, benign inflation and solid returns in global equities.” Another press releases stated, “Optimism about the economy strengthened this month as a net 80 percent of respondents expect the world economy to grow over the next 12 months, compared with a net 69 percent November.”

The 25th category that emerged as a result of the initial coding phase included statements that “expressed confidence about the company’s position to weather the storm”. Statements classified under this category included, “Bank of America is
positioned better than any other financial services company” and “Bank of America was built to withstand and succeed in times like these.”

The 26th category was comprised of statements that focused on ethics. An executive speech ironically titled, “Principles and Paradoxes: Unambiguous Leadership in Ambiguous Times” by Amy Brinkley, Bank of America’s global risk executive stated, “A third and final principle for leadership in all times is this: It is never just about what we achieve; it is always also about how we achieve it.” She then went on to say, “It’s the right principle to end on because of its absolute importance. All of our firms have increased emphasis on our codes of ethics. But, there is evidence that American businesses have more work to do.”

Finally, the 27th category from my initial coding phase included statements that “communicated plans to reduce the company’s workforce”. There were only two instances in the 30 press releases and executive speech transcripts where Bank of America provided details of their plans to eliminate a significant number of positions. They cited the merger with Merrill Lynch and the weak economic factors as the two main causes for the workforce reductions. A press release titled, “Bank of America Plans to Reduce Work Force” stated, “Bank of America Corporation is working on a plan to eliminate a significant number of positions over the next three years reflecting the pending merger with Merrill Lynch & Co., Inc. and the weak economic environment, which is affecting the level of business activity.”

The 27 categories explained above emerged as a result of my initial coding phase. In the next phase of my research study, I applied the 27 categories to external
communications from the other three banks: Citi Group, Inc., Wachovia, and Wells Fargo.

**Focused Coding Results**

In the second phase of my research study, I applied the findings from my initial coding phase to the press releases and executive speech transcripts from the three other banks. In this phase, I compared my findings from Bank of America’s external communications to those from the other three banks to determine how the 27 categories compared to the data from the other three banks.

*Citi Group, Inc.*

The first sample of external communications that I analyzed during the focused coding phase included 16 Citi Group, Inc. press releases and executive speeches. I developed a coding sheet based upon the 27 categories that emerged during my initial coding phase. As I read through Citi Group, Inc.’s external communications, I recorded the number of times the company used statements that fit under the 27 categories. In addition, I recorded the exact statements that fit under each category. Citi Group, Inc. did not use statements that fit under all 27 categories; however, they did use multiple statements that were classified under the categories developed during the initial coding phase.

One category of statements that was popular among Citi Group, Inc. external communications was Category 3: “expresses disappointment in performance and results”. The company frequently used statements such as “our third quarter results are a clear
disappointment” and “our financial results are clearly unacceptable.” In addition, they often followed statements from Category 3 with statements from Category 4: “provides reasons for the disappointing results,” that stated the factors that attributed to the company’s poor performance. One press release from 2008 stated, “Our results reflect the continuation of the unprecedented market and credit environment and its impact on our historical risk positions.” Citi Group, Inc. also used multiple statements that were classified under Category 7: “focused on the positives and remained optimistic”. Examples of these statements included “despite negative factors, we continue to see strong momentum throughout our company” and “many of our businesses performed well this quarter.” In addition, the company also used statements that were classified under Categories 9, 15, 16, 20, 21 and 22 as shown in Figure 3.1 and Appendix D.

There was one category that emerged from my focused coding of Citi Group, Inc.’s external communications that was not as present in Bank of America’s documents. This category included statements that expressed gratitude for the company’s employees. One press release included a quote from the company’s chief executive officer who said, “Thank you to all Citi employees for your tireless efforts on behalf of our clients.” There were several statements used in Citi Group, Inc.’s press releases that recognized employees’ (often referred to as “colleagues”) commitment to customers and clients. Therefore, this category was added to the list of 27 categories as a new and unique category that had not been discovered during the initial coding phase.
Initial Coding Findings (Both news releases and speeches)

1. Provides multiple examples, multiple times for the causes of the economic and financial crisis. Openly states we are in a recession. Admits quarters have been the most challenging periods in history.
2. Reaffirms company’s commitment to its business model and strategy. Expresses disappointment in performance and results. Suggests situation continues to get worse.
3. Provides reasons for the disappointing results: reports primary factors reducing earnings. May be dislike for the economy.
4. Expresses confidence that we are doing the right thing and taking the right steps.
5. Acknowledges uncertainty and volatility of the markets. Admits that we can’t predict the future.
6. Emphasizes the importance of being flexible (e.g., our earnings power from core business is strong and growing; continue to bring innovative products to market).
7. Many of our businesses performed well this cycle in volume terms.
8. Uses forward-looking statements throughout the discussion (despite the slowing economy, we plan to invest for future growth). Describes as a positive step that we are forward-thinking.
9. Emphasizes confidence that steps have been taken to strengthen the company’s position in the current economic environment.
10. Acknowledges that they are continuing to lead, but that leading practices are evolving to reflect different market environments. Recognizes that the landscape is changing.
11. Highlights importance of offering trust and integrity to customers, associates, and shareholders. Needs to focus on client needs to help them succeed in the future.
12. Emphasizes that the U.S. economy is strong and growing; continue to bring innovative products to market. Many of our businesses performed well this cycle in volume terms.
13. Uses forward-looking statements throughout the discussion.
14. Emphasizes importance of offering trust and integrity to customers, associates, and shareholders.
15. Acknowledges that they are continuing to lead, but that leading practices are evolving to reflect different market environments.
16. Accepts responsibility to take a longer-term, leadership role in addressing the ongoing crisis and find ways to assist through the creation of new initiatives.
17. Addresses nation’s ongoing mortgage foreclosure crisis. Pursues that foreclosures have a devastating effect on families and communities, and wants to help.
18. Emphasizes the importance of acting strategically and transparently. Acknowledges the need for increased transparency and simplifies.
19. Emphasizes the need for companies to manage risks and focus on increased transparency and simplicity.
20. Emphasizes the need for companies to manage risks and focus on increased transparency and simplifies.
21. Emphasizes the importance of offering trust and integrity to customers, associates, and shareholders.
22. Emphasizes the importance of offering trust and integrity to customers, associates, and shareholders.
23. Emphasizes the importance of offering trust and integrity to customers, associates, and shareholders.
24. Emphasizes the importance of offering trust and integrity to customers, associates, and shareholders.
25. Emphasizes the importance of offering trust and integrity to customers, associates, and shareholders.

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Figure 1.1 Citi Group, Inc.’s Focused Coding Results
Figure 1.1 Citi Group, Inc.'s Focused Coding Results (continued)

Wachovia

The next set of external communications that I analyzed during the focused coding phase included 12 press releases from Wachovia. They did not have any executive speech transcripts available on their corporate “Newsroom” for my analysis.
They also had a very small sample of press releases available compared to Bank of America and Citi Group, Inc. Within the smaller sample of press releases was an even smaller sample of communications that dealt with economic crisis. Regardless, I used the same coding sheet developed as a result of the initial coding phase to record the frequency that Wachovia’s press releases used statements classified under the 27 categories.

There were statements contained within the press releases that fit under Categories 2, 3, 5, 6, 11, and 25. Wachovia expressed disappointment in their performance and results and showed continuous concern about the health of the economy. However, they used two types of statements more frequently that were classified under Category 5: “expresses confidence that they are doing the right things and taking the right steps” and Category 11: “explains importance of offering trust and integrity to customers, associates, and shareholders”.

Wachovia did their best to reassure stakeholders by explaining that they had “taken important steps to improve the company’s position.” They cited the economic crisis and conditions as having a disappointing impact, but stated, “Our core strength in banking and brokerage continues to serve us well.” Wachovia also stated in a press release, “We are confident we are taking prudent and appropriate actions.”

Statements that permeated all Wachovia press releases were those that focused on customer and client needs. Press releases used statements such as, “We continue to focus first on the needs of our customers” and “we continue to benefit from our core strength of best-in-class customer service.” Throughout the company’s press releases, Wachovia
continued to reassure stakeholders that they were committed to customer service and their actions demonstrated that Wachovia “always puts the interests of their customers and clients first.”

Statements classified under the additional 21 categories from the initial coding phase were not apparent in the Wachovia press releases. The results from the focused coding phase of Wachovia’s external communications are shown in Appendix E.

Wells Fargo

In the final step of my focused coding phase, I applied the 27 categories from my initial coding findings to Wells Fargo’s external communications. The company communicated much more frequently than Wachovia and used similar statements to those found in Bank of America and Citi Group, Inc.’s press releases and executive speech transcripts. However, they did not address the financial crisis as often as these two banks did in their external communications.

I read through my sample of 13 external communications from Wells Fargo and recorded the statements that were classified under the 27 categories. The bank used statements that spanned several categories including Categories 2, 4, 5, 12, 13, 15, 16, 20, 22, and 24. However, my records show that they did not use statements under these categories frequently. There were only one or two instances for each category in the sample of 13 press releases and speech transcripts. They confirmed the company’s commitment to its business model and strategy saying, “We had a solid performance with our third consecutive quarter of record earnings, the diversity of our business model again
showed significant power to generate capital internally.” They also used statements that suggested they were doing their part to lead the efforts to improve the economy saying, “Wells Fargo has considered it our leadership responsibility to champion solutions as we have played a key role in creating streamlined, unified modification programs to help customers in need.”

There were not any statements that emerged from Wells Fargo’s external communications that created a new category. Instead, the statements the bank used to address the economic crisis could all be categorized under one of the 27 categories. Results from the focused coding of Wells Fargo’s external communications are provided in Appendix F.

At the end of the focused coding phase, I had a total of 28 categories. These categories were comprised of different statements that all addressed the economic crisis in similar ways. The 28 categories captured the main themes that emerged from all of the external communications from the four banks. Some of these categories were evident among all four banks’ external communications. Other categories of statements were only evident among certain company’s press releases and executive speeches. A more in depth exploration of what these findings mean for each of the banks’ communication practices is discussed in the conclusions.

The focused coding phase produced data that allowed me to determine if the banks’ external communications revealed instances of strategic ambiguity. I analyzed the 28 categories to determine if the statements that made up those categories used ambiguous language that functioned to satisfy conflicting goals of multiple, diverse
stakeholder groups. Results from my initial and focused coding phases suggested there were statements used among the communications from all four banks that revealed instances of strategic ambiguity. All of the banks used statements that allowed for multiple interpretations and used forms of deniable discourse. The data that emerged helped me to answer my first research question and suggested that the banks’ external communications used statements that revealed strategic ambiguity. However, my assumption then had to be tested according to the theory on strategic ambiguity. The next step of my research study involved examining my results to see if they enacted Eisenberg’s (1984) theory of strategic ambiguity.

In creating my matrix, I found that several of my 28 categories overlapped and captured similar ideas. Therefore, I reflected those similarities in the matrix by combining overlapping categories into one category. For example, I had two separate themes that dealt with the same idea of expressing confidence that the banks were doing the right thing and taking the right steps, so I combined them into one category in the matrix: “Expresses confidence that they are taking the right steps and doing the right things to strengthen the company's position in the current economic environment.” I did this with 10 categories that were similar and ended up with a total of 17 overall themes. Then, I applied Eisenberg’s theoretical definition to these 17 categories to determine how they enacted the five elements of his theory of strategic ambiguity.
Strategic Ambiguity Results

The focused coding phase provided me with a description of the ways in which practitioners within the banking industry communicated information about the economic crisis. In addition, these results allowed me to determine if the banks’ external communications revealed instances of strategic ambiguity. All four banks suggested less ambiguity would benefit their stakeholders in the long run. For the most part, the banks were transparent in regard to quarterly and annual financial results reports. They used press releases to report financial facts and figures as well as charts with tangible evidence to explain the results. Bank of America and Citi Group, Inc. mentioned several times there was a need for increased transparency with customers and created reports that delivered on that commitment. These two banks knew that frequency and clarity in communication would help restore trust among stakeholders. These detailed documents used plain language to describe mortgage and investment information so that stakeholders would fully understand the contents. In addition, the reports included a wealth of information instead of the minimum amount of information that would keep customers wanting to know more. Bank of America and Citi Group, Inc. knew that they could not repeat what they had done in the past, and instead, they worked to improve stakeholder communication to rebuild those relationships that had been severed by the economic crisis. However, despite this increased focus on transparency, there were multiple instances where the banks used strategic ambiguity to accomplish multiple goals.
Promotes Unified Diversity

Categories classified under this element have a common goal to promote unified diversity that “we are all feeling the effects of this crisis” and “we will all work together to improve our current situation.” It is also important for the banks to demonstrate that what they are doing is good for all stakeholder groups, and they have each of their best interests in mind. One example from a Citi Group, Inc. press release stated “We intend to build upon our advantages to deliver superior results for our clients, investors, and employees.” First of all, they are addressing their three main stakeholder groups by saying that doing this one thing will help all three groups. However, what does “build upon our advantages” mean? That statement means something different for each group but is used to facilitate agreement in the abstract. Wells Fargo used the following statement in one of their press releases referring to the merger with Wachovia saying, “The merger is beneficial for all parties involved.” This statement suggests that the merger was a positive transaction for the company as a whole as well as for all of the various business segments that were affected. In a press release issued by Wachovia, they announced the Wells Fargo merger and said it would “create one of the strongest financial firms in the world and is great for all Wachovia constituencies: shareholders, customers, colleagues, and communities.” In another press release, Wachovia said, “The Wells Fargo/Wachovia combination will provide superior growth and long-term value to shareholders, customers, employees, and our communities.” Once again, they were promoting unified diversity by saying that this one move was a positive step for all of the groups. This assertion aims to preserve the diverse viewpoints of each stakeholder group.
Facilitates Organizational Change

Several categories were comprised of statements that functioned to facilitate organizational change. For example, a Citi Group, Inc. press release asserted, “We are committed to streamlining our business and providing outstanding banking service, but we continue to focus on opportunities that will further enhance the company’s overall position and value.” This statement ambiguously suggests that behind-the-scenes work is taking place to change how the business is currently operating in hopes of better positioning the bank in the volatile markets. Another Citi Group, Inc. press release stated, “We’ve taken decisive and significant actions to strengthen our balance sheet” and “We are taking steps to make Citi more efficient while fostering a culture of accountability and teamwork.” Both of these statements use strategic ambiguity to preserve a sense of continuity while organizational changes are taking place. Returning also to the merger that occurred between Wells Fargo and Wachovia, strategic ambiguity was also used in the press releases that discussed that transaction. A merger is organizational change on a larger scale, and it is important for both companies to preserve a sense of continuity while allowing for gradual change over time. A Wachovia press release discussed how both companies would benefit from the merger saying, “The market presence and composition of our businesses, along with service-oriented cultures, are extraordinarily complementary and the combination creates great potential for sustainability and growth.” Ambiguous goals are used here in this instance and several
Amplifies Existing Attributes and Preserves Privileged Positions

Several Bank of America press releases used statements such as “Bank of America is positioned better than any other financial services company,” “as the largest bank, we are in the best position,” and “Bank of America was built to withstand and succeed in times like these.” These statements both amplify existing attributes and aim to preserve the privileged position that Bank of America believes it has earned. Wells Fargo used similar statements saying in one example, “We’re open for business and we’re gaining wallet share and market share as we’ve always done in economically challenging times because we make fewer mistakes than our competitors in the so-called ‘good times’ and have fewer problems to fix than they do.” Many of these press releases used this approach to remind stakeholder groups that they continued to succeed and were doing everything in their power to hold on to the privileged position they had earned. Wachovia suggested throughout their releases that they were the industry-leader in customer service. For example, one press release stated, “We continue to benefit from our core strength of best-in-class customer service.” Wachovia also mentioned several times that they were a strong institution that was “well-positioned” to weather the storm. These statements are very ironic considering the fact that shortly thereafter they were used in multiple press releases; Wachovia was forced to consider merging with Wells Fargo due to their declining position in the industry. Citi Group, Inc. did not
communicate as frequently as the other three banks about being at the top of the industry or well positioned; however, there were a few instances when the company amplified existing attributes. One example is a press release that stated, “We have a unique franchise that is well positioned in growing markets with tremendous capabilities to serve clients around the world.”

*Preserves Future Options*

Many categories that emerged from the coding phases functioned to preserve future options for the companies. For example, a quote from Citi Group, Inc.’s chief executive officer contained in a press release said, “Despite the challenges, I remain confident that Citi will emerge from the financial crisis as one of the strongest franchises in financial services.” Similar statements were also found in Wells Fargo communications. For example, one release stated, “We are mindful of our responsibility to American taxpayers and we look forward to continue working with the U.S. Government to turn the housing and mortgage industries around.” This statement is strategic in that it preserves Wells Fargo’s future options. It does not state exactly what they are going to do for fear if they did state what they were planning to do and did not follow through on that promise; it would negatively affect perception of the banking institution. Instead, the statement suggested they will continue to work with the government to turn the housing and mortgage industries around and does not elaborate any further. Wachovia used many forward-looking phrases including “we are excited about the future with our new business partners,” “actions announced today will further
enhance flexibility going forward,” and “we look forward to opportunities that lie ahead.”

All three of these phrases do not site specific examples of what to expect going forward or how actions will enhance flexibility going forward. The statements are ambiguous and leave opportunity for multiple interpretations.

The matrix I developed and explained in my methods section applied Eisenberg’s (1984) five main elements of strategic ambiguity to the overall categories that emerged from my initial and focused coding phases. The matrix demonstrates how several of my themes fit under one or more of Eisenberg’s elements of strategic ambiguity as shown in Appendix G. The following is an explanation of the matrix and how Eisenberg’s elements were used in practice within the banking industry. There is also discussion of the categories that emerged from my research that do not enact any of Eisenberg’s five elements of strategic ambiguity.

One category that emerged from the press releases and executive speech transcripts was that the banks “reaffirmed the company’s commitment to its business model and strategy”. This theme fits well under Eisenberg’s assertion that strategic ambiguity functions to preserve privileged positions and amplify existing source attributes. If the company reaffirmed its commitment to its already established business model and strategy, this action suggests that the existing source attributes of the company are strong and do not need to be reevaluated. This theme suggests that the company’s business model and strategy developed before the crisis still function within a turbulent economic environment.
The category that suggested that the banks “expressed disappointment in their performance and results” falls under the category of “promotes unified diversity”. Oftentimes, these statements were coupled with “we” statements suggesting that everyone was affected by the economic crisis and “we” are all feeling the effects. Disappointment in performance and results was felt across all sectors of the banking industry and not one sector was spared from the economic effects. Statements that fell under this category from my focused coding findings all served the purpose to promote unified diversity by suggesting that all stakeholder groups were affected by the economic downturn.

One of the categories encompassed all five aspects of Eisenberg’s definition of strategic ambiguity: “expresses confidence that they are taking the right steps and doing the right things”. This theme was prevalent in external communications from all four banks. They all suggested that they were doing everything they could to remain poised during the crisis. This category contained statements that promoted unified diversity by suggesting everyone was working to make the situation better for all parties involved. It suggests that everyone is affected by the economic crisis, and the bank as a whole is working to improve the situation. This theme also facilitates organizational change in that it suggests the banks are adapting and making changes to improve the situation. By taking the “right steps” and “doing the right things” the banks are attempting to make changes to their current practices to adapt to the turbulent environment and come out of the storm with as little damage as possible. This theme also preserves future options because the statements that fell under this theme did not specifically define what was
meant by “right steps” and “right things”. Instead, they used strategically ambiguous language to preserve their future options by not defining exactly what they were doing or going to do in case they could not deliver on those commitments or promises. In addition, they most likely did not say exactly what they were doing for fear that several stakeholder groups may disagree with their actions. By not explaining in full what they were doing, they left their future options open and available to be changed all the while still reassuring stakeholders that steps were being taken. In addition, this theme also falls under both categories of “preserves privileged positions” and “amplifies existing source attributes”. Many of the statements that fell under this major theme also suggested that these “right steps” and “doing the right thing” were to improve the already privileged position of the banks. For example, Citi Group, Inc. used statements such as “We’ve begun to take actions to ensure that Citi is well positioned to compete and continue to win across our franchises” and “We’ve taken decisive and significant actions to strengthen our already strong balance sheet.” Many of these statements suggested that steps were taken to improve the current position held by the banks in the marketplace.

There were four categories that focused on the preservation of future options and only fit within this element of Eisenberg’s (1984) definition. The four themes include “focuses on the positives and remains optimistic,” “uses forward-looking statements and focuses on the future of the company,” “hopeful, yet cautiously optimistic about a slow, steady recovery,” and “reports survey results that are optimistic and focused on future growth.” This was an example of four themes that overlapped and were combined into one overall theme. This theme suggests that the banks’ external communications are
functioning to preserve future options by focusing on the future of the company and remaining optimistic about coming out on top once the recession is over. By remaining optimistic and focused on the future, the banks can assure stakeholders that they have not given up and they are fighting to remain strong despite the economic downturn.

The category, “reassures they are continuing to lend responsibly but explains lending practices reflect a different mortgage environment,” falls under four of Eisenberg’s elements of strategic ambiguity: facilitates organizational change, preserves future options, preserves privileged positions, and amplifies existing source attributes. The notion that their “lending practices reflect a different mortgage environment,” suggests the company made changes as a result of the economic crisis. This theme facilitates organizational change without specifying exactly what has changed. In addition, this theme functions to preserve future options by remaining ambiguous about what is meant by “lending practices reflect a different mortgage environment”. It also functions to preserve the privileged position of the bank as a responsible lending institution while suggesting that they continue to do what they have always done, which is a way of amplifying existing source attributes. This theme suggests that the banks are continuing to lend responsibly as they have always done in the past.

Several categories functioned to facilitate organizational change while also preserving future options. For example, “Expresses the importance of focusing on client and customer needs and offering them trust and integrity to help the bank succeed in the future” facilitates organizational change by suggesting that the bank needs to do a better job of focusing on client and customer needs by offering them trust and integrity. The
theme also preserves future options by saying that these actions will help the bank succeed in the future. In addition, the theme, “explained how the U.S. Government helped the company and the actions they took to continue to do business that supports the U.S. economy and creates future value for shareholders,” both facilitates organizational change and preserves future options. The element of change is demonstrated in the statements that detail what the banks did with their portion of TARP money and how they helped to change the current economic situation. At the same time, they also preserved future options by suggesting they have taken actions to create future value for shareholders. The theme, “accepts shared responsibility in improving the current situation and pledges to help revive the nation's economy through various initiatives,” also functions to facilitate organizational change and preserve future options. The theme is similar to the others that fit under both of these elements in that it demonstrates the need for change and improving the current situation while preserving future options by not being too specific about the various initiatives. However, it is important to note that some banks were more specific than others. Namely, Bank of America and Citi Group, Inc. both created documents that outlined these initiatives and provided details for stakeholders.

The remaining categories were classified under only one of Eisenberg’s elements of strategic ambiguity. To some degree, all of the banks “focused on a need for increased clarity, transparency, and use of 'plain language' when communicating with customers”. This category fits under the element of facilitates organizational change because it suggests that this important change needs to take place to improve the communication
with stakeholders. Bank of America was the only bank to discuss ethical implications of actions saying, “It’s not just about what we achieve, it’s about how we achieve it.” This theme was not found throughout the external communications from all banks, but it is an important theme from Bank of America’s press releases. This focus on ethical implications functions to promote unified diversity saying, “It’s about how we achieve it.” In this statement, “we” applies to everyone and indicates that no matter what stakeholder groups you belong to, ethics are always of great importance in conducting business, but especially in an economic crisis environment.

There were two categories that addressed employees within the companies. One theme, “recognizes employees'/colleagues' commitment and efforts through an enormously disruptive and distracting period,” promotes unified diversity by recognizing the efforts of all employees who were dedicated, made sacrifices, and contributed to help improve the company’s position during the economic turmoil. This theme promotes unified diversity by suggesting that everyone worked together as a team to overcome the obstacles and difficult times. The second category that dealt with employees was a more negative theme that discussed workforce reductions and plans to eliminate a significant number of positions. This somber theme can be categorized under facilitates organizational change. Many of the companies who used this theme in their communication suggested that changes would take place, but they did not go into specific details about the locations and positions that would be affected by the reorganization.

Finally, there were several categories that did not enact Eisenberg’s theory and did not include any of the five elements of strategic ambiguity. The first category was
“provides multiple explanations for causes of the economic crisis,” which describes all of the statements the banks used to explain how the crisis happened. These statements were very transparent and honest, and often pointed out faults in both the mortgage system and the banking industry. Bank of America did the best job of openly communicating this information and providing multiple events and actions that led to the economic crisis.

Another theme that did not fit under any category was “shows continuous concern about the health of the economy by acknowledging the uncertainty and volatility in the markets”. This theme characterized all of the statements that demonstrated how the banks were unable to predict the future and the long-term effects of the economic crisis. These statements also demonstrated the banks’ vulnerability and exposed their weakness in an uncertain situation. These statements were focused on the present and current state of the economy. One of the most surprising themes to find among the press releases was that Bank of America accepted shared responsibility in attributing to the economic crisis. They were the only bank out of the four banks examined in this study that stated they contributed to the current state of the economy as a result of their reckless lending practices leading up to the economic crisis. Everyone within the mortgage industry is responsible for aiding in the demise, but Bank of America was the only banking institution to express this shameful, but honest admission. Although this is not a prevalent theme among all of the press releases from all four banks, it is worth noting as an important theme that emerged from Bank of America’s press releases and executive speeches. However, it does not demonstrate any of Eisenberg’s five elements of strategic ambiguity.
A final category that emerged is “uses surveys and their findings to assess public/investors’ confidence levels and perception of the economic environment”. This theme is very similar to the press releases that were devoted to reporting financial results that were extremely objective and stated facts that could be proven through numbers, tables, and statistics. Several banks used surveys to assess public perception and confidence levels and then reported their results in press releases. The content of these press releases varied according to the results. At times, the results were more positive than others and the press releases used tables and statistics to show increases in confidence. At other times, the press releases would report negative results and decreases in confidence levels using tables and statistics to support these findings. The results seemed very objective and good indicators of the economic environment at the time the surveys were administered. Therefore, the statements that fell under this category were generally objective and based upon survey results that were reported with very little interpretation and commentary.

The matrix allowed me to check my findings against Eisenberg’s five main elements of strategic ambiguity in hopes of better understanding how the communication strategy is used in practice within the banking industry. I found that seven of the categories that emerged from the press releases and executive speech transcripts contained multiple elements of strategic ambiguity and could be categorized under two or more of Eisenberg’s elements. There were six categories that could only be categorized under one of the elements of strategic ambiguity. Finally, four of my categories could not be classified under any of Eisenberg’s five elements.
These findings demonstrate that the banks’ external communications used other communication strategies besides strategic ambiguity when communicating about the economic crisis. Statements from each of the 17 categories were used at different frequencies and differed to the degree that they enacted Eisenberg’s theory of strategic ambiguity. The frequency of occurrence of each of the 17 categories is shown in Appendix H. The category of statements used most frequently was “focuses on the positives and remains optimistic about the future.” I identified 41 phrases from the external communications that fell under this category. This category only enacted one element of strategic ambiguity, which was “preserves future options.”

The next category with the highest frequency was “focuses on a need for increased clarity and transparency with stakeholders,” which was identified in the press releases and speech transcripts 35 times. This category enacted one element of strategic ambiguity, which was “facilitates organizational change.”

The next category that occurred most frequently was “expresses confidence that they are taking the right steps and doing the right thing to strengthen the company’s position in the current economic environment.” Statements under this category were identified 30 times in the external communications. This category enacted all five elements of Eisenberg’s definition of strategic ambiguity.

The next category, “expresses importance of focusing on customer and client needs,” occurred 27 times in the press releases making it the fourth frequently used category. This category enacted two of Eisenberg’s elements of strategic ambiguity: “facilitates organizational change” and “ preserves future options.”
The category containing statements that “explains how the U.S. government has helped the company” occurred 26 times in the external communications. These statements enacted two of Eisenberg’s elements of strategic ambiguity: “facilitates organizational change” and “preserves future options.” The category, “reassures they are continuing to lend responsibly but explains that lending practices reflect a different mortgage environment,” also occurred 26 times in the press releases and speech transcripts. This category enacted four elements of strategic ambiguity: “facilitates organizational change,” “preserves future options,” “preserves privileged positions,” and “amplifies existing source attributes.”

The category “expresses disappointment in performance and results” occurred 25 times in the external communications. This category enacted one element of strategic ambiguity: “promotes unified diversity.”

The category “provides multiple explanations and causes for the economic crisis” occurred 22 times in all of the press releases and speech transcripts. This category did not enact any of the elements of strategic ambiguity.

The next category that occurred most frequently was “accepts shared responsibility in improving the current situation and pledges to help revive the nation's economy through various initiatives.” This category occurred 21 times in the external communications. This category enacted two elements of strategic ambiguity: “facilitates organizational change” and “preserves future options.”

The category, “uses surveys and their findings to assess public/investors' confidence levels and perception of the economic environment,” occurred 17 times in the
external communications. This category did not enact any of Eisenberg’s elements of strategic ambiguity.

The category, “expresses confidence about the company's ability to ‘weather the storm’ and come out better positioned than they were before the crisis,” was identified 16 times in the press releases and speech transcripts. This category enacted two elements of strategic ambiguity: “preserves future options” and “preserves privileged positions.”

Three categories occurred 15 times in the external communications. The first category was “reaffirms company's commitment to its business model and strategy,” which enacted two elements of strategic ambiguity: “preserves privileged positions” and “amplifies existing source attributes.” The second category was “recognizes employees' and colleagues' commitment and efforts through an enormously disruptive and distracting period,” which enacted one element of strategic ambiguity: “promotes unified diversity.” The third category that occurred 15 times was “shows continuous concern about the health of the economy by acknowledging uncertainty and volatility in the markets,” which did not enact any elements of strategic ambiguity.

There were three categories that did not occur often in the external communications and occurred less than five times. The first category was identified four times in the external communications. This category was “communicates plans to reduce workforce and details plans to eliminate a significant number of positions,” which enacted one element of strategic ambiguity: “facilitates organizational change.” The second category, “discusses ethical implications of actions saying it's not just about what we achieve, it's about how we achieve it” occurred only twice. This category enacted one
element of strategic ambiguity: “facilitates organizational change.” Finally, the category that occurred the least was “accepts shared responsibility in attributing to the economic crisis.” This category contained a statement that was identified only once in the external communications. This category enacted no elements of strategic ambiguity.

These findings demonstrate that practitioners are communicating in a variety of ways about the economic crisis and there are multiple instances that reveal elements of strategic ambiguity. Practitioners are using categories of statements more frequently than others when communicating information to stakeholders. Both the frequency of usage and the degree to which they enact the theory of strategic ambiguity differ among the external communications. These findings are explored further in my conclusions.
I accomplished two major tasks as a result of my research study. First, I wanted to describe how practitioners within the banking industry communicated about the economic crisis and if they used strategic ambiguity. My second goal was to ascertain how Eisenberg’s definition of strategic ambiguity is enacted by the external communications from the banking industry. Therefore, I took the 17 overall themes that emerged from my description of the external communications and applied Eisenberg’s theory of strategic ambiguity by focusing on the five main elements from his definition. There are several important findings to highlight as a result of this analysis. The following is a description of overall observations, similarities and differences identified among the external communications, and strategic ambiguity findings.

Overall Observations

Overall, Bank of America communicated much more frequently with stakeholders, which is evident by the number of press releases and executive speeches that were used in this sample. The bank communicated a wealth of information about the financial crisis and explained what the company was doing both proactively and reactively to address the situation. Bank of America’s archives contained both press releases and executive speeches.

Overall, Wachovia had very little communication that pertained to the crisis in their press release archives. They did not communicate as frequently as Bank of America
and when they did communicate, the releases were primarily focused on the quarterly and yearly financial results they are required to report as a publicly traded company. In addition, the second major focus of Wachovia’s press releases was changes in executive and management positions. This information, unless it was a change in the chief executive officer position, did not mention the financial crisis and, therefore, was not included in my data collection. Once these press releases were ignored, very few external communications remained that pertained to the economic crisis.

It is important to note that Wachovia’s press releases changed to Wells Fargo press releases in January 2009 as a result of the merger between the two banking institutions. At that time, Wells Fargo releases resembled Bank of America’s releases much more so than Wachovia’s external communication. Wells Fargo’s archives contained both press releases and executive speech transcripts and most importantly, they communicated more frequently than Wachovia had done in the years leading up to the merger.

As a whole, Citi Group, Inc. communicated frequently with stakeholders about the economic crisis. The majority of their releases, like the other banks, focused on quarterly and yearly results. However, much like Bank of America, they also focused on foreclosure prevention, the U.S. Government’s Troubled Asset Relief Program (TARP), and consumer confidence levels.

During the period of time that I selected for my research, there were many organizational changes, specifically mergers and acquisitions, which affected all four of the banks that I examined. These organizational changes affected the external
communications from all four national banks. They all had an obligation to inform stakeholders about their plans to merge or acquire other companies and what that organizational change would mean for their company. Bank of America acquired Countrywide in a transaction that gave the company greater scale in originating and servicing mortgages in the U.S. as Countrywide had $408 billion in mortgage originations in 2007 and a servicing portfolio of about $1.5 trillion with 9 million loans. In addition to this acquisition, Wachovia and Wells Fargo merged after a tumultuous disagreement with Citi Group, Inc. who had engaged in talks and an agreement with Wachovia and as a result planned to acquire the company. In a controversial move, Wachovia chose to partner with Wells Fargo instead and the merger was effective on January 1, 2009. Citi Group, Inc. sought billions in damages from both institutions, but they were unable to reach a mutually acceptable agreement.

Similarities

In my attempt to provide a description of how the four banking institutions were communicating about the economic crisis, I found a lot of similarities across all of the press releases and executive speeches. There were several recurring themes and phrases that were used by all of the banks’ practitioners. Consistent among all of the external communications was the expression of disappointment in financial results. All four banks are required, similar to most companies, to report quarterly and yearly financial results. In addition to sharing this information, the press releases all noted how disappointing the results were, and at times, suggested that the situation was continuing
to get worse and would not improve in the near future. Phrases used include “our financial results are clearly unacceptable and our performance was very poor,” “our results reflect the continuation of the unprecedented market and credit environment,” and “this was a disappointing quarter well below our expectations.”

The press releases that expressed disappointment in financial results also provided reasons for the results and primary factors that resulted in reduced earnings. Practitioners often faulted the economy and gave examples such as “the decline in income was driven primarily by weak performance in fixed income credit market activities, write-downs, and increases in consumer credit costs.” In addition, all of the banks showed continuous concern about the health of the economy and acknowledged the uncertainty and volatility of the markets. These statements were often followed up by an admission that “we can’t predict the future.”

Although the external communications clearly stated that the financial results were very disappointing, one strategy that all banks employed was following up those statements with ones that intended to reassure stakeholders’ confidence that the banks were doing the right thing. These statements expressed confidence that they were taking the right steps and purported that “confidence was an important asset during difficult times.” Many of these statements also turned their focus to the positives and remained optimistic about the company’s business model and ability to “weather the storm.” These statements included ones such as “our earnings power from core business is strong and growing,” “we continue to bring innovative products to market,” and “despite the negative factors, we continue to see strong momentum throughout our businesses.” The
external communications also used forward-looking statements that focused on the future such as “despite the slowing economy, we plan to invest for future growth” and “we will emerge even stronger when the cycle turns.”

All of the banking institutions, except for Wachovia, used statements to assert they accepted shared responsibility in improving the current economic situation and pledged to help revive the economy. Not only did they accept responsibility but also they promised to take strong leadership as the largest and most influential banks in the industry. These statements included ones saying “we have a tremendous responsibility to contribute to America’s economic future” and “Homeowners trust Bank of America as a leader that can renew America’s confidence in homeownership.”

Another consistency among all of the banks’ external communications was the acknowledgement that the nation’s ongoing mortgage foreclosure crisis is having a devastating effect on families and communities across the United States. The press releases and executive speeches used statements that reaffirm the institutions’ commitment to responsible lending and focus on improving the economy. They describe the ways they are working to provide customers relief they need during difficult times and purport their number one priority is to help keep homeownership a reality for customers in financial distress. All of the banks discuss their commitment to doing what is right for customers, as well as the entire country, by making homeownership both achievable and sustainable. Statements include “Citi shares the legislation’s goal to help distressed borrowers stay in their homes” and “we have collaborated with the government to reduce foreclosures and stabilize the economy.”

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Another commonality among all of the press releases and executive speeches from all four banks is the explanation of how the U.S. Government has assisted the institution through the Trouble Asset Relief Program (TARP). The press releases explain how much was provided in government assistance and the bank’s commitment to make good on taxpayer investments by repaying the TARP. Statements include “we are putting the TARP capital to work to support the U.S. economy and consumers by expanding the flow of credit to U.S. households and business responsibly” and “we see this taxpayer investment, first and foremost, as an investment in the future growth of our country.”

Bank of America, Wells Fargo, and Citi Group, Inc. were all provided with TARP assistance and all completed repayment by 2010. Throughout the press releases, there was discussion about the TARP assistance and what the bank was doing with the money provided by taxpayers. When each bank made the repayment they expressed gratitude for the funding and support of the financial system during a critical time for the nation.

All four banking institutions also discussed the need for increased clarity and transparency and the importance of using “plain language” to explain financial information to customers. The overarching theme prevalent in all external communications was that increased transparency would enable companies to effectively restore trust and confidence to stakeholders. All of the banks saw a need for transparent, accurate, and timely information; however, not all of the banks delivered on this important initiative. Bank of America and CitiGroup, Inc. were the two banks that discussed the need for more frequent and open communication the most. In addition, these two banks delivered on this commitment by creating additional reports with the
goal to provide more transparency to customers. Bank of America created the Clarity Commitment to increase the frequency of communication with customers and provide details in a single, one-page loan summary that clearly presents to borrowers their interest rate, terms and other details of the loan in plain language. Bank of America’s Lending and Investing Initiative Quarterly Investing Report and Citi Group, Inc.’s TARP Quarterly Progress Report were both created to communicate what the company was doing with the funding provided by the U.S. Government and how they were driving economic progress in various areas. Although all of the banks made a strong case for the need to provide greater transparency and clarity to customers, Bank of America and Citi Group, Inc. were the only two companies that actually delivered on that commitment and discussed the importance of continuing that practice in the future.

Differences

An area where the individual banks differed was the degree of honesty and transparency they used within their external communications. Bank of America was the only bank to openly accept responsibility for the origination of the crisis. Bank of America accepted responsibility in contributing to the economic crisis saying, “we helped borrowers along the way” in regard to making bad decisions about their mortgages and housing options. The other banks pointed out how the mortgage industry failed, but they never accepted blame for aiding in the demise. In addition, Bank of America was the only bank that mentioned ethics and the importance of doing what was right for both customers and the economy when moving forward. Bank of America said, “It’s not just
about what we achieve, it’s about how we achieve it.” They were the only bank to place emphasis on their code of ethics and the importance of making progress as a result of ethical decisions and initiatives. Bank of America was also the only bank to refer to the economic crisis as a recession. They openly stated the fact in their press release saying, “we are in a recession” and admitted, “The previous quarters had been the most challenging periods in history.”

Another difference among the banks’ external communications is that two of the banks, Bank of America and Wells Fargo, used third-party surveys and their findings to assess consumer, small-business owner, and investor confidence levels about the economic crisis. They would use these reports to gauge how these three groups perceived the current conditions and how they felt about the future. Both banks reported the results of these surveys in press releases and used statements such as “reports find that there is increased optimism,” “global optimism has not spread everywhere,” and “survey finds economic optimism highest since 2003 as investors put cash to work.” Depending on the results, the statements indicated that stakeholders were either optimistic or pessimistic about the future of the economy. The statements were not overly positive or negative, they reported the survey findings and then various executives from the companies would comment on the results.

There were subtle differences in each of the bank’s external communications in their reinforcement of certain business aspects. Wachovia and Wells Fargo were very customer focused and used statements frequently that explained the importance of focusing on client needs and doing what was right for customers. These statements
include ones saying, “we continue to do what is right for our customers and always put their interests first,” “in these unprecedented times, my colleagues have demonstrated that Wachovia always puts the interests of our customers and clients first,” and “we are the industry leader in customer service and that will continue to be our focus.” Citi Group, Inc., on the other hand, was very focused on employee commitment during these difficult times. They recognized employee commitment through an enormously disruptive and distracting period saying, “Despite unprecedented turbulence, they have conducted themselves with the highest professionalism and integrity.” In addition, the Citi Group, Inc. releases also noted that because of employees’ hard work and dedication, the company would be better positioned to emerge stronger. There were also numerous times where employees were thanked for their efforts in quotes from the Chief Executive Officer saying, “Thank you to all Citi employees for tireless efforts on behalf of our clients.”

Bank of America and Citi Group, Inc. were the only banks that communicated about workforce and headcount reduction. Bank of America used an entire press release to communicate about a plan to “eliminate a significant number of positions” over three years due to the merger with Merrill Lynch & Co., Inc. and the weak economic environment. The press release stated “Bank of America expects to have a final plan early in 2009 and estimates it will project the reduction of approximately 30,000 to 35,000 positions over the next three years.” Citi Group, Inc. stated in a press release they had “meaningfully lowered expenses and headcount and improved efficiency.” This information was contained in the press release that announced first quarter results from
2009. It also mentioned that the total reduction in headcount “since peak levels” was 65,000 employees. Wachovia and Wells Fargo did not communicate about headcount or workforce reduction in any of their press releases from 2007 to 2010.

Overall, my findings suggest that the banks communicated with stakeholders on a variety of topics. They not only reported financial results, as they are required to do, but also they reported additional information to stakeholders. The banks openly communicated their disappointment in performance and results and did not hide the fact that they are well below expectations and previous results. They also expressed confidence in their actions and suggested they took the right steps to strengthen the company’s position in the current economic environment. Surprisingly, the banks remained very optimistic and forward-looking despite the extremely bleak economic environment in their external communications. Many of the external communications suggested the banks focused on a need for increased clarity and transparency in their communications with stakeholders, specifically clients and customers. To fully understand how clear and transparent the banks were in their external communications, I will now turn my focus to what these results mean in regard to strategic ambiguity.

**Strategic Ambiguity Findings**

The companies had the option to remain silent and share minimal information, but the banks did not choose this option. Instead, they chose to communicate with stakeholders frequently and used strategic ambiguity as a communication strategy. The only bank that did not communicate well was Wachovia, and they did not fare as well as
the others during the crisis. Wachovia did not communicate frequently and when they did communicate, they provided very little information about their actions to address the crisis. All of the banks, with the exception of Wachovia, focused on an increased need for clarity and transparency in their communication with stakeholders. In a time where many banks were criticized for being vague and quiet, these four banks saw the importance of being clear and transparent when communicating with stakeholders. They saw transparency as a way to regain trust and restore confidence to their stakeholders.

Many banks not only argued how important it was to communicate more frequently and openly with stakeholders, but also they delivered on this commitment. Several banks created additional communications to inform stakeholders about actions and steps that were taken to improve their individual situation as well as the economy as a whole. These quarterly reports, as well as the addition of live webcasts of financial results press conferences, were all attempts made by the banks to increase their frequency of communication and quality of the information being communicated to stakeholders.

Although there was a prevalent focus on the need for more transparency and clarity within stakeholder communication, I found that all four banking institutions used strategic ambiguity to some degree within their external communications. Most of these instances occurred in press releases and executive speeches from the beginning of the economic crisis (December 2007 – December 2008). This finding is similar to Barrett’s (2005) in that he suggests organizations use strategic ambiguity as a means “to provide time to make sense of the crisis and identify, develop, promulgate and, when needed, revise centralized messages thereby limiting damage to organization credibility” (p. 65).
Communicators often use the strategy when they are trying to make sense of the situation and know they have a responsibility to communicate with stakeholders. In uncertain environments, strategic ambiguity helps companies “buy time” while trying to assess the situation and make meaningful decisions that need to be communicated to stakeholders. If the company divulges too much information prematurely, it may result in an even bigger issue than the company was dealing with in the first place.

Strategic ambiguity was used in press releases and speeches in situations where stakeholders needed to be reassured but did not need to know all of the details about the situation. The banks used statements such as “we have taken decisive and significant actions to strengthen our balance sheet” and “we are taking steps to make the company more efficient while fostering a culture of accountability and teamwork” to reassure stakeholders that they were taking actions without actually saying what those actions were. Perhaps it was because they did not know what those actions were at the time, and they were still working to figure out their next step. How would banks be perceived by stakeholders if they stated instead, “We are not sure what our next step will be because we are unsure what the markets will bring in the coming months?” That level of honesty would not be well received by stakeholders who would challenge the banks’ credibility and ability to do business within a turbulent environment. Ultimately, this type of clear and open communication could cause customers to seek another banking institution to do business with that seems to have an action plan in place. This result is, of course, exactly what the banks did not want to happen and, therefore, they chose to use strategic ambiguity for their own benefit.
Another important finding is that several banks used statements that did not fit within Eisenberg’s definition of strategic ambiguity. These statements did not promote unified diversity, facilitate organizational change, preserve future options, preserve privileged positions, or amplify existing source attributes. Instead, they were objective statements that described the situation at face value. Bank of America was the banking institution that used open and honest statements most frequently in their communications. They were the only bank that openly admitted, “we are in a recession.” In addition, they were the only bank that accepted shared responsibility in causing to the economic crisis. The other three banks also used statements in external communications that were straightforward and did not fit Eisenberg’s definition of strategic ambiguity.

The statements that did not enact any elements of strategic ambiguity only accounted for 16.2 percent of the total phrases found in all of the external communications. There were only four categories out of a total of 17 categories that did not enact any of Eisenberg’s five elements of strategic ambiguity. The remaining 13 categories enacted at least one or more elements of strategic ambiguity and accounted for the remaining 83.3 percent of the statements identified in the press releases and speech transcripts. Therefore, more than 83 percent of the time, banks used statements that revealed instances of strategic ambiguity when communicating about the economic crisis.

The statements used most frequently in the external communications all enacted elements of strategic ambiguity. The six categories that occurred most frequently enacted at least one or more element of strategic ambiguity. These categories contained more than 54.3 percent of the statements identified in all four banks’ external communications.
Statements that did not enact elements of strategic ambiguity were used in all of the banks’ external communications, but they occurred much less frequently than strategically ambiguous statements. Therefore, in this economic crisis, the external communications reveal a strong reliance on strategic ambiguity as a communication strategy. In addition, practitioners have chose to use other communication strategies as well that are more open and transparent. These statements were most recognizable in quarterly and annual financial results reported in press releases. The four categories contained clear statements that exposed the vulnerability of the banks in the volatile markets. They showed continuous concern about the health of the economy by acknowledging the uncertainty in the markets. The use of these statements along with strategic ambiguity suggests that during an economic crisis, practitioners choose multiple communication strategies when communicating with stakeholder groups. However, this study reveals that they relied heavily on strategic ambiguity as a communication strategy.

Although more than 83 percent of practitioners’ external communication statements used strategic ambiguity to some degree, the strategy does not account for all of the statements found in the press releases and speech transcripts. Therefore, practitioners used multiple strategies to communicate with stakeholders about the economic crisis. These results indicate that during the 2008 economic crisis, practitioners frequently used strategic ambiguity to communicate with stakeholders; but, they also used transparent statements that did not enact any elements of Eisenberg’s theory of strategic ambiguity.
CHAPTER SIX

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

According to Eisenberg, the research cannot stop here. To fully understand how strategic ambiguity is used in practice would require me to go a step further and interview the practitioners responsible for the external communications. To ascertain the extent to which the banks are using strategic ambiguity would require me to interview the practitioners and determine if my findings matched their intentions. Follow-up interviews would then allow me to explore my initial findings and determine how practitioners used strategic ambiguity when communicating about the economic crisis. This additional step would also allow me to determine if the use of strategic ambiguity among practitioners is intentional, which I assume it is, or employed by accident.

The current financial crisis has impacted practitioners and their communication strategies. Whether it is restoring public confidence, reassuring employees and investors, or educating stakeholders about the effects of the economic turmoil, communicators have a huge responsibility. The situation serves as an opportune moment (kairos) for organizational communicators to examine the use of strategic ambiguity when communicating with external audiences. In order to properly assess the use of strategic ambiguity, communicators must determine how they are using strategic ambiguity and if it is helping them to accomplish their goals. If the strategy continues to be used by practitioners, a moral obligation exists to examine the ethicality of its use.
Theorists (Eisenberg, 1984; Ceccarelli, 1998; Barrett, 2005; Kline, 2009) have provided definitions for strategic ambiguity, but the literature stops there. Research on strategic ambiguity as a communicative strategy should go beyond defining what it is and when to use it. The literature fails to provide adequate information on how to use strategic ambiguity for professional communicators. If communicators are using this communication strategy, it is essential to know what works and what does not from a best practices standpoint. Responsible practitioners should not only know what and when, but also know how. One suggestion for future research would be to extend the literature and develop a prescription of best practices that advises practitioners of the appropriate situations where strategic ambiguity can and should be used as well as how to use the communication strategy properly and ethically.

One final suggestion for future research is to repeat this study with the same four banking institutions’ internal communications to determine how practitioners use strategic ambiguity when communicating internally with employees. It would be interesting to see if strategic ambiguity is used when communicating with internal stakeholder groups and to what degree. In addition, it would be beneficial to compare how strategic ambiguity is used within internal and external communications to see what similarities and differences exist.

These suggestions for additional research need to be explored so professional communicators can operate under a more current definition of strategic ambiguity. Eisenberg’s definition needs to be updated to reflect the current environment in which
practitioners are communicating. Communicators will be able to better understand the strategy and its applications as a result of further exploration.
Appendix A

Initial Coding Data From Bank of America

Bank of America (2007)

1. Bank of America Reports Record 2006 Earnings of $21.13 Billion, or $4.59 Per Share

Fourth quarter earnings were $5.26 billion or $1.16 per share

CHARLOTTE, N.C., Jan. 23 /PRNewswire-FirstCall/ -- Bank of America Corporation today reported that 2006 net income rose 28 percent to $21.13 billion from $16.47 billion a year earlier, reflecting both the addition of MBNA at the start of the year and organic growth in most major customer segments.

(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CL00401068-h )

Per share earnings increased 14 percent to $4.59 per diluted share from $4.04 per share last year. Return on average common equity for the year was 16.27 percent.

Excluding pre-tax merger and restructuring charges of $805 million, or 11 cents per share, Bank of America earned $21.64 billion, or $4.70 per share, for the full year 2006. In the fourth quarter of 2006, net income was $5.26 billion, or $1.16 per diluted share, compared with $3.57 billion, or $0.88 per share, a year earlier. Excluding pre-tax merger and restructuring charges of $244 million, equal to 3 cents per share, earnings per share were $1.19. For the fourth quarter of 2005, pre-tax merger and restructuring charges were $59 million, or 1 cent per share.

The increase in 2006 earnings was driven by growth in card income, including the addition of MBNA, strong growth in capital markets and investment banking activities reflecting the company's recent investments in those areas, increased equity investment gains, growth in service charges paced by deposit account growth, higher other income and strong expense control. These improvements were partially offset by higher credit costs, again in part because of the addition of MBNA.

For the year, revenue on a fully taxable-equivalent basis increased 30 percent while expenses rose 24 percent. On a pro forma basis (adjusting for the inclusion of MBNA), revenue increased 10 percent while expenses were flat.

"Bank of America had another strong year in 2006," said Kenneth D. Lewis, chairman and chief executive officer. "We created opportunities for our customers and clients through improved service, product innovations such as the $0 Online Equity Trade program and Business 24/7™ for small businesses, new more convenient ATMs and excellent investment performance in our Columbia Funds. Our capital markets groups served more clients than ever before, increasing our market share in important product categories. In short, our associates are proving that when you combine listening to customers to understand their needs with our advantages of scale, innovation and execution, it creates a powerful value proposition that wins in the marketplace."

2006 Business Highlights - During 2006, the company acquired and successfully integrated MBNA Corporation, making Bank of America the largest credit card issuer in the U.S. and U.K. - In November, Bank of America entered into an agreement to acquire US Trust to help bolster its capabilities in serving high net worth clients and expand its base of assets under management. - Total sales of retail products increased 7 percent in 2006 to 44 million, driven by record sales in checking, debit and online banking products. Online sales increased 44 percent in 2006 across all products, representing 16 percent of total retail sales. - The company opened a record 2.4 million net new checking accounts supported by programs such as Keep the Change™ as well as eCommerce accessibility and customer referrals. - Bank of America began offering $0 Online Equity Trades on Oct. 12 in selected markets and in November through most of its franchise, contributing to accelerated growth at Banc of America Investments. The program rewards customers who keep at least $25,000 in deposit balances. In the fourth quarter, the number of self-directed brokerage accounts opened was up 54 percent from the third quarter. - Average aggregate retail deposits and Columbia money market mutual fund balances rose 6 percent from 2005. The company takes an integrated view of these products, encouraging customers to choose what is best for them. - Debit card revenue increased 23 percent to a record $1.91 billion. - Average small business loans grew 65 percent (25 percent pro forma with MBNA) as the bank focused on deepening its penetration of this segment. - Credit extended to Business Lending clients grew $15.20 billion to $222.91 billion in the year. - Capital Markets and Advisory Services revenue rose 21 percent in 2006, driven by a 38 percent rise in debt underwriting fees and a 21
percent increase in fixed income sales and trading as the company invested in its capital markets platforms. Total assets under management in Global Wealth and Investment Management grew 13 percent to more than $542 billion, driving an 11 percent increase in asset management fees. Seventy-three percent of mutual fund assets under management were invested in funds (equity, fixed income, and money market funds) where at least one share class placed in the top two quartiles of their peer group as of December 31, 2006. (1) Fourth Quarter Financial Summary Revenue on a fully taxable-equivalent basis increased 34 percent to $18.82 billion from $14.05 billion in the fourth quarter of 2005. The previous year's results did not include MBNA. Net interest income on a fully taxable-equivalent basis was $8.96 billion, compared with $8.10 billion a year earlier. Besides the addition of MBNA, the increase was driven by loan growth and increased benefits from asset and liability management activity, partially offset by lower core deposit levels. The net interest yield tightened 7 basis points to 2.75 percent. Noninterest income rose 66 percent to $9.87 billion from $5.95 billion. Besides the addition of MBNA, which helped boost card income, these results were supported by equity investment gains, continued strength in service fee income and investment banking. The sale of Bank of America's Asia Commercial Banking unit resulted in a $165 million gain.

Sales of debt securities resulted in a $21 million gain in the fourth quarter of 2006 compared with a $71 million gain a year earlier.

Efficiency

The efficiency ratio on a fully taxable-equivalent basis for the fourth quarter of 2006 was 48.31 percent (47.02 percent before merger and restructuring charges) driven by continued positive operating leverage. Noninterest expense increased to $9.09 billion from $7.32 billion a year ago. Expenses increased primarily because of the addition of MBNA.

Pre-tax cost savings for the merger in the fourth quarter were approximately $450 million primarily because of personnel reductions, technology savings and marketing synergies.

Credit Quality

Credit quality remained stable. Consumer credit costs rose in the fourth quarter from the third quarter of 2006 reflecting portfolio seasoning and the trend toward more normalized levels post-bankruptcy reform. Compared to the fourth quarter of 2005, consumer net charge-offs decreased primarily due to the impact of bankruptcy reform which accelerated charge-offs into 2005. Provision expense in the fourth quarter was higher than a year ago due to the addition of MBNA, partially offset by lower bankruptcy-related credit costs on the domestic consumer credit card portfolio.

- Provision for credit losses was $1.57 billion, up from $1.17 billion in the third quarter of 2006, and $1.40 billion in the fourth quarter of 2005. - Net charge-offs were $1.42 billion, or 0.82 percent of total average loans and leases. This compared to $1.28 billion, or 0.75 percent, in the third quarter of 2006 and $1.65 billion, or 1.16 percent, in the fourth quarter of 2005. - Total managed losses were $2.45 billion, or 1.23 percent of total average managed loans and leases. This compared to $2.20 billion, or 1.11 percent, in the third quarter of 2006 and $1.71 billion, or 1.17 percent, in the fourth quarter of 2005. - Nonperforming assets were $1.86 billion, or 0.26 percent of total loans, leases and foreclosed properties, at December 31, 2006. This compared to $1.66 billion, or 0.25 percent, at September 30, 2006 and $1.60 billion, or 0.28 percent at December 31, 2005. - The allowance for loan and lease losses was $9.02 billion, or 1.28 percent of loans and leases, at December 31, 2006. This compared to $8.87 billion, or 1.33 percent at September 30, 2006 and $8.05 billion, or 1.40 percent, at December 31, 2005, which did not include MBNA. Capital Management Total shareholders' equity was $135.27 billion at December 31, 2006. Period-end assets were $1.5 trillion. The Tier 1 Capital Ratio increased to 8.64 percent from 8.48 percent at September 30, 2006 and 8.25 percent a year earlier. The issuance of $2.03 billion of non-cumulative preferred stock contributed to the increase during the fourth quarter.

During the quarter, Bank of America paid a cash dividend of $0.56 per share. Additionally, the company issued approximately 20 million common shares primarily related to employee stock options and ownership plans, and repurchased 60 million common shares. Period-ending common shares issued and outstanding were 4.46 billion for the fourth quarter of 2006, compared to 4.50 billion for the third quarter of 2006 and 4.00 billion for the fourth quarter of 2005.

Full-Year 2006 Financial Summary Revenue on a fully taxable-equivalent basis increased 30 percent to $74.25 billion from $56.92 billion from the previous year.
Net interest income on a fully taxable-equivalent basis increased 13 percent to $35.82 billion from $31.57 billion in 2005. The increase was driven by the addition of MBNA, consumer and middle market business loan growth and increases in the benefits from asset liability management activity, partially offset by lower core deposit levels and higher trading-related earning assets. The net interest yield tightened 2 basis points to 2.82 percent.

Noninterest income increased 22 percent to $38.43 billion from $25.35 billion. These results were driven by higher card income, which included MBNA, equity investment gains, increases in investment banking income and trading account profits and an increase in other income related to the sale of the Brazil and Asia Commercial Banking businesses.

Losses on sales of debt securities were $443 million in 2006 compared to gains on sales of debt securities of $1.08 billion in 2005.

Efficiency

The efficiency ratio on a fully taxable-equivalent basis for 2006 was 47.94 percent (46.86 percent excluding merger and restructuring charges). Noninterest expense increased 24 percent to $35.60 billion from $28.68 billion a year ago primarily due to MBNA. Included in expenses for 2006 were $805 million in pre-tax merger and restructuring charges related to the MBNA merger. Full year 2006 cost savings from the merger with MBNA were approximately $1.25 billion, accelerating original projections.

Credit Quality

Provision expense was $5.01 billion in 2006, a 25 percent increase from 2005. The increase in provision expense was driven by the addition of MBNA and 2005 commercial reserve releases, partially offset by lower bankruptcy-related credit costs on the domestic consumer credit card portfolio.

Net charge-offs totaled $4.54 billion, or 0.70 percent of average loans and leases, compared with $4.56 billion, or 0.85 percent of average loans and leases in 2005. The decrease in net charge-offs was due to the impact of bankruptcy reform which accelerated net charge-offs into 2005, partially offset by the addition of MBNA.

Capital Management

For 2006, Bank of America paid $9.64 billion in cash dividends to common shareholders. The company also issued 118.4 million common shares, primarily related to employee stock options and ownership plans, and repurchased 291.1 million common shares for $14.36 billion.

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For 2006, Bank of America paid $9.64 billion in cash dividends to common shareholders. The company also issued 118.4 million common shares, primarily related to employee stock options and ownership plans, and repurchased 291.1 million common shares for $14.36 billion.
Assets Under Management grew $60.58 billion, or 13 percent in 2006, reflecting strong net inflow activity. Increase in average loan balances were largely offset by the impact of asset and liability management supported by 11 percent growth in asset management fees.

Net income increased 4 percent to $2.40 billion compared with a year earlier. Revenue rose 6 percent, equivalent basis.

At 12/31/05

Net income increased 16 percent during the period and revenue increased 8 percent.

Global Corporate and Investment Banking (Dollars in millions)  
2005  YTD 2006

Total Revenue (1) $22,691  $20,600  Provision for credit losses
Noninterest expense 11,998  11,133  Net Income
Efficiency ratio 52.87%  54.04%  Return on average equity 16.21  15.28
Loans and leases (2) $243,282  $214,818
Deposits (2) 205,652  189,860  Trading-related assets (2) 338,364
(1) Fully taxable-equivalent basis (2) Balances averaged for period

Net income increased 6 percent to $6.79 billion in 2006 compared with a year earlier impacted by the $885 million pre-tax gain from the sale of Bank of America's Brazil operations and its Asia Commercial Banking business. Revenue increased 10 percent to $22.69 billion as income from sales and trading, Treasury Services and investment banking increased. Excluding the impact of the Brazil and Asia transactions, revenue rose 6 percent to $21.17 billion from 2005 while net income declined less than 1 percent, including a lower provision benefit.

Capital Markets and Advisory Services benefited from strong sales and trading results and an increase in debt underwriting compared with a year earlier.

- Capital Markets and Advisory Services had net income of $1.69 billion in 2006, a 26 percent increase from 2005, as investment banking income and sales and trading income rose. Revenue grew 21 percent to $8.20 billion. Expenses grew 16 percent driven in part due to increases in performance-based compensation.
- Business Lending net income declined 14 percent to $2.23 billion in 2006 from the year ago period due to spread compression and the cost of credit mitigation. Revenue decreased 6 percent to $5.68 billion. Average loans and leases rose 12 percent to more than $216 billion.
- Treasury Services net income grew 18 percent to $2.17 billion from a year earlier as revenue rose 11 percent to $6.69 billion and income from commercial credit cards and service charges increased. - ALM/Other had revenue of $2.12 billion and net income of $702 million, an increase of 15 percent primarily due to the sale of Brazil operations and the Asia Commercial Banking business.

Global Corporate and Investment Banking's fourth quarter net income rose 23 percent to $1.57 billion from the same period a year earlier as income from sales and trading and investment banking increased, reflecting company investments in capital markets platforms and the sale of the Asia business. Revenue rose 9 percent in the quarter to $5.40 billion.

Global Wealth and Investment Management (Dollars in millions)  
2005  YTD 2006

Total Revenue (1) $7,779  $7,316  Provision for credit losses
Noninterest expense 4,005  3,710  Net Income
Efficiency ratio 51.48%  50.72%  Return on average equity 23.20  22.52
Loans and leases (2) $61,497  $54,102
Deposits (2) 115,071  117,338  (in billions) At 12/31/06
At 12/31/05  Assets under management $542.9  $482.3 (1) Fully taxable-equivalent basis (2) Balances averaged for period

Net income increased 4 percent to $2.40 billion compared with a year earlier. Revenue rose 6 percent, supported by 11 percent growth in asset management fees. Improved spreads on deposits and a 14 percent increase in average loan balances were largely offset by the impact of asset and liability management activity.

Assets Under Management grew $60.58 billion, or 13 percent in 2006, reflecting strong net inflows of $37.87 billion and market appreciation.
- Premier Banking & Investments had revenue of $2.88 billion, a 13 percent increase over 2005 and reported net income of $948 million, a 17 percent increase. - The Private Bank had revenue of $2.10 billion up 1 percent over last year, and net income of $553 million which declined 1 percent compared with 2005. - Columbia Management had revenue of $1.54 billion up more than 13 percent and net income of $335 million, up 15 percent when compared with 2005. - ALM/Other had revenue of $1.27 billion, down 4 percent from 2005 and net income of $567 million, down 13 percent.

For the fourth quarter of 2006, Global Wealth and Investment Management net income declined 1 percent to $602 million from the previous year. Revenue increased 5 percent to $1.99 billion.

All Other

For 2006, All Other reflected $767 million of net income, compared with $744 million a year earlier. In 2005, All Other was negatively affected by the results of the asset liability management process, including the change in the value of derivatives used as economic hedges that did not qualify for SFAS 133. Equity Investment gains were $2.87 billion in 2006 compared with $1.96 billion in 2005 driven by increases in Principal Investing and Corporate and Strategic Investments. For the fourth quarter of 2006, All Other reflected $556 million of net income, compared with a net loss of $63 million for the same period in 2005. Equity Investment gains were $1.03 billion in the fourth quarter of 2006 compared with $493 million a year earlier.

Note: Ken Lewis, chairman and chief executive officer, and Joe Price, chief financial officer, will discuss fourth quarter and full-year 2006 results in a conference call at 9:30 a.m. (Eastern Time) today. The call and accompanying presentation can be accessed via a webcast available on the Bank of America Web site at http://www.bankofamerica.com/investor/.

Bank of America is one of the world's largest financial institutions, serving individual consumers, small and middle market businesses and large corporations with a full range of banking, investing, asset management and other financial and risk-management products and services. The company provides unmatched convenience in the United States, serving more than 55 million consumer and small business relationships with more than 5,700 retail banking offices, through more than 17,000 ATMs and award-winning online banking with more than 21 million active users. Bank of America is the No. 1 overall Small Business Administration (SBA) lender in the United States and the No. 1 SBA lender to minority-owned small businesses. The company serves clients in 175 countries and has relationships with 98 percent of the U.S. Fortune 500 companies and 80 percent of the Global Fortune 500. Bank of America Corporation stock (NYSE: BAC) is listed on the New York Stock Exchange.

Forward-Looking Statements

This press release contains forward-looking statements, including statements about the financial conditions, results of operations and earnings outlook of Bank of America Corporation. The forward-looking statements involve certain risks and uncertainties. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include, among others, the following: 1) projected business increases following process changes and other investments are lower than expected; 2) competitive pressure among financial services companies increases significantly; 3) general economic conditions are less favorable than expected; 4) political conditions including the threat of future terrorist activity and related actions by the United States abroad may adversely affect the company's businesses and economic conditions as a whole; 5) changes in the interest rate environment reduce interest margins and impact funding sources; 6) changes in foreign exchange rates increases exposure; 7) changes in market rates and prices may adversely impact the value of financial products; 8) legislation or regulatory environments, requirements or changes adversely affect the businesses in which the company is engaged; 9) litigation liabilities, including costs, expenses, settlements and judgments, may adversely affect the company or its businesses; and 10) decisions to downsize, sell or close units or otherwise change the business mix of any of the company. For further information regarding Bank of America Corporation, please read the Bank of America reports filed with the SEC and available at http://www.sec.gov/. Please consider the investment objectives, risks, charges and expenses of Columbia mutual funds carefully before investing. Contact your financial advisor for a prospectus which contains this and other important information about the fund. Read it carefully before you invest.

(1) Results shown are defined by Columbia Management's calculation of its percentage of assets under management in the top two quartiles of categories based on Morningstar (Equity categories), Lipper (Fixed Income categories) iMoneyNet (Money Market categories). The category percentile rank was calculated by ranking the three year gross return of share classes within the categories stated above. The assets of the number of funds within the top 2 quartile results were added and then divided by Columbia Managements
### Selected Financial Data (1)

<table>
<thead>
<tr>
<th>Financial Summary</th>
<th>2006</th>
<th>2005</th>
<th>(Dollars in millions, except per share data; shares in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per common share</td>
<td>1.17</td>
<td>0.89</td>
<td>4.66</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>1.10</td>
<td>4.59</td>
<td>4.04</td>
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<tr>
<td>Dividends paid per common share</td>
<td>0.36</td>
<td>0.50</td>
<td>2.12</td>
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</table>

Columbia Management is the primary investment management division of Bank of America Corporation.

Columbia Management entities furnish investment management services and advise institutional and mutual fund portfolios. Columbia Funds are distributed by Columbia Management Distributors, Inc., member NASD, SIPC. Columbia Management Distributors, Inc. is part of Columbia Management and an affiliate of Bank of America Corporation.

http://www.bankofamerica.com/

**Three Months Ended Year Ended**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total deposits</td>
<td>$706,490</td>
<td>$573,791</td>
<td>$192,846</td>
</tr>
<tr>
<td>Total earning assets</td>
<td>$1,257,274</td>
<td>$1,133,234</td>
<td>$1,459,737</td>
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<tr>
<td>Total loans and leases</td>
<td>$683,598</td>
<td>$563,589</td>
<td>$652,417</td>
</tr>
<tr>
<td>Allowance for credit losses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>$1,417</td>
<td>$1,648</td>
<td>$4,539</td>
</tr>
<tr>
<td>Tier 2</td>
<td>$505</td>
<td>$532</td>
<td>$1,570</td>
</tr>
<tr>
<td>Losses</td>
<td>$12,773</td>
<td>$14,868</td>
<td>$3,976</td>
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<tr>
<td>Gains (losses) on securities</td>
<td>$21</td>
<td>$71</td>
<td>(443)</td>
</tr>
<tr>
<td>Other noninterest income</td>
<td>$9,366</td>
<td>$5,951</td>
<td>$38,432</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$18,465</td>
<td>$13,810</td>
<td>$30,973</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>4.66</td>
<td>5.01</td>
<td>5.01</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>4.56</td>
<td>4.56</td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>3.90</td>
<td>3.90</td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>6.92</td>
<td>6.92</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$1,495,150</td>
<td>$1,305,057</td>
<td>$1,466,681</td>
</tr>
<tr>
<td>Tangible equity ratio (2)</td>
<td>4.35%</td>
<td>4.26%</td>
<td></td>
</tr>
<tr>
<td>Average common shareholders' equity</td>
<td>$132,004</td>
<td>$99,677</td>
<td>$129,773</td>
</tr>
<tr>
<td>Common shareholders' equity</td>
<td>$134,047</td>
<td>$103,677</td>
<td>$129,773</td>
</tr>
<tr>
<td>Performance Ratios</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average assets</td>
<td>1.09%</td>
<td>1.30%</td>
<td></td>
</tr>
<tr>
<td>Return on average shareholders' equity</td>
<td>1.16%</td>
<td>0.85%</td>
<td></td>
</tr>
<tr>
<td>Risk-based capital ratios:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>8.64%</td>
<td>8.25%</td>
<td>’il Total</td>
</tr>
<tr>
<td>Tier 2</td>
<td>6.36%</td>
<td>5.91%</td>
<td>Market</td>
</tr>
<tr>
<td>Total risk-based capital ratio</td>
<td>11.08%</td>
<td>11.17%</td>
<td></td>
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<tr>
<td>Leverage ratio</td>
<td>6.36%</td>
<td>5.91%</td>
<td></td>
</tr>
<tr>
<td>Average common shares issued and outstanding</td>
<td>4,458,151</td>
<td>3,999,688</td>
<td></td>
</tr>
<tr>
<td>Allowance for credit losses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan and lease losses</td>
<td>$9,016</td>
<td>$8,045</td>
<td>$38,432</td>
</tr>
<tr>
<td>Reserve for unfunded lending commitments</td>
<td>$9,413</td>
<td>$8,440</td>
<td>$38,432</td>
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<tr>
<td>Allowance for loan and lease losses</td>
<td>$9,413</td>
<td>$8,440</td>
<td>$38,432</td>
</tr>
<tr>
<td>Nonperforming loans and leases</td>
<td>$1,787</td>
<td>$1,511</td>
<td></td>
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<tr>
<td>Nonperforming assets</td>
<td>$1,403</td>
<td>$1,133</td>
<td>$1,459,737</td>
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<tr>
<td>Total nonperforming loans and leases</td>
<td>$1,603</td>
<td>$1,403</td>
<td>$1,459,737</td>
</tr>
<tr>
<td>Foreclosed properties</td>
<td>$0.26</td>
<td>$0.26</td>
<td>$0.26</td>
</tr>
<tr>
<td>Other Data</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time equivalent employees</td>
<td>203,425</td>
<td>176,934</td>
<td>5,747</td>
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<tr>
<td>Number of branded ATMs - domestic</td>
<td>17,079</td>
<td>16,785</td>
<td></td>
</tr>
<tr>
<td>preliminary data</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Preliminary data

Information for periods beginning January 1, 2006 includes the MBNA acquisition; prior periods have not been restated.

Global Consumer Corporate Wealth

Global Global Global

and Small and and

97
While the significant dislocations in the capital markets have hurt most participants, we are still very disappointed in our third quarter performance," said Kenneth D. Lewis, chairman and chief executive

### Business Investment Investment All Banking Banking Management Other

<table>
<thead>
<tr>
<th>Three Months Ended December 31, 2006</th>
<th>Total revenue (FTE) (3)</th>
<th>$10,629</th>
<th>$5,398</th>
<th>$1,988</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net income</td>
<td>2,527</td>
<td>1,571</td>
<td>602</td>
</tr>
<tr>
<td></td>
<td>Shareholder value added</td>
<td>1,192</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>484</td>
<td>331</td>
<td>177</td>
<td></td>
</tr>
<tr>
<td>Return on average equity</td>
<td>16.27 %</td>
<td>15.33 %</td>
<td>22.80 %</td>
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<tr>
<td>Average loans and leases</td>
<td>$200,063</td>
<td>$246,608</td>
<td>$64,465</td>
<td>$172,462</td>
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<tr>
<td>Three Months Ended December 31, 2005</td>
<td>Total revenue (FTE) (3)</td>
<td>$7,295</td>
<td>$4,958</td>
<td>$1,891</td>
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<tr>
<td></td>
<td>Net income</td>
<td>1,749</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shareholder value added</td>
<td>1,192</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Return on average equity: 22.05 % 11.99 % 21.97 % 22.80 % 16.21 % 23.20 %

Average loans and leases: $192,072 $243,282 $61,497 $155,566 Year Ended December 31, 2005

Total revenue (FTE) (3) $28,323 $20,600 $7,316 $684 Net income $7,021 $3,684 $2,136 $1,263

Return on average equity: 23.73 % 15.28 % 22.52 %

Average loans and leases: $144,027 $214,818 $54,102 $124,271

**SUPPLEMENTAL FINANCIAL DATA**

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Fully taxable-equivalent basis data (3)</th>
<th>Net interest income</th>
<th>$8,955</th>
<th>$8,102</th>
<th>$35,815</th>
<th>$31,569</th>
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<tbody>
<tr>
<td></td>
<td>Total revenue</td>
<td>$28,323</td>
<td>$20,600</td>
<td>$7,316</td>
<td>$684</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operating earnings</td>
<td>$5,410</td>
<td>$3,614</td>
<td>$16,740</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Reconciliation of net income to operating earnings</td>
<td>$5,256</td>
<td>$3,574</td>
<td>$21,133</td>
<td>$16,465</td>
<td></td>
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<tr>
<td></td>
<td>Merger and restructuring charges</td>
<td>244</td>
<td>805</td>
<td>412</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Related income tax benefit</td>
<td>(90)</td>
<td>(19)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Efficiency ratio</td>
<td>48.31</td>
<td>47.94</td>
<td>50.38</td>
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<tr>
<td></td>
<td>Return on average shareholders’ equity to average tangibles shareholders’ equity</td>
<td>$134,047</td>
<td>$99,948</td>
<td>$130,463</td>
<td>$99,861</td>
<td></td>
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<tr>
<td></td>
<td>Average shareholders’ equity</td>
<td>$134,047</td>
<td>$99,948</td>
<td>$130,463</td>
<td>$99,861</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Average goodwill</td>
<td>(65,766)</td>
<td>(45,305)</td>
<td>(66,040)</td>
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<td></td>
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<tr>
<td></td>
<td>Average tangible shareholders’ equity</td>
<td>$68,281</td>
<td>$54,643</td>
<td>$64,423</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Average goodwill</td>
<td>(65,766)</td>
<td>(45,305)</td>
<td>(66,040)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Average tangible shareholders’ equity</td>
<td>$7,414</td>
<td>$4,290</td>
<td>$6,613</td>
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<tr>
<td></td>
<td>Operating Basis</td>
<td>$1,192</td>
<td>0.89</td>
<td>4.70</td>
<td></td>
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<tr>
<td>Diluted earnings per common share</td>
<td>$1.19</td>
<td>0.89</td>
<td>4.70</td>
<td>4.11</td>
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<tr>
<td>Return on average assets</td>
<td>1.44 %</td>
<td>1.10 %</td>
<td>1.48 %</td>
<td></td>
<td></td>
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<td></td>
<td>1.32 %</td>
<td>1.48 %</td>
<td>1.48 %</td>
<td></td>
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<tr>
<td></td>
<td>1.48 %</td>
<td>1.48 %</td>
<td>1.48 %</td>
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</tbody>
</table>

**2. Bank of America Third Quarter Earnings Per Share Decline 31% to 82 Cents**

**Capital Markets Losses Offset Solid Revenue Growth in Most Businesses**

CHARLOTTE, Oct. 18 PRNewswire/FirstCall/ -- Bank of America Corporation today reported third quarter net income declined 32 percent to $3.70 billion from $5.42 billion a year earlier. Diluted earnings per share fell 31 percent to $0.82 from $1.18.

(Logo: [http://www.newscum.com/cgi-bin/prnh/20050720/CLW086LOGO.jpg](http://www.newscum.com/cgi-bin/prnh/20050720/CLW086LOGO.jpg))

Lower net income resulted from a $1.33 billion decline in earnings in Global Corporate and Investment Banking given the significant disruption in the financial markets during the quarter—explaining the reasons behind the decline in earnings. Open/honest about disappointing figures. Talks about “others” as “most participants.” Expresses that everyone is going through this, not just us. Expressing disappointment in performance. Discussing how the crisis have hurt most participants (we're all going through this).
officer. “However, the majority of our businesses experienced solid revenue growth as sales momentum continued, demonstrating the value of our diverse business mix. We continued to invest in our businesses for the long term and to introduce innovative products and services to differentiate Bank of America in the marketplace. While we cannot predict the near term, I am confident that such innovation and execution combined with the advantages of scale and reach are the formula for future success.”

Impact of Capital Markets on Financial Results

* Unprecedented market disruptions impacted trading results.

As a result, Global Corporate and Investment Banking net income fell 93 percent to $100 million from $1.43 billion a year earlier. * Capital Markets and Advisory Services, a business within GCIB which includes Liquid Products, Credit Products, Structured Products and Equities, posted a $717 million net loss compared with net income of $298 million a year earlier. Included in the net loss for the quarter were $247 million in markdowns, net of fees, on leveraged and non-leveraged loans and commitments. - Contributing to the loss in Credit Products was a $607 million trading revenue loss due principally to the breakdowns in traditional pricing relationships, which made hedges ineffective, and the widening of credit spreads. - Structured Products, which includes asset-backed and residential mortgage-backed securities, commercial mortgages, collateralized debt obligations (CDOs) and structured credit trading had a net revenue loss of $527 million. The loss arose from lower investment banking fees and trading declines principally due to the same conditions affecting Credit Products. Third Quarter 2007 Business Highlights (vs. a year earlier) * Total sales of retail products rose 12 percent, generated by strong growth in sales of first mortgages, checking and savings accounts and online banking activations. Net new retail checking accounts grew to a record 757,000. * Retail deposits increased $16.52 billion, or 4 percent. Debit card purchase volume increased 11 percent and an increase in retail accounts drove service charge income higher by 8 percent. * First mortgage originations rose 27 percent helped by the success of No Fee Mortgage PLUS, which accounted for 21 percent of first mortgage production in the third quarter. * Average loans and leases in Business Lending increased 9 percent to nearly $240 billion. * Total unit sales to small businesses with less than $2.5 million in annual sales rose 24 percent, while average deposits grew 9 percent. * Total assets under management (AUM) in Global Wealth and Investment Management increased to a record of nearly $710 billion helped by the addition of U.S. Trust and strong net flows. On a 1-year and 3-year AUM weighted basis, 63 percent and 96 percent, respectively, of the Columbia Funds and Excelsior equity funds were in the top 2 performance quartiles compared with their peer group.(1)

(1) Results shown are defined by Global Wealth and Investment Management's calculation of the percentage of assets under management in the top two quartiles of categories based on Morningstar as of August 31, 2007. The category percentile rank was calculated by ranking the three year net return of share classes within the categories. The assets of the number of funds within the top 2 quartile results were added and then divided by Global Wealth and Investment Management's total assets under management. Past performance is no guarantee of future results. The share class earning the ranking may have limited eligibility and may not be available to all investors.

Third Quarter 2007 Financial Summary

Revenue net of interest expense on a fully taxable-equivalent basis declined 12 percent to $16.30 billion from $18.49 billion in the third quarter 2006. Noninterest income fell 24 percent to $7.31 billion from $9.60 billion in the third quarter of 2006. The decrease was mainly due to trading account losses of $1.46 billion and the absence of a gain on the sale of the company's operations in Brazil recognized in the third quarter of last year. The decrease was partially offset by the absence of a $469 million loss on the sale of debt securities a year earlier and improvements in investment and brokerage services and equity investment income. Net interest income on a fully taxable-equivalent basis was $8.99 billion compared with $8.89 billion the previous year. The net interest yield narrowed 12 basis points to 2.61 percent.

Efficiency

Noninterest expense decreased 4 percent to $8.54 billion from $8.86 billion a year earlier as a result of lower capital markets incentive compensation and pretax merger and restructuring charges. Pretax merger and restructuring charges mainly related to the U.S. Trust acquisition were $84 million compared with $269 million a year earlier which were associated with the MBNA purchase. The efficiency ratio on a fully taxable-equivalent basis was 52.40 percent.

Credit Quality

Stephanie Williams 2/15/10 7:48 PM
Comment: Positive statement about solid revenue growth (majority of our businesses). Continue to invest for the long-term. We cannot predict, but innovation and execution are the formula for future success.

Stephanie Williams 2/20/10 1:10 PM
Comment: Unprecedented market disruptions impacted trading results. Saying that what is happening could not have been predicted.

Stephanie Williams 2/20/10 1:10 PM
Comment: Transparent-numbers and figures—uses transparency with figures.

Stephanie Williams 2/15/10 7:51 PM
Comment: Past performance is no guarantee of future results.
Credit costs continued to rise from the unusually low levels experienced in 2006 post bankruptcy reform. Given weakened housing and capital markets conditions, certain sectors began to experience some weakness. However, overall credit quality remained sound as credit card losses stabilized, declining from the second quarter.

Provision expense in the third quarter rose from a year ago due to higher net charge-offs and increased reserves from the seasoning of the small business and home equity portfolios, reflecting growth in these businesses. The company also added reserves for its home equity and homebuilder loan portfolios in view of the impact of the weakened U.S. housing market.

* Provision for credit losses was $2.03 billion, up from $1.81 billion in the second quarter of 2007, and $1.17 billion in the third quarter of 2006. * Net charge-offs were $1.57 billion, or 0.80 percent of total average loans and leases. This compared with $1.50 billion, or 0.81 percent, in the second quarter of 2007 and $1.28 billion, or 0.75 percent, in the third quarter of 2006. * Total managed net losses were $2.84 billion, or 1.27 percent of total average managed loans and leases compared with $2.77 billion, or 1.31 percent, in the second quarter of 2007 and $2.20 billion, or 1.11 percent, in the third quarter of 2006. * Nonperforming assets were $3.37 billion, or 0.43 percent of total loans, leases and foreclosed properties, at September 30 compared with $2.39 billion, or 0.32 percent, at June 30, 2007 and $1.66 billion, or 0.25 percent at September 30, 2006. * The allowance for loan and lease losses was $9.54 billion, or 1.21 percent of total loans and leases measured at historical cost at September 30 compared with $9.06 billion, or 1.20 percent, at June 30 and $8.87 billion, or 1.33 percent, at September 30, 2006. Capital Management

Total shareholders' equity was $138.51 billion at September 30. Period-end assets were $1.6 trillion. The Tier 1 capital ratio was 8.22 percent, down from 8.52 percent at June 30, 2007 and 8.48 percent a year ago due to the impact of the U.S. Trust acquisition.

During the quarter, Bank of America paid a cash dividend of $0.64 per share. The company also issued 9.5 million common shares related to employee stock options and ownership plans and repurchased 9.6 million common shares. Period-ending common shares issued and outstanding were 4.44 billion for the third quarter of 2007, compared with 4.44 billion for the second quarter of 2007 and 4.50 billion for the third quarter of 2006.

<table>
<thead>
<tr>
<th>Third Quarter 2007 Business Segment Results</th>
<th>Global Consumer and Small Business Banking(1)</th>
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</thead>
<tbody>
<tr>
<td>(Dollars in millions)</td>
<td>Q3 2007</td>
</tr>
<tr>
<td>Total managed revenue net of interest</td>
<td>$11,985</td>
</tr>
<tr>
<td>expense(2)</td>
<td>$11,284</td>
</tr>
<tr>
<td>Provision for credit losses</td>
<td>3,121</td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>4,971</td>
</tr>
<tr>
<td>Efficiency ratio</td>
<td>4.18%</td>
</tr>
<tr>
<td>Net Income</td>
<td>18.70</td>
</tr>
<tr>
<td>Managed loans and leases(3)</td>
<td>$331,656</td>
</tr>
<tr>
<td>Deposits(3)</td>
<td>321,552</td>
</tr>
<tr>
<td>Managed basis</td>
<td>(1) Managed basis</td>
</tr>
<tr>
<td>Managed basis assumptions that loans have</td>
<td>were not sold and presents earnings on these</td>
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<tr>
<td>been securitized were held but not sold</td>
<td>loans in a manner similar to the way loans</td>
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<tr>
<td>and presents earnings on these loans in a</td>
<td>that have not been sold (i.e. held loans)</td>
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<td>manner similar to the way loans that have</td>
<td>are presented. For more information and</td>
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<tr>
<td>not been sold (i.e. held loans) are</td>
<td>detailed reconciliation, please refer to the</td>
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<tr>
<td>presented. For more information and detailed</td>
<td>data pages supplied with this Press Release.</td>
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<tr>
<td>reconciliation, please refer to the data</td>
<td>(2) Fully taxable-equivalent basis (3)</td>
</tr>
<tr>
<td>pages supplied with this Press Release.</td>
<td>Balances averaged for period</td>
</tr>
<tr>
<td>Managed net revenue rose 6 percent</td>
<td>higher card income and service charge income</td>
</tr>
<tr>
<td>as noninterest income. Net income decreased</td>
<td>generate an 11 percent increase in noninterest</td>
</tr>
<tr>
<td>16 percent from a year ago as credit costs</td>
<td>income. Net income decreased 16 percent from a</td>
</tr>
<tr>
<td>rose.</td>
<td>year ago as credit costs rose.</td>
</tr>
<tr>
<td>The provision for credit losses increased</td>
<td>$3.12 billion</td>
</tr>
<tr>
<td>52 percent to $3.12 billion. The increase</td>
<td>as noninterest income. Net income decreased</td>
</tr>
<tr>
<td>resulted mainly from portfolio seasoning due</td>
<td>16 percent from a year ago as credit costs</td>
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<td>to growth in the businesses and increased</td>
<td>rose.</td>
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<td>losses post bankruptcy reform. The weak</td>
<td>housing market also contributed to adding</td>
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<td>housing market also contributed to adding</td>
<td>reserves for the home equity portfolio.</td>
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<td>reserves for the home equity portfolio.</td>
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* Deposits net revenue rose 4 percent to $4.42 billion and net income increased 3 percent to $1.32 billion as service charges and debit card income rose. * Card Services managed net revenue rose 6 percent to $6.50 billion while net income of $1.08 billion declined 25 percent as credit costs increased. Card losses stabilized and declined from the second quarter. * Consumer Real Estate had $837 million in net revenue, a 15 percent increase, as home equity balances rose and first mortgage originations grew. Net income fell 55 percent to $73 million on higher credit costs. Global Corporate and Investment Banking (Dollars in millions) Q3 2007 Q3 2006 Total revenue net of interest expense(1) $2,885 $5,168 Provision for credit losses 228

<table>
<thead>
<tr>
<th>Noninterest expense</th>
<th>Efficiency ratio</th>
<th>Loans and leases(2)</th>
<th>Net Income</th>
<th>Return on average equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,486</td>
<td>86.19%</td>
<td>$2,67,758</td>
<td>$234,800</td>
<td>100</td>
</tr>
<tr>
<td>1,433</td>
<td>86.19%</td>
<td>$2,67,758</td>
<td>$234,800</td>
<td>100</td>
</tr>
</tbody>
</table>
Spread compression continued to dampen results in Business Lending and Treasury Services, which otherwise continued to deepen client relationships while recording solid business activity. * Business Lending net revenue rose 1 percent to $1.39 billion while net income decreased 27 percent to $379 million because of higher credit costs and continued spread compression. Average loans and leases increased 9 percent to nearly $240 billion. * Capital Markets and Advisory Services had a net revenue loss of $184 million, reflecting declines in trading associated with the disruption in the credit markets. The business had a net loss of $717 million on sales and trading losses, declines in investment banking fees and markdowns on loans held for sale and unfunded commitments partially offset by lower incentive compensation. While results in Credit Products and Structured Products were sharply lower, Liquid Products registered good gains. * Treasury Services net revenue declined 8 percent to $1.75 billion, while net income decreased 12 percent to $558 million reflecting the sale of a merchant services business a year earlier and spread compression. Global Wealth and Investment Management (Dollars in millions) Q3 2007 Q3 2006 Total revenue net of interest expense(1) $2,290 $1,778 Provision for credit losses (920) 0 Noninterest expense 1,274 965 Net Income 599 513 Efficiency ratio 57.91 % 54.31 % Return on average equity 19.98 20.95 Loans and leases(2) $77,041 $61,684 Deposits(2) 127,819 100,915 (in billions) At 9/30/07 At 9/30/06 Assets under management $709.9 $517.0 (1) Fully taxable-equivalent basis (2) Balances averaged for period In July, Bank of America completed the acquisition of U.S. Trust, creating U.S. Trust, Bank of America Private Wealth Management, within Global Wealth and Investment Management to serve wealthy and ultra-wealthy clients. Net revenue in Global Wealth and Investment Management increased 24 percent as higher customer activity and improved client asset inflows resulted in a 34 percent increase in noninterest income. Net income increased 17 percent from a year ago as fee income increased. The acquisition of U.S. Trust contributed about 10 percent to net revenue and 5 percent to net income. Asset management fees increased 42 percent to a record $976 million driven by higher assets under management helped by nearly $116 billion in assets added from the acquisition of U.S. Trust, net asset inflows of more than $44 billion and increased market values of more than $38 billion. * U.S. Trust, Bank of America Private Wealth Management net revenue rose 48 percent to $674 million and net income rose 55 percent to $143 million due to the acquisition of U.S. Trust, which contributed nearly 30 percent to net revenue and 22 percent to net income, increased lending and deposits volume and strong customer activity. * Columbia Management net revenue rose 30 percent to $488 million supported by strong client inflows, increased market values and the addition of U.S. Trust, which contributed 6 percent to net revenue. Net income increased 46 percent to $114 million, with U.S. Trust contributing 4 percent. * Premier Banking and Investments net revenue rose 11 percent to $948 million on record investment and brokerage services results, up 28 percent from a year ago. Net income increased 12 percent to $325 million. All Other(1) (Dollars in millions) Q3 2007 Q3 2006 Total revenue net of interest expense(2) $(766) $262 Provision for credit losses (1,290) (920) Noninterest expense (188) 418 Net Income 547 551 Loans and leases(3) $104,061 $85,965 (1) All Other consists primarily of equity investments, the residual impact of the allowance for credit losses and the cost allocation processes, Merger and Restructuring Charges, intersegment eliminations, and the results of certain consumer finance and commercial lending businesses that are being liquidated. All Other also includes the offsetting securitization impact to present Global Consumer and Small Business Banking on a managed basis. For more information and detailed reconciliation, please refer to the data pages supplied with this Press Release. (2) Fully taxable-equivalent basis (3) Balances averaged for period.
All Other net income was $547 million compared with $551 million a year earlier. Revenue compared with last year was lower without the contribution from the sale of Brazil operations. This was offset partly by reduced other expenses from certain liquidating businesses. Equity investments income rose 24 percent to $852 million from $687 million.

Note: Chief Executive Officer Kenneth D. Lewis and Joe L. Price, chief financial officer, will discuss third quarter 2007 results in a conference call at 9:30 a.m. (Eastern Time) today. The call can be accessed via a webcast available on the Bank of America Investor Relations Web site at http://investor.bankofamerica.com/.

3. Manufacturing CFOs Expect Business Growth in 2008 Despite Mounting Economic Concerns

-- Majority of CFOs Expect Further Rate Cuts in 2008 --

NEW YORK, Dec. 6 - PRNewswire -- Seven out of ten manufacturing CFOs expect their company's revenues to increase in the coming year - and nearly half (45%) predict increased profit margins. That's according to an annual survey of U.S. manufacturing company CFOs commissioned by Bank of America Business Capital, one of the world's largest asset-based lenders.

(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO-b )

Conducted by Granite Research Consulting from August through early October 2007, the Bank of America Business Capital 2008 CFO Outlook surveys CFOs from 600 U.S. mid-size and large manufacturers with revenues ranging from $25 million to $2 billion. Nearly one-third of the respondents (32%) plan to fuel their revenue growth through increased capital expenditures. Twenty-three percent expect to participate in a merger or acquisition in 2008, up slightly from 20% last year. Seventy-one percent of manufacturing companies selling to foreign markets expect their sales to increase in 2008 - up from 64% last year.

Thirty percent of CFOs expect the U.S. manufacturing sector to expand in 2008, while 30% also expect it to contract. This is a slight improvement from last year when 26% expected the sector to expand and 35% expected it to contract.

"With healthy balance sheets, manufacturing CFOs are continuing to look for and find ways to grow their businesses, whether organically, through M&A or expanding internationally," said Bank of America Business Capital President Joyce White. "Strong U.S. exports are certainly contributing to an expectation among manufacturers that revenues and profits will continue to increase through 2008."

**Overall Economic Prospects Less Favorable**

Despite relative optimism about their own company's fortunes, respondents are less sanguine about growth prospects for the U.S. economy. Only 44% believe the U.S. economy will grow next year, down from 55% in last year's survey - and only 22% expect the U.S. economy to outperform the world economy, down from 39% in last year's survey. Of particular note, CFOs are not only concerned about the impact that the deteriorating housing market (56%) and oil prices (54%) will have on the economy in 2008. Approximately one-third of CFOs are also concerned about rising interest rates, the trade deficit, the war in Iraq, inflation, the U.S. budget deficit and terrorism - a considerable increase from last year's survey in the percentage of CFOs citing each of these factors.

A bright spot is that 58% of CFOs surveyed believe the actions taken by the Federal Reserve Board over the past year have helped the U.S. economy. However, nearly the same percentage (59%) expects further rate cuts in 2008.

"Despite recent financial turmoil and a dismal housing market, monetary policy is consistent with sustained growth in domestic demand," said Mickey Levy, chief economist for Bank of America. "That being said, many manufacturers have prudently adjusted their production processes and inventory while building cash balances to withstand a possible slowdown in demand in 2008."

When asked about their top financial concerns, 74% of CFOs cited cost of materials, supplies and equipment compared to 84% last year. This was followed by healthcare costs (71% vs. 82% last year) and energy cost (65% vs. 82% last year). Nearly two-thirds of manufacturing CFOs (64%) said that an interest rate increase in 2008 would negatively impact their company.

Other key findings:

- Economy -- The majority of manufacturing CFOs see the current state of the U.S. economy in a positive light, giving it an average score of "64" on an economic scale ranging from 0 (extremely weak) to 100 (extremely strong). This is slightly lower than last year's score of "67." CFOs also have a positive view of the world economy, giving it an average score of "67." Financing -
Only 26% of CFOs forecast an increase in their cost of capital, down from 46% last year and 59% the year before. -- Only 21% percent expect their borrowing needs to increase in 2008, down from 25% last year, and the lowest percentage in the ten-year history of the survey. -- Cash Management (59%) and Letters of Credit (54%) topped the list of most widely used products and services from lenders, followed by Foreign Exchange (37%) and Retirement Plan Services (36%). Labor Costs and Product Pricing -- Fifty-five percent of CFOs predict their labor costs will increase, down from 56% last year. -- Fifty-six percent plan to increase their product pricing in 2008, down from 60% last year. -- Eight in ten CFOs report that rising energy costs will impact their product pricing in 2008. Mergers and Acquisitions -- Twenty-nine percent believe there are more businesses available at lower prices, up from 23% last year and 20% the year before. International Outlook -- Eighty-three percent conduct business internationally, down from 87% last year. -- Thirty-nine percent have international operations, down from 42% last year. -- Among manufacturing companies with foreign operations, 53% report plans to expand them in 2008.

Margin of error for the survey is +/- 4 percent. For complete results of the survey, visit http://www.bankofamerica.com/businesscapital24

Bank of America (2008)

4. Bank of America Agrees to Purchase Countrywide Financial Corp.

Creates Largest U.S. Mortgage Lender and Servicer

CHARLOTTE, N.C., Jan. 11 /PRNewswire/ -- Bank of America Corporation today announced a definitive agreement to purchase Countrywide Financial Corp. in an all-stock transaction worth approximately $4 billion.

(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO-b)

The purchase will make Bank of America the nation's largest mortgage lender and loan servicer. This is an important advancement in the company's desire to help customers and clients meet all of their financial needs. A mortgage is one of the key foundations of many customer relationships.

Countrywide will benefit from the stability of being part of the largest and one of the most financially strong financial institutions in the United States.

Bank of America will benefit from Countrywide's broader mortgage capabilities, including its extensive retail, wholesale and correspondent distribution networks. The Calabasas, California-based company operates more than 1,000 field offices and has a sales force of nearly 15,000. Countrywide also has a leading mortgage technology platform, a well known brand in home lending and management expertise in a number of key areas.

Bank of America would gain greater scale in originating and servicing mortgages in the U.S. Countrywide had $408 billion in mortgage originations in 2007 and has a servicing portfolio of about $1.5 trillion with 9 million loans. The purchase also includes Countrywide's Lender Placed insurance and other businesses.

"Countrywide presents a rare opportunity for Bank of America to add what we believe is the best domestic mortgage platform at an attractive price and to affirm our position as the nation's premier lender to consumers," Bank of America Chairman and Chief Executive Officer Kenneth D. Lewis said.

"Countrywide customers will gain access to a broad set of consumer products including credit cards and deposit services. Home ownership is a fundamental pillar of the U.S. economy and over time will be a key area of growth for BofA," Lewis continued. "The transaction reflects those challenges. Mortgages will continue to be an important relationship product, and we now will have an opportunity to better serve our customers and to enhance future profitability."

Countrywide's deep retail distribution will enhance Bank of America's network of more than 6,100 banking centers throughout the U.S. After closing, Bank of America plans to operate Countrywide separately under the Countrywide brand with integration occurring no sooner than 2009.

"We believe this is the right decision for our shareholders, customers and employees," said Countrywide Chairman and Chief Executive Officer Angelo R. Mozilo. "Bank of America is one of the largest financial institutions in the U.S. and internationally, and we are confident that the combination of Countrywide and Bank of America will create one of the most powerful mortgage franchises in the world. We have had a long and positive relationship with Bank of America and our servicing and origination businesses, as well as other aspects of our operations, will be substantially enhanced as a result of this transaction."
Financial Terms
Under the terms of the agreement, shareholders of Countrywide would receive .1822 of a share of Bank of America stock in exchange for each share of Countrywide.
The purchase is expected to close in the third quarter and to be neutral to Bank of America earnings per share in 2008 and accretive in 2009, excluding merger and restructuring costs.
Bank of America expects $670 million in after-tax cost savings in the transaction, or 11 percent of the expense base of the two companies' mortgage operations. About one third of those savings would come in 2009, two thirds would be realized in 2010 and savings would be fully realized in 2011.
The agreement has been approved by Bank of America's board of directors and Countrywide's board of directors and is subject to approval by Countrywide's shareholders and customary regulatory approvals.

Subprime Initiatives
Origination of subprime loans is not planned for the combined company. Both companies share the goal of keeping distressed mortgage borrowers in their homes when possible. Both Bank of America and Countrywide continue to work with public officials and community groups to explore new initiatives to help homebuyers and communities affected by the subprime issue.
- Bank of America and Countrywide both support efforts to fight predatory lending practices. - Bank of America and Countrywide are active participants in the Hope Now Alliance, which has launched a letter campaign to delinquent borrowers, created a counseling hotline and facilitates the sharing of best servicing practices. Bank of America also will continue Countrywide's commitment to participate in the American Securitization Forum's December 2007 reset freeze framework for 2/28 and 3/27 adjustable rate mortgages (ARMs). - Bank of America will continue Countrywide's commitment to participate in California Governor Arnold Schwarzenegger's November 2007 subprime ARM program.
Bank of America plans to expand the capacity and marketing of credit counseling programs and internal capacity and flexibility for loan modifications for loan workout teams following the purchase of Countrywide.
Countrywide also has a number of programs in place designed to minimize foreclosures where feasible.
- On October 23, 2007, Countrywide announced a major expansion of its foreclosure prevention efforts by starting a $16 billion home preservation program to assist as many as 82,000 subprime hybrid ARM customers facing ARM resets through the end of 2008. - On October 24, 2007, Countrywide entered into a groundbreaking partnership with the Neighborhood Assistance Corporation of America (NACA) to leverage Countrywide's market leading home retention programs and NACA's unique model for counseling borrowers. - On December 21, 2007, Countrywide announced work on an agreement with the Association of Community Organizations for Reform Now (ACORN) to serve as a blueprint for home retention and foreclosure prevention initiatives in the mortgage industry, with a particular focus on subprime borrowers.

5. Bank of America Supports Project Lifeline
Consumer Real Estate President Floyd Robinson Joins Federal Officials to Announce Expanded Foreclosure Prevention Outreach
WASHINGTON, Feb. 12 /PRNewswire/ -- Appearing today with U.S. Treasury Secretary Hank Paulson and U.S. Housing and Urban Development Secretary Alphonso Jackson, Bank of America Consumer Real Estate and Insurance Services Group President Floyd Robinson spoke in support of a new initiative that will broaden and improve outreach efforts to distressed borrowers.
(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO-h )
Robinson conveyed Bank of America's support for Project Lifeline, which will target severely delinquent borrowers to encourage them to respond to their mortgage servicer and pursue loan modification options. Project Lifeline continues HOPE NOW's original focus and expands its outreach to severely delinquent mortgage and home equity borrowers.
"The foreclosure crisis is having a serious economic and social impact on communities across the United States," Robinson said. "Bank of America strongly supports this private enterprise initiative to build upon the efforts of HOPE NOW's previous success in preventing foreclosures. We want homeowners facing foreclosure to take the urgently required first step and reach out to their servicer, or housing counselor, and get started on a recovery plan. Project Lifeline represents a broad, national approach to looking at each
homeowner's situation individually - making sure that we stop the clock on foreclosure long enough to complete the loan modification process in those cases where it's possible to do so."

In addition to Bank of America, Project Lifeline is supported directly by Citigroup, Countrywide, JP Morgan Chase, Washington Mutual and Wells Fargo. All six servicers are part of the HOPE NOW Alliance, which includes 25 servicers across the nation. The HOPE NOW alliance urges people who may be having difficulty paying their mortgage to call their servicer or the Homeowner's HOPE Hotline, 1.888.995.HOPE. The HOPE Hotline is provided by the Homeownership Preservation Foundation.

6. Bank of America Earns $1.21 Billion, or $0.23 per Share, in the First Quarter
Adds $3.30 billion to loan loss reserve
First-quarter trading losses, writedowns lower than fourth quarter
Equity investment gains of $776 million from the Visa IPO
Deposit growth accelerates
Commercial lending strength continues
CHARLOTTE, N.C., April 21 /PRNewswire-FirstCall/ -- Bank of America Corporation today reported first-quarter 2008 net income declined to $1.21 billion from $5.26 billion a year earlier. Diluted earnings per share fell 80 percent to $0.23 from $1.16 in the same period in 2007.

(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO )

"Despite revenue growth in most of our businesses, these results clearly did not meet our expectations," said Kenneth D. Lewis, chairman and chief executive officer. "The weakness in the economy and prolonged disruptions in the capital markets took their toll on our performance. That said, we are continuing to invest in growth initiatives across the company, and believe our core strengths - including our diverse income stream, liquidity and capital - put us in a strong position to withstand the jolts to the system and emerge even stronger when conditions improve."

With regard to the outlook for the U.S. economy, Lewis noted that gross domestic product (GDP) growth is expected to be minimal at best in the second quarter, with a slight pickup in the second half of the year.

“Our earnings power from our core business activities is strong and growing," Lewis added. "We are bringing innovative new products to market, taking market share and expanding customer relationships across the company. Nevertheless, we remain concerned about the health of the consumer given the prolonged housing slump, subprime issues, employment levels and higher fuel and food prices."

The primary factors reducing first-quarter earnings were the following: -- Provision expense increased by $4.78 billion from a year-ago, to $6.01 billion due to rising credit costs - particularly in the home equity, small business and homebuilder portfolios - including a $3.30 billion increase to the reserve. -- Trading-related losses were $1.31 billion compared with income of $1.66 billion a year earlier, driven primarily by $1.47 billion in writedowns of collateralized debt obligations (CDOs) and $439 million in writedowns of leveraged loans. Trading-related losses were $5.15 billion in the fourth quarter of 2007, which included CDO-related writedowns of $5.28 billion. First Quarter 2008 Business Highlights -- Total retail sales increased 10 percent to 13 million products, driven by strong growth in checking and savings, debit and online banking. Net new retail checking accounts grew 14 percent or by 557,000. Key contributors of growth include free Online Checking and our Affinity and Group Banking products.

Additionally 45 percent of new checking account openings participated in Keep the Change™, Bank of America’s savings program that combines debit cards and deposit products. -- Total average retail deposits increased $51 billion, or 11 percent, on solid increases in certificates of deposit and consumer checking accounts and the addition of U.S. Trust and LaSalle. Debit card volume increased 15 percent. -- Direct-to-consumer mortgage originations in the quarter rose 32 percent, resulting in the highest quarter since 2003, as low mortgage rates in January spurred refinancing activity. -- Business Lending, a unit within Global Corporate and Investment Banking, had organic loan growth of 11 percent, or 30 percent including the acquisition of LaSalle. Capital Markets and Advisory Services, also within Global Corporate and Investment Banking, had a record quarter in foreign exchange, a very strong quarter in interest rate products and earned a #3 ranking in U.S. equity underwriting(1) -- Within Global Wealth and Investment Management, loans rose 30 percent and deposits increased 29 percent, including the impact of the U.S. Trust and LaSalle acquisitions. -- Total assets under management (AUM) in Global Wealth and Investment Management increased to more than $607 billion, including the impact of the U.S. Trust and LaSalle acquisitions and the sale of Marsico Capital Management in the second half of 2007. On a 1-year and 3-year AUM- weighted basis, 75 percent and
86 percent, respectively, of the Columbia and Excelsior equity funds were in the top 2 performance quartiles compared with their peer group. (2) -- The integration of U.S. Trust and LaSalle remains on schedule. In May, U.S. Trust is scheduled to convert trust, custody and investment management accounts for legacy U.S. Trust clients to the Bank of America platform, and LaSalle will convert to the Bank of America brand, providing LaSalle customers with even greater access to Bank of America products and services. The Countrywide acquisition is still expected to close in the third quarter of 2008. First Quarter 2008 Business Accomplishments -- The $0 Online Equity Trades initiative resulted in more than 20,000 net new self-directed accounts. -- Mobile Banking recorded approximately 224,000 activations reaching $40 billion, 224,000 active customers. -- Keep the Change™ reached 8 million net new enrollments since inception, with 974,000 customers alone signing up in the first quarter. -- Columbia Management ranked #1 out of 61 mutual fund families by Lipper/Barron's in its annual Fund Families Survey for the 5 year period ending December 31, 2007. (3) (1) Based on Thomson Financial Rankings (2) Results shown are defined by Global Wealth and Investment Management's calculation of the percentage of assets under management in the top two quartiles of categories based on Morningstar as of March 31, 2008. The category percentile rank was calculated by ranking the one and three year net returns of share classes within the categories. The assets of the number of funds within the top 2 quartile results were added and then divided by Columbia Management's total equity fund assets under management. Past performance is no guarantee of future results. The share class earning the ranking may have limited eligibility and may not be available to all investors. (3) Barron's, February 4, 2008. Rankings for the five year period include performance of Excelsior Funds that were acquired by Bank of America Corporation from U.S. Trust on July 1, 2007. For additional important information, please refer to the end of the text section of this press release. First Quarter 2008 Financial Summary - Revenue and Expense
Revenue net of interest expense on a fully taxable-equivalent basis declined 6 percent to $17.30 billion from $18.48 billion in the first quarter a year earlier. Net interest income on a fully taxable-equivalent basis rose 20 percent to $10.29 billion from $8.60 billion in the first quarter of 2007 on strong loan growth; an increase from market-based net interest income; and the addition of LaSalle. The increase was partially offset by higher funding costs. The net interest yield improved 12 basis points to 2.73 percent. Noninterest income declined 29 percent to $7.01 billion from $9.89 billion a year earlier. Increases in service charges, card income, mortgage-banking income and investment and brokerage services were more than offset by trading account losses and lower other income related to CDO writedowns. Equity investment income remained essentially unchanged as the gain from the Visa, Inc. initial public offering was offset by reductions in Principal Investing gains. Noninterest expense was relatively flat compared to a year earlier as lower personnel expenses and the reversal of litigation costs related to Visa were offset by modest increases in most other expense categories. Pretax merger and restructuring charges related to acquisitions were $170 million compared with $111 million a year earlier due to the addition of U.S. Trust and LaSalle.
Credit Quality
Credit quality deteriorated from more favorable levels experienced in the first half of 2007. Weak markets, particularly geographic regions that have experienced the most significant home price declines, and the slowing economy resulted in credit deterioration in several portfolios particularly home equity, small business and homebuilders.
Provision expense rose $4.78 billion from the year-ago period mainly because of additions to the allowance for loan and lease losses in consumer and commercial portfolios directly tied to housing. Portfolio seasoning and the impact of a slowing economy on domestic consumer and small business portfolios also drove reserve additions compared with reductions a year earlier from securitization activities and the sale of a portfolio. Net charge-offs increased $1.29 billion from a year ago, also reflecting housing market deterioration and slowing economic conditions. -- Provision for credit losses was $6.01 billion, up from $3.31 billion in the fourth quarter of 2007, and $1.24 billion in the first quarter of 2007. -- Net charge-offs were $2.72 billion, or 1.25 percent, of total average loans and leases compared with $1.99 billion, or 0.91 percent, in the fourth quarter of 2007 and $1.43 billion, or 0.81 percent, in the first quarter of 2007. -- Total managed net losses were $4.14 billion, or 1.69 percent, of total average managed loans and leases compared with $3.31 billion, or 1.34 percent, in the fourth quarter of 2007 and $2.57 billion, or 1.26 percent, in the first quarter of 2007. -- Nonperforming assets were $7.83 billion, or 0.90 percent, of total loans, leases and foreclosed properties.
at quarter-end compared to $5.95 billion, or 0.68 percent, at December 31, 2007 and $2.06 billion, or 0.29 percent, at March 31, 2007. Results for the period ended March 31, 2007 do not include LaSalle.

-- The allowance for loan and lease losses was $14.89 billion, or 1.71 percent, of loans and leases measured at historical cost, at March 31, 2008. That compared with $11.59 billion, or 1.33 percent, at December 31, 2007 and $8.73 billion, or 1.21 percent, at March 31, 2007. Results for the period ended March 31, 2007 do not include LaSalle. Capital Management

Total shareholders’ equity was $156.31 billion at March 31. Period-end assets were $1.74 trillion. The Tier 1 Capital ratio was 7.51 percent, up from 6.87 percent at December 31, 2007 after the company raised about $13 billion in capital through the issuance of preferred stock in January. The Tier 1 ratio was 8.57 percent in the year ago quarter.

Bank of America paid a cash dividend of $0.64 per share in the quarter. The company also issued about 15 million common shares primarily related to restricted stock activity and did not repurchase any shares. Period-end common shares issued and outstanding were 4.45 billion for the first quarter of 2008 and 4.44 billion for the fourth and first quarters of 2007.

2008 First Quarter Business Segment Results  
(Dollars in millions)  
Global Consumer and Small Business Banking (1)  
Q1 2008  
Q1 2007  
Total managed revenue, net of interest expense (2)  
$13,306  
$11,331  
Provision for credit losses  
4,652  
6,452  
Noninterest expense  
2,461  
2,090  
Efficiency ratio  
38.62%  
41.26%  
Return on average equity  
6.64%  
5.139%  
Net income  
4,675  
5,139  
Managed loans (3)  
$363,001  
$308,105  
Deposits (3)  
343,436  
326,480  
At 3/31/08  
At 3/31/07  
Period ending deposits  
$349,606  
$334,918  
(1) Managed basis. Managed loans assumes that loans that have been securitized were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e. held loans) are presented. For more information and detailed reconciliation, please refer to the data pages supplied with this Press Release.  
(2) Fully taxable-equivalent basis  
(3) Balances averaged for period  
Managed net revenue rose 17 percent as mortgage banking income more than doubled and both card income and service charges increased 14 percent helping generate a 30 percent increase in noninterest income. 

Net income fell 59 percent from a year ago, as credit costs rose and expenses increased 10 percent. The provision for credit losses increased by $4.04 billion to $6.45 billion compared with a year ago. The increase was due to reserve additions for home equity reflecting the impacts of housing weakness and the slowing economy, as well as seasoning of the consumer portfolios and deterioration in the small business portfolio. Net losses increased $1.25 billion to $3.69 billion, reflecting housing market deterioration and weakened economic conditions.

-- Deposits net revenue declined 4 percent to $4.09 billion as spread compression and competitive pricing of deposits negatively impacted net interest income despite strong average deposit growth of 5 percent. Noninterest expenses increased $327 million, largely due to the acquisition of LaSalle and higher deposit levels and transaction volume, resulting in net income of $995 million, down 25 percent.

-- Card Services managed net revenue increased 21 percent to $7.33 billion due to 15 percent growth in net interest income and 33 percent growth in non interest income driven by 14 percent growth in average loans and leases, Card Services allocation of the Visa, Inc. IPO gain and higher card income.

Net income of $670 million was down 39 percent as the higher net revenue and the reversal of litigation costs related to Visa were more than offset by higher credit costs. -- Consumer Real Estate had $1.31 billion in net revenue, a 57 percent increase, as mortgage banking income more than doubled to $656 million.

Net income fell to a loss of $773 million due to higher credit costs related to deterioration in the home equity portfolio. Global Corporate and Investment Banking (Dollars in millions)  
Q1 2008  
Q1 2007  
Total revenue, net of interest expense (1)  
$3,168  
$5,400  
Provision for credit losses  
523  
115  
Noninterest expense  
1,477  
2,461  
Efficiency ratio  
77.68%  
84.41%  
Net income  
2,930  
1,477  
Trading-related assets (2)  
361,921  
$3,168  
$324,733  
$247,898  
Trading-related assets (2)  
360,530  
208,561  
(1) Fully taxable-equivalent basis  
(2) Balances averaged for period  
Net revenue decreased 41 percent and net income fell 92 percent on CDO and leveraged finance-related writedowns. Also impacting net income was an increase in credit costs offset in part by a decline in noninterest expense.

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The provision for credit losses increased $408 million to $523 million. The impact of the housing market slowdown on the homebuilder loan portfolio drove additions to the credit loss reserves and higher net charge-offs. Higher net charge-offs related to seasoning of the dealer-related retail portfolios, and modest increases in middle market net charge-offs from very low prior year levels also contributed to the increased provision.

-- Business Lending net revenue increased 22 percent to $1.64 billion due to improvements in net interest income, driven by an increase in average loans and leases of 30 percent due to the acquisition of LaSalle and organic loan growth. Net income declined 27 percent to $337 million as the revenue increase was more than offset by the increase in credit costs. -- Capital Markets and Advisory Services had negative net revenue of $621 million compared with net revenue of $2.37 billion a year earlier. This was due primarily to CDO-related losses and writedowns on leveraged loans and commitments. The business had a net loss of $1.10 billion compared with net income of $528 million a year earlier.

-- Treasury Services net revenue increased 24 percent to $2.14 billion due to its allocation of the gain from the Visa, Inc. IPO and increased service charges. Net income increased 68 percent to $875 million as a result of the increased revenues and due to lower expenses related primarily to the reversal of litigation costs related to Visa.

Global Wealth and Investment Management (Dollars in millions)

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<tr>
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<th>Q1 2008</th>
<th>Q1 2007</th>
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<tbody>
<tr>
<td>Total revenue, net of interest expense (1)</td>
<td>$91,922</td>
<td>$71,781</td>
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<tr>
<td>Provision for credit losses (2)</td>
<td>$243</td>
<td>$23</td>
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<td>Net income (1)</td>
<td>228</td>
<td>491</td>
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Net income fell 67 percent to $104 million as credit costs increased by $238 million reflecting home equity portfolio deterioration. All Other (1) (Dollars in millions)

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<td>$(1,093)</td>
<td>$(28)</td>
</tr>
<tr>
<td>Provision for credit losses (2)</td>
<td>$(1,208)</td>
<td>$(1,314)</td>
</tr>
<tr>
<td>Noninterest expense (2)</td>
<td>615</td>
<td>279</td>
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<tr>
<td>Efficiency ratio</td>
<td>54.75 %</td>
<td>49.1 %</td>
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<tr>
<td>Return on average equity (2)</td>
<td>7.92</td>
<td>22.61</td>
</tr>
<tr>
<td>Loans (2)</td>
<td>$65,839</td>
<td>$547.4</td>
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<tr>
<td>Deposits (2)</td>
<td>148,500</td>
<td>114,955</td>
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<tr>
<td>Assets under management (3)</td>
<td>$607.5</td>
<td>$547.4</td>
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<tr>
<td>Loans and leases (3)</td>
<td>$337</td>
<td>615</td>
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<td>Net revenue</td>
<td>$85,642</td>
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U.S. Trust, Bank of America Private Wealth Management net revenue rose 47 percent to $675 million driven by the acquisition of U.S. Trust and LaSalle. Net income rose 31 percent to $106 million.

-- Columbia Management net revenue declined 44 percent to $179 million, reflecting the support provided to certain cash funds, offset in part by the addition of U.S. Trust and growth in investment and brokerage services revenue. A net loss of $79 million resulted from the cash funds support and higher revenue-related operating expenses. -- Premier Banking and Investments net revenue decreased 8 percent to $841 million on lower net interest income related to spread compression, driven by deposit mix and competitive pricing of deposits. Net income fell 67 percent to $104 million as credit costs increased by $238 million reflecting home equity portfolio deterioration.

All Other (1) (Dollars in millions)

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can be accessed on the Bank of America Investor Relations web site at http://investor.bankofamerica.com. For a listen-only connection to the conference call, dial 866.894.5910 and the conference ID: 79795.

6. Bank of America Announces Home Lending Guidelines

New guidelines to promote affordable, responsible home lending

CHARLOTTE, N.C., April 22 -- PRNewswire/ -- Bank of America said today it expects to implement new lending guidelines in its consumer mortgage business as soon as is practical after it combines operations with Countrywide Financial Corporation.

(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO-b )

Following the purchase, which is expected to close in the third quarter, Bank of America will continue to offer a broad range of mortgages to meet the needs of qualified borrowers, while evolving lending practices to reflect a dramatically different mortgage environment.

"Putting and keeping Americans in their homes ensures the continued prosperity in the communities we serve," said Bank of America Global Consumer Credit Executive Bruce Hammonds. "We believe this purchase is a positive step forward because it offers customers access to a full range of banking services, best-in-class mortgage products and offers the trust and integrity that customers, associates and shareholders have come to expect from Bank of America."

In testimony before the Federal Reserve in Chicago, Bank of America unveiled new mortgage lending guidelines. Following the purchase, the combined mortgage business plans to continue to offer retail customers the following types of first lien mortgages:

- Conforming loans underwater to standard guidelines of government-sponsored enterprises and the government, including FHA and VA loans and other loans designed for low- and moderate-income borrowers.
- Interest-only fixed-rate and adjustable-rate mortgages (ARMs) that are subject to a 10-year minimum interest-only period, which lessens the possibility of short-term payment shock.
- Fixed-period ARMs that provide borrowers low initial rates with the security of fixed payments, subject to protections against steep increases in payment amounts.

The company also said it expects to continue its long-established policy of not originating subprime mortgages. Following the purchase, Bank of America expects to make the following changes to certain home loan products offered by the combined mortgage business:

- Discontinue non-traditional mortgages where monthly payments may not cover all interest, or so-called option-ARMs.
- Significantly curtail other non-traditional mortgages, such as certain low documentation loans.
- Implement enhanced borrower protections soon after completion of the Countrywide purchase, including limits on prepayment penalties and protections on non-traditional loans such as interest-only and hybrid ARMs, which limit the risk of future payment shock and provide long-term affordability.

"We think it's important to clearly explain the changes in mortgage lending practices once we operate as a combined company," Hammonds said. "We recognize this tightening, by definition, restricts the availability of credit to some borrowers. However, this will help ensure that those who get loans can afford to repay them.

"Along with these responsible mortgage products, we will provide customers with the tools to understand and make informed choices about what product is best for them," Hammonds said. "This will be achieved through a combination of sales practices, borrower education, disclosures and fair product terms."

Additionally, the Bank of America Charitable Foundation and Countrywide today announced they plan to provide $35 million in grants and low-cost loans to both help local and national nonprofit organizations engaged in foreclosure prevention, and to purchase vacant single-family homes for neighborhood stabilization. The goal, through 2009, incorporates foreclosure prevention efforts by both financial institutions.

Under the program, the foundation has already allocated $10 million in direct grants to enhance the capabilities of nonprofit organizations focused on foreclosure prevention counseling and mitigation to assist an increasing number of distressed homeowners seeking assistance with interest rate adjustments. An additional $20 million will be directed toward grants as well as lending and investing efforts in communities impacted by foreclosures.

"Foreclosures have devastating social and economic consequences for families and communities," said Andrew D. Plepler, president, Bank of America Charitable Foundation. "Both Bank of America and Countrywide recognize that we have a shared responsibility to strengthen our neighborhoods by helping keep individuals and families in their homes. We are pleased to do our part to address this ongoing crisis."

Stephanie Williams 2/16/10 7:18 PM
Comment: BoA continue offering broad range of mortgages to meet the needs of qualified borrowers—while evolving lending practices to reflect a dramatically different mortgage environment.

Stephanie Williams 2/16/10 7:20 PM
Comment: Purchase of Countrywide is a positive step forward—allows customers full range of banking services and best in class mortgage products—offers trust and integrity

Stephanie Williams 2/16/10 7:16 PM
Comment: BoA continue offering broad range of mortgages to meet the needs of qualified borrowers—while evolving lending practices to reflect a dramatically different mortgage environment.

Stephanie Williams 2/16/10 7:38 PM
Comment: Clearly explain the changes in the mortgage lending practices—restricts availability of credit to some borrowers—ensure that those who get loans can afford to repay them.

Stephanie Williams 2/16/10 7:46 PM
Comment: Foreclosures have devastated social economic consequences for families and communities.
CHARLOTTE, N.C., April 23 /PRNewswire/ -- Bank of America plans to invest more in its businesses in 2008, despite the slowing economy, prolonged capital markets disruptions and declines in housing, in order to better position the company for future growth.
(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO-h )

Chairman and Chief Executive Officer Kenneth D. Lewis told shareholders at the company's annual meeting today: "The fact is we have built Bank of America over the past 20 to 30 years, in large part, to succeed in times like these."

Lewis said the last few quarters have been among the most challenging periods in his career, but the recent turmoil in no way diminishes the company's commitment to its business model and strategy. "We are using market insight to drive innovation that creates opportunity and value for our customers and shareholders," he said.

Lewis said the recent decision to acquire Countrywide Financial Corp. is an example of how the bank is investing in future growth opportunities. The acquisition, announced in January, would make Bank of America the nation's leading mortgage lender and loan servicer.

In 2007, Bank of America completed the purchases of LaSalle Bank, filling a key geographic gap in the Midwest, and U.S. Trust, giving the company greater scale in serving wealthy clients.

Lewis also stressed the company's competitive advantages in its three business lines. "I continue to believe that by offering our customers unmatched convenience and expertise, high service quality, innovative products and services, and a variety of financial solutions delivered as a single relationship, we will continue to cultivate loyal customers, and Bank of America will continue to grow," Lewis said.

Chief Financial Officer Joe Price told shareholders that Bank of America has taken a number of steps to strengthen its position in the current environment, including restructuring the capital markets business, revising underwriting standards and raising $13 billion in additional capital.

"We believe these moves position our company to emerge even stronger when the cycle turns," Price said.

Price told shareholders that Bank of America is well capitalized with a Tier 1 Capital ratio of 7.51 percent as of March 31, 2008.

"We understand the importance of a steady, predictable dividend, especially for our retail shareholders," Price said. "While we cannot predict the future, we are doing everything we can to drive earnings. As of today, we see no reason to change the dividend. If conditions change, and expectations are for a more prolonged recession, we will examine all measures necessary to prudently manage capital."

Separately, all Bank of America director candidates were elected to the company's board. Shareholders also approved the selection of PricewaterhouseCoopers as the company's independent accounting firm for 2008 and declined to approve all eight shareholder proposals.

8. Bank of America, Countrywide Announce S35 Million Package to Aid Distressed Homeowners and Communities

Direct grants and investments part of companies' efforts to preserve neighborhoods and help families stay in homes

CHARLOTTE, N.C., May 1 /PRNewswire/ -- Bank of America and Countrywide Financial Corporation today provided additional details regarding the $35 million neighborhood preservation and foreclosure prevention package announced last week in Chicago. The commitment includes foreclosure prevention efforts by both financial institutions.

(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO-h )

The package, which is comprised of both grants and low-cost loan/ investments in nonprofit organizations, addresses the nation's ongoing mortgage foreclosure crisis and will complement efforts undertaken by the U.S. government and other housing agencies, such as the $180 million allocation from U.S. Department of
Housing and Urban Development (HUD) to NeighborWorks® America to boost the capacity of both national and local nonprofits engaged in foreclosure prevention and mitigation activities. "Foreclosures have devastating social and economic consequences on families and communities," said Andrew D. Plepler, president, Bank of America Charitable Foundation. "Both Bank of America and Countrywide recognize that we have a shared responsibility to strengthen our neighborhoods by helping individuals and families keep their homes. We are pleased to do our part to address this ongoing crisis."

The Bank of America neighborhood preservation and foreclosure prevention package includes:
- $10 million in direct grants from the Bank of America Charitable Foundation to enhance the capabilities of national and local nonprofit organizations focused on foreclosure prevention counseling and mitigation. Estimates indicate at least 40,500 people will receive counseling or other support services as a result of these grants. - $15 million in program related investments (PRI), a long-term, repayable loan/investment offered at below-market interest rates to help nonprofit organizations preserve affordable housing and rental units in deeply impacted cities by acquiring and redeploying foreclosed properties. - $5 million in unallocated grants to address future needs, including counseling and property disposition efforts.

Countrywide, in conjunction with its community partners, has allocated $5 million for neighborhood stabilization and foreclosure prevention through 2008.

Under the program, the Bank of America Charitable Foundation has already allocated $10 million in direct grants. National grant recipients will utilize funds to support their local affiliates in cities across the U.S., as well as develop and expand programs to further assist their constituents. The funding will be used to help these organizations conduct outreach to distressed homeowners through the creation of hotlines, foreclosure prevention and mitigation training for counselors, expanded community outreach and staffing increases.

National grant recipients include: - ACORN Housing Corporation (Chicago) - $2 million - Consumer Credit Counseling Service of Greater Atlanta (Atlanta) - $200,000 - National Community Reinvestment Coalition (Washington, DC) - $500,000 - National Foundation for Credit Counseling (Silver Spring, MD) - $250,000 - Homeownership Preservation Foundation (Minneapolis) - $250,000 - National Urban League (New York) - $300,000 - NeighborWorks® America (Washington, DC) - $1 million

More than $4 million in local grants have been allocated to nonprofit organizations in states that have been disproportionately impacted by the foreclosure crisis. Those states include Arizona, California, Florida, Illinois, Nevada, New York and Texas. For a list national and local organizations being supported through the neighborhood preservation and foreclosure prevention package, click here.

"Bank of America and Countrywide are taking a strong leadership role in addressing this ongoing crisis, and I commend them for contributing to the solution," said Ken Wade, CEO, NeighborWorks® America. "Homeowners facing foreclosure often have to turn to nonprofit organizations, like NeighborWorks® and our partners, for assistance. I am pleased so many groups will have additional resources to perform their critical work thanks to the generous contributions of Bank of America and Countrywide."

Both Bank of America and Countrywide are founding members of HOPE NOW, an alliance between counselors, mortgage market participants and mortgage servicers to create a unified, coordinated plan to reach and help as many homeowners as possible. Data from HOPE NOW indicates that from July 2007 through February 2008, mortgage servicers provided loan workouts that enabled about 1.2 million individuals to retain their homes.

Earlier this week, Bank of America made several announcements further demonstrating the company's commitment to support vibrant and healthy communities. Beginning in 2009, Bank of America will embark on a new $1.5 trillion community development lending and investing goal over the next ten years. The goal is the largest in U.S. history. Also beginning in 2009, the company will begin a new ten-year, $2 billion corporate philanthropy goal, continuing its tradition of being one of the most generous financial institutions in the world.

Additionally, the Office of the Comptroller of the Currency (OCC) notified Bank of America last week that it had received a sixth-consecutive 'outstanding' rating during its most recent Community Reinvestment Act (CRA) exam. This is the highest possible acknowledgement from the OCC, and covered a 3-year assessment period between 2004 - 2006.

9. Bank of America Announces Nationwide Homeownership Retention Program for Countrywide Customers
Nearly 400,000 Countrywide Borrowers Could Benefit After Program Launches December 1

111
The program was developed together with state Attorneys General and is designed to achieve affordable and sustainable mortgage payments for borrowers who financed their homes with subprime loans or pay option adjustable rate mortgages serviced by Countrywide and originated prior to December 31, 2007.

"We are confident that together with the Attorneys General we have developed a comprehensive program that provides more solutions than ever before to assist troubled borrowers and put them back on the path to sustained home ownership," said Barbara Desoer, president, Bank of America Mortgage, Home Equity and Insurance Services. "Since acquiring Countrywide in July, we have committed significant resources and developed innovative programs to help as many Countrywide customers as possible stay in their homes." Countrywide mortgage servicing personnel will be equipped to serve eligible borrowers with new program elements by December 1, 2008 and will then begin proactive outreach to eligible customers. Foreclosure sales will not be initiated or advanced for borrowers likely to qualify until Countrywide has made an affirmative decision on the borrower's eligibility.

The centerpiece of the program is a proactive loan modification process to provide relief to eligible borrowers who are seriously delinquent or are likely to become seriously delinquent as a result of loan features, such as rate resets or payment recasts. Various options will be considered for eligible customers to ensure modifications are affordable and sustainable. First-year payments of principal, interest, taxes and insurance will be targeted to equate to 34 percent of the borrower's income. Modified loans feature limited step-rate interest rate adjustments to ensure annual principal and interest payments increase at levels with minimal risk of payment shock and refdefault. Modification options include, among others:

- FHA refinancing under the HOPE for Homeowners Program;
- Interest rate reductions, which may be granted automatically through streamlined processing; and
- Principal reductions on Pay Option adjustable rate mortgages that restore lost equity for certain borrowers.

The program applies to eligible mortgage loan customers serviced by Countrywide and who occupy the home as their primary residence. Under the national program, Countrywide will not charge eligible borrowers loan modification fees, and Countrywide will waive prepayment penalties for subprime and pay option ARM loans that it or its affiliates own. Some loan modifications will be subject to compliance with servicing contracts and some will require investor approval.

"Now more than ever homeowners and home buyers are looking to Bank of America as the lender they trust and as a leader that can renew America's confidence in home ownership," said Desoer. "Combined with our strong track record in responsible lending and previously announced lending practices commitments, this bold new program makes it clear that Bank of America is committed to be the leader in responsible mortgage lending practices."

As part of agreements to resolve outstanding claims against Countrywide by certain states, borrowers in participating states will additionally be eligible to access their share of:

- A Foreclosure Relief Program of $150 million on a nationwide basis for payment to eligible Countrywide servicing customers who suffered foreclosure or are currently at serious risk of foreclosure having made only minimal payments since the time their mortgages were originated by Countrywide; and
- An additional program, projected to make payments up to $70 million to support customers with loans serviced by Countrywide who face imminent foreclosure, providing financial assistance with their transition from home ownership.

As part of the state agreements, Countrywide is further committing to eligible borrowers in participating states, it will waive late fees associated with a borrower's default in finalizing modifications under the program.

In addition, states that have not yet become participants in this program will be provided an opportunity to do so, which would enable their residents who are eligible Countrywide borrowers to become eligible for these benefits.

"Our program represents principal and interest reductions over time to borrowers on loans Countrywide owns and on loans Countrywide services on behalf of investors," said Joe Price, Bank of America Chief
Financial Officer. "By taking projected foreclosure losses and instead directing those funds into these proactive foreclosure prevention efforts, we create a solution in the best interests of both our customers and the investors whose loans and securities we service. Of the eligible loans, about 12 percent are now held by Bank of America. The cost of restructuring these loans is within the range of losses we estimated when we acquired Countrywide."


CHARLOTTE - Bank of America Corporation is working on a plan to eliminate a significant number of positions over the next three years reflecting the pending merger with Merrill Lynch & Co., Inc. and the weak economic environment, which is affecting the level of business activity. While both factors will result in the elimination of positions, the company has not completed its analysis. Bank of America expects to have a final plan early in 2009 and estimates it will project the reduction of approximately 30,000 to 35,000 positions over the next three years. A final number will not be determined until early 2009.

The reductions are coming from both companies and affect all lines of business and staff units. Details as to specific reductions in communities or by business line have not been determined. As many reductions as possible will be made through attrition. Severance and other benefits will be provided for those associates whose jobs are eliminated and who cannot be offered another position.

The reductions are designed to eliminate redundancies created as a result of the merger with Merrill Lynch and to reflect the current recessionary environment. Bank of America continues to do business actively with all of its client segments. It continues to benefit from a flight to safety, attracting deposits and new client relationships. In addition, the company continues to actively originate loans through all of its credit product lines.

Shareholders of both companies voted to approve the transaction last week and Bank of America is currently targeting a closing on Jan. 1, 2009.

Bank of America (2009)


Fourth-Quarter Net Loss of $1.79 Billion

Extends $115 Billion in New Credit in Fourth Quarter

$15.31 Billion Fourth-Quarter Net Loss at Merrill Lynch

U.S. Invests $20 Billion in Bank of America; Also Provides Insurance for $118 Billion in Exposure Quarterly Dividend Reduced to $0.1

CHARLOTTE, N.C., Jan. 16 /PRNewswire-FirstCall/ -- Bank of America Corporation today reported full-year 2008 profit of $4.01 billion compared with net income of $14.98 billion a year earlier. (Logo: http://www.newcom.com/cgi-bin/prnh/20050720/CLW086LLOGO-b )

Earnings after preferred dividends and available to common shareholders were $2.56 billion, or $0.55 per diluted share, down from $14.80 billion, or $3.30 per share.

In the fourth quarter of 2008, the company had a net loss of $1.79 billion compared with net income of $268 million a year earlier. The net loss applicable to common shareholders was $2.39 billion, or $0.48 per diluted share, down from net income of $215 million, or $0.05 per share, in the same period in 2007.

Results include Countrywide Financial, which Bank of America purchased on July 1, but not Merrill Lynch & Co., Inc., which was acquired on January 1, 2009.

Fourth quarter results were driven by escalating credit costs, including additions to reserves, and significant writedowns and trading losses in the capital markets businesses. These actions reflect the deepening economic recession and extremely challenging financial environment, both of which significantly intensified in the last three months of 2008.

Global Consumer and Small Business Banking and Global Wealth and Investment Management were profitable, paced by Bank of America's successful and expanding deposit business. Negative results in Capital Markets and Advisory Services masked the profitability in Business Lending and Treasury Services within Global Corporate and Investment Banking.

Bank of America ended 2008 with a Tier 1 capital ratio of 9.15 percent. Merrill Lynch preliminary results indicate a fourth-quarter net loss of $15.31 billion, or $9.62 per diluted share, driven by severe capital markets dislocations. (See the Transition Update section of this news release and supplemental earnings information provided on http://investor.bankofamerica.com for further details.)
In view of the continuing severe conditions in the markets and economy, the U.S. government agreed to assist in the Merrill acquisition by making a further investment in Bank of America of $20 billion in preferred stock carrying an 8 percent dividend rate.

In addition, the government has agreed to provide protection against further losses on $119 billion in selected capital markets exposure, primarily from the former Merrill Lynch portfolio. Under the agreement, Bank of America would cover the first $10 billion in losses and the government would cover 90 percent of any subsequent losses. Bank of America would pay a premium of 3.4 percent of those assets for this program.

On a pro forma basis, this additional capital would boost the company’s Tier 1 capital ratio to approximately 10.70 percent.

In light of continuing severe economic and financial market conditions, the Bank of America Board of Directors has declared a first-quarter dividend of $0.01 per share payable March 27, 2009 to shareholders of record as of March 6, 2009.

Combined, these actions strengthen Bank of America and will allow the company to continue business levels that both support the U.S. economy and create future value for shareholders.

Bank of America extended more than $115 billion in new credit in the fourth quarter. It is increasing staff in its mortgage unit to meet a surge in demand that began late in December as mortgage rates fell. The company continues to prudently extend credit to commercial and consumer borrowers throughout its product line.

Customer Highlights
-- Of the more than $115 billion in new credit extended during the quarter, about $49 billion was in commercial non-real estate; $45 billion was in mortgages; nearly $8 billion was in domestic card and unsecured consumer loans; nearly $7 billion was in commercial real estate; more than $5 billion was in home equity products; and approximately $2 billion was in consumer Dealer Financial Services.
-- During the fourth quarter, Small Business Banking extended nearly $1 billion in new credit to over 47,000 new customers.
-- Mortgages made to low- and moderate-income borrowers and areas totaled $11.3 billion in the fourth quarter, serving more than 77,000 borrowers.
-- To help homeowners avoid foreclosure, Bank of America and Countrywide modified approximately 230,000 home loans during 2008. This year the company embarked on a loan modification program projected to modify over $100 billion in loans to help keep up to 630,000 borrowers in their homes. The centerpiece of the program is a proactive loan modification process to provide relief to eligible borrowers who are seriously delinquent or are likely to become seriously delinquent as a result of loan features, such as rate resets or payment recasts. In some instances, innovative new approaches will be employed to include automatic streamlined loan modifications across certain classes of borrowers. The program utilizes an affordability equation to qualify borrowers for loan modifications at a targeted first year mortgage debt to income ratio of 34 percent.[1]
-- The company established a lending initiative group: senior officers meeting with the chief executive every week to evaluate how much Bank of America is lending, to whom, and what more can be done while remaining prudent and responsible. The company will report findings monthly.

Fourth Quarter 2008 Financial Summary
Revenue and Expense
Revenue net of interest expense on a fully taxable-equivalent basis rose 19 percent to $15.98 billion from $13.45 billion a year earlier.

Net interest income on a fully taxable-equivalent basis rose 37 percent to $13.41 billion from $9.82 billion in the fourth quarter of 2007 on higher market-based income, the favorable rate environment, loan growth and the acquisition of Countrywide. The net interest yield improved 70 basis points to 3.31 percent.

Noninterest income declined 29 percent to $2.57 billion from $3.64 billion a year earlier. Mortgage banking income, gains on sales of debt securities, insurance premiums and service charges increased. The increases were more than offset by sales and trading losses in the Capital Markets and Advisory Services business.

Noninterest expense rose 5 percent to $10.95 billion from a year earlier mainly because of the addition of Countrywide, which was partially offset by lower personnel costs. Pretax merger and restructuring charges related to acquisitions were $306 million compared with $140 million a year earlier. Given the capital markets disruptions, the company’s efficiency ratio remains above normal levels.

Credit Quality

Stephanie Williams 2/17/10 8:21 PM
Comment: Continuing severe conditions in the markets and economy, the U.S. government agreed to assist in the Merrill acquisition.

Stephanie Williams 2/17/10 8:22 PM
Comment: In light of continuing severe economic and financial market conditions

Stephanie Williams 2/17/10 8:25 PM
Comment: Combined, these actions strengthen BoA and will allow the company to continue business levels that both support the U.S. economy and create future value for shareholders.

Stephanie Williams 2/17/10 8:26 PM
Comment: Details about the loan modification program to provide relief to eligible borrowers who are seriously delinquent or likely to be.
Credit quality deteriorated further during the quarter as the recession worsened. Consumers continued to experience high levels of stress from declining home prices, rising unemployment and tighter credit conditions. These factors led to higher losses and an increase in delinquencies in all consumer portfolios. Declining home values, a slowdown in consumer spending and continued turmoil in the global financial markets negatively impacted the commercial portfolios. Commercial losses increased during the quarter driven by higher broad-based losses in the non-real estate domestic portfolios, the homebuilder portfolio, and several large defaults by foreign financial services borrowers.

Nonperforming assets were $18.23 billion or 1.96 percent of total loans, leases and foreclosed properties, compared with $13.58 billion, or 1.45 percent, at September 30 and $5.95 billion, or 0.68 percent, at December 31, 2007.

Total managed net losses were $7.40 billion, or 2.84 percent, of total average managed loans and leases compared with $6.11 billion, or 2.32 percent, in the third quarter and $3.28 billion, or 1.34 percent, in the fourth quarter of 2007.

Net charge-offs were $5.54 billion, or 2.36 percent of total average loans and leases compared with $4.36 billion, or 1.84 percent, in the third quarter and $1.99 billion, or 0.91 percent, in the fourth quarter of 2007. The provision for credit losses was $8.54 billion, up from $6.45 billion in the third quarter and $3.31 billion in the fourth quarter of 2007. The company added $2.99 billion to the allowance for loan and lease losses during the quarter. The additions were across most consumer portfolios reflecting economic stress on consumers. Reserves were also increased on commercial portfolios.

Capital Management

Total shareholders' equity was $177.05 billion at December 31. Period-end assets were $1.82 trillion. The Tier 1 capital ratio was 9.15 percent, up from 7.55 percent at September 30, 2008. The Tier 1 ratio was 6.87 percent a year earlier.

Bank of America issued 455 million common shares for $9.88 billion, $15 billion of preferred stock issued to the U.S. Department of the Treasury and did not repurchase any shares in the period. Period-end common shares issued and outstanding were 5.02 billion for the fourth quarter of 2008, 4.56 billion for the third quarter of 2008 and 4.44 billion in the year-ago quarter. The company paid a cash dividend of $0.32 per common share and recorded $472 million in preferred dividends during the quarter. An additional $131 million of preferred dividends were deducted in the calculation of net income applicable to common shareholders.

In January 2009, an additional $10 billion of preferred stock (part of the original $25 billion assigned to Bank of America and Merrill Lynch) was issued to the U.S. Department of the Treasury as part of the Troubled Asset Relief Program (TARP). The company also issued approximately 1.4 billion shares of common stock associated with the acquisition of Merrill Lynch.

Full-Year 2008 Financial Summary

Revenue and Expense

Revenue on a fully taxable-equivalent basis increased 8 percent to $73.98 billion from $68.58 billion a year earlier.

Net interest income on a fully taxable-equivalent basis increased to $46.55 billion from $36.19 billion in 2007 on higher market-based income, consumer and commercial loan growth, the favorable rate environment and the addition of Countrywide and LaSalle. The net interest yield widened 38 basis points to 2.98 percent reflecting the more favorable interest rate environment and product mix.

Noninterest income fell 15 percent to $27.42 billion from $32.39 billion in 2007. Writedowns in the wake of market disruptions of $10.47 billion reduced results. Higher mortgage banking income, service charges and insurance premiums along with an increase in gains on sales of debt securities partially offset the decline.

Noninterest expense increased 11 percent to $41.53 billion from $37.52 billion a year ago mainly due to the addition of Countrywide. The increase was partially offset by lower incentive compensation. Given the capital markets disruptions, the company's efficiency ratio remains above normal levels.

Credit Quality

Provision expense increased $18.44 billion to $26.83 billion in 2008 because of higher net charge-offs and additions to the reserve. The majority of the reserve additions were in the consumer and small business portfolios as the housing markets weakened and the economy slowed. Reserves on commercial portfolios were increased as the homebuilder and commercial domestic portfolios within Global Corporate and Investment Banking deteriorated.
Total managed net losses were $22.90 billion during 2008, or 2.27 percent of total average managed loans and leases, compared with $11.25 billion or 1.29 percent during the prior year. Net charge-offs totaled $16.23 billion, or 1.79 percent of average loans and leases, compared with $6.48 billion, or 0.84 percent in 2007. Portfolios directly tied to housing, including home equity, residential mortgage and homebuilders drove a significant portion of the increase. The weaker economy also drove higher levels of net losses across the Card Services portfolios as well as the commercial portfolios.

Capital Management
For 2008, Bank of America recorded $10.26 billion in dividends to common shareholders and $1.32 billion to preferred shareholders. The company also issued approximately 580 million common shares, including 455 million during the fourth quarter and 107 million related to the Countrywide acquisition. In addition, Bank of America obtained nearly $35 billion in additional capital in connection with preferred stock issuances throughout the year.

2008 Business Segment Results
Global Consumer and Small Business Banking

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total managed revenue, net of interest expense(2)</td>
<td>$58,344</td>
<td>$47,855</td>
</tr>
<tr>
<td>Provision for credit losses(3)</td>
<td>26,841</td>
<td>12,920</td>
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<tr>
<td>Noninterest expense</td>
<td>24,937</td>
<td>20,349</td>
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<tr>
<td>Net income</td>
<td>7,567</td>
<td>4,586</td>
</tr>
<tr>
<td>Efficiency ratio(2)</td>
<td>42.74%</td>
<td>42.52%</td>
</tr>
<tr>
<td>Return on average equity</td>
<td>5.78</td>
<td>14.81</td>
</tr>
<tr>
<td>Managed loans(4)</td>
<td>$350,264</td>
<td>$294,030</td>
</tr>
<tr>
<td>Period ending deposits</td>
<td>$393,165</td>
<td>$346,908</td>
</tr>
</tbody>
</table>

1 Results shown on a managed basis. Managed basis assumes that loans that have been securitized were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. For more information and detailed reconciliation, please refer to the data pages supplied with this Press Release.

Fifth-quarter net income for Global Consumer and Small Business Banking declined 56 percent to $835 million from a year earlier. The provision for credit losses rose 77 percent as the economy weakened, and expenses rose 28 percent due to the addition of Countrywide. Net revenue increased 26 percent to $15.91 billion on higher net interest income, mortgage banking income and insurance premiums related to the addition of Countrywide and organic loan and deposit growth.

Global Corporate and Investment Banking

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
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</thead>
<tbody>
<tr>
<td>Total revenue, net of interest expense(1)</td>
<td>$13,440</td>
<td>$13,651</td>
</tr>
<tr>
<td>Provision for credit losses(3)</td>
<td>10,381</td>
<td>12,198</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>341,544</td>
<td>362,195</td>
</tr>
<tr>
<td>Efficiency ratio(1)</td>
<td>0.02</td>
<td>1.12</td>
</tr>
<tr>
<td>Loans and leases(2)</td>
<td>6,195</td>
<td>5,962</td>
</tr>
<tr>
<td>Trading-related assets(2)</td>
<td>89.36%</td>
<td>77.24%</td>
</tr>
<tr>
<td>Return on average equity</td>
<td>510</td>
<td>10,381</td>
</tr>
</tbody>
</table>

1 Fully taxable-equivalent basis
3 Represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio
4 Balances averaged for period

Global Consumer and Small Business Banking net income declined from a year ago as credit costs more than doubled. Expenses rose mostly on the addition of Countrywide. Managed net revenue rose 22 percent due to the Countrywide acquisition and organic loan and deposit growth.

The provision for credit losses increased by $13.92 billion to $26.84 billion. Net losses increased $8.38 billion to $19.18 billion as housing market deterioration and weak economic conditions impacted most consumer portfolios. Loan loss reserve additions related to deterioration and increased delinquencies contributed to higher credit costs.

Deposits and Student Lending net income increased by 9 percent to $6.21 billion, while net revenue increased 10 percent to $20.65 billion as net interest income, service charges and debit card income all showed strong growth.

Card Services net income fell 85 percent to $521 million as credit costs rose. Managed net revenue grew 12 percent to $28.43 billion as higher average loan balances increased net interest income.

Mortgage, Home Equity and Insurance Services reported a net loss of $2.50 billion as home equity credit costs rose. Higher noninterest expense was offset by increases in mortgage banking income, net interest income and insurance premiums. Expense and revenue increases are due to the addition of Countrywide.

Fourth-quarter net income for Global Consumer and Small Business Banking declined 56 percent to $835 million from a year earlier. The provision for credit losses rose 77 percent as the economy weakened, and expenses rose 28 percent due to the addition of Countrywide. Net revenue increased 26 percent to $15.91 billion on higher net interest income, mortgage banking income and insurance premiums related to the addition of Countrywide and organic loan and deposit growth.

Global Corporate and Investment Banking

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</tr>
<tr>
<td>Return on average equity</td>
<td>510</td>
<td>10,381</td>
</tr>
</tbody>
</table>
Deposits(2)  239,097  219,891  1 Fully taxable-equivalent basis  2 Balances averaged for period

Global Corporate and Investment Banking had a net loss of $1.72 billion as strong revenue growth and lower expenses were offset by higher credit costs. Net revenue increased 29 percent to $7.82 billion on organic and merger-related average loan growth of more than $62 billion.

-- Capital Markets and Advisory Services recorded a net loss of $3.02 billion compared with a net loss of $3.39 billion a year earlier. Net revenue losses of $3.02 billion were lower compared with net revenue of $549 million a year earlier, driven by writedowns associated with credit-related positions including CDO-related investments and auction rate securities.

-- Treasury Services net income increased 28 percent to $2.73 billion as net revenue grew 10 percent to $7.78 billion. Net revenue increased as favorable pricing and increased volume drove deposits and service charges higher. Both revenue and expenses were favorably impacted by the Visa IPO.

Global Corporate and Investment Banking reported a net loss of $2.44 billion for the quarter, compared with a net loss of $2.77 billion last year. The net loss narrowed on lower market disruption losses, higher net interest income due to lower short term rates, wider spreads and increased customer balances, and investment banking income, offset by higher credit costs.

Capital Markets and Advisory Services had negative net revenue of $4.64 billion in the period. Market disruption-related impacts of $4.61 billion in the quarter include:

-- Total CDO-related losses of $1.72 billion.
-- Writedowns of commercial mortgage-backed securities and related transactions of $853 million.
-- Leveraged lending-related writedowns of $429 million.
-- Writedowns on auction rate securities of $353 million.

Net income declined 28 percent to $1.42 billion as support for certain cash funds increased and credit costs rose. Net revenue increased 3 percent from the 2007 addition of U.S. Trust and LaSalle and organic loan and deposit growth. The increase was offset by support to certain cash funds, writedowns related to auction rate securities and weaker equity markets.

The provision for credit losses increased $650 million to $664 million as a result of additions to the reserve and higher net charge-offs reflecting housing market deterioration and the slowing economy.

-- U.S. Trust, Bank of America Private Wealth Management net income declined 2 percent to $460 million. Net revenue rose 14 percent to $2.65 billion due to the addition of U.S. Trust and LaSalle, partially offset by the weaker equity markets.

-- Columbia Management reported a net loss of $459 million compared with net income of $21 million a year ago mainly due to an additional $725 million in support provided to certain cash funds and weaker equity markets.

-- Premier Banking and Investments net income fell 54 percent to $584 million as credit costs increased by $534 million on higher home equity loan losses. Net revenue decreased 15 percent to $3.20 billion on lower net interest income as spread compression driven by deposit mix and competitive deposit pricing more than offset deposit growth.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Total revenue, net of interest expenses(1)</th>
<th>$7,785</th>
<th>$7,553</th>
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<tr>
<td>Provision for credit losses</td>
<td>4,904</td>
<td>4,480</td>
<td>Net income</td>
<td>1,416</td>
<td>1,960</td>
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<td></td>
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<td>Return on average equity</td>
<td>12.11</td>
<td>19.83</td>
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<td>Loans(2)</td>
<td>159,525</td>
<td>124,871</td>
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<td>At 12/31/08</td>
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<td>Assets under management</td>
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<td>$643.5</td>
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<tr>
<td>Fully taxable-equivalent basis</td>
<td></td>
<td></td>
<td>2 Balances averaged for period</td>
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</table>

Net income declined 28 percent to $1.42 billion as support for certain cash funds increased and credit costs rose.
Fourth-quarter net income for Global Wealth and Investment Management increased 65 percent to $511 million compared with a year earlier due to higher net revenue and lower expenses. Net revenue increased 12 percent to $1.98 billion as higher net interest income driven by growth in loans and deposits was partially offset by weaker equity markets. Expenses declined 2 percent on lower incentive compensation.

<table>
<thead>
<tr>
<th>All Other(1) (Dollars in millions)</th>
<th>2008</th>
<th>2007</th>
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</thead>
<tbody>
<tr>
<td>Total revenue net of interest expense(2)</td>
<td>$5,593</td>
<td>$4,775</td>
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<tr>
<td>Merger and restructuring charges</td>
<td>372</td>
<td>87</td>
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<tr>
<td>Provision for credit losses(3)</td>
<td>935</td>
<td>410</td>
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<tr>
<td>Net income (loss)</td>
<td>$135,671</td>
<td>$133,926</td>
</tr>
</tbody>
</table>

1 All Other consists primarily of equity investments, the residential mortgage portfolio associated with asset and liability management activities, the residual impact of the cost allocation processes, merger and restructuring charges, intersegment eliminations, and the results of certain consumer finance, investment management and commercial lending businesses that are being liquidated. All Other also includes the offsetting securitization impact to present Card Services on a managed basis. Our view of Global Consumer and Small Business Banking operations are also shown on a managed basis. For more information and detailed reconciliation, please refer to the data pages supplied with this Press Release.
2 Fully taxable-equivalent basis
3 Represents the provision for credit losses in All Other combined with the GCSBB securitization offset.
4 Balances averaged for period

All Other had a net loss of $1.63 billion for 2008 compared with net income of $3.15 billion a year earlier. For the fourth quarter, the net loss of $693 million compared with net income of $830 million a year earlier. The declines are attributable to lower equity investment income, higher credit costs and increased merger and restructuring charges, which more than offset gains on the sales of debt securities. Results were also adversely impacted by the absence of earnings due to the sale of certain businesses and foreign operations during 2007. Credit costs rose, primarily in the residential mortgage portfolio due to deterioration in the housing markets and the impacts of a slowing economy.

Transition Update
(Merrill Lynch results are not part of Bank of America fourth-quarter or full-year 2008 results)
Merrill Lynch was acquired on January 1, 2009 creating a premier financial services franchise with significantly enhanced wealth management, investment banking and international capabilities. Merrill Lynch preliminary results indicate a fourth-quarter net loss of $15.31 billion, or $9.62 per diluted share, driven by severe capital markets dislocations.
Merrill Lynch's Global Wealth Management division generated $2.6 billion in net revenue in the period as fees held up well in the declining markets. The strongest performance came from the U.S. Advisory portion of the business. Retention of financial advisors remains consistent with historical trends. Significant negative fourth-quarter items for Merrill Lynch include:
-- Credit valuation adjustments related to monoline financial guarantor exposures of $3.22 billion.
-- Goodwill impairments of $2.31 billion.
-- Leveraged loan writedowns of $1.92 billion.
-- $1.16 billion in the U.S. Bank Investment Securities Portfolio writedowns.
-- Commercial real estate writedowns of $1.13 billion.
The LaSalle transition reached a significant milestone in the quarter with successful systems conversions, marking the completion of the integration. In addition, cost savings exceeded original projections. The integration of Countrywide is on track and expected to reach targeted cost savings, which are currently expected to be around $900 million after-tax and are expected to be fully realized by 2011.

Note: Chief Executive Officer Kenneth D. Lewis and Chief Financial Officer Joe L. Price will discuss fourth-quarter 2008 results in a conference call at 7 a.m. (Eastern Time) today. The presentation and supporting materials can be accessed on the Bank of America Investor Relations Web site at http://investor.bankofamerica.com. For a listen-only connection to the conference call, dial 877.585.6241 (domestic) or 785.424.1732 (international) and the conference ID: 79795.

12. Bank of America Outlines Approach to Track Lending and Investing Activity

Charlotte, N.C., Jan. 28 /PRNewswire/ -- Today, Bank of America unveiled the Lending & Investing Initiative, a comprehensive plan to track and report on Bank of America's business activity in 10 areas key to reviving the nation's economy. The initiative was presented to the Board of Directors at a
regularly scheduled meeting today, follows up on a pledge by Bank of America Chairman and Chief Executive Officer Kenneth D. Lewis to provide greater transparency into the company's lending and investing efforts across the enterprise.

(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO-b )

"These are extraordinarily difficult economic times," said Lewis. "As America's largest bank, Bank of America must play a leading role in providing the capital and liquidity that will help revitalize the U.S. economy. That's why we're pulling together our lending and investing initiatives under this umbrella to provide greater clarity into the support we're providing to families, businesses and communities across the country. All 10 of these areas are important to the future economic growth of our nation and our company.

In the fourth quarter of 2008 alone, Bank of America extended more than $115 billion in new credit to consumers, large and small businesses, governments and other entities. The company also recognizes the economic importance of extending credit to communities who traditionally have experienced difficulty gaining access to financial services. Beginning this year, Bank of America is undertaking a 10-year, $1.5 trillion community development lending and investing goal focused on delivering capital to low- to moderate income and minority communities across the United States.

Lewis will receive regular reports on economic trends and implications for each of the segments housed under the Lending & Investing Initiative. The company will then provide quarterly, aggregated updates on activity in each area to the public.

The Bank of America Lending & Investing Initiative includes:
-- Consumer lending: Bank of America serves one out of every two households in the United States and is uniquely positioned to work with consumers to address their borrowing needs. By way of example, Bank of America lent $45 billion through its mortgage unit ($11.3 billion of that to low- and moderate-income borrowers), helping more than 200,000 Americans purchase a home or save money on the home they already own in the fourth quarter alone.
-- Loss mitigation: Bank of America has committed to assist as many as 630,000 customers to help them stay in their homes, representing more than $100 billion in mortgage financing. In 2008, the company modified approximately 230,000 home loans - representing more than $44 billion in mortgage financing - to avoid foreclosures. Bank of America also modified nearly 700,000 credit card loans for borrowers experiencing financial hardship last year.
-- Real Estate Owned Properties: Communities across the United States, particularly in low-to-moderate income areas, are suffering from growing numbers of abandoned bank-owned or bank-serviced properties. Bank of America is working with community stakeholders and city and state grantees that received funding under the Neighborhood Stabilization Program administered by the U.S. Department of Housing and Urban Development to repurpose these properties responsibly, which helps fight declining property values and neighborhood blight.
-- Small business lending: Small businesses remain a critical driver of the U.S. economy and Bank of America will continue to serve this important sector. In 2008, Bank of America extended almost $4.8 billion in new credit to nearly 250,000 small business customers (defined as businesses with less than $2.5 million in revenues and less than $250,000 in credit exposure). During the fourth quarter alone, nearly $1 billion in new credit was extended to more than 47,000 new small business customers.
-- Commercial lending: As the predominant middle-market bank in the United States, serving companies with annual revenues between $2.5 million and $2 billion as well as not-for-profit organizations and governments, Bank of America is well positioned to deliver financial services to this critical segment of the economy. For example, Bank of America extended about $49 billion in commercial non-real estate lending credit and nearly $7 billion in real estate lending during the fourth quarter. In 2008, the company also invested $1 billion in affordable housing development financing by using Low Income Housing Tax Credits.
-- Green building: One of the many ways Bank of America works to address global climate change and build new business opportunities is by financing the construction and retrofitting of commercial properties to meet or exceed green-certified building standards. For example, Bank of America delivered nearly $2 billion in "green" commercial real estate debt and equity transactions through the end of October 2008.
-- Community Development Financial Institutions (CDFIs): CDFIs play an important role in providing credit to families, small businesses, multi- cultural organizations, community facilities and nonprofits serving low- to moderate income communities that might not otherwise qualify under more traditional credit criteria. By way of example, Bank of America and Merrill Lynch delivered more than $450 million in loans and investments to CDFIs during 2008.

Stephanie Williams 2/17/10 8:37 PM
Comment: Follows up on a pledge by BofA CEO to provide greater transparency into the company's lending and investing efforts across the enterprise.

Stephanie Williams 2/17/10 8:38 PM
Comment: These are extraordinarily difficult economic times.

Stephanie Williams 2/17/10 8:43 PM
Comment: Play a leading role—help revitalize the U.S. economy—provide greater clarity into support we’re providing—10 areas are important to the future of economic growth.

Stephanie Williams 2/17/10 8:43 PM
Comment: Company will provide quarterly updates on activity in each area to the public.
banks, asset allocators have begun moving back towards traditional cyclical sectors. This is enabling broader optimism about growth to feed into greater risk appetite and prompting a march out of defensives.

Just 17 percent of respondents are underweight equities compared with 41 percent in March. The net percentage of investors overweight cash fell to 28 percent from 48 percent in March. These shifts reflect a weakening of the view that recessionary risks will remain entrenched, bearish positions.

In contrast to March, investors are starting to act on the improving outlook and are unwinding previously-entrenched, bearish positions. A vital difference is that investor pessimism on bank stocks has started to recede. The net percentage of respondents underweight banks swung significantly in April to a net 26 percent from 48 percent in March. The net percentage of investors overweight cash fell to 28 percent from 41 percent in March. Just 17 percent of respondents are underweight equities compared with 41 percent in March.

Asset allocators are turning towards cyclical sectors, such as technology. "Improving sentiment on financials has decisively removed the log jam on sector rotation," said Gary Baker, co-head of international investment strategy at Banc of America Securities. "This is enabling broader optimism about growth to feed into greater risk appetite and prompting a march out of defensives into cycicals."

Michael Hartnett, co-head of international investment strategy at Banc of America Securities-Merrill Lynch Research said: "The consensus has shifted from apocalyptically bearish to reluctantly bullish. But it's important to note that asset allocators are still underweight equities, indicating they have yet to fully embrace the idea of a new bull market."

**Bullishness towards China at six-year high**

China continues to be a beacon of hope for the global economy. Portfolio managers are more optimistic on Chinese growth by any point since 2003. A net 26 percent of respondents believe Chinese economic growth will accelerate over the next 12 months. As recently as November, 85 percent expected it to decelerate.

"Investors looking to play the global recovery are using China and emerging markets, rather than Europe or Japan, to do so," said Hartnett. Thanks largely to China's influence, global emerging markets have been the prime beneficiary of improving sentiment towards equities with a net 26 percent of asset allocators saying they are overweight the asset class, up from just 4 percent in March. Commodities, integral to emerging market growth, are increasing in popularity. A net 4 percent of asset allocators are overweight the asset class -- the first net overweight reading since August of last year.

After emerging markets, the U.S. is investors' other preferred location. A net 18 percent of respondents say that they would most like to overweight U.S. equities with a 12-month view. Europe and Japan are the least favored with a net 18 percent who say they would most like to underweight their equity markets.

**Sector allocations mark end of extreme positioning**

April's survey shows strong evidence that investors have started to emerge from the recessionary rut that led them to take extreme asset allocations for protection. In addition to reducing underweight positions in banks, asset allocators have begun moving back towards traditional cyclical sectors.

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**Merrill Lynch Fund Manager Survey Finds Risk Appetite Returning as Aversion to Banks Eases**

Global economic optimism at highest since 2004

NEW YORK and LONDON, April 16 /PRNewswire/ -- Risk appetite has started to pick up on the back of improving global economic sentiment, according to the Merrill Lynch Survey of Fund Managers for April. Optimism about growth has reached its highest level since early 2004. A net 26 percent of respondents say the global economy will strengthen in the next 12 months, up sharply from negative 24 percent in January.

(Logo: http://www.newscom.com/cgi-bin/prnh/20090218/CLW006LOGO)

In contrast to March, investors are starting to act on the improving outlook and are unwinding previously-entrenched, bearish positions. A vital difference is that investor pessimism on bank stocks has started to recede. The net percentage of respondents underweight banks swung significantly in April to a net 26 percent from 48 percent in March. The net percentage of investors overweight cash fell to 28 percent from 41 percent in March. Just 17 percent of respondents are underweight equities compared with 41 percent in March.

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**Portfolio managers are more optimistic on Chinese growth**

China continues to be a beacon of hope for the global economy. Portfolio managers are more optimistic on Chinese growth at any point since 2003. A net 26 percent of respondents believe Chinese economic growth will accelerate over the next 12 months. As recently as November, 85 percent expected it to decelerate.

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**Sector allocations mark end of extreme positioning**

April's survey shows strong evidence that investors have started to emerge from the recessionary rut that led them to take extreme asset allocations for protection. In addition to reducing underweight positions in banks, asset allocators have begun moving back towards traditional cyclical sectors.
Technology has become the most popular sector, with a net 27 percent of respondents overweight. Pharmaceuticals, the favorite in March and a classic bear market refuge, has seen a drop in popularity from 30 percent overweight to 21 percent. A net 17 percent are overweight industrials, down from a net 31 percent in March. Asset allocators are neutral on materials, compared with a net 10 percent who were underweight in March.

Survey of Fund Managers
A total of 214 fund managers, managing a total of US$561 billion, participated in the global survey from April 2 to April 8. A total of 181 managers, managing US$356 billion, participated in the regional surveys. The survey was conducted by Banc of America Securities-Merrill Lynch Research with the help of market research company TNS. Through its international network in more than 50 countries, TNS provides market information services in over 80 countries to national and multi-national organizations. It is ranked as the fourth-largest market information group in the world.

14. Bank of America Responds to Consumer Desire for Increased Transparency in Home Loan Process with Tools that Clarify Mortgage Terms and Foster Informed Homeownership

Company Launches Bank of America Home Loans Brand, Reinforces Responsible Lending Practices

CALABASAS, Calif., April 27 /PRNewswire/ -- Bank of America today introduced its Bank of America Home Loans brand at locations nationwide and unveiled new tools through which homebuyers and homeowners will find greater clarity in the home finance process. The Clarity Commitment™, a single, one-page loan summary clearly presents to borrowers their interest rate, terms and other details of the loan in plain language. The Bank of America Home Loan Guide is an interactive Web site that arms customers with the personalized information to prepare for homeownership and make informed home buying and refinance decisions.

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"We met with thousands of customers and created tools that reflect the transparency they want in the home-buying process," said Barbara Desoer, president, Bank of America Home Loans. "Doing the right thing for our customers is the foundation of our brand promise to always be a responsible lender and help create successful homeowners, and these tools exemplify that promise."

New Tools to Help Customers Make Informed Decisions

The Clarity Commitment is a simple one-page summary in straightforward language designed to make it easier for customers to understand terms of their loan. The summary includes information regarding interest rate, monthly payment, payment terms, and an explanation of closing costs and other loan information. Provided both at application and at closing, the Clarity Commitment document is available on most new purchase and refinance transactions, including traditional and government-backed loans.

In addition, the company introduced the Bank of America Home Loan Guide as part of the new Bank of America Home Loans Web site (bankofamerica.com/home loans). The unique interactive guide is designed to provide prospective homebuyers and existing homeowners looking to refinance with a personalized simulation of the home loan process. It helps consumers understand the criteria that drive lenders' decisions, steps they can take to be more successful in the search for the appropriate home loan, and how a home loan fits into their budget and total financial picture. By explaining key data inputs, highlighting "rules of thumb" and tips with each step, and providing context around the results, the easy-to-use guide gives consumers relevant, personalized information that helps them understand their options and make informed decisions.

"Purchasing a home is one of the biggest decisions an individual makes, and we take seriously our responsibility to educate customers and arm them with the information they need to make smart decisions," said Desoer. "Especially in this environment, it's important that consumers understand the true, comprehensive costs of homeownership so they can buy a home and enjoy it with confidence."
Bank of America Home Loans also introduced Flat Fee Mortgage Plus through the 6,100 Bank of America banking centers. A new mortgage product, Flat Fee Mortgage Plus has no application fee and one single closing fee that represents the lender and other fees required for third-party services. The product features a close-on-time guarantee and best value guarantee. Flat Fee Mortgage Plus will be available through additional channels in the future.

Introducing Bank of America Home Loans

The Bank of America Home Loans brand represents the combined operations of Bank of America's mortgage and home equity business and Countrywide Home Loans, which Bank of America acquired on July 1, 2008. The Countrywide brand has been retired.

Countrywide customers already have access to Bank of America's 6,100 banking centers, a coast-to-coast network of Bank of America Home Loans retail locations, and one of the nation's largest ATM networks. As the new brand becomes more visible through rebranded locations, account statements, marketing materials and advertising, customers should continue to use current methods for managing their accounts and contacting customer service until the full systems conversion later this year.

The company originates and services one out of every five mortgages in the country, representing a servicing portfolio of almost 14 million loans. During the first quarter of 2009, Bank of America funded $85 billion in first mortgages, helping more than 382,000 Americans purchase a home or refinance. More than $16 billion of those mortgages were for 102,000 low- and moderate-income borrowers.

"Bank of America Home Loans has the scale, capacity and capability to respond to the significant customer demand we've seen recently," Desoer added. "We are actively lending in this economic environment and continue to be open for business to new and existing customers."

Other businesses gained through the Countrywide acquisition will retain their brands, including Balboa Insurance Services, one of the leading providers of lender-placed property insurance, and LandSafe, a supplier of pre- and post-closing services.

Reaffirming a Commitment to Stabilize and Strengthen Communities

Bank of America has committed to offer modifications for as many as 630,000 customers to help them stay in their homes. In the first quarter, the company completed loan modifications for 119,000 borrowers. Bank of America has more than 6,400 home retention associates dedicated to this effort.

The company also previously announced a $35 million neighborhood preservation and foreclosure prevention package focusing on grants and low-cost loans to help local and national nonprofit organizations engaged in foreclosure prevention, and to purchase vacant single-family homes for neighborhood preservation.

15. Bank of America Releases First Quarter Lending & Investing Initiative Report

Bank Extends $183 Billion in Credit in First Quarter Alone

CHARLOTTE, N.C., April 27 /PRNewswire/ -- Today, Bank of America issued the first Lending & Investing Initiative quarterly report, a comprehensive look at the company's business activity in 10 areas key to reviving the nation's economy. The report follows up on a pledge made in January by Bank of America Chairman and Chief Executive Officer Kenneth D. Lewis to provide greater transparency into the company's lending and investing efforts across the enterprise.

"In times of economic difficulty, one of the most important economic assets we have - and one of the most rare - is confidence," said Lewis. "The point of this report is to illustrate the things we are doing through our businesses and with our partners to drive economic growth and support our communities." In the first quarter of 2009 alone, Bank of America extended $183.1 billion in credit, including $85 billion in mortgages, $82 billion in commercial loans, more than $5 billion in domestic and small business card, $4 billion in home equity products and more than $6 billion in other consumer credit.
The full report can be accessed [here](#). Key highlights include an overview of economic currents by Bank of America Chief Economist Mickey Levy, a deeper analysis of activity within two important business sectors (small business and home loans), and snapshots of other key initiatives.

As announced in January, Bank of America will continue to track progress against 10 key planks vital to the recovery of the U.S. economy (see report for updates):

- Consumer lending
- Loss mitigation
- Small business lending
- Commercial lending
- "Green" financing
- Community development
- Socially responsible private equity
- Real estate owned properties
- Supplier diversity

16. **Merrill Lynch Fund Manager Survey Finds Economic Recovery Remains on Track Despite Bond Market Sell-Off**

**Investors ruling out “double-dip” recession as they embrace equities**

NEW YORK AND LONDON – The upturn in global investor sentiment has withstood the recent large sell-off in bonds, according to the Merrill Lynch Survey of Fund Managers for June. Investors have expressed confidence in global economic recovery and, broadly, in the equity markets, in spite of their fears the sell-off would damage sentiment. The yield on 10-year U.S. Treasuries rose to 3.85 percent from 3.09 percent between the May and June surveys.

A net 62 percent of respondents believe that the world economy will improve in the next 12 months, an increase of 5 percentage points since May. For the first time since December 2007 the majority of asset allocators responding to the survey are overweight equities - a net 9 percent are overweight the asset class. Just 7 percent of the panel believes that the world will go through recession in the coming year, down sharply from 38 percent in May and 70 percent in April.

"Investors are currently ruling out the prospect of the much-feared double-dip recession, and have shrugged off the weakness in bonds," said Michael Hartnett, Banc of America Securities-Merrill Lynch chief global equity strategist.

“While investors are finally overweight equities, risk appetite remains relatively constrained. Investors seem happy to underweight defensives at this point, but overweight conviction is tightly concentrated on just two sectors; energy and technology,” said Gary Baker, Banc of America Securities-Merrill Lynch head of European equity strategy.

Follow China: the new rule for allocating assets in a recovery

Investors are rewriting the rules for positioning their portfolios at the start of a new investment cycle. Rather than focus on moving from defensive to early cyclical stocks, such as consumer discretionary, they are basing their strategy around optimism over Chinese growth and emerging markets performance.

A net 62 percent of respondents say that China’s economy will improve in the next 12 months – up 1 percent and a new all-time high following the record reading of 61 percent in May. Recognizing the need to feed China’s appetite, investors are turning to commodities as their asset class of choice. A net 19 percent of asset allocators are overweight commodities, up from 7 percent in May.

Reflecting this trend, energy is the sector attracting the biggest positive sectoral swing in allocations this month. A net 30 percent of the panel is overweight energy stocks, up from a net 18 percent in May and 8 percent in April. Global emerging markets (GEM) remains by far the most popular destination globally for equity allocations. A net 37 percent of the panel picked out GEM as their preferred region to overweight, well ahead of the U.S., the second-favorite location.

However there are small signs that the euphoria surrounding emerging markets might have peaked. The figure of 37 percent was down on May’s number of 40 percent. Furthermore, a net 10 percent of the panel identified GEM as overvalued.

Europe remains depressed while rest of world puts cash to work
Global optimism has not spread everywhere, however. European respondents do not see an end to recession with 70 percent of the regional panel predicting a further downturn in the next 12 months. Global investors view Europe as their least preferred destination, with a net 23 percent picking the eurozone as the region they would most like to underweight.

The number of investors overweight cash has fallen to a net 12 percent in June from a net 20 percent in May. Belief in corporate profitability is growing. A net 49 percent of respondents believe that the outlook for corporate profits will improve over the coming year. As recently as April, a net 12 percent said the outlook would deteriorate. The return of inflation, a possible cause of the bond market sell-off, is something the panel has recognized. A net 19 percent of global investors believe that inflation will be higher in 12 months’ time, compared with only 1 percent predicting lower inflation a month ago. A net 20 percent of the panel believed that monetary policy across the globe is too stimulative.

Survey of Fund Managers
A total of 226 fund managers, managing a total of US$620 billion, participated in the global survey from 5 June to 11 June. A total of 184 managers, managing US$362 billion, participated in the regional surveys. The survey was conducted by Banc of America Securities-Merrill Lynch Research with the help of market research company TNS. Through its international network in more than 50 countries, TNS provides market information services in over 80 countries to national and multi-national organizations. It is ranked as the fourth-largest market information group in the world.


Increased Transparency and Improved Risk Management Will Enable Wealth Management Firms to Effectively Restore Customer Trust and Confidence

NEW YORK, June 24 /PRNewswire/ -- The global economic and market downturn has shaken the trust and confidence that high net worth individuals (HNWIs) placed in markets, regulators, financial institutions, and the very principles of portfolio management, according to the 2009 World Wealth Report issued today by Merrill Lynch Global Wealth Management and Capgemini, a global consulting services firm. Market losses and diminished confidence, forced many HNWIs to shift their wealth towards safer investments across multiple institutions as a means of reducing risk.

Our research shows that while client satisfaction remains a top priority, many wealth management firms and advisors may not fully understand what drives clients to leave or stay," says Bertrand Lavayssiere, Managing Director Global Financial Services, Capgemini. "In addition, firms may be misjudging how satisfied their own advisors are with certain service and support areas. Wealth management firms should reevaluate current capabilities to ensure simplicity and transparency, demonstrate value as defined by clients and prospects, and develop new products and services to retain and attract clients in today's environment."

To stem client attrition and strengthen retention, advisors and wealth management firms will need to pursue more open and transparent client communications, provide enhanced information on risk factors, and increase levels of client service. The report shows more than 25 percent of HNWIs withdrawing assets or leaving their wealth management firm altogether in 2008, demonstrating the heightened need for wealth management firms to reassure clients, and focus on increased transparency and simplicity to mitigate any gaps in understanding between clients, advisors and firms.

The World Wealth Report is based on statistically significant samples obtained through surveys of more than 1,350 advisors, more than 200 high net worth clients and more than 60 senior executives at wealth management firms. Findings show that service quality, online capabilities, and risk management, particularly in the areas of reporting and transparency, are key to driving increased client retention going forward.

Perception Gap Exists between Advisors and HNWIs in Retention Areas

Advisors generally understand the top drivers of client retention--a full 88 percent of surveyed HNWIs and 87 percent of surveyed advisors say service quality was "very important" and a key driver of retention. However, advisors surveyed underestimated the importance of some highly influential retention drivers for clients. This perception gap leaves room for improvement in the following areas:
More Holistic Risk Assessments can Reassure Clients

Of HNWIs surveyed, 73 percent said risk management and due diligence capabilities were an important factor in their decision to stay with their firm in 2008, while only 54 percent of advisors said it was a reason clients did and would stay. By developing more robust and transparent risk management capabilities, wealth management firms can make substantial progress in restoring client confidence.

More holistic client risk assessments can help clients and advisors make more astute decisions about investment allocations. This could involve drawing on elements of behavioral finance, scenario analysis, and deeper diversification principles to help clients understand, for example, the actual dollar impact of a confluence of events like loss of income and unexpected market losses.

Enabling Advisors is also Key to Delivering on Business Goals

From the surveyed advisors who voiced dissatisfaction with the service and support enablement provided by their firms, fully 90 percent lost clients in 2008. It is clearly in the best interests of firms to make sure advisors are satisfied with the core service components of advisor enablement.

Advisors were most dissatisfied in 2008 with their firms' communications and directives during the financial crisis, as well as with client online and statement reporting capabilities. The priority advisors gave to these support areas is not surprising, given the clamon for transparent, accurate and timely information during the year's unprecedented events.

"The events of the last year have fundamentally changed the way clients think about investing. Many have to re-examine their strategies and portfolios and reset their expectations to account for a slower growth environment," said Dan Santag, president of Merrill Lynch Global Wealth Management. "Those firms who truly understand what their clients have been through, and can invest in the resources and tools to help them move forward, will have the greatest opportunities to succeed in the future."

Merrill Lynch Fund Manager Survey Finds Economic Optimism Highest Since 2003 as Investors Put Cash to Work

Questions over Imbalances in Early Stages of Recovery

NEW YORK and LONDON, Aug. 19 /PRNewswire/ -- Investor optimism about the global economy has soared to its highest level in nearly six years, with portfolio managers putting their cash back into equity markets, according to the Merrill Lynch Survey of Fund Managers for August. (Logo: http://www.newscom.com/cgi-bin/prnh/20090812/CL60095LOGO )

A net 75 percent of survey respondents believe the world economy will strengthen in the coming 12 months, the highest reading since November 2003 and up from 63 percent in July. Confidence about corporate health is at its highest since January 2004. A net 70 percent of the panel respondents expect global corporate profits to rise in the coming year, up from 51 percent last month.

August's survey shows that investors are matching their sentiment with action, by putting cash to work. Average cash balances have fallen to 3.5 percent from 4.7 percent in July, their lowest level since July 2007. Equity allocations have risen sharply month-over-month with a net 34 percent of respondents overweight the asset class, up from a net 7 percent in July. Merrill Lynch's Risk and Liquidity Indicator, a measure of risk appetite, has risen to 41, the highest in two years.

"Strong optimism in August represents a big turnaround from the apocalyptic bearishness of March. And yet with four out of five investors predicting below trend growth for the year ahead, a nagging lack of conviction about the durability of the recovery remains," said Michael Hartnett, chief global equities strategist at Banc of America Securities-Merrill Lynch Research. "The equity rally has been narrowly led by China and tech stocks. We have yet to see investors fully embrace cyclical regions such as Japan or Europe, or Western bank stocks."

Lasting recovery requires greater balance

Global emerging markets, led by China, and technology stocks are the strongest engines behind the early recovery. Investors would rather be overweight emerging markets than any other region, and by some distance. A net 33 percent of the panel prefers to overweight emerging markets while investor consensus is to remain underweight the U.S., the eurozone, the U.K. and Japan.
Technology remains the number one sector, with 28 percent of the global panel overweight the industry. Industrials and Materials lag with global fund managers holding 11 percent and 12 percent overweight positions respectively.

Further behind are Banks. Global fund managers remain concerned about the sector, holding a 10 percent overweight position. In contrast, investors within emerging markets are positive about Banks with a net 17 percent of fund managers in the regional survey overweight bank stocks.

Some of these sectoral and regional imbalances are starting to erode, however. Global fund managers have scaled back their overweight positions in bank stocks from 20 percent in July. Industrials and Materials have recovered from underweight positions one month ago. Emerging markets are less popular than in July when 48 percent of the panel most wanted to overweight the region. And Europe is a lot less unpopular. In July, a net 30 percent of respondents wanted to overweight the eurozone. That figure has dropped to just 2 percent in August.

**Improved outlook for Europe, but investors drag their feet**

Within Europe, fund managers appear as excited about the outlook as their global colleagues. A net 66 percent of respondents to the regional survey expect the European economy to improve in the coming year, up from a net 34 percent in July.

The net percentage expecting earnings per share to rise nearly trebled, reaching 62 compared with a net 23 percent a month ago. Investors in the region took an overweight position in Basic Resources, a cyclical sector, and radically scaled back their overweight position in Pharmaceuticals, a defensive sector.

In contrast to global respondents, those in Europe have failed to inject new money. "European growth optimism has finally caught up with other regions, but fund managers have yet to fully act on this and cash levels have actually increased and overall sector conviction is near record lows," said Patrik Schowitz, European equity strategist at Banc of America Securities-Merrill Lynch Research.

A total of 204 fund managers, managing a total of US$554 billion, participated in the global survey from 7 August to 12 August. A total of 177 managers, managing US$370 billion, participated in the regional surveys. The survey was conducted by Banc of America Securities - Merrill Lynch Research with the help of market research company TNS. Through its international network in more than 50 countries, TNS provides market information services in over 80 countries to national and multi-national organizations. It is ranked as the fourth-largest market information group in the world.

**BoFA Merrill Lynch Fund Manager Survey Finds Risk Appetite at Highest Point Since April 2006 as Double-Dip Recession Fears Fade**

**Investors See Brighter Corporate Profits on Horizon - Shift from Cash to Equities**

NEW YORK and LONDON, Oct. 14 /PRNewswire/ -- Investors’ risk appetite has reached its highest point in more than three years amid continued optimism about the prospects for a global economic recovery and rising corporate profits, according to the BoFA Merrill Lynch Survey of Fund Managers for October.

Investors are increasingly confident that the threat of a double-dip recession is waning. A net 65 percent of respondents believe a global recession is unlikely in the next 12 months, up from 47 percent a month earlier. A net 72 percent of respondents believe the outlook for corporate profits will improve in the next year, up from 68 percent a month earlier.

The survey also shows asset allocators shifting out of cash and into equities as risk appetite grows. Their cash positions are at their lowest level since January 2004. A net 7 percent of respondents are underweight cash in October, compared to a net 10 percent overweight a month earlier. A net 38 percent of panelists are overweight equities, up from 27 percent in September. Technology, Energy, Materials and Industrials are the favored sectors for asset allocators in October with investors still shying away from financial stocks.

"Equities remain in a sweet spot: fears of a double-dip have receded, while worries about inflation and monetary tightening are not imminent enough to prevent an October surge in risk appetite," said Michael Hartnett, chief global equity strategist at BoFA Merrill Lynch Global Research.

**Investors seeing value in Europe hits eight-year high**

Asset allocators are showing a growing conviction that global corporate profits will post double digit earnings growth, the survey shows. A net 39 percent of panelists think profits will rise by at least 10 percent in the next 12 months, up from just 25 percent in September.

Optimism about Europe is pronounced in the October survey. A net 30 percent of global portfolio managers see eurozone equities as undervalued relative to other regions, the highest reading since April 2001. A net 9
percent of panelists want to overweight the region in the next 12 months, up from 7 percent last month. This contrasts with Japan, which a net 20 percent of investors regard as the least attractive region a year ahead. The change in sentiment coincides with a shift in investors’ appetite for European financials. Investors are overweight European banks for the first time since June 2007, courtesy of greater confidence in bank balance sheets and profitability trends. “Europe is emerging phoenix-like from the ashes as confidence in its banks boosts overall confidence in European equities,” said Gary Baker, head of European equity strategy at BoA Merrill Lynch Global Research. 

Chinese confidence rebounds: U.S. dollar confidence sinks
Confidence in the prospects for the Chinese economy and emerging markets in general remains robust. A net 49 percent of respondents think China's economy will strengthen in the next 12 months, up from 35 percent in September. A net 36 percent of respondents also said they would most like to overweight emerging markets in the next year. Continuing weakness in the U.S. dollar has resulted in a growing number of respondents who believe the dollar is undervalued. A net 20 percent of panelists regard the currency as undervalued, compared to one percent a month earlier. Japan's economic outlook is marked by a growing number of asset allocators who view the yen as overvalued. A net 34 percent of respondents believe it is overvalued, compared to just 21 percent last month. “Confidence in Chinese growth has rebounded but worries over a U.S. dollar crisis are on the rise. The dollar is seen as undervalued and the yen as very overvalued, suggesting that central bank intervention in currency markets in coming months could soon prove successful,” said Michael Hartnett. A total of 229 fund managers, managing a total of US$616 billion, participated in the global survey from 2 October to 8 October. A total of 195 managers, managing US$384 billion, participated in the regional surveys. The survey was conducted by BoA Merrill Lynch Global Research with the help of market research company TNS. Through its international network in more than 50 countries, TNS provides market information services in over 80 countries to national and multi-national organizations. It is ranked as the fourth-largest market information group in the world.  

19. Bank of America Introduces Clarity Commitment™ for Home Equity Products
Simple One-Page Summary of Key Loan Terms Allows Borrowers to Review Their Loan Details in Plain Language

CALABASAS, Calif., Nov. 3 /PRNewswire-FirstCall/ -- Bank of America announced today that its popular Clarity Commitment™ home loan summary - a consumer-friendly document hailed as a lending industry model - is now available for home equity lines of credit and home equity loans.  

(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO-b )

The Clarity Commitment is a tangible demonstration of the Bank of America Home Loans brand promise to lend responsibly and help customers become successful homeowners. A simple one-page summary of key loan terms, this document lets borrowers review their loan details in plain language so they are confident they have chosen a loan that is right for them.

“We are pleased to introduce the Clarity Commitment to our home equity customers,” said Henry Fulton, Home Equity and Reverse Mortgage executive for Bank of America Home Loans. “We take our commitment to responsible lending very seriously. The Home Equity Clarity Commitment helps us provide our customers with the simplicity and transparency they desire and deserve.”

The bank introduced the Clarity Commitment last April for refinance and purchase first mortgage loans. It has since been expanded to a portion of modified first mortgage loans; closed-end, fixed-rate, full-draw reverse mortgages; and now for home equity loans and lines of credit as of Oct. 25. Since its inception last spring, more than 730,000 first mortgage Bank of America customers have received Clarity Commitments with their loan documents.
The Home Equity Clarity Commitment is provided on all standalone home equity lines of credit and home equity loans with terms greater than 36 months. It is available in all Bank of America sales channels and is provided to the customer at the point of sale; as a re-disclosure in the event of a loan product change; and with closing packages. (Note: Applications originated through bankofamerica.com will receive the Clarity Commitment in the closing package only.)

When first introduced to the public in April, Bank of America's Clarity Commitment was held up as a model for the lending industry by industry associations and national media. Similar Clarity Commitments for card and deposits products are scheduled to be released in December 2009 and the first half of 2010, respectively.

20. Bank of America Extends Nearly $184 Billion in Credit in Third Quarter
Nearly $760 Billion in Credit Extended Since TARP Investment Began

CHARLOTTE, N.C., Nov. 9 /PRNewswire/ -- Today, Bank of America issued its third quarterly Lending & Investing Initiative report, which outlines the company's progress in driving economic recovery through 10 key areas, including lending to consumers and businesses of all sizes, support for municipalities and nonprofits, community development and other initiatives.

The report, which delivers on a commitment to provide greater transparency into the company's lending and investing efforts across the enterprise, demonstrates how Bank of America is using the government's investment in the company to support the U.S. economy.

Bank of America has extended $759 billion in new credit since the program was created in the fourth quarter of 2008. That represents almost $17 for every dollar of the $45 billion of the Troubled Asset Relief Program (TARP) investment. At the same time, Bank of America continues to provide a significant return on investment to U.S. taxpayers. Through November 16, Bank of America will have made more than $2.5 billion in dividend payments to the U.S. Treasury.

The extension of home loans continues to be one of Bank of America's highest lending and investing priorities. In the third quarter alone, the company extended $96 billion in first mortgages, helping nearly 450,000 people purchase a home or refinance an existing mortgage. In the first nine months of the year, the bank has extended $292 billion in first mortgages to more than 1.3 million customers.

Bank of America is also responding to consumers' needs for simpler, clearer products and pricing through efforts including the Home Loans Clarity Commitment and new Basic Visa Card®. Additionally, the company created the new role of consumer policy executive - a position held by Andrew Plepler - to ensure it is directly addressing the needs and concerns of customers and communities and build on efforts within each of line of business.

"As households and communities across America continue to feel financial strain, we are working hard to revitalize the U.S. economy by making every good loan that we can to individuals, businesses of all sizes, and municipalities and nonprofits across the country," said Plepler. "We are hopeful that our ongoing efforts will not only improve economies across America, but also provide consumers the relief they need during these difficult times."

In addition to consumer lending, Bank of America is extending credit to the municipalities and nonprofits that are currently struggling to keep pace with local needs and serve communities across the country, including $7 billion in credit extended in the third quarter and $26 billion in 2009. This includes credit and...
services provided to more than 7,500 governmental entities - including local and state agencies - and more than 1,400 large nonprofit clients across the country through our Specialized Industries group.

In the business sector, Bank of America has extended $78 billion in small business and commercial loans in the third quarter, and $255 billion during the first nine months of 2009.

21. Bank of America to Repay Entire $45 Billion in TARP to U.S. Taxpayers
Company to Increase Capital, Enhancing Tier 1 Common Capital Ratio

CHARLOTTE, N.C., Dec. 2 /PRNewswire/ -- Bank of America today announced that it will repay U.S. taxpayers their entire $45 billion investment provided under the Troubled Asset Relief Program (TARP). The repayment will be made after the completion of a securities offering (see below).

(Logo: http://www.newscom.com/cgi-bin/prnh/20050720/CLW086LOGO-h )

To date, Bank of America has paid $2.54 billion in dividends to the U.S. Treasury on the TARP investment. Repaying TARP will save the company approximately $3.6 billion in annual dividend costs from the TARP investment.

"We appreciate the critical role that the U.S. government played last fall in helping to stabilize financial markets, and we are pleased to be able to fully repay the investment, with interest," said Kenneth D. Lewis, chief executive officer and president. "As America's largest bank, we have a responsibility to make good on the taxpayers' investment, and our record shows that we have been able to fulfill that commitment while continuing to lend. We believe that this is good news, not only for the U.S. taxpayer and our company, but for the country as it is a milestone indicating that public policy has succeeded in helping our industry and the economy begin to recover.

"Adding TARP to our capital has allowed Bank of America to continue to support the economy. In the 12 months since the government first made its investment in Bank of America, our company originated $760 billion in new credit, or approximately $3 billion per business day," Lewis added. "Importantly, this includes our leadership role in financing home ownership, helping more than 1.54 million customers purchase a new home or refinance their existing mortgages and another 423,000 homeowners modify their loans to avoid foreclosure."

So far this year, Bank of America has extended more than $12 billion in credit to small-business customers and assisted more than 49,000 small business card clients in improving their cash flows by modifying their payment structures.

The repayment of TARP is the latest in a series of actions taken to reduce Bank of America's reliance on government assistance. Other actions include:

- Paying the U.S. government $425 million to terminate a term sheet that would have guaranteed up to $118 billion in assets, if a final agreement had been reached.
- Opting out of the Temporary Liquidity Guarantee Program (TLGP) in September.
- Exiting the Term Auction Facility (TAF) in the summer of 2009.
- Eliminating borrowings from the Federal Reserve's Term Securities Lending Facility (TSLF) and Primary Dealer Credit Facility (PDCF).
- Announcing plans to exit the Transaction Account Guarantee Program (TAGP) effective Jan. 1, 2010.
• Increasing Tier 1 Common capital by approximately $40 billion in the second quarter of 2009.
• Issuing more than $10 billion in non-government-backed debt in the public markets in 2009.

Under terms of the authorization from the U.S. Treasury and banking regulators to repay the $45 billion investment made under TARP, Bank of America will repurchase all 600,000 shares of the company's Fixed Rate Cumulative Perpetual Preferred Stock, Series N; all 400,000 shares of the company's Fixed Rate Cumulative Perpetual Preferred Stock, Series Q; and all 800,000 shares of the company's Fixed Rate Cumulative Perpetual Preferred Stock, Series R. The shares were issued to the U.S. Treasury as part of TARP. Bank of America is not exercising its right to repurchase the related warrants at this time.

Bank of America plans to repay the $45 billion in TARP funds using $26.2 billion in excess liquidity and $18.8 billion in proceeds from the sale of "common equivalent securities." The $18.8 billion issuance of "common equivalent securities" would be treated as Tier 1 Common capital. Shareholders would be asked at a special meeting to be held within 105 days of issuance to approve an increase in the authorized shares outstanding in order to allow the "common equivalent securities" to be converted into common stock. The "common equivalent securities" carry warrants to buy a total of 60 million shares of common stock at $0.01 per share and other benefits if shareholders do not approve an increase in authorized common shares.

In addition, Bank of America agreed to increase equity by $4 billion through asset sales to be approved by the Board of Governors of the Federal Reserve and contracted for by June 30, 2010. To the extent those asset sales are not completed by the end of 2010, the company agreed it would raise a commensurate amount of common equity.

Bank of America also agreed to raise up to approximately $1.7 billion through the issuance of restricted stock in lieu of a portion of incentive cash compensation to certain Bank of America associates as part of their normal year-end incentive payments. Year-end incentive payments are dependent on the performance of the company, business units and individuals and have not yet been determined. This initiative also aligns associate interests with the company's performance.

After the TARP repayment and these initiatives, the company's Tier 1 Capital ratio would be 11.0 percent, pro forma based on the September 30, 2009 ratio of 12.5 percent. The Tier 1 Common capital ratio would be 8.5 percent, pro forma based on the September 30, 2009 ratio of 7.3 percent. The company will continue to have strong liquidity.

Repurchase of TARP preferred stock is expected to reduce income available to common shareholders in the fourth quarter by $4.1 billion, as the book value of the preferred is less than the amount paid.

22. BofA Merrill Lynch Global Research Forecasts a Slow but Steady Global Economic Recovery in 2010

NEW YORK, Dec. 14 /PRNewswire/ -- BofA Merrill Lynch Global Research released its Global Macro Year Ahead economic and market forecasts, projecting higher-than-consensus GDP growth, low inflation, a bullish outlook for equities, a strengthening U.S. dollar against select currencies and a less attractive outlook for government and corporate bonds.

We believe the global economy will gather momentum in 2010," said Ethan Harris, head of North America economics and coordinator of global economics. "We think that the unprecedented mix of near-zero interest rates and high budget deficits will engineer an economic recovery that is real and sustainable. We aren't forecasting a swift return to robust growth. In fact, the recovery will likely lag behind those of previous recessions - but we believe that the world economy will perform far better than the economic consensus would indicate."
2010 Forecast Highlights

- The BofA Merrill Lynch Global Economics Research team forecasts global GDP growth to be 4.4 percent in 2010, well above the 3.1 percent predicted by the International Monetary Fund. The team projects growth will be led by China at 10.1 percent, while projecting U.S. GDP growth to be 3.2 percent.

- Harris expects a further fall in core inflation and projects that the U.S. Consumer Price Index will be 2.5 percent. He feels that the transmission process whereby monetary easing leads to rising prices is currently "stuck in neutral" as banks are rebuilding their balance sheets. He also believes that central banks will have plenty of time to mop up liquidity before inflation becomes a real issue.

- Michael Hartnett, chief global equity strategist and chairman of the BofA Merrill Lynch Research Investment Committee, is targeting the MSCI All-Country World Index at 350, roughly a 20 percent upside and is bullish on European equities, Asia and emerging markets.

- David Bianco, head of U.S. equity strategy, expects the S&P 500 to appreciate about 15 percent by 2010 year end to 1275. Bianco expects this appreciation to be driven by S&P 500 sales growth in four "global cyclical" sectors of Technology, Energy, Industrials and Materials. "These four sectors have high direct foreign sales and benefit from high commodity prices and U.S. exports," said Bianco. "We also expect Financials to outperform as a result of steepening yield curves and underestimated normalized earnings power."

- Francisco Blanch, head of commodities strategy, expects that commodities will be driven by strong demand in emerging markets. "Crude oil could break $100 per barrel by late 2010 and we're forecasting gold to top $1,500 per ounce in the next 18 months, particularly if the dollar weakens further against certain undervalued emerging market currencies," said Blanch.

- The BofA Merrill Lynch Research U.S. Interest Rate Committee expects returns on long-term Treasuries and municipals to be modestly negative and forecasts 10-year Treasury yield to be 4.25 percent, while the 30-year Treasury yield is predicted to be 4.95 percent.

- Jeff Rosenberg, chief global credit strategist, expects to see normalized returns as corporate credit outperforms both government bonds and cash. "We expect high-yield returns to reach 10 percent, outperforming the high-grade sector, which we forecast as providing returns in the 2 percent to 3 percent range," said Rosenberg. "The returns delivered by the credit markets over the past year are impressive, but unsustainable. Going forward, investors will need to adjust their expectations for price appreciation to more normalized levels for the entire asset class."

- Steven Pearson, head of G10 currency strategy, forecasts the U.S. dollar to strengthen against G10 currencies next year, primarily against the euro. However, over the first half of 2010, he expects the Japanese yen to rise further against both the USD and EUR.

"Despite reassuring market strength, 2009 ultimately played out as a year of contradictions," said Hartnett. "While credit markets, commodities and stocks surged…confidence or whether a policy misstep will interrupt the slow and steady recovery we think is possible."

Click on the following link for Hartnett's video presentation:
http://www.totalmerrill.com/TotalMerrill/Pages/ArticleViewer.aspx?Title=Will_2010_Be_a_Watershed_Year&Referrer=ML_Research

10 Investment Themes for 2010

- **Government Balance Sheet Risk**: The soaring U.S. budget deficit and a Chinese currency revaluation will drive 10-year U.S. Treasury yields above 4 percent by year-end 2010. Shorter-duration Treasuries and U.S. investment-grade corporate credit are less susceptible to such risks.

- **Rising Taxation**: The soaring U.S. budget deficit, looming U.S. healthcare reform and a likely second stimulus package will need to be funded through higher tax rates. Opportunities include essential purpose revenue and general obligation municipal bonds, and municipal bond exchange-traded funds.

- **Alternative Dividend Yield Strategies**: Dividend taxes are likely to rise in 2011, and as the prospect of higher taxes erodes the popularity of traditional dividend yield-oriented strategies, tax-advantaged or tax-deferred strategies will benefit.

- **Financial Sector Rehabilitation**: Steepening yield curves around the world, increased M&A activity and the still-underestimated normalized earnings power of financials should foster their
returns surprise on the upside. Opportunities can be found in best-of-breed mega-cap global financials.

- **Corporate Cash Flow Beneficiaries**: High cash balances will translate into strategic M&A, a term describing non-speculative, non-private equity mergers. In addition, companies will increase capital spending and possibly dividends. We expect the beneficiaries of capital spending to include the industrial sector and temporary staffing companies as production expands.

- **Rising Global Growth**: The global policy stimulus seen in 2009 will continue to support global growth led by emerging markets, while in the U.S. an inventory restocking cycle and higher capex converge to push global growth well above 4 percent. Opportunities include best-of-breed mega-cap multinationals based in developed markets with a large presence in emerging markets.

- **The Emerging Market Consumer**: The emerging market consumer is at the beginning, not the end, of the credit cycle. Opportunities include emerging market currencies versus the U.S. dollar and, in equities, U.S. energy stocks, global energy majors and mega-cap multinationals.

- **Commodity Price Inflation**: Supply constraints are likely to resurface in the year ahead as commodity demand outpaces the productive capacity of current resources. Investment opportunities include long positions in gold and global energy stocks.

- **Alternative Energy**: Truly economical renewables may be years away, but investment in alternative energy is an important secular theme that will continue to gain ground. Alternative energy ETFs offer exposure to the burgeoning industry while providing important diversification across multiple technologies and business models. Old technology energy equities such as utilities will be a source of, not a beneficiary of, alternative energy investment.

- **The Return of Active Management**: Volatility has come down in 2009, especially since central banks began their critical quantitative easing in March. Lower volatility leads to lower correlation, resulting in greater differentiation in asset price performance. The trend favors active over passive management. Such a stock-picking environment should result in high-quality, best-of-breed stocks outperforming in 2010.

"Poor returns from the equities markets over the past decade, particularly from large cap equities, have created a pessimism bubble among investors," said Bianco. "We believe the S&P 500 is now undervalued, which could create many investment opportunities in the year ahead. Given our expectations for global growth led by emerging economies, a slow but steady U.S. recovery, and healthy S&P 500 EPS growth, we think that the pessimism bubble will finally burst in 2010."

The BofA Merrill Lynch Global Research franchise covers nearly 3,000 stocks globally and ranks in the top tier in many external surveys. Most recently the group was named Top Global Broker, Top U.S. Broker and No. 2 Europe Broker by Financial Times/StarMine and Best Brokerage by Forbes/Zacks. In addition, the group ranked No. 1 in the 2009 Institutional Investor All-Europe survey for Pan-European coverage, No. 2 in the Institutional Investor 2009 All-Brazil Research team survey, and No. 3 in the Institutional Investor 2009 All-America Equity, All-Latin America, and All-America Fixed-Income Research team surveys.

23. BofA Merrill Lynch Fund Manager Survey Finds Investors Ushering in a New Year of Hope and Positive Returns

**Optimism Reigns Despite Fresh Fears Hanging over Bank Stocks**

NEW YORK and LONDON, Dec. 16 /PRNewswire/ -- Investors are looking forward to 2010 as a year of moderate economic growth, benign inflation and solid returns in global equities, according to the BofA Merrill Lynch Survey of Fund Managers for December. (Logo: http://www.newscom.com/cgi-bin/prnh/20090812/CL66095LOGO ) In Optimism about the economy strengthened this month. A net 80 percent of respondents expect the world economy to grow over the next 12 months, compared with a net 69 percent November. Two-thirds of investors expect equity markets to return to traditional growth levels or better.

Expectations for corporate profits are at their highest level since December 2003, supporting demand for greater capex. A net 48 percent of investors say that companies are under-investing. At the beginning of 2009, most investors thought companies were over-investing. Concern about inflation remains subdued. A growing proportion of survey respondents do not expect interest rate hikes from the Fed before the second half of the year, a view echoed by European investors on the ECB.
"Investors are nervous but optimistic heading into the new year, and respondents are looking for a 7.7 percent total return from global equity markets," said Michael Hartnett, chief global equity strategist at BofA Merrill Lynch Global Research. The positive outlook comes in spite of sharp movements out of bank stocks. A net 28 percent of respondents are now underweight bank stocks compared with 11 percent in November, a monthly swing of 17 percent. A year ago, strong pessimism over bank stocks would have spread across the market, but now it appears to be isolated to the banks. Investors seem to be saying they can be optimistic on markets even without bank support," said Gary Baker, head of European equity strategy at BofA Merrill Lynch Global Research. Europeans rush to embrace equities before year-end After months on the sidelines observing an economic recovery but sticking with defensive equities, European investors have taken the plunge into riskier assets. Respondents to the European regional survey have reduced their cash holdings and shifted towards cyclical stocks. A net 6 percent of the panel is underweight cash, compared with a net 18 percent in November. A net 82 percent of the regional panel expects improved earnings in 2010, a five-year high and up from a net 69 percent in November. Among the sectors benefitting from the newfound optimism were Chemicals, Basic Resources and Construction. For example, Chemicals experienced a positive swing of 37 percent with a net 6 percent of investors overweight the sector in December, compared with a net 31 percent underweight in November. "Investors have moved from a concentrated defensive portfolio to a more balanced allocation that actually lowers their risk of underperforming the benchmark," said Patrik Schowitz, European equity strategist. Mirroring the trend seen in the global survey, European investors have become significantly more bearish on bank stocks. A net 37 percent of respondents are underweight the sector, up from 26 percent in November.

Korea and Taiwan seen fueling Asian growth China is seen driving growth within emerging markets with 61 percent of the panel in Asia-Pacific (excluding Japan) believing China's economy will be stronger 12 months from now, up from 44 percent the previous month. But confidence is also rising in Korea and Taiwan with 20 percent of the panel expressing a desire to overweight equities in each market next year. A month ago, only 4 percent of respondents backed South Korea and a net 4 percent were underweight Taiwan.

Conviction grows in a stronger dollar while gold seen as overvalued Investors' views on the fortunes of major world currencies have firmed significantly in the past two months, with the panel convinced that the U.S. dollar will strengthen and the yen weaken. A net 37 percent project the dollar will appreciate over the coming 12 months, compared with just 5 percent taking that view in October. A net 35 percent predict the yen will depreciate, up from a net 11 percent in October. While the dollar is expected to gain, gold is tipped to fall in value with 50 percent of the global panel saying the metal is overvalued, up from 40 percent in November.

24. Bank of America Extends More Credit in 2009 Than Any Other U.S. Bank Latest Lending & Investing Report Details More Than $758 Billion in Credit Extended During 2009 and Nears $180 Billion in the Fourth Quarter Alone

CHARLOTTE, N.C., Feb. 5 /PRNewswire/ -- Bank of America today issued its fourth quarter Lending & Investing Initiative Report, noting the extension of more than $758 billion in credit during 2009, including nearly $180 billion during the fourth quarter alone. This quarterly report outlines the company's progress in driving economic recovery through 10 key areas, including lending to consumers and businesses of all sizes, support for municipalities and nonprofits, community development and other initiatives.

The report, which delivers on a commitment to provide greater transparency into the company's lending and investing efforts across the enterprise, demonstrates how Bank of America has used the government's investment in the company to support the U.S. economy in critical areas including small business lending, home loan modification solutions and financing of Community Development Financial Institutions (CDFIs). In December, Bank of America fully repaid the U.S. Treasury $45 billion as part of the Troubled Asset Relief Program (TARP).

"Bank of America can only succeed by doing all we can to contribute to the success of our customers, clients and the communities we serve," said Brian T. Moynihan, president and chief executive officer, Bank of America. "The state of the national economy will continue to have a tremendous influence on our shared economy and on our ability to support US economy in critical areas.

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process. But the recovery is underway. Bank of America contributed to this recovery by extending more
than $758 billion in credit across both the consumer and commercial sectors, more than any other U.S.
bank. This report provides a sampling of what we're doing and how."[134]
As part of Bank of America's commitment to support and stimulate economic activity, the company
extended more than $16 billion in new credit to small businesses last year. Bank of America also assisted
more than 60,000 small business clients by modifying payment structures to improve their monthly cash
flows to help ride out the recession. In the fourth quarter, Bank of America announced it will increase 2010
lending to small- and medium-sized businesses by $5 billion.
During this critical time in America's economic recovery, Bank of America also surpassed a significant
milestone of lending more than $1 billion to CDFIs, becoming the nation's largest single lender to this
group that extends credit to low-income and disadvantaged communities for small business microlending,
housing, charter schools, childcare centers, and new primary health care facilities.
Home lending and neighborhood preservation continued to be an important focus for Bank of America. The
compny extended nearly $87 billion in first mortgages in the fourth quarter, helping more than 400,000
people purchase a home or refinance an existing mortgage. Of this, nearly $23 billion in mortgages were
made to 151,000 low- and moderate-income customers. The bank also became the first mortgage servicer
to initiate trial modifications for more than 200,000 customers through the federal government's Home
Affordable Modification Program (HAMP), and made 260,000 loan modifications in 2009.
The full report, which provides detailed summaries of Bank of America's progress in these growth sectors
and other areas, can be accessed at bankofamerica.com/ahead.

25. Principles and Paradoxes: Unambiguous Leadership in Ambiguous Times
Amy Brinkley, Global Risk Executive
Sep 24, 2007
Risk Management Association – New York Chapter
September 20, 2007
I want to thank Rae Etherington, Mary Ann Snyder, Pam Martin and everyone else who had a hand in
inviting me and in pulling this event together.
It's great to be back with you again. I always enjoy RMA events. They are a welcomed chance to step
away from the day-to-day … and take part in good thinking and discussion.
Last week, as a nation, we marked the sixth anniversary of the events of September 11, 2001. That
was more than a quarter of a century after John Kenneth Galbraith advanced the phrase “the age of uncertainty”
to describe the times we live in.
It's hard to find a better way to describe what we all deal with every day -- though Alan Greenspan may be
on to something in his new book title, The Age of Turbulence.
I thought I would offer some observations about leadership in ambiguous times and then open it up for
dialogue.
I certainly don't claim to have all the answers … but I have been looking forward to thinking out loud with
you.
If there is one word to describe what's behind the volatility of the markets in recent weeks, it's uncertainty.
But I think we're all aware that the tentativeness of our times goes much further.
It's a shift toward much greater complexity, greater speed and deeper interconnectedness among markets
and economies, information systems and sources, nations and geo-political interests.
Many think we are on the verge of something new … but no one is certain about what the new age will be.
For example, it's been said that we are asking our schools to prepare our young people for jobs that don't
yet exist … and those jobs will rely on technologies that have not yet been invented … and they will need
to use their education to solve problems we don't even recognize as problems today.
So, in light of realities like that, how do we lead boldly while demonstrating the honest humility that the
complexity of our times requires?
Perhaps the best leadership is a combination of proven, timeless principles along with an increased
appreciation of paradox.
Let me break this down a little more.
A principle is a rule or standard of behavior, a basic truth that has intrinsic value.
A paradox is something that is seemingly contradictory … but that nonetheless may be true.
As a mother of two teenagers, I am pretty familiar with the occasional -- or not so occasional -
contradiction.
In my job, I'm gaining appreciation that paradoxes exist in more places and I'm putting that to work in how I lead and manage.

A very recent example: As financial journalists have pointed out, we are right now experiencing a paradox of liquidity. In reaction to recent events, liquidity is scarce in many parts of the financial system. But at the same time, liquidity at the macro-economic level remains abundant, largely because of huge surpluses in national current accounts around the world.

And sometimes, comfort with paradox can fuel the kind of contrarian thinking that points to opportunity. That was, in part, the case with our company's investment in Countrywide Financial at a time when many others were distancing themselves from deeper exposure to the mortgage business.

The art of leading from the vantage point of paradox is not something any of us learned in college or in business school.

But after almost 30 years and a wide range of jobs at Bank of America … including the last five very eventful years as chief risk officer . . . I've come to appreciate the value of the less obvious perspective.

I'd like to throw out a few examples of paradoxes that make more and more sense to me every day. Keep in mind the definition: Something that is seemingly contradictory . . .

First, to move up, move sideways. I've been very fortunate to have had leadership opportunities in several businesses and disciplines at our company. I've worked in international corporate banking, run our national platform of consumer products, led marketing and global risk management.

More than once, I've made a lateral move that has caused people to ask “Why is she doing that?”. But I wouldn't change one day of my experience. (Well, maybe a few days … but not many.) The most important job of any leader -- or group of leaders - is to develop the next generation of leaders.

At Bank of America, we're more convinced than ever that leaders must develop very broad perspectives and be very broad thinkers. One way to do that is to take roles they might never have considered … to move across rather than always up. The complexity of our environment requires it.

Over the last two years, we have moved hundreds of managers across lines of business. We've moved hundreds more into -- or out of -- centers of expertise such as Human Resources, Risk Management, Marketing and even Legal and Audit.

For key leadership roles, these cannot be revolving-door assignments. To give them real experience and learning, we need to leave people in roles long enough for them to have an impact or experience multiple points in the economic cycle – or both.

The bottom line is that we need people who are the best in the world . . . leaders who have varied job experiences, through good times and bad, so that they can make connections and understand consequences -- both intended and unintended.

Making smart lateral moves is a good way to get that perspective.

A second paradox: The best way to gain control is to give it up. Control today is more decentralized than ever – especially when it comes to information. Blogs and YouTube disperse information and opinions globally and instantaneously. Individuals define the world as they see it through Wikipedia. Consumers and voters rely less on traditional sources and research firms to tell them what to buy and who to trust. Instead, they chat online and check out forums like Angie's List to galvanize and spread their opinions.

Maybe the best way to gain control is to give up the notion that we will ever have it back, at least to whatever degree we had it in the first place. We've got to understand we can't control messages, opinions or perceptions. That's important for all types of leaders in a new global environment.

As risk leaders and bankers, we also have more access to information about customer and economic trends. So instead of trying to control it … we should use it … collaborate with it … innovate with it to turn it into insight to identify opportunities, and always use it to make us better.

A final paradox: You've got to know what you don't know. It has long been conventional wisdom that we can close the gap between what we know and what we don't know about something simply by learning more, by advancing our knowledge.

In that view, uncertainty is simply “incomplete knowledge.”

Stephanie Williams 2/20/10 10:08 AM
Comment: Move across, not always up

Stephanie Williams 2/20/10 10:08 AM
Comment: Can't control messages, opinions, or perceptions

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But, more recently, experts in a range of fields have been arguing that the more we learn about some things, the less certain we should be about whether our understanding can ever be complete — whether it's our universe, our climate or even some aspects of risk-taking. Ignorance is bliss because it is usually rooted in misguided certainty. So, in uncertain times, we should be ever-more vigilant … never get complacent … but also know – and respect - what we don't know.

**Principles**

Those are just a few paradoxes that I keep in mind. You probably have some of your own. But uncertain times also call for us to find those few leadership principles that hold true in any circumstance — whether it's a new job, a new relationship, a new business trend, a new twist in the capital markets or a different point in the economic cycle. I've found that the leadership principles I hold closest have fit a range of different situations and applications, which, for me, only reinforces their importance.

Here are a few.

**First, all business is about taking risk, the right risk, and getting paid for it.**

This is business 101, right? But is it as central in our leadership at all times, good and bad as it should be? Over the last six to seven years, managing risk — and reward - as a profession and a skill set has expanded and moved to the center of many of our companies. At Bank of America, we approach every day with the understanding that managing risk and reward is our business. It's how we grow.

Over the same six to seven years, the nature and form of risk has been changing faster than at any time in my career. All of this means that managing risk and reward requires leaders to do two things very well. The first is to understand that risk relates to all parts of our institutions. It can move and change from one type to another faster than ever — from credit risk to market risk to operational risk to all forms of reputation risk and back again.

I don't know about you, but some days – especially recently - it feels like we've gone from playing checkers to chess … and then to chess on three levels … where we have to think three moves ahead, connect the dots and play offense and defense … all at the same time … all on multiple dimensions. So we need more leaders who can see the big picture and understand the details... leaders who can envision the dots and then connect them.

The second thing is that we should focus more on the improbable but high-impact event. A recent example from the capital markets is the degree to which we're seeing a flight to quality and a pullback of liquidity as the subprime issues have unfolded. But the need to understand the unlikely-but-high-impact event applies much more broadly. There is an interesting new book out titled The Black Swan. The author, Nassim Nicholas Taleb, writes that a "Black Swan" is any event that is; unexpected; that carries an extreme impact; and, that is almost always seen as explainable, but <i>after</i> the fact. Black Swans can change the world and his examples include everything from the unexpected utility of the internet to the popularity of Harry Potter to the rise of Islamic fundamentalism.

We can learn a lot from these “Black Swan” events. In our world of complex financial engineering, for example, are we at risk of placing too much value on our financial models … and not enough in common sense and simply asking “what if?” Also, do we tend too often to build protections based on the events of the past … when we should be pushing harder to imagine the unimaginable … to identify potential black swans before they've hatched … let alone come to rest in our pond, whether that is in business, in dealing with our environment or in geopolitics?

A second “basic truth” — and another one we are inclined to lose sight of — is that if it looks too good to be true, it probably is.

I am fond of the general guideline that if I can't explain a transaction or a financial instrument to my mother, then maybe it deserves a very close review. That test is getting harder and harder to pass. Advancements in innovation, technology and quantitative analytics enable our institutions to move and distribute risk far more than ever. To be sure, we've achieved global economic growth that would not have been possible without financial innovation and the involvement of many more participants around the world.
So, while good, we were quite aware that the added complexity brought with it the unknown and some unintended consequences. We should always ask ourselves: Are we also using enough of our own critical thinking to peel back the complexity?

Over the coming weeks and months, we will all assess the causes of volatility in the markets. We will gain more clarity about what is sustainable and advisable … and what is too good to be true. I don't think we yet have all the information to know how much of the recent volatility is related to structural change in the market and how much of it is cyclical. At the very least, we have had a good reminder that benign environments don't last forever and that there is always some pain involved with managing risk and reward. Corrections and adjustments invariably occur. This underscores the need to sustain focus on managing risk and reward in good times and bad. It should also give us confidence to ask for a second or third opinion on something when it just doesn't feel right.

A third and final principle for leadership in all times is this: It is never just about what we achieve. It is always also about how we achieve it. Like the two principles I've just covered, this should go without saying. It's the right principle to end on because of its absolute importance. All of our firms have increased emphasis on our codes of ethics. But, there is evidence that American businesses have more work to do.

A recent survey by the Corporate Executive Board found that only slightly more than one-third of employees report misconduct when they observe instances of theft, harassment and insider trading. The same study found that 83% of employees are either negative or uncertain about the ethics demonstrated by their colleagues in the workplace. For us as individuals – and for our institutions – the greatest risk we have is losing the trust of our stakeholders and the public, either because of a failure of ethics or a failure of common sense. We know from survey after survey that public trust in large institutions of many types has been eroding. But we cannot earn back that trust until all of our institutions create environments where employees at all levels feel safe raising their hands when they see something they think deserves a second - or third - look. We can never let doing the right thing take a back seat, whether it is to hubris or to fear.

In closing, ambiguous times call for unambiguous leadership. But unambiguous leadership does not equate to being closed-minded, myopic or overly certain. To the contrary, the speed and complexity of our times can prove that kind of leadership costly, if not deadly. Perhaps most important, there is one aspect of leadership for which there is no room for ambiguity: Leadership must be accountable in all times. I was pleased to see that Alan Greenspan closes his new book on a note of optimism. Even though he calls our times “The Age of Turbulence,” he says that adaptation is in our nature. Without a doubt, as part of that process of adaptation, we are all accountable for learning in times like these. Maybe, just maybe, another part is finding the right balance of proven leadership principles with an appreciation of paradox. With that balance, we can navigate this ongoing age of uncertainty better prepared for all of its complexities and all of its opportunities as part of that process of adaptation.

26. Banks Announce Project Lifeline
Floyd Robinson President, Consumer Real Estate and Insurance Services Group, Bank of America
Feb 12, 2008
Treasury Department Press Event
February 12, 2008
Remarks

Thank you, and it’s great to be here today.
I'm speaking not only on behalf of Bank of America but also on behalf of Citigroup, Countrywide, Chase, Washington Mutual and Wells Fargo. We are six leading mortgage servicers in the HOPE NOW Alliance, which includes twenty-five servicers altogether, and we have been working together to be able to come to you with today’s announcement.
As you know, all members of HOPE NOW are employing multiple strategies to help prevent avoidable foreclosures and continue to look for additional solutions to reach and to assist homeowners. Since the
Alliance was formed last October, servicers, non-profit counselors and investors have designed and implemented programs to help customers struggling to make their mortgage payments. Those efforts have produced positive results in the form of increases in the number of loan modifications and repayment plans for many homeowners who have taken the steps necessary to avoid foreclosure. But, despite all of our efforts, we have not reached everyone in need of a solution. As several recent studies have shown, many customers whose loans advanced to foreclosure did not have contact with their servicer and were not aware of the options available to help them. Achieving contact with homeowners to help present available options is the biggest challenge we face in avoiding preventable foreclosures. Given the dynamic environment in the housing market – with declining home values, fluctuating interest rates, and an elevated housing inventory – the members of the Alliance believe it’s critical that we do everything we can to reach out to these homeowners one more time.

That’s why today we are announcing Project Lifeline: a targeted outreach to those homeowners who currently face the greatest risk of losing their homes, namely those who are 90 days or more late on their mortgage payments. The program is intended for all loans, whether they are subprime, Alt-A, or prime, including second liens and home equity loans. Under the leadership of Secretaries Paulson and Jackson, the servicers implementing Project Lifeline are taking additional steps to encourage homeowners to reach out to their mortgage company or to a certified credit counselor. Through this effort, homeowners will be provided a simple "step-by-step" approach that, if followed, may enable them to “pause.” their foreclosure for 30 days while a potential loan modification is evaluated. Like the HOPE NOW letters already being sent to homeowners who are 60 days late on their payments, it begins with reaching out to homeowners through the mail. But this effort differs from that initiative in four important ways:

- It is targeted to reach seriously delinquent homeowners;
- It addresses the homeowner’s total financial situation by including analysis of existing home equity loans as well as first mortgages in addition to other consumer debt obligations;
- It seeks to offer increased transparency to homeowners up front so they will understand the simple steps necessary to be considered for a loan modification;
- And finally, for homeowners in the foreclosure process, it offers the opportunity for those who may qualify to pause the foreclosure while a modification is completed.

We’re hopeful about this last feature because it provides homeowners the ability to “pause.” the foreclosure process, where appropriate. We believe that, for some homeowners, that extra time will make the difference that will allow them to avoid foreclosure.

In order to be evaluated for a loan modification, homeowners who qualify should immediately take the following steps:

- Call your servicer within ten days of receiving the notice
- Tell the servicer that you have received the letter, you want to stay in your home and you are willing to seek counseling, if necessary
- Provide updated financial information so the servicer can explore the appropriate solution.

Project Lifeline represents a broad, national approach to looking at each homeowner’s situation individually – making sure that we stop the clock on foreclosure long enough to complete the loan modification process in those cases where it’s possible to do so.

The HOPE NOW Alliance members making today’s announcement are extremely hopeful that this initiative will make a difference in the outcome for many families and individuals.

We know firsthand that successful outcomes are possible for many distressed homeowners when servicers are able to establish and maintain contact with them. As we’ve already seen, HOPE NOW has enabled that to happen more often, for more families.

In some parts of our nation, the foreclosure crisis is having a devastating impact on neighborhoods and communities, and we believe it is right for major lenders and mortgage servicers to take action to reach out to distressed homeowners.

By way of closing, I would emphasize once more that homeowners can only take advantage of this program by taking action. They must respond when they hear from us, they must get in touch with their servicer or with a credit counseling agency, and they must be ready to work with us to modify their loan, in cases where that’s possible. Once we have been contacted, we stand ready to help.

And now I’d like to turn the floor over to Faith Schwartz, representing HOPE NOW. Faith?
April 23, 2008
Charlotte, NC

Good morning.

Without question, 2007 was an extremely challenging year for our company and our industry. The unprecedented turmoil in the financial markets, combined with a slowing economy which pushed credit costs higher, led to a 29 percent decline in earnings last year.

That being said, we believe Bank of America is better positioned than any other financial services company. Here’s why.

- We have the advantages of a powerful and diverse earnings stream, tremendous liquidity and capital strength. And we have built size, scale and market leadership in our key businesses.
- We believe this puts us in a strong position.
- To both withstand the jolts to the system taking place today, and
- To continue to invest in our businesses for the future in order to emerge even stronger when the cycle turns and conditions improve.

Lost in the numbers are the many successes our team achieved last year in expanding relationships with our customers and clients.

Let me assure you, no team works harder to help customers and clients achieve their goals – and for you, our shareholders.

Last year’s events have been well-documented and discussed. However, I’d like to spend a few minutes explaining what happened and what we are doing to manage through this period.

Last summer, growing delinquencies in subprime mortgages prompted broad concerns regarding credit risks of all types.

Investor demand for many types of credit products…from leveraged lending to commercial paper to structured products…became limited…and in some cases non-existent.

These market dislocations disrupted historical pricing correlations…meaning that traditional hedges used to mitigate risk didn’t work.

Market participants were hit as they sought to reduce overall risk and the risk they held re-priced.

The remarkable confluence of all of these events led to widespread contagion across markets and to the broader economy - with a speed and severity that was without precedent.

It also created a crisis of confidence unlike anything we had seen in the recent past.

Many of these challenges are continuing to affect our industry this year. We believe we’re in a recession.

And we’re seeing on-going financial dislocations and rising credit costs.

O.K., that’s what happened. But I’m sure many of you are asking “What caused it?” There were several factors. Let’s go through a few.

An extended period of rising home prices was fueled by the more traditional force of growth in disposable income, but also by

- A sustained period of relatively low long-term interest rates around the world,
- Relaxed underwriting standards, and
- Credit product innovation, on both the retail side and with complex capital markets instruments.

These conditions contributed to increased leverage – the ratio of debt to assets – on the part of many consumers and all kinds of financial intermediaries.

As we now look back on how all these factors connected, it’s clear that extensive investment in real estate accompanied by sharply higher levels of leverage meant the fall would be sharp and painful, as leverage cuts both ways.

Both market participants and consumers are now going through a period of sharp de-leveraging and a re-pricing of assets across the board.

Central to the recovery process is the need for home prices to stabilize. Many actions have been taken to address this, but more actions may be needed, and improvement will take time.

Assets, from individual homes to various credit instruments, will need to be priced at a level where supply and demand are more in balance, so that markets and credit availability begin functioning more normally.
In addition, leverage at financial intermediaries will have to come down, meaning that market participants of all kinds
• Will either need more capital to support their asset levels, or
• They will need to significantly reduce the assets they hold.

Few, if any, could have foreseen the speed and severity with which events unfolded last year.
At Bank of America, we had taken a number of steps to adjust our businesses to evolving market trends, and we stopped the retail origination of subprime mortgages years ago.

However, we are participants in the capital markets, and while the impact on us may not have been as severe as some of our competitors, it was significant and we were extremely disappointed in our financial results.

Let me now turn to the actions we have taken to respond to all of these events.
At the end of last year, we launched an assessment of our capital markets business.
In January we announced a number of changes in Global Corporate and Investment Banking in line with our risk appetite and long-term market expectations. We are downsizing some businesses, such as parts of our structured products platform, and restructuring our international platform.
We believe these changes should leverage our strengths and de-emphasize areas where we lack scale.
We are focused on client-driven activity here and remain committed to serving the needs of our extensive client base.
In addition, we have conducted a review of areas in the company where we have large risk positions that history says there is a low probability for loss.
History has not proven to be a good guide in the recent past, and we continue to make adjustments to our positions based on a broader set of potential outcomes.
We have also adjusted our underwriting standards in line with the current environment.
An example would be lower levels of loan-to-value ratios on new originations in markets where real estate values are declining the most.
Make no mistake, we continue to be in the business of taking risk. We will use the experiences we are gaining today to continually enhance our procedures to determine that we take the right risks and price those risks appropriately.
In addition to actions we have taken in our businesses, as an industry leader, we believe we share an obligation to help resolve these difficulties in the overall economy.
Our goal is to put people in homes and keep them there.
Yesterday we announced that we will implement new lending guidelines in our consumer mortgage business following the acquisition of Countrywide.
These guidelines are designed to continue to meet the needs of qualified borrowers while ensuring that the lending practices reflect the dramatically different environment we’re in today.
Through the efforts of HOPE NOW, we are participating in foreclosure workshops in a number of communities to provide consultation and counseling to distressed homeowners.
Through the Bank of America Foundation, we are providing grants of some $35 million to nonprofits that specialize in foreclosure mitigation in areas that are particularly hard hit by declining home prices.
And in February we joined with Federal officials to support Project Lifeline, a new initiative that has the goal of broadening and improving outreach efforts by working with severely delinquent borrowers to encourage them to pursue loan modification options.

These are just some of the actions we are taking, both internally - and with our customers and consumers - to address the current financial challenges.
Having discussed the unprecedented environment of recent quarters, now let me turn to your company’s 2007 financial results.
Revenue totaled $68 billion last year while earnings were $15 billion.
Revenue was 8 percent below the prior year, while net income declined 29 percent and earnings per share fell to $3.30.
We closed on our acquisition of U.S. Trust on July 1 and LaSalle on October 1 of last year.
So their results are included from those dates. We are successfully integrating both of these organizations and our progress is on track.
While expenses were modestly higher last year, provision expense increased 67 percent over 2006, driven primarily by the weakening economy I described.
Now let’s look at the performance of each of the business lines. Global Consumer and Small Business Banking earned $9.4 billion, 17 percent below 2006 primarily because of significantly higher credit expense in 2007. Total revenue rose six percent, driven by a 13 percent increase in fee income. We continued to improve the sales and service results in banking centers, on-line and our deposit and card contact centers.

Innovation, convenience and a wide product suite were differentiating factors for us. Card Services loans were up 12 percent, and we opened nearly 14 million new accounts. We became the leader in direct-to-consumer mortgage origination, driven by innovative products like No Fee Mortgage Plus. Against these positives, credit expense was up 51 percent, driven by rising charge-offs primarily in Card Services, Small Business and Home Equity. Global Corporate and Investment Banking earned approximately $500 million last year, 91 percent below 2006. Much of the impact of the financial markets turmoil is reflected in this business unit. We saw good loan and deposit growth in Business Lending and Treasury Services. Investment Banking fees were driven by first half debt issuance and strong M&A activity. Provision expense was higher, reflecting some weakness in homebuilders and related sectors.

The market dislocations I described earlier impacted the valuations of collateralized debt obligations, which are structured products that I’m sure you’ve read a lot about. The market turmoil also resulted in trading losses. Global Wealth and Investment Management earned $2.1 billion in 2007, six percent off the previous year, driven by difficulties I’ll cover in a minute. Client activity drove a number of important metrics. Because of strong investment performance, Columbia Management was named among the top U.S. mutual fund families by Barron’s. Assets under management ended the year 19 percent higher, after adjusting for the addition of U.S. Trust and LaSalle and the sale of our Marsico unit. Marsico has been, and continues to be, a strong partner and subadvisor of assets for our clients.

Difficulties with structured investment vehicles required support for certain cash funds, resulting in losses of $800 million, $400 million of which was reflected in the business unit. Turning to asset quality, reported provision expense of $8.4 billion was significantly higher due to some of the issues I’ve discussed. Net charge-offs totaled $6.5 billion in 2007, 43 percent higher than 2006. Recall that the 2006 level was exceptionally low following bankruptcy reform that was enacted in 2005. In the second half of last year, while commercial credit quality remained good, homebuilders and related sectors were impacted by the housing situation. Card performed as expected. With the economic weakness, we started seeing higher losses in home equity and small business. I’ll cover continued credit deterioration further when I discuss the first quarter results. Nonperforming assets more than doubled last year, totaling $5.9 billion at year-end, including additions from LaSalle.

Because of the strength of our company, we can remain steadfast in building out our franchise, even during difficult times. In January, we raised almost $13 billion through the issuance of preferred stock. This preferred stock offering helped us replenish capital in light of weaker results and the purchase of LaSalle in October, an important addition to our franchise that gives us a leading position in Chicago and Michigan. Our target Tier 1 capital ratio remains 8 percent.

Another measure of strength is our liquidity position. At the parent company level, as of March 31, our liquidity is sufficient to fund operations for roughly 20 months without access to the markets, which is significantly greater than our peers. Our strength derives from a highly diverse earnings stream:

• From our powerful consumer franchise,
• To our strong and growing wealth and investment management business,
• To our unmatched commercial franchise, and
• Our focused corporate and investment bank.

We continue to invest in our businesses as we move through the current challenges…positioning ourselves for when conditions improve.

Our first quarter results continue to reflect the challenging capital markets and economic environment. We earned $1.2 billion, or 23 cents per share, in the first quarter, which was obviously another disappointing quarter.

While we continued to see significant revaluations of capital market investments, the combination of rising credit losses and heavy additions to the reserve had the most significant impact. Specifically, net charge-offs reached $2.7 billion, which was 90% higher than a year ago. In addition, we added $3.3 billion to the credit reserve in anticipation of higher charge-offs ahead.

Credit deterioration was most pronounced in the home equity, small business and homebuilder portfolios, although we are seeing some signs of deterioration in other portfolios as well.

Capital Markets and Advisory Services, where we are exposed to the liquidity issues in the markets, lost $1.1 billion in the first quarter, down from losses of $3.8 billion in the fourth quarter.

The good news is that we began to benefit from lower short-term interest rates and a steeper yield curve, a trend which should continue during the year.

Recent performance and dividend reductions by our peers have raised questions about our dividend.

We’ve increased our dividend for the last 30 consecutive years, a record few companies can match. We understand the importance of a steady, predictable dividend, especially for our retail shareholders.

At the same time, there are those who recommend that, in the current environment, we reduce the dividend to conserve capital.

On the capital front, our Tier 1 capital ratio was 7.5 percent as of March 31, compared to the well-capitalized standard of 6 percent.

We continually evaluate alternatives to move back toward our internal target of 8 percent. We have capacity to issue preferred stock as one such alternative.

While we cannot predict the future, we can say that we are doing everything we can to drive earnings.

As of today, we see no reason to change the dividend. If conditions change, and expectations are for a more prolonged recession, we will examine all measures necessary to prudently manage capital.

The last twelve months have been hard on all financial stocks.

Large cap banking stocks and investment banks both significantly underperformed average market indexes, in an environment that in many respects is unprecedented.

Some of what we’re seeing, however, is cyclical, as bank stocks outperformed market indexes over the past one, three, five and ten year periods prior to 2007.

Recent performance is clearly not satisfactory, and we are committed to returning to a performance trajectory that reflects the long-term strength of our businesses.

We have built a powerful company.

We have the advantages of earnings diversity, liquidity and capital – and we have built size, scale, and market leadership in our key businesses.

We believe these advantages position us well to weather the current storm.

Continued investment in our businesses during these challenging times is evidence of financial strength that few can match.

We are confident that our team can continue to serve our customers and clients well, leverage our advantages in the marketplace, and continue to grow our businesses.

Mr. Chairman, this completes my report.

28. Testimony to United States House of Representatives Financial Services Committee
Kenneth D. Lewis, Chairman and Chief Executive Officer, Bank of America
Feb 11, 2009
February 11, 2009
Washington, D.C.

Thank you, Mr. Chairman. I appreciate the opportunity to be here.

I’d like to start by making two key points:
First, all of us at Bank of America understand the responsibilities that come with access to public funds. Taxpayers want us to manage our expenses carefully, and provide transparency about how we are putting their money to work to restart the economy. These expectations are appropriate, and we are working to meet them.

Second, as we manage our business going forward, we are doing our best to balance the interests of customers, shareholders, and taxpayers. But the fact is, it is in all our interests that we lend as much as we responsibly can – maximizing credit while minimizing future losses. That’s how consumers and businesses can prosper. It’s how investors – including taxpayers – can earn returns.

Bank of America serves more than half of all U.S. households and millions of businesses. We know that the health and strength of our company depends on the health and strength of the U.S. economy. We have every incentive to lend. And, despite recessionary headwinds, we are lending. In the fourth quarter alone, we extended more than $115 billion in new credit to consumers and businesses. We also renewed about $70 billion in credit lines and made some bulk purchases of loans, to reach a total of $181 billion in total lending activity, which was included in our TARP report.

Lending is how we earn returns for our shareholders, and it’s how we build relationships with customers. Our capacity to lend is restrained by: (1) demand for loans; (2) credit quality; (3) our ability to fund loans; and (4) regulatory and rating agency demands. All of these factors are under tremendous pressure. Notwithstanding these headwinds, the new loans we made in the fourth quarter included:

• $49 billion in commercial loans;
• Nearly $7 billion in commercial real estate loans;
• $45 billion in mortgages;
• Nearly $8 billion in domestic card and unsecured consumer loans;
• More than $5 billion in home equity products;
• About $2 billion in consumer Dealer Financial Services (auto, marine, RV loans).
• And nearly $1 billion in new credit to more than 47,000 new Small Business customers.

We also reaffirmed three ten-year, nationwide goals that are critical to the health of our communities: $1.5 trillion for community development lending; $2 billion in philanthropic giving; and $20 billion in lending and investments to support environmental sustainability.

Bank of America has received investments of senior preferred stock from the Treasury under the TARP program, and is also receiving additional support in order to facilitate the acquisition of Merrill Lynch. This government support has been crucial in allowing us to continue all the lending I have just described. With capital markets still frozen, there is simply no ready substitute for government support of this size, and so in its absence, our only choice would be to lend less and thereby shrink our balance sheet.

Certainly, credit conditions have tightened, as they always do in a recession, and particularly after what everyone recognizes as a period of lax credit standard. But make no mistake: We are still lending, and we are lending far more because of the TARP program.

As I mentioned, we understand the special responsibilities that come with any investment of public funds into a private company, including financial accountability and operational transparency. Taxpayers have invested in our company, and they deserve to know what return they are making on their investment, and when it will be paid back. We will make our first dividend payment to the Treasury of more than $400 million next week, and we will pay the Treasury, and ultimately taxpayers, about $2.8 billion in dividends alone for the year. We intend to pay all the TARP funds back as soon as possible.

Taxpayers also deserve to know how their funds are being used to support our economy. To that point, we recently announced that we will make a full report regularly to the public with information about our business activities in ten categories that are important to the nation’s economic recovery, including consumer and commercial lending, foreclosure mitigation and others.

I believe this initiative will help with transparency, and I have attached at the bottom of these remarks the text of our announcement of this initiative, including examples in each category of the actions we’re taking to spur the economy.

But the frequently asked question of how exactly we are using TARP funds is tougher than it sometimes seems.

The U.S. government invested $15 billion in TARP funds in Bank of America in the form of preferred stock; Merrill Lynch agreed to accept another $10 billion, and the government provided an additional $20 billion to enable the closing of our transaction with Merrill Lynch. As with money provided by private investors, that investment allows us to make loans and investments to people, businesses and organizations.
As a practical matter, we cannot tell you whether the next loan we make is funded by that $45 billion of TARP preferred stock, or our approximately $32 billion of preferred stock placed with other investors, or the approximately $163 billion of common equity that we hold, or the remaining approximately $2.2 trillion of other obligations that make up our balance sheet. But the bottom line is that we are lending significantly more with that preferred stock investment than we would be without it.

As I said, we made $115 billion in new loans in the fourth quarter – $100 billion more than we had received in TARP funding at that time. That is probably the best answer to what we are doing with the TARP money. But it’s obviously not the whole story.

The real issue, I believe, is this: taxpayers feel, and rightly so, that if a bank is having sufficient trouble to require public support, all its financial decisions should signal a conservative, sober and frugal approach to the financial health of the company.

The real debate is about what business activities are appropriate for a company that receives an investment from the federal government. In some cases, I think public judgments on this question have been right on. There has been no shortage of examples of executives or companies spending money in ways that did not have a direct benefit to the business. In other instances, I think banks have been criticized for activities that, in fact, have very serious, and very effective, business purposes. Marketing activities, which drive sales and business growth, are just one example.

I will simply say this: We know that the public will not always agree with our decisions. But Bank of America has for years been the most financially efficient bank with our business mix in the country. We have a hard-earned reputation for frugality, not extravagance. When we compensate associates, engage in marketing and advertising campaigns, or invest in green building technologies, we do so to grow our business, enhance profitability and generate returns for investors.

That includes the investors that are the focus of this hearing: U.S. taxpayers.

Our core business is strong – even in the midst of a recession, we earned more than $4 billion last year. Even so, that performance was disappointing, and I therefore recommended to our board of directors – and they agreed – that we would pay no year-end compensation to me or any of our most senior executives for 2008. Executives at the next tier down had their year-end incentive payments cut by an average of 80%. We also made cuts on a progressive basis – meaning that higher ranking managers with larger incentive targets took progressively larger hits in relation to more junior associates. But even lower-ranking and lower-paid associates took significant hits this year, as you would expect in this environment. This includes many people who worked desperately hard last year… and who produced excellent business results.

While difficult, these cuts make possible more of the activities that will help drive economic recovery. More jobs saved, and fewer layoffs. Sustained community support. More loans.

The financial services industry is undergoing wrenching change. One thing we know is that we will be a smaller industry. And that’s not a bad thing. Obviously, the rapid growth of our industry in recent years was overdue. Now is a good time to remind ourselves that we play a supporting role in the economy – not a lead role. Our job is to help the real creators of economic value – people who make things, and people who use them – get together and do business. We bankers should find some humility in that.

This also is a time for getting out there in the marketplace and making every good loan we can find, to boost the economy and do our part to restore confidence to the markets.

It’s a time for determination in the face of our generation’s greatest economic challenge. Thank you.

29. Remarks at the 2009 Bank of America Annual Meeting of Shareholders
Kenneth D. Lewis, Chairman and Chief Executive Officer, Bank of America Corporation
Apr 29, 2009
Charlotte, North Carolina
April 29, 2009

...Lewis’ remarks are preceded by the Chief Financial Officer Joe Price’s report…

Thank you, Joe.

Let me begin by acknowledging that this has been a very difficult year for the economy, for the financial services industry, and for Bank of America. Our company’s shareholders have carried a heavy burden. I want you to know that we are doing everything within our power to fight through today’s adversity and drive toward tomorrow’s promise.

Every action we’ve taken over the past year has been in pursuit of three goals, each of which is dependent upon the others:
Our first quarter results are a clear demonstration of what we’re doing to pursue these three goals. Growing deposits, expanding loan modifications, and robust activity in wealth management all show our efforts to help customers manage through hard times. Our solid loan volume shows our commitment to providing the capital that will help generate economic activity.

Most of all, Countrywide and Merrill Lynch have demonstrated why we built a company with diverse revenue streams and competitive market positions in all important sectors of our industry. Let me be clear: Merrill Lynch and Countrywide led the way for our first quarter earnings. These two acquisitions are providing the positive counterbalance to our traditional banking businesses, which at this point of the business cycle are under much more stress from rising credit losses.

In other words, Countrywide and Merrill Lynch are two of the most important reasons Bank of America is the most profitable financial services company in the United States so far this year. Today, I can state without reservation that these acquisitions are not mistakes to be regretted. Both are looking more and more like successes to be celebrated.

As CEO of your company, it is my job to make decisions that will build earnings power and financial stability over the long-term. I understand that shareholders and associates are going through a lot of short-term pain. But I believe that we have built the best and most diversified financial services company in the industry, and that when economic conditions return to normal, no one will be better positioned than Bank of America to thrive and win.

In my remarks today, I’d like to talk about some of the most important decisions we made over the past 12 months. I’ll discuss the actions we’re taking to drive economic recovery, and why. And I will describe my vision for the company we’ve built.

* * *

I’ll start with our decision to accept financial investments from the government through the Troubled Assets Relief Program, or TARP.

Last fall, when the Treasury Department created the TARP program, the point was to expand the capital base of the nation’s banks so that they could continue to lend. At the time the program was created, Bank of America had just completed a capital raise of $10 billion. We felt strongly that we didn’t need additional capital. But the government insisted that it was necessary for all the large banks to participate because of the fragility of the overall financial system and the economy.

So, we agreed to accept two investments – $15 billion for Bank of America in October, and an additional $10 billion for Merrill Lynch that we would receive on the closing of the acquisition, which turned out to be January 1.

In mid-December, Bank of America became aware of increasingly significant losses at Merrill Lynch, and contacted officials at the Treasury and Federal Reserve to inform them that we were considering declaring a material adverse change. They asked us to delay that decision, and we began to discuss a plan for us to close the transaction with government support. Both the government and Bank of America were aware that the global financial system was in perilous condition, and that a collapse of Merrill Lynch could hasten a crisis that could do serious harm to other financial institutions, including Bank of America.

We concluded that, given the many serious risks to declaring a material adverse change, proceeding with the transaction, with government support, was the better course.

* * *

Our company’s leadership has long believed that we could build deeper, more durable and more profitable relationships with our customers and clients over the long-term…and more stable, faster-growing earnings…if we had strong, leading businesses in two of the most important sectors in financial services: capital markets and wealth management. We began to build businesses in both these sectors in the late 1980s.

Given this vision for our company, we have had Merrill Lynch at the top of our list of potential merger partners for a long time. We built up great knowledge over the years of the company, including its business model, organizational structure and culture. We were no strangers to Merrill’s business when opportunity struck last fall.

That weekend in September was a true crisis situation. The opportunity to acquire Merrill was on the table, but we also knew that others were considering bids for parts of the company. Some observers have said the
price to which we agreed looked steep given the economic environment of the moment. I believe the price we paid represented a good value, given the full value of the company in a more normal economic environment. Instead of waiting for the crisis to deepen and gambling that we could come out with the best parts of the company intact, we chose to act preemptively. As you can see from our first quarter earnings, that decision is beginning to pay off.

I’d like to address a couple of points of criticism related to our execution of the merger agreement with Merrill Lynch. Unfortunately, I’m limited in what I can say, as we are engaged in litigation.

First, my decision… and the board’s… to go ahead with the merger was not about a selfish desire to keep our jobs. Every member of this board, including me, would be alright if we had to leave the company. But we took very seriously the likelihood of a systemic meltdown, and the negative impact that would have had on the company at a critical time.

Second, disclosure in late December of the discussions we were having with the government would have created the very crisis that we were working so hard to prevent. And, as a legal matter, there was no duty for Bank of America to disclose its negotiations with the government. The bottom line is that committed people of good intentions, in both the private sector and the government, worked in good faith in late 2008 to prevent a financial meltdown.

Third, I know the Merrill deal has played a role in the decline of our stock price. But I do not believe it is solely responsible for its decline. Just thinking about what our earnings would have been without Merrill in the first quarter should make that clear. Every major commercial bank in the country is under pressure, and almost all of our major competitors have cut their quarterly dividends to a nickel or less. I think any assumption that without Merrill our stock price or dividend would be where they were in September is terribly mistaken.

Finally, we have come under great criticism for the year-end incentive payments that some Merrill Lynch employees received in December, before the acquisition officially closed.

One of the great legal dangers in the period between the announcement of an acquisition and the closing is the potential to create the perception that the acquiring company is interfering in the affairs of the company to be acquired. Such interference could be seen as compromising competitive positions and potentially could violate antitrust laws.

Our merger agreement with Merrill capped the amount that they could spend on employee bonuses and gave Bank of America certain rights to consult with Merrill on bonuses. Before the merger closed, we exercised our consultation rights and encouraged Merrill Lynch to reduce the amount of employee bonuses substantially, which they did.

As to the timing of the bonus payments, the merger agreement did not prohibit Merrill Lynch from paying bonuses within the cap before the merger closed and Bank of America had no legal basis to prevent Merrill Lynch from paying in December.

In any event, there was no perfect solution. Shareholders may not think any payments were appropriate, but even in a labor market with high unemployment, retaining the best-performing associates is critical to the success of the business. And, in fact, we have lost strong revenue generators over the past 3 months to competitors that are not facing the same compensation restrictions that we are.

Even so, our teammates at Merrill Lynch had a very strong first quarter, demonstrating that this combination can work… and can create great value for our shareholders.

* * *

The severe economic downturn we’re fighting through has many causes. But just about everyone agrees that a massive bubble in home values and housing finance over a period of at least several years was a primary contributor.

The rapid implosion of that bubble provides the context for our decision to acquire Countrywide. What we saw was a very high-quality franchise and customer base… an undisputed leader in one of the most important sectors in the financial services industry… but a company that had made key mistakes in the housing bubble, and was suffering from a severely beaten down stock price. We saw an opportunity to do a deal that would provide long-term value to our shareholders.

We knew we were acquiring a troubled loan portfolio, and we accounted for these anticipated costs in our negotiations. We also knew we were acquiring the best technology platform in the industry, a nationwide base of mortgage customers and thousands of talented associates.

In the first quarter, Countrywide proved its worth. As the re-fi market boomed, we funded more than $85 billion in mortgage loans – a key source of revenue and income.
I’m also very excited that we celebrated our official Customer Day One for our mortgage business this past
Monday under our new brand: Bank of America Home Loans. It’s been a tremendous accomplishment for
this team to produce such strong results while still operating with a brand that has suffered as deeply as
Countrywide’s. Moving forward together under the Bank of America brand, I believe this business will
grow much stronger very quickly.
We also have taken this opportunity to reaffirm our commitment to our customers and to responsible
lending practices that we believe will ensure stability and growth for the long-term.
Some of the core, traditional principles we’re focusing on are:
• Transparency on the effects of pricing on customers’ costs;
• The retention of at least a portion of loans on originators’ own balance sheets;
• More conservative use of “introductory” rates, reducing the likelihood that customers will get in
over their heads;
• Restoration of loan-to-value ratios that take into account the possibility of falling prices;
• Greater use of economic and market research in identifying market imbalances; and,
• Supporting federal regulation of the mortgage lending industry, in recognition of the fact that state
regulators are not equipped to handle this critical task on their own.
These are just a few of the core principles that I believe will return our nation’s home lending industry to
stability and health. Companies that adopt these principles will go a long way toward helping resurrect the
American Dream for families and communities across the country.
* * *
One point of debate in recent months has to do with the question of whether banks can serve their
shareholders’ interests and serve the broader economy and the national interest at the same time.
My view is that, for the largest bank in the country, there is usually little difference between our
shareholders’ interests and our country’s interests. I do believe that we have a special responsibility to help lead the economic recovery. But we do not do this out of an inflated sense of altruism or patriotism that comes at the expense of shareholders. To a large
degree, our fortunes will rise and fall with America’s fortunes.
I want to say just a few words about some of the things we’re doing to drive economic growth.
• Loan volume, obviously, is critically important during a recession. Bank of America actually
loaned more money in the first quarter than we did in the fourth – $183 billion. In fact, over the
past six months, we have extended more than $360 billion in credit – more than $8 in lending for
every $1 dollar of government investment through the TARP.
• Foreclosures are having a devastating effect on American families. Over the past 15 months we’ve
modified nearly 350,000 loans to help keep families in their homes…and we’re doing more now
through government’s “Making Home Affordable” plan.
• We have been a leader in community development banking for decades. We’ve renewed that
leadership position by re-affirming our ten-year, $1.5 trillion lending and investing goal for low-
to-moderate income and minority communities.
• The non-profit sector… and all those it serves… are at tremendous risk in a severe recession, as
donors scale back gifts or stop giving altogether. We’ve confirmed our goal of donating $2 billion
to non-profit organizations in our communities over ten years.
• We are standing behind our ten-year, $20 billion Environmental Initiative, through which we are
helping finance the creation of a more sustainable energy future.

These are just a few of the ways we are working to help restore economic growth.
We do these things not just because they are the right things to do. Given that our primary loyalty – indeed
our duty – is to our shareholders, we do these things out of a sense of enlightened self-interest. Like all our
business activities, these are paths to growth for our company. And the more paths to growth we can
pursue, the better we all will do over the long run.
* * *
Now I’d like to say a few words about the company we’re building… why we’re building it… and how
we’re going about it.
I’ve been here for 40 years. As long as I can remember, our goal has been to build a diversified financial
services company that can offer customers and clients of all sizes a wide variety of financial services that
they can use to manage their financial lives… and to create value by delivering those products and services
as a single relationship.
This model has important advantages for both customers and shareholders.
For customers, it means they can work with one company to manage their financial affairs and meet their financial needs. They can have confidence that the company is providing the right service for each situation, rather than just pushing the one product the company happens to specialize in. This is very important, for example, during a period like the one we’re in now, when some customers are in greater need of savings and investing solutions than credit solutions.

For shareholders, it means that over the long-term, the company is stronger and earnings are more consistent for the enterprise. In different economic cycles, some businesses may be down, while others are up... and then they reverse.

This is precisely what happened to us over the course of the past year. In 2008, our consumer and commercial banking operations stayed relatively stable, while we suffered losses in our capital markets businesses. In the first quarter of 2009, as credit costs put pressure on our lending businesses, our capital markets and home lending businesses picked us up. That answers the question of “why” we’re building it. But what about how? The question that investors often ask about a company is, “Are you an organic growth company or an M&A company?” I think that question presumes a false choice. I’ve said many times that the best companies have the wisdom, resources and skills to pursue multiple paths to growth. And that’s what Bank of America has done over the past twenty years.

As many of you will recall, 1998 marked the culmination of a long series of acquisitions under my predecessor, Hugh McColl. In the six years that followed... three under Mr. McColl’s leadership, and three under mine... we focused on knitting this big company together... merging teams and systems... pursuing process excellence... becoming the most efficient bank with our business mix in the industry... and growing the company organically.

In the spring of 2004, we acquired FleetBoston. I believe then that our company was once again ready to execute a large, complex acquisition. We completed that transition ahead of schedule and under budget. And we’ve exceeded all our original organic growth targets in the market.

Over the past five years, we’ve made a series of key acquisitions, each one selected to bring the company a leading market share in a geography or a product sector that we believed would create significant long-term value for our shareholders. We’ve acquired some of the best companies in the industry... and in every case we’ve exceeded our goals for cost savings and growth.

I believe we will do the same with both Countrywide and Merrill Lynch. I also believe that we have now entered a period in our company’s history similar to that period after the BankAmerica acquisition in 1998. Today, we see no imperative in any market for this company to consider further acquisitions for the foreseeable future. My strong feeling is that organizational integration... and a renewed focus on organic growth... will be the almost exclusive focus of our efforts in the coming years.

I’d like to conclude with two important “thank-you’s.”

First, I’d like to thank Meredith Spangler for her 21 years of service on our board. She has helped guide our growth through a half dozen transformative mergers and several business cycles. She has been a source of strength and wisdom to this company’s leaders. We are positioned to survive this economic crisis and be a global force in our industry in part because of her leadership. Her presence will be missed, and we wish her only the best in all her future endeavors.

I also would like to thank all of you. This year I will celebrate my 40th anniversary with this company... and I do mean celebrate. The best evidence that I made a good career decision when I graduated from college is that I have gotten up every morning throughout my career looking forward to coming into work, collaborating with my teammates, competing in the marketplace and winning with friends. I appreciate every opportunity you have given me. I am proud of our shared accomplishments. And I have been honored to serve our customers and clients, and all of you.

This has been an incredibly difficult and painful year for all of us. But we are building this company for the long-term. I continue to believe we have built the best financial company in the industry, and that our results over time will bear that out. On behalf of the board, I appreciate your patience and commitment, and I look forward to reporting even stronger results to you in the future.

Thank you.

30. Remarks to NC Chamber and NC Bankers Association Economic Forecast Forum
Brian Moynihan, Chief Executive Officer and President, Bank of America
First… the economy.

For almost six months now, almost all of our major economic indicators have been improving at the national and global levels—or getting worse more slowly. All the publicly reported numbers are telling us that, at the very least, we’ve reached the bottom of the cycle. That’s good news.

Our economic team is currently forecasting global growth in 2010 above 4%, led by emerging markets… and growth in U.S. gross domestic product above 3%. But at the same time, we believe the U.S. civilian unemployment rate will remain stubbornly high for 2010—creating an ongoing drag on consumer spending and growth, and that will create ongoing misery for far too many of our friends and neighbors.

Imbedded in that aggregate view are our views on four economic indicators we believe are highly correlated to future economic performance. They are improving…but we still have a way to go before we can pop the cork.

- First, the labor market — After losing seven million jobs in the recession, companies will begin to re-hire in 2010. We believe we can anticipate positive job growth early this year. I hope we’re right, but even with that said, the pool of the unemployed will remain very large for quite some time.

- Second, the housing market — Following a massive correction in the housing market, home prices in the 20 largest markets have posted five back-to-back monthly price increases. Although a new round of foreclosure supply presents some downside risk, the recent turn in demand has taken inventories down to 6.5 months of supply, just above the level consistent with an upturn in prices. So the housing market continues to stabilize, but activity levels are still way below where they used to be.

- Third, household net worth — The recovery in the equity market and stabilization in home prices has led to a recovery of roughly a third of the total wealth destruction of the past couple of years. Consumer balance sheets are still under stress, but are moving in the right direction. I’m cautious on this point, though, as much of the improvement comes from a reduction in debt through charge-offs by banks like us.

- Fourth, manufacturing — There is an ongoing recovery in U.S. manufacturing that is benefitting from a firming global economy. The ISM, a widely watched survey, has been showing an expansion since August and recent production data from the Fed has confirmed this trend.

I also pay close attention to what our customers and business clients are telling us. With a retail customer base of more than 50 million households…and a commercial client base that includes over 300,000 small businesses, 30 thousand middle market companies, 99% of the Fortune 500 and 80% of the Fortune Global 500, I think of our customers as a good proxy for the broader economy. The news from this group is mixed.
On the consumer side, credit delinquencies remain at historic highs, though losses do appear to be stabilizing. Customers, even the mass affluent, are shifting their spending from credit cards to debit cards, showing a reluctance to incur more debt and a desire to clean up their personal balance sheets. Wealthy customers are only beginning to feel good enough to put more money to work.

Our consumer spending numbers for the fourth quarter of 2009 show a continued improvement, but the levels are still below the peak, understandably so.

So consumers are hanging in there with the less affluent struggling the most.

Our business clients generally tell us the same thing, whether larger or smaller—they have taken their costs down to levels to meet the current run rates, they can hang on if the world continues to get slightly better and they are simply fighting to make sure they see the other side. Product demand is growing modestly, but uncertainty about sustainability is leading companies to be cautious in rehiring or investing in manufacturing capability.

As the world has improved, larger companies stand ready to access new equity or debt capital when growth opportunities present themselves. Capital markets are largely open. Our deal pipeline coming into 2010 is much stronger than it was this time last year. We expect mergers and acquisitions and leveraged buyout financings to pick up in 2010…and we also expect more initial public offerings, especially in the healthcare and technology industries.

As I look at all this information, the question is what are we most worried about? We continue to be worried about the fragility of the economy with this level of unemployment. This leads us to forecast a long, slow recovery.

The economic hole we’re climbing out of is very deep, with greater household leverage, and more aggressive speculation, than we’d seen in decades. Getting out will not be easy—and it will take time.

And that leads to the question, are we as an industry and we as a company doing our part?

My company has been working to help build the North Carolina economy for close to 136 years. Bank of America’s North Carolina-based predecessor, Commercial National Bank, was founded in Charlotte in 1874. A strong banking system is important to the national economy and to the regional and local economies. However, in the last decade the industry just grew too fast. It outgrew the fundamentals, leading to a two year contraction.

Even as our industry contracts, we all have to work to help drive the economic recovery. I’m sure you have all read or heard from critics of the industry that “banks aren’t lending.” I am sure if you are a banker, it makes you as upset as it makes me. It is true that lending is down from the peak several years ago. But there are good reasons for this.

First, those lending levels came in the midst of an economic boom, when loan demand was at a peak, and when we know that many banks had ventured too far out on the risk curve.

Second, commercial bank balance sheets were not the only source of credit in the economy several years ago. Non-bank lending sources, like mortgage companies, sub-prime lenders, hedge funds, structured investment vehicles (like CDOs and CLOs) and others provided huge amounts of credit. Most of this is gone, or at least far more limited. This has drawn tremendous liquidity from the system.

At Bank of America, we are out in the marketplace every day, making every good loan we can. It is how we serve our customers. Overall, over the past four reported quarters, we have extended three quarters of a trillion dollars in credit.

One of the areas where people are most concerned is small business. It is an area where we have seen significant chargeoffs. Even after our changes in underwriting and a lot of chargeoffs, we still have outstanding balances that are equal to 2007, a time when the economy was pretty strong.

To help more, just last month, we announced that we will increase our lending nationwide to small and medium-size businesses by $5 billion. We are going to do that by taking some more risk as the economy continues to stabilize. Some of that capital will flow to businesses right here in North Carolina.

On the consumer side, the key issue is mortgage modifications. We’ve worked hard to modify mortgages for customers who are struggling. In 2009, we helped more than 400,000 customers with completed or trial mortgage loan modifications. This is a complex issue, with lots of competing interests and the most emotionally charged issue in finance, the potential loss of a person’s home, as the central element. We will continue to improve in this area, but the impact here has to be gauged against the issues of unemployment and the complexity involved. But, simply put, we will do more.

So we are doing our part at Bank of America, and I know all of you are too. There’s much more to do…and we’re ready to get back to work with all of you in the new year.
The other point I would like to discuss today is the changes that are being contemplated in our industry. Over many decades, the financial services industry – from commercial banks to investment banks, hedge funds, structured investment vehicles, mortgage banking, credit card and brokerage companies – has delivered a broad range of innovative products.

We believed then – and we continue to believe now – that this growth was a positive for the economy… that expanding financial services and banking capabilities make the economy more efficient, and give consumers and businesses more effective tools to manage their financial lives. For example, consumers now have many alternative means to access and manage their money, from traditional branches to the telephone and the Internet. And businesses have access to capital markets in ways they didn’t before, and an ability to hedge their risks through derivatives.

That said, the surge of growth in the financial services industry over the past decade obviously went way too far. The broad industry over-lent, and consumers and companies over-borrowed, and we all overleveraged as we believed the risks of the new products could be managed effectively. This led to our recent economic crisis.

As we work to re-shape our institutions and our industry to respond to new market realities, we know that policy leaders also have an important role to play in crafting laws and regulations that protect consumers and creating guardrails that won’t let this happen again. We have been and continue to want to be positive partners in this process, to work toward industry rules that will accomplish important public goals, while at the same time preserving the ability of the industry to meet the needs of all our customers. We as an industry cannot avoid the simple fact that we caused a lot of damage, and we have to help make sure it doesn’t happen again.

We will see changes in three primary areas: Consumer issues, including pricing and access to credit… capital markets… and the structure of the industry, including the idea of companies that are “too big to fail.”

First as it relates to the consumer, during the last few years many consumers borrowed more than they should have, and we helped them do it. We helped through looser underwriting standards, through lower down payments, higher debt-to-income ratios, etc. In addition, we increased penalty oriented fees to make up for the massive amount of free products we delivered to our customers. These fees hit a small group of customers particularly hard as the economy hit the skids. We all hear this from these customers, as do our regulators, congressmen and policy makers. They are responding with rules and regulations to ease the pain of their constituents.

I’m very pleased that our company, Bank of America, has not waited for new rules and regulations to make important changes that are benefitting our customers and clients. It became clear to us very early in this economic crisis that customers across all our markets and in all sectors and income groups were frustrated with their banking experience. They let us know that they wanted clarity, consistency, transparency and simplicity in their financial products and services.

We’ve responded across all our lines of business… with Clarity Commitments in our mortgage, credit card and deposits businesses… with reduced and simplified fee structures… and through many other changes that are making it easier for our customers to better understand and manage their finances.

It is the emotional context and severe dislocation that leads the move for reform, and we as an industry have to recognize it and move forward rather than fight it. It is our customers who are telling us what they need and value and we have to listen. We don’t need to wait for laws to be passed.

The second area of reform involves the capital markets… including derivatives trading reform, securitization reform, rating agency reform and compensation reform. The vehicles and practices that got us here, and have cost our industry billions of dollars in capital through losses, have to be reformed. We are working, as all of you are, to help make sure the reforms here balance safety and soundness with innovation, and allow us to deliver the products to help you run your businesses.

The third area of reform is the structure of the industry. The issues here are the idea of “too big to fail,” leverage and capital requirements, proprietary trading and related activities and taxpayer support.

In early December, we paid back 100% of the government’s investment in our company with nearly $3 billion in interest for U.S. taxpayers. On that subject, I would just like to say that we sincerely appreciate taxpayers making these funds available at a time of crisis in our country… we believe both the prior and current administrations deserve great credit for pursuing an unpopular, but necessary, solution…and, we believe, it worked.
But the key lesson here is “never again.” We can never again get our company or our industry in this position. This will require more capital and more liquidity for all participants, which we support. We are more concerned with the view that somehow the integration of capital markets and commercial banking is a flawed structure for companies in our industry. It is not. It represents what our customers need from us as an industry.

The business success we’re having with our new partners at Merrill Lynch proves the point. The ability to combine a commercial banking business with global investment banking and capital markets capabilities is important to us for one specific reason: It’s important to our clients. The more capital raising options we bring to the table for clients, the better solutions we can provide to help them grow.

So to summarize the reform efforts, we as an industry have to recognize the damage caused by our industry to the economy and recognize that further regulation is coming. We are moving forward and making some of the changes that are being proposed ahead of time. We urge constructive dialogue to make sure that we are able to meet the demands of our clients, while at the same time protecting the future of our industry. So, in closing, I want to thank you for the opportunity to speak to you today, so early in my new role. I am honored to serve this company and its three hundred thousand associates. My predecessors have built one of the best franchises in financial services history, with the ability to serve customers and clients of all types. I plan to build on the heritage that got us here, from humble roots in North Carolina almost 140 years ago, to one of the biggest institutions in the world.

We are optimistic at Bank of America. The economy is improving, we have learned some tough lessons, and we are ready to move forward… serving our customers and clients… and working with all of you to build a stronger economy for North Carolina, for the United States of America, and for the world.

Thank you.

Testimony to Financial Crisis Inquiry Commission (FCIC)
Brian T. Moynihan, Chief Executive Officer and President, Bank of America
Washington, D.C.
Jan 13, 2010

Introduction
Chairman Angelides, Vice Chairman Thomas, and members of the Commission, thank you for the opportunity to appear before you today. Now is an excellent time to discuss the history of the recent financial and economic crisis, as time has given us some perspective, and Congress has yet to enact legislation. Today, I will offer some thoughts on the causes of the global financial crisis. The issues are quite complex, and necessarily our views continue to develop as we all learn more.

Over the course of this crisis, we as an industry caused a lot of damage. Never has it been clearer how mistakes made by financial companies can affect Main Street, and we need to learn the lessons of the past few years. This Commission’s work is particularly important because those lessons are not simple ones; this crisis had a multitude of causes that are not easily summarized. Policy prescriptions based on overly simple answers to the question “What went wrong?” may avoid repeating recent history, but end up hamstringing the U.S. financial system and economy in equally damaging ways.

Today, I will set forth our view of the causes and progress of the global financial crisis, and the experience of Bank of America, and the companies it acquired, in that crisis. Really, we have seen four crises: (1) a mortgage crisis in the U.S. and abroad; (2) a capital markets crisis; (3) a global credit crisis; and (4) a severe global recession.

In my testimony, I will discuss each in turn, and also share what I saw as Bank of America’s experience in these crises. I will then outline some important lessons that banks and policymakers can learn from this history.

Mortgage Crisis
Background
The U.S. mortgage crisis originated with a dramatic expansion in the availability of mortgage credit, and substantially higher individual leverage, through subprime lending and aggressive mortgage terms. Lenders, prompted by lower interest rates, rapidly rising home prices, and large amounts of foreign investment capital seeking higher yields, made credit available to borrowers who could not previously have qualified for a mortgage or extended far more credit than proved to be prudent by departing from historical practice in several ways.
• Loans were made to people with poorer credit histories in greater amounts on the expectation that home values and economic fortunes would be stable or continue to rise – an expectation drawn from recent history.

• Lenders allowed borrowers to make very small down payments instead of the traditional 10 percent or 20 percent. Zero down-payment loans offered full leverage but provided no buffer in the event of home price depreciation. Lenders underestimated the power of a borrower’s personal equity in a loan in giving a borrower an incentive to repay. Furthermore, when home prices stopped rising and began declining in 2007, these smaller equity stakes made it easier for a borrower’s loan to go upside down (that is, for the mortgage principal to exceed the value of the home). Based on past experience and sophisticated modeling, lenders assumed borrowers would continue to make payments even when their loans were upside down. That assumption proved incorrect.

• Lenders made adjustable rate loans with low rates over the first years of the mortgage, thereby making it easier for the borrower to qualify for a larger loan. Lenders offering these “hybrid ARM” loans, and the borrowers who obtained them, believed that before the loan reset to a higher interest rate, the borrower’s circumstances would improve, the borrower would be able to refinance to a lower rate or the home could be sold to fully repay the loan. Again, traditional ARMs were not a new product, and prior history had shown this practice to be sound. These products, especially some versions of them, became vulnerable when a recession depressed borrower income growth, and significant home price depreciation foreclosed the refinancing and sales options.

• For prime consumers, with better credit histories, lenders marketed “stated income” or “low documentation” loans. These loans were attractive not only for borrowers who wanted prompt approval but also borrowers who were self-employed or had non-traditional financial profiles, and so did not have the tax records required for approval by traditional banks. These so-called “Alt-A” loans were eligible for guarantee by Fannie Mae and Freddie Mac, whose participation in the lending process also provided legitimacy to these products, so their volume grew quickly.

• Many non-traditional lenders became reliant on mortgage brokers, some of whom proved willing to originate loans without regard to the risks of the loans. Brokers had an incentive to “get the borrower through,” as the broker did not bear the risk of the loan. It simply was a volume issue for them at that point.

These features, and the resulting expansion in lending to a new class of borrowers, proved popular with consumers and also policymakers, who believed that the expansion in American homeownership was a very good development. No one involved in the housing system – lenders, rating agencies, investors, insurers, regulators or policy makers – foresaw a dramatic and rapid depreciation in home prices. When the nation did experience an unprecedented, national decline in home prices – the first since the Great Depression – which was coupled with a follow-on recession, many of these loans became unfavorable, the option of refinancing disappeared, and, as we will see, protections intended to protect investors in mortgage-related assets unraveled.

For lenders to make these loans, they required funding, and the capital markets provided such funding. Under an “originate to distribute” model, loans were packaged together and underwritten by investment banks, which worked with the rating agencies to structure the transactions and related enhancements, and obtain the all-important securities rating. To market the securities, underwriters required a favorable rating from the rating agencies. To protect investors’ returns and secure a more favorable rating, underwriters obtained insurance from monoline insurers, which promised to make up for any shortfall in the payment streams on the securities. The ratings agencies analyzed information they received about the credit attributes of the loans pooled into the securities, and ran models to determine the likelihood of default. The monoline insurers’ backstop, and their own evaluation of the securities, supported the structures. With the rating in place, mortgage-backed securities were eligible for sale to investors around the world. And at a time of low interest rates, these securities were an attractive option for investors chasing yield and willing to take greater risk. This model thus worked well at the time, as the success of the structures spurred demand for more mortgages to package and sell, encouraging lenders to expand credit still further.

Securitization is also a critical element of our modern capital markets system and is not inherently unsound. The securitization market permits diversification and spreading of risk more effectively. Furthermore, it allowed lenders to reduce the risk of holding mortgages. Risk-based capital requirements gave federally regulated banks an incentive to shed mortgage assets. But the originate-to-distribute model also reduced the
incentives for some lenders to apply as strict credit underwriting standards for securitized loans than they may have applied if they were required to hold and service those loans in portfolio, in essence tailoring the yield and related risks to meet investor demand. Similarly, there are many consumers for whom adjustable-rate mortgages can make sense. And for banks, they reduce interest-rate risk, and therefore can permit more favorable pricing for consumers. But particularly for subprime borrowers, these ARMs fared poorly in the midst of a housing crisis. The brokers and lenders who sold these loans to consumers in many cases were state licensed and we now know under-supervised. And while some broker and lender practices drew (deserved) criticism, the general push towards expanding homeownership was applauded. The largest lender was Ameriquest, a California non-bank company. Ameriquest sponsored the Super Bowl in 2004; the Texas Rangers played at Ameriquest field; the company’s motto was “proud sponsor of the American dream.” While that boast seems ironic in hindsight, it made sense at a time when increased homeownership rates had been official national policy for years. Both government leaders and consumer advocacy organization had long pressed lenders to find ways to expand their lending criteria and thereby increase homeownership rates among traditionally disadvantaged communities. In addition, many monoline lenders decided to fund with deposits and obtained a bank charter to do so. This has produced substantial losses to the FDIC’s deposit insurance fund, which has to be replenished by surviving banks. It did not have to be this way. Bank of America stopped subprime origination in 2001. Our decision to exit subprime lending was made after a careful analysis that indicated that financial returns in this line of business did not cover the operating costs and the risk of defaults in periods of economic stress. (We continued, though, to serve low- and moderate-income borrowers through traditional products, as part of our longstanding commitment to affordable lending.) Other federally supervised banks generally never entered or eventually moved away from subprime, or were moved away by the Comptroller of the Currency and other federal regulators. For example, they insisted that insured banks consider the fully indexed rate in underwriting ARMs. So, at the height of the subprime mortgage boom in 2003, none of the top 10 subprime mortgage lenders was a national bank, and only two were insured, and thus federally supervised, thrift institutions. That is not to say we at Bank of America made no mistakes. As borrowers sought to monetize the equity in their homes, we expanded our position to become a leading provider of prime second mortgages. We assumed that payment patterns for second mortgages would mirror past payment patterns for first mortgages. Instead, as home values fell unexpectedly, second mortgages in many cases behaved more like unsecured credit, and we suffered severe losses on these portfolios. Part of the losses that many prime lenders suffered came from speculation by prime borrowers. It is worth noting that home purchases for investment, not for shelter, increased from a historical average of 3-4% of the total residential market to a high of 28% in 2006. More than a quarter of all home purchases (single family and condo) were homes for investment purposes. In other words, housing became, like tech stocks in the late 1990s, the subject of a speculative bubble. But because housing investments were more heavily leveraged for consumers (through lower down-payments and adjustable payments) and for investors (through structured finance), the bursting of the housing bubble had far more serious systemic consequences. Onset of crisis The mortgage crisis began with the slowing of home price appreciation, which eventually turned into the first national depreciation in housing values in roughly 80 years. Customer defaults caused the failure of subprime lenders. On February 7, 2007 (more than a year before the failure of Bear, Stearns), New Century, one of the largest subprime lenders, announced a massive restatement that reduced its market cap by a third. Other subprime lenders like NovaStar began announcing losses or increases to their provisions for loan losses. New Century filed for bankruptcy on April 2, 2007, and American Home followed suit on August 6. On June 7, Bear Stearns was forced to suspend redemptions from one of its two large hedge funds invested in subprime and Alt A mortgages, liquidating those funds a month later. In August 2007, evidence of a global mortgage crisis came through Northern Rock, a British savings bank that had acquired significant subprime mortgage assets was effectively nationalized by the Bank of England as a result of a run on its deposits. The subprime dominoes continued to fall over the next year, with thrifts such as Indy Mac and Washington Mutual failing, and Wachovia apparently being damaged largely as a result of the activities of Golden West Financial Corp., which it acquired in 2006.
At Bank of America, our primary window into the mortgage crisis came through acquisition of Countrywide, announced January 11, 2008. We purchased Countrywide in an all-stock transaction originally valued at $4 billion but eventually settled for less. It is easy to forget that Countrywide began as a fixed-rate lender. It then found that California finance companies and thrifts were offering novel products on easier terms and made the business judgment to expand its product line to appeal to an expanded population of borrowers that the secondary mortgage market was eager to finance. Countrywide was both state-licensed and federally insured and regulated. It did suffer serious losses, and ultimately was acquired, when home prices severely depreciated. But Countrywide did not fail or impose any losses on the FDIC; we made the acquisition without any government backstop. The Countrywide acquisition has positioned the bank in the mortgage business on a scale it had not previously achieved. There have been losses, and lawsuits, from the legacy Countrywide operation, but we are looking forward. We acquired the best mortgage servicing platform in the country, and a terrific sales force. I should also note that Bank of America Home Loans completed during 2009 over 440,000 mortgage modifications, 290,000 under its own programs and 150,000 under the Treasury Department’s HAMP program.

Capital Markets Crisis
The second crisis came at investment banks, which had not only underwritten mortgages (in some cases, owning subprime companies) but also retained significant amounts of their risk, by holding and providing backup liquidity for CDOs. This is a point worth emphasizing, because many have suggested that investment banks duped investors into investing in bad mortgage-backed securities; to the contrary, those that failed did so precisely because they thought these were good securities, and retained for themselves substantial amounts of the exposure they presented, and suffered large losses on those retained interests. Securitization structures developed by investment banks took all of the risks of a subprime loan and multiplied them, by leveraging that asset. Thus, in a typical CDO, or collateralized debt obligation, lower tranches of mortgage-backed securities would be pooled, and the payment stream from those mortgage-backed securities assigned different priorities, with different tranches of the CDO receiving different rights to payments. The least risky tranches, those with first claim on interest payments and eventual principal repayment, were highly rated by the rating agencies, and held by pension funds and other risk-averse investors. Higher risk yet higher yielding tranches tended to go to hedge funds, or were retained by the underwriting bank. Over time, “CDO squared” structures were created, whereby lower-rated tranches of existing CDOs were repackaged and were able to obtain a higher rating than any of the individual tranches would alone. This leveraged structure also caused the consolidation of risk in a large pool of assets into a single class of securities. While the theory was that diversification meant that, say, ten BBB tranches combined would behave like a AA-rated security, events showed that ten BBB-rated CDO tranches combined would behave under economic stress like a BBB-rated security, which is to say worse. In many cases, banks provided liquidity facilities to the investors whereby the banks retained substantial risk. The underlying asset classes were not just subprime residential mortgage loans. In many cases, the asset classes were mixed for diversification purposes. At the time, great effort was put into structuring transactions that met the criteria to achieve the quality for the various securities ratings and would qualify for the applicable insurance wraps. This structuring, in large part, was grounded in how such asset classes had performed in historical periods of economic stress.

The risks of mortgage securities were further spread by the use of structured investment vehicles, or SIVs. These were considered independent entities for regulatory and bankruptcy purposes; they were self-funding and intended to be perpetual. A part of their funding generally came from commercial paper, an instrument with a maturity of less than a year, and generally priced close to LIBOR. The remainder generally came from other forms of term debt. The SIVs used this funding to purchase long-term assets such as mortgaged-backed securities, auto-backed securities and credit-card-backed securities. This structure allowed SIVs to “borrow short and lend long,” as the rating agencies considered the underlying assets to be of high quality and therefore gave high ratings to the paper and other debt issued by the SIV. To protect the structure, market rating-based triggers were inserted that required the SIV to sell assets if the underlying collateral were downgraded. In effect, SIVs represented maturity arbitrage, funding higher interest rate long-term assets with lower interest rate short-term liabilities. A liquidity crisis in the SIVs began in mid-2007 and caused a very serious disruption to the commercial paper market (and the money market) that continued through 2008. The impact was not limited to financial services firms but also included commercial firms. Along with JP Morgan Chase and Citigroup, Bank of America (which had not sponsored any SIVs) worked with the Treasury Department to develop a Master
Liquidity Enhancement Conduit (M-LEC), basically a super-SIV, to purchase assets from existing SIVs, supply a new liquidity facility, and refinance those assets. Most sponsors of SIVs ultimately decided that the most prudent course was to avoid fire sales (caused by market triggers in illiquid markets) and rescue investors by bringing those assets onto their balance sheets and funding them, however, thereby mooting the need for M-LEC. Several independent SIVs ultimately were liquidated.

By investing in CDOs, SIV paper, and other instruments they created, investment banks, hedge funds, and asset management firms made the same basic assumption as many consumers: They believed that home prices would continue to appreciate, and therefore they believed that these CDO and SIV structures were sound and that the risks of subprime lending were manageable in what was perceived to be a strong economic environment. These investment vehicles were structured to be able to absorb an historical stress level—not an abnormally rosy forecast. This belief was supported, and the sale of these securities to a wide range of investors made possible, by the rating agencies, which reviewed and rated each structure, and insurers, who in many cases offered protection against losses. Investors, mostly sophisticated institutions, discounted the risks inherent in subprime lending, and over-relied on the structures (including credit enhancements and the protection of market triggers) and ratings of the securities they negotiated and purchased. (As we will see, investors included money market funds, which added an additional level of complexity and potential contagion to the system.)

The rapid decrease in the value of mortgage-related assets had particularly significant consequences for investment banks because of their funding structure. First, they operated with extraordinary leverage, 30 to 1 or sometimes considerably more. In other words, a million dollars in CDOs on their balance sheet was funded by only $33,000 in capital, with the remainder borrowed against that asset. Second, they funded themselves largely on a daily basis, which meant that they relied on the confidence of the markets to survive on a daily basis. Third, they funded themselves to a significant extent with repos backed by other trading assets—meaning that if the market lost confidence in those assets on any given day, funding would no longer be available, and assets would have to be sold. While efficient in good times, this structure was susceptible to a liquidity crisis in bad times.

For perspective, contrast this model to the one required of bank holding companies. Our leverage was capped by Federal Reserve regulations at around 16 to 1. Because of the longer-term nature of our assets (primarily loans), we funded ourselves with debt of longer-dated maturity; substantial amounts of our debt did not come due every day. And we hold a large base of stable insured deposits. Finally, in the event of a crisis in confidence, we and other commercial banks have access to the Federal Reserve’s discount window, where we can pledge high quality assets and be assured of funding. (After the failure of Bear Stearns, the Federal Reserve granted discount window access to all investment banks for the first time since its founding in 1913; after the failure of Lehman Brothers, the Federal Reserve on an emergency basis granted applications from Morgan Stanley and Goldman Sachs to become bank holding companies.)

While leverage was a crucial factor, numerous other causes combined to produce cascading and catastrophic losses for investment banks. As with gunpowder, a variety of elements that were benign in isolation became combustible when combined under stress:

- Credit default swaps (CDS) were basically insurance policies underwritten against a default in the financial markets. That default often was the failure of an institution. While originally used as counterparty insurance, they became a highly efficient way to short an institution—that is, by entering into a swap where one paid a relatively small premium but would receive a large payout on failure—and do so in a way that was overt and potential self-fulfilling. The reporting of spreads in CDS acted as a daily confidence score, and as spreads widened, the underlying stocks fell in price, liquidity dried up, and further damage was done. CDS markets were illiquid and therefore susceptible to large swings when trading moved in only one direction.
- Mark-to-market accounting has considerable virtues, but works best in a liquid, stable market when the asset to be valued is actively traded. Alternatively, when there is no market at all, accounting rules permit the holder to use cash-flow valuations in lieu of market prices. Mark-to-market accounting presents problems when there is panic selling, and firms feel they must mark their portfolios to those deflated market prices. CDOs and many other fixed-income instruments became illiquid, and became even more illiquid as the crisis progressed. Margin calls and liquidity pressures at investment banks forced them to sell at any price—generally, a very low, fire sale price. Once a fire sale price had been established, other institutions felt the need to mark their corresponding assets down to that price, triggering further margin calls, further sales, and further
drops in prices. The market began to anticipate this downward cycle, and question companies or structures that would become subject to it, in a self-fulfilling prophecy.

- As asset prices fell, CDS spreads for affected institutions ballooned, as did traditional short-selling, using borrowed shares of the institution’s stock. Short sellers had an additional, potent vehicle to speculate in rumors of further trouble and foment broader talk of crisis.
- Finally, just as high ratings from the rating agencies had enabled and accelerated the marketing and sale of securitized assets, so did ratings downgrades accelerate their implosion. Many investors, such as pension funds, asset management funds and mutual fund companies were required to hold only investment-grade assets – with an investment-grade rating from a rating agency being the sole definition of “investment grade” – so downgrades became a legally mandated run on the affected instrument or institution.
- Furthermore, monoline insurers had expanded their business to insure CDOs, mortgage securities and other securities, but did so with little consideration of the risks inherent in the business and failed to establish adequate capital reserves to weather a housing collapse. As the securities they had insured began to lose value in an illiquid market following the collapse of home prices, these insurers suffered ratings downgrades, beginning in January 2008. This caused downgrades of the structures they insured, and the system was further destabilized.

Before closing this chapter of the crisis, I should say a word about Bank of America’s experience. At Bank of America Securities, our sales and trading division, trading account losses were $5.9 billion in 2008, driven by losses related to CDO exposure and the continuing impact of the market disruptions. These losses were significant, but not debilitating, and we never experienced a liquidity crisis.

Of course, for us the greatest risk came from our acquisition of Merrill Lynch. We announced the acquisition of Merrill Lynch in an all-stock deal on September 15, 2008. The details of that transaction and its negotiation are widely known, but suffice it to say that as losses at Merrill Lynch accelerated in mid-December 2008 due to an unexpected downturn in market conditions, Bank of America grew concerned and considered abandoning the transaction and not proceeding to close; after discussions regarding government support for the transaction, the acquisition closed on January 1, 2009.

Bank of America’s acquisition of Merrill Lynch is proving a success. First, the acquisition has provided benefits to Bank of America customers. A stable Merrill Lynch could get back to the business of providing its services to customers. Second, a stable Bank of America-Merrill Lynch has provided valuable earnings to the company at a time of high losses in consumer lending. Finally, the taxpayers have also benefited – from a stronger financial system, and more directly from the financial return they received from the investment.

**Global Credit Crisis**

The financial crisis spread far beyond the investment banks that underwrote and held mortgage-backed securities, destabilizing financial institutions and non-financial corporations across the globe that had nothing to do with the U.S. mortgage market. Note that the global credit crisis did not neatly follow the investment banking crisis in turn; they overlapped in time and reinforced each other.

Widespread credit disruptions began after BNP Paribas suspended redemptions on three investment funds on August 9, 2007, and credit markets were highly unsettled for the rest of 2007 and 2008. Also, over time, those like AIG who collected the premiums on CDS began to face the prospect of having to pay on the insurance, undermining investor confidence in those firms.

Another large risk to the system came from money market funds, which held trillions of dollars in commercial and personal cash, and were viewed as riskless as to principal. Some funds, in an attempt to pay a higher yield, had invested in entities holding mortgage-related assets, including SIVS, and also had exposure to financial obligations on commercial paper. Those funds began experiencing losses that created the risk of eating into principal, and pushing the net asset value of the funds below the traditional $1 per share. Nervous investors began to flee such funds, forcing the funds to sell assets to fund redemptions; these sales further depressed prices in those assets.

These problems on the liability side of money market funds created more significant problems on the asset side. Money market funds were the dominant purchasers of commercial paper – basically short-term debt – issued by American corporations of all type. As money market funds were forced to shrink their assets, the demand for corporate paper shrank.

Between 2007 and 2009, numerous fund managers, including Bank of America, supported their cash funds, purchasing illiquid assets and providing support for these funds. We provided more than $2.1 billion in
support to our funds. But problems continued, as investors began to fear that money market funds would not be able to sustain a net asset value of $1 per share. As a result investors redeemed their shares in those funds and shifted their assets to money market funds that held treasuries or to bank deposits.

For financial markets, September 2008 was a very scary time, and the closest the system came to collapse. On September 15, Lehman Brothers failed, and Merrill Lynch was acquired by Bank of America. On September 16, the Federal Reserve announced a facility to lend AIG up to $85 billion, in recognition that it was on the brink of failure and that such a failure would have seismic consequences, given its role in the CDS market, among others.

And also on September 16, the net asset value of the Reserve Primary Money Fund fell below $1, also known as “breaking the buck.” This development had immediate and serious consequences, as investors accelerated their flight from money market funds, provoking a funding crisis for corporate America. While much attention has been focused on the TARP investment made by the Treasury Department, I believe other actions, which are far less known, were at least as significant in terms of stabilizing the system. For by September 2008, the issue was a full liquidity crisis.

- On September 14, the Federal Reserve Bank of New York expanded the collateral eligible for pledging to its Primary Dealer Credit Facility.
- On September 19, the Treasury Department announced that it would guarantee investments in money market mutual funds, in return for a fee paid by the fund sponsor.
- On September 19, the Federal Reserve announced the creation of its Asset-backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) to fund bank purchases of asset-backed commercial paper from money market funds.
- On September 21, the Federal Reserve approved applications by Goldman Sachs and Morgan Stanley to become bank holding companies.

As noted, in November, Treasury injected preferred stock into the nation’s largest 19 largest banks through the Troubled Asset Relief Program, or TARP – a decision that will be debated for a generation. We believe the creation of the TARP was an important step to restore confidence in our financial and prevent systemic consequences that would have affected every company and individual in the country. We in the financial services industry are humbled that such support was needed, and grateful that it was provided. These actions were critical to restoring liquidity and restoring confidence in the financial system.

Recession

Finally, we have endured a severe recession. While some would say that the financial crisis caused the recession, I think the causal relationship is more complicated. U.S. economic growth in the 2000s was funded to a large extent by home price appreciation, and the ability of homeowners to leverage equity in their homes for consumer spending. Home price appreciation meant more room for spending. Home price appreciation fed on itself, and was assisted by low interest rates and the expectation of continued low interest rates. As a result, homeownership levels rose to historically unprecedented levels, as did the percentage of Americans’ wealth held in their homes. And so did the number of people whose job depended on home construction. When prices unexpectedly stalled and then began to collapse, there was not only an investment banking crisis and ultimately a credit crisis, but as an economic matter, an important source of consumer spending and an important source of American jobs were cut off.

The financial crisis had a significant impact on the economy. Disruptions in the commercial paper market for businesses abruptly curtailed liquidity for many institutions and for others made them leery of borrowing for investment, and more likely to hold retained earnings as liquidity rather than reinvesting them in the business. Financial firms, weakened and facing higher capital requirements, have been less able to lend at low rates. As the recession deepened, the impact on individual consumers became increasingly severe.

For Bank of America, the greatest losses over the past year have come in our non-mortgage businesses. We have lost more than $4.3 billion on credit card and other unsecured loans through the first nine months of 2009 – far more than we have lost on trading in mortgages or leveraged loans, but a direct reflection of the crisis experienced by consumers. Our losses are directly linked to the rising unemployment and decreased economic activity that has reduced personal incomes for American consumers.

Lessons Learned

About Banking

We as bankers have learned some hard lessons from the recent financial crisis. First and foremost is humility: at its core, our job is to manage risk, but many banks made business judgments that managed risk poorly. But there were more discrete lessons as well.
• Credit must start with sound underwriting, and rating agencies are no substitute for quality loan officers and diligent and independent risk analysts. Credit underwriting must reflect the risks created by too much consumer leverage, which was apparent in this crisis. Underwriting should include not just a focus on the borrower, but also consideration of macro factors and, yes, we must strive to identify “bubbles” and understand their impact on borrower performance under stress.

• Leverage matters. For institutions, leverage is a potential source of instability. In retrospect, it is difficult to understand how markets and regulators could tolerate leverage of 40-1 or even 60-1 in our largest investment banks. For consumers, leverage matters too, as it is the basis for sound underwriting. An economy built on spending or speculation cannot be as stable as one built on production.

• Liquidity matters just as much. Liquidity allows an institution to meet margin calls, fund redemptions, or pay depositors without having to sell illiquid assets. We carefully monitor a measure of how long we could operate without access to market funding. That said, the banking industry is one for confidence, and there is no substitute for the discount window in the event of a crisis, when creditors become highly risk averse and even irrational. The costs of foregoing that option – basically, the elimination of any leverage – would have devastating and ongoing consequences for future economic growth and consumer welfare. Finding the right balance here, or the right capital levels to avoid overly constraining economic growth is critical.

Liquidity matters in another way as well. Products like CDOs carry liquidity risk as well, and we have learned that such risk needs to be considered right along with credit risk. We cannot assume that products or structures will continue to behave in a crisis the way they have behaved in good times.

• Simplicity in financial products is a virtue. Investors, borrowers and bankers need to ensure that we all understand the risks inherent in loan products so all parties can make sound decisions based on those risks.

• Monoline businesses come with significant risks. For the second time in a generation we have watched the demise of the thrift industry (this time accompanied by the death of the mortgage GSE industry), with enormous costs to the taxpayer. Monoline investment banks fared no better. Not all universal banks did well, but as a group they did much better.

• Compensation incentives are important and must better match the duration of the risk taken to produce a profit. At Bank of America, we have made changes along these lines.

• The system is interconnected in ways that are difficult to foresee. In stress testing or in basic risk analysis, we must consider the possibility that risks that appear independent may well be correlated.

About Regulation
We have also learned some vital lessons about regulation of financial activities.

First, we cannot allow regulatory arbitrage, as capital will flow where it can be leveraged the most, and the worst practices will occur where there is least risk of detection.

• Subprime mortgage origination gravitated to unsupervised, state-licensed brokers and lenders.

• Independent investment banks maintained three to four times the leverage of bank holding companies.

• Mortgage risk became concentrated in GSEs whose capital requirements were a fraction of that of commercial banks, which (along with federally subsidized debt issuance) made them the low-cost holder of mortgages and concentrated risk in them.

Second, static measures of bank capital are limited in their utility. We have known for some time that capital is a lagging indicator of problems, as it is depleted only after the losses occur. For sophisticated banks, ongoing stress testing is an equally important method of assessing capital adequacy.

Third, as noted, there will always be need for a government liquidity backstop in case of a crisis.

Fourth, capital is important, and the leverage of investment banks was untenable. While requirements of 16 to 1 for bank holding companies may have been closer to the ballpark, bank holding companies should and undoubtedly will hold more capital going forward, even as we work to deploy capital wisely to drive economic growth.

Fifth, current accounting rules are pro-cyclical and extremely unwise. One example is loan loss reserves. Reserves function like capital in the sense that they protect debt holders and ultimately taxpayers from loss. Any rational policy would encourage banks to build reserves during good times and draw them down in bad times.

Stephanie Williams 2/20/10 12:00 PM
Comment: Lessons learned, first and foremost, humility: our job is to manage risk, but many banks managed risk poorly.
Accounting rules, however, allow banks to build reserves only to cover losses expected over the short term, and prohibit banks from building more than immediately necessary. The concern is that reserves will be used as a general reserve to smooth earnings. Thus, banks are prohibited from building reserves in good times and required to build them in bad times, when the markets make it most difficult to do so. The easy compromise is for banks to hold extra reserves, but clearly and fully disclose what is extra and what is forecast to be necessary.

Sixth, rules for resolving complex financial institutions must be clear, and globally consistent. We ultimately will need cross-border agreements on what jurisdiction has first claim on what assets.

Seventh, while clear rules are important, there must be flexibility in any resolution regime, as we can never write rules on liquidity or resolution that will cover every crisis, and cannot have a Lehman-like situation where the regulators conclude they do not have the power to do what they believe is in the best interest of the system, and ultimately the economy.

Eighth, it would be helpful to have a systemic risk regulator, but we should not overestimate the ability of government officials to anticipate and correct systemic problems. CDS, the combination of mark-to-market and short selling – very few in the markets foresaw these and other problems. Rather than trying to spot black swans, regulatory efforts may be more constructively directed at developing systems to prevent any crisis from metastasizing.

Ninth, too-big-to-fail is a legitimate problem, but not well understood and somewhat overstated. Obviously, I am somewhat biased on this front, as Bank of America will be on anyone’s list of TBTF institutions. But some of the proposals seem to be contrary to what we have just learned. The institutions that effectively opted out of the Gramm-Leach Bliley Act’s repeal of Glass-Steagall and remained monoline investment banks (or mortgage lenders) are the ones that failed: Bear, Lehman, WaMu, Wachovia (which had a capital markets business but ultimately was brought down by Golden West, a thrift). J.P. Morgan Chase was relatively healthy and acquired Washington Mutual and Bear Stearns; we were relatively healthy and acquired Countrywide and Merrill Lynch. Those arguing for a return of Glass-Steagall are effectively arguing that Bear Stearns was a more stable entity than JP Morgan Chase. I don’t see how that is tenable. Bank holding companies clearly proved the most durable structure in the current crisis. Indeed, one could argue persuasively that the mistake in Gramm-Leach-Bliley was in not requiring investment banks to affiliate with banks and become regulated bank holding companies.

And this is just one side of the equation. The other is: what structure serves American businesses, and ultimately the American consumer and economy, better: financial firms able to offer an integrated suite of financing options, or balkanized firms that do not? We believe that a company looking to choose among loans, debt financing, and equity underwriting options is best served by having each firm able to offer all of those options.

To develop sound policies, I believe we need to go carefully examine the policy questions behind the acronym “TBTF.” I can think of three:

1. The initial concern is that TBTF creates moral hazard, as large banks can leverage themselves unduly given that markets are willing to lend on non-market terms, on the assumption they will be bailed out. This is a legitimate concern, and justifies capital and liquidity requirements to restrain the ability to operate with greater leverage and less liquidity than the market would ordinarily require.

2. It is also worth noting, though, that the moral hazard here, while certainly existent, is not terribly distorting. Obviously, the inability banks during the recent crisis to issue bank debt of any tenor longer than overnight shows investors they did not take a lot of comfort from TBTF – and this was after bondholders at Bear had been bailed out. CDS prices continue to indicate real risk to investors in large banks. Large bank debt pricing is extremely sensitive – one might even say unduly sensitive -- to ratings – something one wouldn’t expect if the markets were assuming TBTF.

3. The second concern is that taxpayers will lose money when a TBTF institution is bailed out. Here, at least for the banking industry, recent history is comforting. Bank of America alone has paid $2.73 billion in dividends, and none of the original nine TARP banks has imposed any losses on taxpayers. Those same nine large banks have paid tens of billions of dollars in special assessments to pay for the resolution costs of small banks. We certainly appreciate the assistance we received and are pleased that we’ve been able to pay it back in full with interest.

Finally, we need to consider the downside of debilitating larger financial firms, by requiring them to shed economies of scale or permitting them to service only part of a corporate customer’s needs. It is worth reminding ourselves that the U.S. has the most banks of any country in the world, and the smallest concentration of assets in its largest banks. All other major countries allow the affiliation of bank lending
with underwriting and dealing in securities. This is no accident, as there is considerable evidence, in no
way inconsistent with the recent crisis, that there are economies of scale in banking, and that corporations
seeking financing prefer an integrated model. In an increasingly global environment, our major competitors
for any corporate assignment include foreign banks, and we need to ensure that the U.S. financial services
system – and in our case, the approximately 300,000 associates employed by Bank of America – are able to
compete for that business.
There is of course a ready, though not simple alternative to shrinking or under-leveraging our strongest
financial institutions. And that starts with recognizing that “interconnectedness” and not “bigness” is what
led to the need for taxpayer bailouts. Washington Mutual was an extraordinarily large institution, and
resolved in due course. AIG did not receive what may prove to be, along with Fannie Mae and Freddie
Mac, the most expensive bailout to American taxpayers because of the large asset size of its insurance
divisions; it received the bailout because of the counterparty credit risks imposed by its far smaller financial
products division.
We can do much to diminish the risks and distortions of too big to fail by carefully considering issues like
resolution and liquidity and the potential for products like CDS to increase contagion risk. I hope this
Commission will be an important part of that work.
Thank you again for the opportunity to express my opinions on this important subject. I look forward to
answering any questions the Commission might have.
Appendix B
Bank of America’s Initial Coding Results

Initial Coding Findings (Bank of America news releases and speeches)

1. Provides multiple explanations, multiple times for the causes of the economic and financial crisis. Openly states we are in a recession. Admits quarters have been the most challenging periods in history.
2. Reaffirms Company’s commitment to its business model and strategy.
3. Expresses disappointment in performance and results. Suggests situation continues to get worse.
4. Provides reasons for the disappointing results; reports primary factors reducing earnings. Faults the weakness in the economy.
5. Expresses confidence that they are dong the right thing and taking the right steps. Explains why it is important to be confident (“confidence is an important asset during difficult times”).
6. Shows continuous concern about the health of the economy. Acknowledges uncertainty and volatility of the markets. Admits that we can’t predict the future.
7. Focuses on the positives/optimistic (i.e., our earnings power from core business is strong and growing; continue to bring innovative products to market).
8. Uses forward-looking statements/focuses on the future (“despite the slowing economy, we plan to invest for future growth”). Describes as a positive step forward. (“We will emerge even stronger when the cycle turns.”)
9. Reassures stakeholders’ confidence that steps have been taken to strengthen the company’s position in the current economic environment.
10. Reassures that they are continuing to lend, but explains that lending practices are evolving to reflect different mortgage environment. Reassures customers that BoFA continues to do business actively.
11. Explains importance of offering trust and integrity to customers, associates and shareholders. Need to focus on client needs to help them succeed in the future.
12. Explains how the U.S. government has helped the company (TARP) and the actions the company will take to help strengthen the company and continue to do business that supports the U.S. economy and creates future value for shareholders.
13. Focuses on a need for increased clarity and transparency and using ‘plain language’ to explain things to customers (“need to improve communications across the enterprise”). Increasing transparency and improving risk management will enable firms to effectively restore trust and confidence. Need for transparent, accurate and timely information.
Appendix B (continued)

Bank of America’s Initial Coding Results

14. Accepts shared responsibility in attributing to the economic crisis (“and we helped them along the way”).
15. Accepts shared responsibility in improving the current situation; pledges to help revive the nation’s economy. Accepts responsibility to make good on taxpayer investment and repay the TARP. Helping to revive the nation’s economy.
16. Accepts responsibility to take a strong leadership role in addressing the ongoing crisis and find ways to assist through the creation of new initiatives. (“Homeowners trust BofA as a leader that can renew America’s confidence in homeownership.”)
17. Addresses nation’s ongoing mortgage foreclosure crisis. Purports that foreclosures have a devastating effect on families and communities.
18. Uses surveys and their findings to assess public/investors’ confidence levels and perception about the economic crisis (“reports find that there is increased optimism” and “global optimism has not spread everywhere”).
19. Reinforces heightened need for companies to reassure clients and focus on increased transparency and simplicity.
20. Reaffirms commitment to responsible lending; working to improve the economy and provide consumers with the relief they need during difficult times. Despite critical time in America’s recovery, BofA stayed true to commitment to support economic recovery and lend responsibly.
21. Outlines the company’s progress in driving economic progress through 10 key areas.
22. Delivers on a commitment to provide greater transparency into the company’s lending and investing efforts (i.e., Clarity Commitment and Lending and Investing Initiative Quarterly Report).
23. Hopeful, cautiously optimistic about a slow, steady recovery and thinks the pessimism bubble will finally burst in 2010. Nervous, but still optimistic.
24. Reports survey results that indicate investors are looking forward to 2010 as a year of moderate economic growth.
25. Confident about the company’s position to weather the storm. (i.e., “BofA is positioned better than any other financial services company” and “we are a leader” and “as the largest bank, we are in the best position” and “BofA was built to withstand and succeed in times like these”).
26. Ethics—it’s not just about what we achieve, it’s about how we achieve it. Increased emphasis on codes of ethics.
27. Communicates plans to reduce workforce and details plans to eliminate a “significant” number of positions due to the merger and weak economic environment.
# Appendix C

## Strategic Ambiguity Matrix

<table>
<thead>
<tr>
<th>Matrix of Eisenberg's (1984) Elements of Strategic Ambiguity and Findings from Banking Institutions External Communications</th>
<th>Promotes unified diversity</th>
<th>Facilitates organizational change</th>
<th>Preserves future options</th>
<th>Preserves privileged positions</th>
<th>Amplifies existing source attributes</th>
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</thead>
<tbody>
<tr>
<td>Reiterates multiple re-plans for causes of the economic crisis.</td>
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<tr>
<td>Reaffirms company’s commitment to its business model and strategy.</td>
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<tr>
<td>Expresses disappointment in performance and results.</td>
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<td>Exhales confidence that they are taking the right steps and doing the right thing to strengthen the company’s position in the current economic environment.</td>
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<td>Shares unclassified concerns about the health of the economy by acknowledging uncertainty and volatility in the markets.</td>
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<td>Focuses on the positives and remains cautiously optimistic and hopeful about the future of the company once the recession is over.</td>
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<td>Reassures they are continuing to lend responsibly but explains that lending practices reflect a different mortgage environment.</td>
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<td>Expresses the importance of focusing on client and customer needs and offering flexible and creative thinking to help the bank succeed in the future.</td>
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<tr>
<td>Explains how the U.S. government has helped the company (TARP) and the actions taken to help strengthen the company and continue to do business that supports the U.S. economy and creates future value for shareholders.</td>
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<tr>
<td>Focuses on a need for increased clarity and transparency and using ‘plain language’ to communicate with customers.</td>
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<tr>
<td>Accepts shared responsibility in attributing to the economic crisis.</td>
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<tr>
<td>Accepts shared responsibility in improving the current situation and pledges to help rescue this nation’s economy through various initiatives.</td>
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<tr>
<td>Uses surveys and their findings to assess public/investors’ confidence levels and perception of the economic environment.</td>
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<tr>
<td>Expresses confidence about the company’s ability to “weather the storm” and come out better positioned than they were before the crisis.</td>
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<tr>
<td>Discusses ethical implications of actions saying it’s not just about what we achieve, it’s about how we achieve it.</td>
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<tr>
<td>Recognizes employees/colleagues’ commitment and efforts through an enormously disruptive and distracting period. Communicates plans to reduce workforce and details plans to eliminate a significant number of должников.</td>
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Appendices D—F

Citi Group, Inc.’s Coding Results

Wachovia’s Coding Results

Wells Fargo’s Coding Results
Initial Coding Findings (BofA news releases and speeches)

1. Provides multiple explanations, multiple times for the causes of the economic and financial crisis. Openly states we are in a recession. Admits quarters have been the most challenging periods in history.

2. Reaffirms company’s commitment to its business model and strategy. Expresses disappointment in performance and results. Suggests situation continues to get worse. Disappointing qtr. well below our expectations.

3. Provides reasons for the disappointing results; reports primary factors reducing earnings. Faults the weakness in the economy.

4. Expresses confidence that they are doing the right thing and taking the right steps. Explains why it is important to be confident (“confidence is an important asset during difficult times”). Optimistic that a turnaround of Citigroup will be beyond these 2 factors, revenue and volume cont. to grow strongly.

5. Focuses on the positives/optimistic (i.e., our earnings power from core business is strong and growing; continue to bring innovative products to market). Many of our businesses performed well this qtr./volumes cont. to grow strongly.

6. Shows continuous concern about the health of the economy. Acknowledges uncertainty and volatility of the markets. Admits that we can’t predict the future.

7. Uses forward-looking statements/focuses on the future (“despite the slowing economy, we plan to invest for future growth”). Describes as a positive step forward. (“We will emerge even stronger when the cycle turns.”)

8. Reassures stakeholders’ confidence that steps have been taken to strengthen the company’s position in the current economic environment.

9. Reassures that they are continuing to lend, but explains that lending practices are evolving to reflect different mortgage environment. Reassures customers that BofA continues to do business actively.

10. Explains importance of offering trust and integrity to customers, associates and shareholders. Need to focus on client needs to help them succeed in the future.

11. Explains how the U.S. government has helped the company (TARP) and the actions the company will take to help strengthen the company and continue to do business that supports the U.S. economy and creates future value for shareholders.

12. Focuses on a need for increased clarity and transparency and using ‘plain language’ to explain things to customers (“need to improve communications across the enterprise”). Increasing transparency and improving risk management will enable firms to effectively restore trust and confidence. Need for transparent, accurate and timely information.

13. Accepts shared responsibility in attributing to the economic crisis (“and we helped them along the way”).

14. Accepts shared responsibility in improving the current situation; pledges to help revive the nation’s economy. Accepts responsibility to make good on taxpayer investment and repay the TARP. Helping to revive the nation’s economy.

15. Committed to streamlining our bus. & providing outstanding banking service – cont. to focus on opps. that will further enhance the company’s overall position & value.
Citi has stepped up its efforts to assist its customers through increased staffing and enhanced programs. Economic responsibility to contribute to America's future.

16. Accepts responsibility to take a strong leadership role in addressing the ongoing crisis and find ways to assist through the creation of new initiatives. (“Homeowners trust BoFA as a leader that can renew America’s confidence in homeownership.”)

17. Addresses nation’s ongoing mortgage foreclosure crisis. Purports that foreclosures have a devastating effect on families and communities.

18. Uses surveys and their findings to assess public/investors’ confidence levels and perception about the economic crisis (“reports find that there is increased optimism” and “global optimism has not spread everywhere”).

19. Reinforces heightened need for companies to reassure clients and focus on increased transparency and simplicity.

20. Reaffirms commitment to responsible lending: working to improve the economy and provide consumers with the relief they need during difficult times. Despite critical time in America’s recovery, BoFA stayed true to commitment to support economic recovery and lend responsibly.

21. Outlines the company’s progress in driving economic progress through 10 key areas. **TARP Progress Report—what Citi is doing**

22. Delivers on a commitment to provide greater transparency into the company’s lending and investing efforts (i.e., Clarity Commitment and Lending and Investing Initiative Quarterly Report). **TARP Progress Report**

23. Hopeful, cautiously optimistic about a slow, steady recovery and thinks the pessimism bubble will finally burst in 2010. Nervous, but still optimistic.

24. Reports survey results that indicate investors are looking forward to 2010 as a year of moderate economic growth.

25. Confident about the company’s position to weather the storm. (i.e., “BoFA is positioned better than any other financial services company” and “we are a leader” and “as the largest bank, we are in the best position” and “BoFA was built to withstand and succeed in times like these”).

26. Ethics—it’s not just about what we achieve, it’s about how we achieve it. Increased emphasis on codes of ethics.

27. Communicates plans to reduce workforce and details plans to eliminate a “significant” number of positions due to the merger and weak economic environment.

28. Confirms deep belief in power + strength of Citi—"we have a unique franchise that is well positioned in growing markets with tremendous capabilities to serve clients around the world."

- intend to build our advantages to deliver superior results for our clients, investors and employees.

11/18/08 - Results improved substantially versus Q108 b/c...
Cont. to demonstrate strength in our core franchise. There is still much to do, but we are encouraged by our progress.

1/18/08 - Recognizes employees’/colleagues’ commitment through an enormously disruptive & distracting period. Despite unprecedented turbulence, they have conducted themselves w/ the highest professionalism & integrity.

B/c of their work & dedication, I have no doubt we will emerge stronger, smarter, & better positioned...
Provide info about actions taken in connection w/ the TARP program. Responsible for putting these funds to work quickly, prudently & transparently.
- Continue to partner w/ the govt. to help put the economy back on track.

4/17/09 - Our [+] results this Qtr. reflect the strength of Citi's franchise & we are pleased w/ our performance.
- Despite the challenges we've faced this past year, our clients remain closely engaged w/ us.
- We've been taking steps to strengthen our franchise further - lowered risk & dramatically reduced the problem legacy assets that have caused many of our losses.
- Meaningfully lowered expenses & headcount & improved efficiency.
- Focus on supporting the U.S. housing market.
- While we & the industry face challenges in the coming quarters as we work through the weak economy, we will remain focused on strengthening the Citi franchise.
- Thank you to all Citi employees for tireless efforts on behalf of our clients underscore their dedication.

Despite challenges, I remain confident that Citi will emerge from the financial crisis as one of the strongest franchise in financial services.

8/25/09 - Encouraged by success of our initiatives, committed to transparency & accountability in its foreclosure prevention efforts. Citi U.S. Mortgage Lending Data and Servicing Foreclosure Prevention Efforts is Citi's Seventh Such Report.
- Citi is at the forefront in providing an extensive, quarterly data report detailing the perf. of its consumer mortgage lending business.

8/10/09 - Looking forward, we will continue to focus on sustainable profitability and growth, repaying TARP and helping support America's economic recovery.
Initial Coding Findings (BofA news releases and speeches)

1. Provides multiple explanations, multiple times for the causes of the economic and financial crisis. Openly states we are in a recession. Admits quarters have been the most challenging periods in history.

2. Reaffirms company's commitment to its business model and strategy.

3. Expresses disappointment in performance and results. Suggests situation continues to get worse.

4. Provides reasons for the disappointing results; reports primary factors reducing earnings. Faults the weakness in the economy.

5. Expresses confidence that they are doing the right thing and taking the right steps. Explains why it is important to be confident ("confidence is an important asset during difficult times").

6. Shows continuous concern about the health of the economy. Acknowledges uncertainty and volatility of the markets. Admits that we can't predict the future.

7. Focuses on the positives/optimistic (i.e., our earnings power from core business is strong and growing; continue to bring innovative products to market).

8. Uses forward-looking statements/focuses on the future ("despite the slowing economy, we plan to invest for future growth"). Describes as a positive step forward. ("We will emerge even stronger when the cycle turns.")

9. Reassures stakeholders’ confidence that steps have been taken to strengthen the company's position in the current economic environment.

10. Reassures that they are continuing to lend, but explains that lending practices are evolving to reflect different mortgage environment. Reassures customers that BofA continues to do business actively.

11. Explains importance of offering trust and integrity to customers, associates and shareholders. Need to focus on client needs to help them succeed in the future. Committed to doing what is right for our customers & our country by making homeownership achievable & sustainable.

12. Explains how the U.S. government has helped the company (TARP) and the actions the company will take to help strengthen the company and continue to do business that supports the U.S. economy and creates future value for shareholders.

13. Focuses on a need for increased clarity and transparency and using 'plain language' to explain things to customers ("need to improve communications across the enterprise"). Increasing transparency and improving risk management will enable firms to effectively restore trust and confidence. Need for transparent, accurate and timely information.

14. Accepts shared responsibility in attributing to the economic crisis ("and we helped them along the way").

15. Accepts shared responsibility in improving the current situation; pledges to help revive the nation's economy. Accepts responsibility to make good on taxpayer investment and repay the TARP. Helping to revive the nation's economy.

We see the taxpayer investment, first and foremost, as an investment in our country. Proud to be an engine for that growth.

Doubled our team dedicated exclusively to helping customers around the housing and mortgage industries stay in their homes - which improved our outreach.
Continue to work to stabilize our economy.
- Been working very hard to responsibly execute these programs and fully support them.
- WF has considered it our leadership responsibility to champion solutions.

16. Accepts responsibility to take a strong leadership role in addressing the ongoing crisis and find ways to assist through the creation of new initiatives. ("Homeowners trust BoA as a leader that can renew America's confidence in homeownership.")

17. Addresses nation's ongoing mortgage foreclosure crisis. Purports that foreclosures have a devastating effect on families and communities.

18. Uses surveys and their findings to assess public/investors' confidence levels and perception about the economic crisis ("reports find that there is increased optimism" and "global optimism has not spread everywhere").

19. Reinforces heightened need for companies to reassure clients and focus on increased transparency and simplicity.

20. Reaffirms commitment to responsible lending: working to improve the economy and provide consumers with the relief they need during difficult times. Despite critical time in America's recovery, BoA stayed true to commitment to support economic recovery and lend responsibly.

21. Outlines the company's progress in driving economic progress through 10 key areas.

22. Delivers on a commitment to provide greater transparency into the company's lending and investing efforts (i.e., Clarity Commitment and Lending and Investing Initiative Quarterly Report).

23. Hopeful, cautiously optimistic about a slow, steady recovery and thinks the pessimism bubble will finally burst in 2010. Nervous, but still optimistic.

24. Reports survey results that indicate investors are looking forward to 2010 as a year of moderate economic growth.

25. Confident about the company's position to weather the storm. (i.e., "BoA is positioned better than any other financial services company" and "we are a leader" and "as the largest bank, we are in the best position" and "BoA was built to withstand and succeed in times like these").

26. Ethics—it's not just about what we achieve, it's about how we achieve it. Increased emphasis on codes of ethics.

27. Communicates plans to reduce workforce and details plans to eliminate a "significant" number of positions due to the merger and weak economic environment.

3/25/09 - Small business optimism negative for 1st time in history

5/18/09 - Future expectations of small business owners shows optimism.

11/09 - Continue to do what’s right for customers, always putting their interests first.
- Merger is beneficial for all parties involved.

11/24/09 - Working to stabilize the communities through "leading" initiative.

11/28/09 - Despite the unprecedented contraction in the credit markets, we remained "open for business" and continued to lend to credit-worthy customers.

2/24/09 - Mortgage industry and the government have collaborated on ways to reduce foreclosures and stabilize the economy.
- Honest: these times are unprecedented, and we are certainly not perfect. But we do our best, and we want to immediately work to correct the situation.
4/22/09 - We're open for business and we're gaining market share. We've always done well in economically challenging times, so we make fewer mistakes than our competitors in the so-called 'good times' and have fewer problems to fix.

- This quarter's revenue growth reflected the traditional revenue-generating capacity of WF's diversified business model

5/7/09 - Fed Reserve confirmed that Wells Fargo has enough total capital even in a severe economic scenario.

- WF is strong, secure, well-capitalized, growing market share

- Expect our strong earnings perf. including strong revenue growth

10/21/09 - Solid performance, third consecutive qtr. of record earnings, diversity of bus. model again showed significant power to generate capital internally

- WF committed to providing clear, complete, & transparent comm. about the Company's results to all of its stakeholders. We will be expanding quarterly comm. to include a live quarterly conf. call - will also host an investor day in 2010

12/10/09 - Focused on keeping people in their homes, very active in outreach efforts

WF continues to work w/ US Dept. of Treasury on changes to HAMP that will enable it to evolve w/ the changing economy & challenges the economy has created

12/23/09 - WF completes payment of TARP

- Thank the U.S. govt. & taxpayers for their support of our financial system at a critical time for our nation.

- Focus will continue as we do our part to help our nation's economic recovery.
Initial Coding Findings (BoFA news releases and speeches)

1. Provides multiple explanations, multiple times for the causes of the economic and financial crisis. Openly states we are in a recession. Admits quarters have been the most challenging periods in history. **(impact of market disruption was significant)**

2. Reaffirms company's commitment to its business model and strategy.

3. Expresses disappointment in performance and results. Suggests situation continues to get worse. **10/09/07 - Conditions had a disappointing impact; but strength in core banking/banking continue to shine as well**

4. Provides reasons for the disappointing results; reports primary factors reducing earnings. Faults the weakness in the economy.

5. Expresses confidence that they are doing the right thing and taking the right steps. Explains why it is important to be confident ("confidence is an important asset during difficult times"). **We took active & prudent steps (10/8)**

6. Shows continuous concern about the health of the economy. Acknowledges uncertainty and volatility of the markets. Admits that we can't predict the future. **Unprecedented changes in consumer behavior/decline in housing market**

7. Uses forward-looking statements/focuses on the future ("despite the slowing economy, we plan to invest for future growth"). Describes as a positive step forward. ("We will emerge even stronger when the cycle turns.")

8. Reassures stakeholders' confidence that steps have been taken to strengthen the company's position in the current economic environment.

9. Reassures that they are continuing to lend, but explains that lending practices are evolving to reflect different mortgage environment. Reassures customers that BoFA continues to do business actively.

10. Explains importance of offering trust and integrity to customers, associates and shareholders. Need to focus on client needs to help them succeed in the future. **Focused on customer service/continue to focus on needs of our customers**

11. Explains how the U.S. government has helped the company (TARP) and the actions the company will take to help strengthen the company and continue to do business that supports the U.S. economy and creates future value for shareholders.

12. Focuses on a need for increased clarity and transparency and using ‘plain language’ to explain things to customers ("need to improve communications across the enterprise"). Increasing transparency and improving risk management will enable firms to effectively restore trust and confidence. Need for transparent, accurate and timely information.

13. Accepts shared responsibility in attributing to the economic crisis ("and we helped them along the way").

14. Accepts shared responsibility in improving the current situation; pledges to help revive the nation's economy. Accepts responsibility to make good on taxpayer investment and repay the TARP. Helping to revive the nation's economy.

April 14, 08 - Most painful decision was to reduce the dividend because it affects shareholders; but, believe the long-term benefit to shareholders value outweighs the disadvantage of the div. reduction. **Actions announced today will further enhance flexibility going forward**
16. Accepts responsibility to take a strong leadership role in addressing the ongoing crisis and find ways to assist through the creation of new initiatives. ("Homeowners trust BofA as a leader that can renew America’s confidence in homeownership.")

17. Addresses nation’s ongoing mortgage foreclosure crisis. Purports that foreclosures have a devastating effect on families and communities.

18. Uses surveys and their findings to assess public/investors’ confidence levels and perception about the economic crisis ("reports find that there is increased optimism" and "global optimism has not spread everywhere").

19. Reinforces heightened need for companies to reassure clients and focus on increased transparency and simplicity.

20. Reaffirms commitment to responsible lending; working to improve the economy and provide consumers with the relief they need during difficult times. Despite critical time in America’s recovery, BofA stayed true to commitment to support economic recovery and lend responsibly.

21. Outlines the company’s progress in driving economic progress through 10 key areas.

22. Delivers on a commitment to provide greater transparency into the company’s lending and investing efforts (i.e., Clarity Commitment and Lending and Investing Initiative Quarterly Report).

23. Hopeful, cautiously optimistic about a slow, steady recovery and thinks the pessimism bubble will finally burst in 2010. Nervous, but still optimistic.

24. Reports survey results that indicate investors are looking forward to 2010 as a year of moderate economic growth.

25. Confident about the company’s position to weather the storm. (i.e., “BofA is positioned better than any other financial services company” and “we are a leader” and “as the largest bank, we are in the best position” and “BofA was built to withstand and succeed in times like these”).

26. Ethics—it’s not just about what we achieve, it’s about how we achieve it. Increased emphasis on codes of ethics.

27. Communicates plans to reduce workforce and details plans to eliminate a “significant” number of positions due to the merger and weak economic environment.

4/11/07 - Focus on cost control and risk mgmt. continues to provide flexibility in face of challenging interest rate environ.
- Focuses on customer service (industry-leading customer service)
- Results: very matter of fact; little interpretation of causes, et

Jan. 22, 2008 - "Continued turmoil in capital markets and dramatic change in credit environment diminished our Q4 results substantially"
- Took active and prudent steps well
- Strategic priorities prepared us for more diff. economic environment: managing risk appropriately, creating revenue synergies and providing industry-leading customer service
1/3/08 - Announce WF merger - creates one of the Strongest financial firms in the world & is great for all Wachovia Constituencies: Shareholders, Customers, Colleagues, Communities.

- Market presence & composition of our businesses, along w/ service-oriented cultures, are extraordinarily complementary & combination creates great potential for sustained stability & growth.

10/9/08 - The best in service and best in sales, an unbeatable combo.

- Commitment to customer service & highest standards of community leadership are identical to our own values

10/22/08 - In these unprecedented times, my colleagues have demonstrated that Wach. always puts the interests of our customers & clients first.

Although it's been a challenging quarter, Wach's underlying businesses remain solid & our franchise exceptionally attractive.

12/28/08 - Please tell that Wach's shareholders agree that the Wells Fargo/Wachovia combination will provide superior growth and long-term value to shareholders, customers, employees & our communities.

Last of Wach. releases before merger
Appendix G

Completed Strategic Ambiguity Matrix
<table>
<thead>
<tr>
<th>Matrix of Eisenberg’s (1984) Elements of Strategic Ambiguity and Findings From Banking Institutions External Communications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotes unified diversity</td>
</tr>
<tr>
<td>Expresses confidence that they are taking the right steps and doing the right thing to strengthen the company’s position in the current economic environment.</td>
</tr>
<tr>
<td>Reasons they are continuing to lend responsibly but explains that lending practices reflect a different mortgage environment.</td>
</tr>
<tr>
<td>Expresses the importance of focusing on client and customer needs and offering them trust and integrity to help the bank succeed in the future.</td>
</tr>
<tr>
<td>Explains how the U.S. government has helped the company (TARP) and the actions taken to help strengthen the company and continue to do business that support the U.S. economy and create future value for shareholders.</td>
</tr>
<tr>
<td>Accepts shared responsibility in improving the current situation and pledges to help revive the nation’s economy through various initiatives.</td>
</tr>
<tr>
<td>Realizes company’s commitment to its business model and strategy.</td>
</tr>
<tr>
<td>Expresses confidence about the company’s ability to weather the storm and come out better positioned than they were before the crisis.</td>
</tr>
<tr>
<td>Recognizes employees/colleagues’ commitment and efforts through an enormously disruptive and distracting period.</td>
</tr>
<tr>
<td>Communicates plans to reduce workforce and details plans to eliminate a significant number of positions.</td>
</tr>
<tr>
<td>Expresses disappointment in performance and results.</td>
</tr>
<tr>
<td>Focuses on a need for increased clarity and transparency and using “plain language” to communicate with customers.</td>
</tr>
<tr>
<td>Focuses on the positives and remains cautiously optimistic and hopeful about the future of the company once the recession is over.</td>
</tr>
<tr>
<td>Discusses ethical implications of actions saying it’s not just about what we achieve, it’s about how we achieve it.</td>
</tr>
<tr>
<td>Provides multiple explanations for causes of the economic crisis.</td>
</tr>
<tr>
<td>Shows continuous concern about the health of the economy by acknowledging uncertainty and volatility in the markets.</td>
</tr>
<tr>
<td>Accepts shared responsibility in attributing to the economic crisis, uses surveys and their findings to assess public/investors’ confidence levels and perception of the economic environment.</td>
</tr>
</tbody>
</table>
### Appendix H

**Initial and Focused Coding Category Frequency**

<table>
<thead>
<tr>
<th>Focused Coding Categories</th>
<th>Frequency of Occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focuses on the positives and remains optimistic</td>
<td>12.1%</td>
</tr>
<tr>
<td>Focuses on a need for increased clarity and transparency</td>
<td>10.4%</td>
</tr>
<tr>
<td>Expresses confidence that they are taking the right steps</td>
<td>8.9%</td>
</tr>
<tr>
<td>Expresses the importance of client/customer needs</td>
<td>8.0%</td>
</tr>
<tr>
<td>Explains how the U.S. government has helped</td>
<td>7.7%</td>
</tr>
<tr>
<td>Reassures they are continuing to lend responsibly</td>
<td>7.7%</td>
</tr>
<tr>
<td>Expresses disappointment in performance</td>
<td>7.4%</td>
</tr>
<tr>
<td>Provides multiple explanations for causes</td>
<td>6.5%</td>
</tr>
<tr>
<td>Accepts shared responsibility in improving the situation</td>
<td>6.2%</td>
</tr>
<tr>
<td>Uses surveys and their findings to assess confidence</td>
<td>5.0%</td>
</tr>
<tr>
<td>Expresses confidence about the company's ability</td>
<td>4.7%</td>
</tr>
<tr>
<td>Shows concern about the health of the economy</td>
<td>4.4%</td>
</tr>
<tr>
<td>Recognizes employees'/colleagues' commitment</td>
<td>4.4%</td>
</tr>
<tr>
<td>Reaffirms company's commitment</td>
<td>4.4%</td>
</tr>
<tr>
<td>Communicates plans to reduce workforce</td>
<td>1.2%</td>
</tr>
<tr>
<td>Discusses ethical implications of actions</td>
<td>.6%</td>
</tr>
<tr>
<td>Accepts shared responsibility</td>
<td>0.3%</td>
</tr>
<tr>
<td>Initial and Focused Coding Categories</td>
<td>Frequency</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Focuses on the positives and remains cautiously optimistic and hopeful about the future of the company once the recession is over.</td>
<td>41</td>
</tr>
<tr>
<td>Focuses on a need for increased clarity and transparency and using 'plain language' to communicate with customers.</td>
<td>35</td>
</tr>
<tr>
<td>Expresses confidence that they are taking the right steps and doing the right thing to strengthen the company's position in the current economic environment.</td>
<td>30</td>
</tr>
<tr>
<td>Expresses the importance of focusing on client and customer needs and offering them trust and integrity to help the bank succeed in the future.</td>
<td>27</td>
</tr>
<tr>
<td>Explains how the U.S. government has helped the company (TARP) and the actions taken to help strengthen the company and continue to do business that supports the U.S. economy and creates future value for shareholders.</td>
<td>26</td>
</tr>
<tr>
<td>Reassures they are continuing to lend responsibly but explains that lending practices reflect a different mortgage environment.</td>
<td>26</td>
</tr>
<tr>
<td>Expresses disappointment in performance and results.</td>
<td>25</td>
</tr>
<tr>
<td>Provides multiple explanations for causes of the economic crisis.</td>
<td>22</td>
</tr>
<tr>
<td>Accepts shared responsibility in improving the current situation and pledges to help revive the nation's economy through various initiatives.</td>
<td>21</td>
</tr>
<tr>
<td>Uses surveys and their findings to assess public/investors' confidence levels and perception of the economic environment.</td>
<td>17</td>
</tr>
<tr>
<td>Expresses confidence about the company's ability to weather the storm and come out better positioned than they were before the crisis.</td>
<td>16</td>
</tr>
<tr>
<td>Reaffirms company's commitment to its business model and strategy.</td>
<td>15</td>
</tr>
<tr>
<td>Recognizes employees'/colleagues' commitment and efforts through an enormously disruptive and distracting period.</td>
<td>15</td>
</tr>
<tr>
<td>Shows continuous concern about the health of the economy by acknowledging uncertainty and volatility in the markets.</td>
<td>15</td>
</tr>
<tr>
<td>Communicates plans to reduce workforce and details plans to eliminate a significant number of positions.</td>
<td>4</td>
</tr>
<tr>
<td>Discusses ethical implications of actions saying it's not just about what we achieve, it's about how we achieve it.</td>
<td>2</td>
</tr>
<tr>
<td>Accepts shared responsibility in attributing to the economic crisis.</td>
<td>1</td>
</tr>
</tbody>
</table>
REFERENCES


