PDC ENERGY, INC.
Form S-4
June 13, 2018

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

As filed with the Securities and Exchange Commission on June 13, 2018

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

PDC ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**1311**	**95-2636730**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

**1775 Sherman Street, Suite 3000
Denver, Colorado 80203
(303) 860-5800**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Daniel W. Amidon, Esq.
Senior Vice President, General Counsel and Secretary
PDC Energy, Inc.
1775 Sherman Street, Suite 3000
Denver, Colorado 80203
(303) 860-5800**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

John A. Elofson, Esq.
Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202
(303) 892-9400

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

If this Form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of Securities Act. o

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)	o
Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)	o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered	Proposed Maximum Offering Price per Note	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
5.750% Senior Notes due 2026	$600,000,000	100%	$600,000,000	$74,700
Guarantee(2)(3)	NA	NA	NA	NA

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) under the Securities Act of 1933, as amended (the "Securities Act").

(2) The guarantor is PDC Permian, Inc., a subsidiary of PDC Energy, Inc. that has guaranteed the notes being registered. The subsidiary is identified below in the "Co-Registrant Information."

(3) No separate consideration will be received for the guarantee, and no separate fee is payable pursuant to Rule 457(n) under the Securities Act of 1933.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

CO-REGISTRANT INFORMATION

The following subsidiary of PDC Energy, Inc. guarantees the debt securities issued hereunder and is a co-registrant under this Registration Statement.

Exact Name of Co-Registrant as Specified in its Charter	I.R.S. Employer Identification No.	State or Other Jurisdiction of Incorporation or Organization
PDC Permian, Inc.	46-3894005	Delaware

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated June 13, 2018

PRELIMINARY PROSPECTUS

PDC Energy, Inc.

Offer to Exchange up to

$600,000,000

5.750% Senior Notes due 2026
That Have Been Registered Under the Securities Act of 1933

For

Any and All Outstanding Unregistered
5.750% Senior Notes due 2026

The Exchange Offer

We are offering to exchange up to $600,000,000 of our outstanding unregistered 5.750% Senior Notes due 2026 ("old notes") for newly-issued notes with substantially identical terms that have been registered under the Securities Act of 1933, as amended ("new notes").

The exchange offer expires at 11:59 p.m., Eastern Time, on , 2018, unless we decide to extend the expiration date.

We will exchange for an equal principal amount of new notes all old notes that you validly tender and do not validly withdraw before the exchange offer expires.

Tenders of old notes may be withdrawn at any time prior to the expiration date of the exchange offer.

The exchange of new notes for old notes should generally not be a taxable event for U.S. federal income tax purposes. Please read "Material U.S. Federal Income Tax Considerations."

The New 5.750% Senior Notes due 2026 Offered in the Exchange Offer

The terms of the new notes are identical to the terms of the old notes that were issued on November 29, 2017, except that the new notes will be registered under the Securities Act of 1933, as amended (the "Securities Act"), and there are certain terms relating to transfer restrictions, registration rights and payment of additional interest in case of non-registration relating to the old notes that do not apply to the new notes. We will not list the new notes on any securities exchange.

You should carefully consider the risk factors beginning on page 12 of this prospectus before participating in the exchange offer.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed to make this prospectus available until the earlier of 180 days from the completion date of this exchange offer or such time as such broker-dealers no longer hold any old notes, to any broker-dealer for use in connection with any such resale; *provided* that if the letters of transmittal relating to the exchange offer as provided to us indicate that no holder is a broker-dealer, we will not be obligated to maintain the effectiveness of the registration statement of which this prospectus is a part after the consummation of the exchange offer. See "Plan of Distribution."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated , 2018

TABLE OF CONTENTS

In this prospectus, unless the context otherwise requires, references to "we," "us," "our," the "Company" or "PDC" refer to PDC Energy, Inc.

This prospectus incorporates business and financial information about us that is not included in or delivered with this prospectus. You should rely only on the information contained in this prospectus or information contained in documents incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. The information contained in this prospectus is accurate only as of its date or, in the case of an incorporated document, the date of its filing, regardless of the time of delivery of this prospectus or of any exchange of our old notes for new notes. We are not making this exchange offer to, nor will we accept surrenders for exchange from, holders of old notes in any jurisdiction in which the exchange offer would violate securities or blue sky laws or where it is otherwise unlawful.

You can obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following:

Corporate Secretary
PDC Energy, Inc.
1775 Sherman Street, Suite 3000
Denver, Colorado 80203
303-860-5800

In order to ensure timely delivery of the requested documents, requests should be made no later than five business days prior to the expiration of this exchange offer. In the event that we extend the exchange offer, we urge you to submit your request at least five business days before the expiration date, as extended. You will not be charged for any of the documents that you request.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act") regarding our business, financial condition, results of operations and prospects. All statements other than statements of historical facts included in and incorporated by reference into this prospectus are forward-looking statements. Words such as expects, anticipates, will, intends, plans, believes, seeks, estimates, projects, targets, aims and similar expressions or variations of such words are intended to identify forward-looking statements herein.

Although forward-looking statements contained and incorporated by reference in this prospectus reflect our good faith judgment, such statements can only be based on facts and factors currently known to us. Consequently, forward-looking statements are inherently subject to risks and uncertainties, including known and unknown risks and uncertainties incidental to the exploration for, and the acquisition, development, production and marketing of, crude oil, natural gas and natural gas liquids, and actual outcomes may differ materially from the results and outcomes discussed in the forward-looking statements.

Furthermore, we urge you to carefully review and consider the cautionary statements and disclosures made in this prospectus and the documents incorporated by reference into this prospectus, including the risks and uncertainties that could affect our business, financial condition, results of operations and cash flows as discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2017, as amended (the "2017 Form 10-K"). We caution you not to place undue reliance on forward-looking statements, which speak only as of the respective dates on which they were made. We undertake no obligation to update any forward-looking statements in order to reflect any event or circumstance occurring after the date of this prospectus or currently unknown facts or conditions or the occurrence of unanticipated events. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus. This summary does not contain all the information you should consider before making an investment decision. You should read this entire prospectus and the documents incorporated by reference in this prospectus carefully before making an investment decision. Please read the section entitled "Risk Factors" commencing on page 12 of this prospectus and additional information contained in our 2017 Form 10-K incorporated by reference in this prospectus for more information about important factors you should consider before making an investment decision.

Our Company

We are a domestic independent exploration and production company that acquires, explores, and develops properties for the production of crude oil, natural gas, and natural gas liquids. Our primary operations are located in the Wattenberg Field in Colorado and the Delaware Basin in Texas. Our operations in the Wattenberg Field are focused on the Niobrara and Codell formations and our Delaware Basin operations are currently focused on the Wolfcamp zones.

Corporate information

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "PDCE."

Our principal executive offices are located at 1775 Sherman Street, Suite 3000, Denver, Colorado 80203. Our telephone number is 303-860-5800.

We also maintain an internet website at www.pdce.com, which contains information about us. Our website and the information contained in and connected to it are not a part of or incorporated by reference into this prospectus.

Summary of the Exchange Offer

On November 29, 2017, we completed a private offering of $600,000,000 principal amount of unregistered 5.750% Senior Notes due 2026 (the "old notes"). We entered into a registration rights agreement with the initial purchasers in the private offering in which we agreed to, among other things, offer new notes with substantially identical terms in exchange for the old notes.

Exchange Offer	We are offering to exchange our 5.750% Senior Notes due 2026 registered under the Securities Act, which we refer to as "new notes," for any and all of our outstanding old notes. We sometimes refer to the old notes and the new notes collectively as the "notes," and, as used herein, "notes" is used to describe terms equally applicable to the old notes and new notes. The old notes may be tendered in an amount equal to $2,000 in principal amount or in integral multiples of $1,000 in excess of $2,000. In order to exchange an old note, you must follow the required procedures and we must accept the old note for exchange. We will exchange all old notes validly offered for exchange, or "tendered," and not validly withdrawn. As of the date of this prospectus, there is $600,000,000 aggregate principal amount of old notes outstanding.

Table of Contents

Expiration Date	The exchange offer expires at 11:59 p.m., Eastern Time, on , 2018, unless we decide to extend the expiration date. We reserve the right, in our sole discretion, to extend the exchange offer, delay accepting for exchange any old notes in connection with the extension of the exchange offer, terminate the exchange offer, or amend the terms of the exchange offer in any way we determine. If we amend the exchange offer in a manner that we determine to constitute a material change, or if we waive a material condition, we will extend the offer such that at least five business days remain in the offer following notice of a material change. Pursuant to the terms of the registration rights agreement, the expiration date of the exchange offer may not be less than twenty business days following commencement of the exchange offer. The term "expiration date" means the latest date and time to which we extend the exchange offer.
Participation in the Exchange Offer and Resale of the New Notes	Based on interpretive letters of the SEC staff to third parties, we believe that you may participate in the exchange offer and may offer for resale, resell and otherwise transfer the new notes issued pursuant to the exchange offer without compliance with the registration and prospectus delivery provisions of the Securities Act, if you:

are not an "affiliate" of ours, as defined in Rule 405 of the Securities Act;

are not a broker-dealer that acquired the old notes directly from us;

are not engaged in and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of new notes to be issued in the exchange offer;

will acquire the new notes issued in the exchange offer in the ordinary course of your business; and

are not acting on behalf of any person who could not truthfully and completely make the foregoing representations.

In addition, if you are a broker-dealer that will acquire new notes pursuant to the exchange offer in exchange for old notes that you acquired as a result of market-making or other trading activities, you must comply with the prospectus delivery requirements of the Securities Act in connection with a resale of the new notes as described in this summary under "Restrictions on Sale by Broker-Dealers" below.

Table of Contents

	We base our belief on interpretations by the SEC staff in certain no-action letters issued to other issuers in exchange offers like ours. We cannot guarantee that the SEC Staff would make a similar decision about our exchange offer. If our belief is wrong, you could incur liability under the Securities Act. We will not protect you against any loss incurred as a result of this liability under the Securities Act. By tendering your notes as described in "The Exchange Offer Procedures for Tendering," you will be making representations to this effect. If you fail to satisfy any of these conditions, you cannot rely on the position of the SEC set forth in the no-action letters referred to above, you may not tender your old notes in the exchange offer, and you must comply with the applicable registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new notes.
Restrictions on Sale by Broker-Dealer	If you are a broker dealer that has received new notes for your own account in exchange for old notes that were acquired as a result of market making or other trading activities, you must (i) inform us per the instructions in the letter of transmittal and (ii) represent that you will comply with the prospectus delivery requirements of the Securities Act in connection with any resale of the new notes. A broker dealer that so informs us may use this prospectus until 180 days from the completion date of this exchange offer.
Consequences If You Do Not Exchange Your Old Notes	If you are eligible to participate in the exchange offer and you do not tender your old notes, you will not have any further registration or exchange rights, and your old notes will continue to be subject to transfer restrictions. These transfer restrictions and the availability of new notes could adversely affect the trading market for your old notes.
Conditions	The exchange offer is subject to certain customary conditions, which we may waive, as described below under "The Exchange Offer Conditions to the Exchange Offer."
Procedures Applicable to Old Notes Held in Book-Entry Form with DTC	The old notes were issued as global securities. Beneficial interests in old notes held by participants in The Depository Trust Company ("DTC") are shown on, and transfers of these interests are effected only through, records maintained in book-entry form by DTC with respect to its participants.

Table of Contents

If you hold your old notes in the form of book-entry interests and you wish to tender your old notes for exchange pursuant to the exchange offer, you must transmit to U.S. Bank National Association, as Exchange Agent (the "Exchange Agent"), on or prior to the Expiration Date, either:

a computer-generated message transmitted by means of DTC's Automated Tender Offer Program system and received by the Exchange Agent and forming a part of a confirmation of book-entry transfer, in which you acknowledge and agree to be bound by the terms of the letter of transmittal; or

a written or facsimile copy of a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to the Exchange Agent at the address set forth on the cover page of the letter of transmittal.

In addition, in order to deliver old notes held in the form of book-entry interests, a timely confirmation of book-entry transfer of such old notes into the Exchange Agent's account at DTC pursuant to the procedure for book-entry transfers described under "The Exchange Offer Procedures for Tendering Procedures Applicable to Old Notes Held in Book-Entry Form with DTC" must be received by the Exchange Agent prior to the Expiration Date.

A form of letter of transmittal accompanies this prospectus. By executing the letter of transmittal or delivering a computer-generated message through DTC's Automated Tender Offer Program system, you will represent to us, among other things, your eligibility to participate in the exchange offer.

No definitive certificated old notes are issued and outstanding as of the date of this prospectus. If you acquire certificated old notes prior to the expiration of the exchange offer, you must tender your certificated old notes in accordance with the procedures described in this prospectus under the heading "The Exchange Offer Procedures for Tendering Procedures Applicable to Holders of Certificated Old Notes."

Procedures for Beneficial Holders

If you are a beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and wish to tender such old notes in the exchange offer, please contact the registered holder as soon as possible and instruct them to tender on your behalf and comply with our instructions set forth elsewhere in this prospectus and the letter of transmittal. Please see the procedures described in this prospectus under the heading "The Exchange Offer Procedures for Tendering Procedures Applicable to Beneficial Holders."

Table of Contents

Withdrawal of Tenders	You may withdraw your tender of old notes under the exchange offer at any time prior to 5 p.m., Eastern Time, on the expiration date.
Fees and Expenses	We will bear all expenses related to the exchange offer. Please refer to the section in this prospectus entitled "The Exchange Offer Fees and Expenses."
Use of Proceeds	The issuance of the new notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under the registration rights agreement.
Tax Consequences	The exchange of new notes for old notes in the exchange offer should generally not be a taxable event for U.S. federal income tax purposes. Please read "Material U.S. Federal Income Tax Considerations."
Exchange Agent	U.S. Bank National Association is serving as Exchange Agent in connection with the exchange offer. You should direct questions and requests for assistance, for additional copies of this prospectus or the letter of transmittal to the Exchange Agent addressed as follows: Attn: Specialized Finance, telephone number 800-934-6802. Eligible institutions may make requests by facsimile at 651-466-7367.

Summary of the Terms of the New Notes

The following summary contains basic information about the new notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the new notes, please refer to the section of this prospectus entitled "Description of the New Notes."

Issuer	PDC Energy, Inc.
Securities	$600,000,000 aggregate principal amount of our 5.750% senior notes due 2026.
Maturity	May 15, 2026.
Interest Payment Dates	May 15 and November 15, commencing May 15, 2018.
Guarantees	Each of our domestic subsidiaries that is a "material subsidiary" (as defined in "Description of the New Notes") and guarantees our revolving credit facility must guarantee the notes ("Subsidiary Guarantors"). Our only current Subsidiary Guarantor is PDC Permian, Inc. Any such guarantee of the notes may be released under certain circumstances.
Ranking	The notes will be our general unsecured senior obligations. Accordingly, they will:
	rank senior in right of payment to all existing and future subordinated unsecured indebtedness of PDC;

Table of Contents

	rank pari passu in right of payment with any existing and future senior unsecured indebtedness of PDC, including our existing 6.125% senior notes due 2024 and our existing 1.125% convertible senior notes due 2021 (sometimes referred to collectively as our "existing senior notes");
	rank effectively junior in right of payment to PDC's existing and future secured indebtedness, including indebtedness under our revolving credit facility (sometimes referred to as the "Senior Credit Agreement"), to the extent of the assets of PDC constituting collateral securing that indebtedness; and
	be unconditionally guaranteed by Subsidiary Guarantors on a senior unsecured basis.
Optional Redemption	The notes are not redeemable until May 15, 2021. On and after May 15, 2021, PDC may redeem all or a part of the notes, in each case at the redemption price described under "Description of the New Notes Optional Redemption," together with any accrued and unpaid interest to the date of redemption. Prior to May 15, 2021, PDC may redeem up to 35% of the principal amount of the notes with all or a portion of the net cash proceeds of certain equity offerings at a redemption price equal to 105.750% of the principal amount thereof, plus accrued and unpaid interest, if any, on the notes redeemed to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if at least 65% of the aggregate principal amount of the notes issued under the indenture (excluding notes held by PDC and its subsidiaries) remains outstanding after each such redemption and the redemption occurs within 180 days after the closing of such equity offering.
Change of Control Triggering Event; Asset Sales	Upon the occurrence of a change of control triggering event (as defined in the indenture for the notes), holders of the notes will have the right to require us to repurchase all or a portion of the notes at a price equal to 101% of the aggregate principal amount of the notes repurchased, together with any accrued and unpaid interest to the date of purchase. In connection with certain asset sales, we may, under certain circumstances, be required to use the net cash proceeds of such asset sale to make an offer to purchase the notes at 100% of the principal amount, together with any accrued and unpaid interest to the date of purchase. See "Description of the New Notes Repurchase at the Option of Holders Change of Control Triggering Event" and " Asset Sales."

Table of Contents

Certain Covenants	The indenture governing the notes will contain covenants that, among other things, limit our ability and the ability of our subsidiaries to: borrow money; pay dividends or make other distributions on stock; purchase or redeem stock or subordinated indebtedness; make investments; create certain liens; enter into agreements that restrict distributions or other payments from our restricted subsidiaries; enter into transactions with affiliates; sell assets; consolidate with or merge with or into other companies or transfer all or substantially all our assets; and create unrestricted subsidiaries. These covenants are subject to important exceptions and qualifications. See "Description of the New Notes Covenants." If the notes achieve an investment grade rating from either S&P or Moody's and no default exists with respect to the notes, our obligation to comply with many of the covenants will be suspended. If the ratings from both S&P and Moody's subsequently decline to below investment grade, the covenants will be reinstated as of the date of such ratings decline. See "Description of the New Notes Covenant Suspension."
Absence of Established Market for the Notes	The new notes generally will be freely transferable, but will also be new securities for which there will not initially be a market. Accordingly, we cannot assure you as to the development or liquidity of any market for the new notes. We do not intend to apply for a listing of the notes on any securities exchange or for the inclusion of the new notes on any automated dealer quotation system.
Trustee	U.S. Bank National Association.
Governing Law	The notes offered hereby and the indenture relating to the notes will be governed by New York law.
Risk Factors	Investing in the new notes involves risks. You should consider all of the information contained in this prospectus before making an investment in the new notes. In particular, you should consider the factors described under "Risk Factors" beginning on page 12, risks incorporated by reference into this prospectus, and the other

cautionary language statements throughout this prospectus, for a discussion of factors you should carefully consider before deciding to invest in the new notes.

Table of Contents

SELECTED FINANCIAL DATA

	Three Months Ended/As of March 31,	Year Ended/As of December 31,				
	2018	2017(1)	2016(2)	2015	2014	2013
	(in millions, except per share data and as noted)					
Statement of Operations (From Continuing Operations)(3):						
Crude oil, natural gas, and NGLs sales	$ 305.2	$ 913.1	$ 497.4	$ 378.7	$ 471.4	$ 340.8
Commodity price risk management gain (loss), net	(47.2)	(3.9)	(125.7)	203.2	310.3	(23.9)
Total revenues	260.6	921.6	382.9	595.3	856.2	392.7
Income (loss) from continuing operations	(0.3)	(127.5)	(245.9)	(68.3)	107.3	(21.1)
Earnings per share from continuing operations:						
Basic	$ (0.20)	$ (1.94)	$ (5.01)	$ (1.74)	$ 3.00	$ (0.65)
Diluted	(0.20)	(1.94)	(5.01)	(1.74)	2.93	(0.65)
Statement of Cash Flows:						
Net cash flows from:						
Operating activities	$ 205.1	$ 588.6	$ 486.3	$ 411.1	$ 236.7	$ 159.2
Investing activities	(338.5)	(717.0)	(1,509.1)	(604.3)	(474.1)	(217.1)
Financing activities	(2.6)	65.0	1,266.1	178.0	60.3	248.7
Capital expenditures from development of crude oil and natural gas properties(4)	196.9	737.2	436.9	599.5	623.8	384.7
Acquisition of crude oil and natural gas properties, including settlement adjustments and deposit for pending acquisition	180.8	15.6	1,073.7			9.7
Balance Sheet:						
Total assets	$ 4,522.2	$ 4,419.9	$ 4,485.8	$ 2,370.5	$ 2,331.1	$ 1,991.7
Working capital (deficit)	(223.7)	(16.4)	129.2	30.7	89.5	90.0
Total debt, net of unamortized discount and debt issuance costs	1,154.5	1,151.9	1,044.0	642.4	655.5	593.9
Total equity	2,497.4	2,507.6	2,622.8	1,287.2	1,137.4	967.6
Average Pricing and Production Expenses From Continuing Operations (per Boe and as a percent of sales for production taxes) :						
Crude oil equivalent sales price (excluding net settlements on derivatives)	$ 34.26	$ 28.69	$ 22.43	$ 24.64	$ 50.72	$ 52.23
Lease operating expenses	$ 3.33	$ 2.82	$ 2.70	$ 3.71	$ 4.56	$ 5.18
Transportation, gathering, and processing expenses	$ 0.82	$ 1.04	$ 0.83	$ 0.66	$ 0.49	$ 0.79
Production taxes	$ 2.26	$ 1.91	$ 1.42	$ 1.20	$ 2.76	$ 3.33
Production taxes as a percent of sales	6.6%	6.6%	6.3%	4.9%	5.4%	6.4%
Production (MBoe):						
Production from continuing operations	8,908	31,830	22,176	15,369	9,294	6,525
Production from discontinued operations					1,093	2,032
Total production	8,908	31,830	22,176	15,369	10,387	8,557

Total proved reserves (MMBoe)(5)	452.9	341.4	272.8	250.1	265.8

(1) In 2017, we recorded an unproved and proved property impairment charge of $285.5 million. See footnote titled Properties and Equipment Impairment of Properties and Equipment to our consolidated financial statements included in the 2017 Form 10-K for further information regarding this impairment charge.

(2) In 2016, we closed an acquisition in the Delaware Basin for aggregate consideration of approximately $1.76 billion. See footnotes titled Properties and Equipment Delaware Basin Acreage Acquisition and Business

Table of Contents

Combination to our consolidated financial statements included in the 2017 Form 10-K for further information regarding this acquisition.

(3)
In 2014, we completed the sale of our ownership interest in PDC Mountaineer, LLC ("PDCM"). Our proportionate share of PDCM's Marcellus Shale results of operations have been separately reported as discontinued operations for 2014 and 2013.

(4)
Includes impact of change in accounts payable related to capital expenditures.

(5)
Includes total proved reserves related to our Marcellus Shale and shallow Upper Devonian Appalachian Basin assets of 40 MMBoe as of December 31, 2013. PDCM, which owned these reserves, was sold in late 2014.

Table of Contents

RISK FACTORS

An investment in the new notes involves risks. In addition to the other information set forth elsewhere or incorporated by reference in this prospectus (including the risk factors included in our 2017 Form 10-K) the following factors relating to the exchange offer and the notes should be considered carefully in deciding whether to participate in the exchange offer.

Risks Relating to the Exchange Offer

Your old notes will not be accepted for exchange if you fail to follow the procedures for the exchange offer.

We will not accept your old notes for exchange if you do not follow the procedures for the exchange offer. We are under no duty to give notification of defects or irregularities with respect to the tenders of old notes for exchange. If there are defects or irregularities with respect to your tender of old notes, we may not accept your old notes for exchange.

An active trading market may not develop for the new notes.

The new notes are a new issue of securities, and there is no established trading market for the new notes. An active trading market for the new notes may not develop, in which case the market price and liquidity of the new notes may be adversely affected. In addition, you may not be able to sell your new notes at a particular time or at a price favorable to you. Future trading prices of the new notes will depend on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments, the market for similar securities, and the other factors described in this section and the risk factor disclosure incorporated by reference in this prospectus. It is possible that the market for the new notes will be subject to disruptions. A disruption may have a negative effect on you as a holder of the new notes, regardless of our prospects or performance.

Risks Associated with our Indebtedness and the Notes

We may be unable to fulfill our obligations under the notes.

We have a substantial amount of indebtedness. As a result, a significant portion of our cash flow will be required to pay interest and principal on our indebtedness, and we may not generate sufficient cash flow from operations, or have future borrowing capacity available, to enable us to repay our indebtedness, including the notes, or to fund other liquidity needs. As of March 31, 2018, we had approximately $1.2 billion in outstanding indebtedness, including the old notes.

Servicing our indebtedness and satisfying our other obligations will require a significant amount of cash. Our cash flow from operating activities and other sources may not be sufficient to fund our liquidity needs. Our ability to pay interest and principal on our indebtedness and to satisfy our other obligations will depend on our future operating performance and financial condition and the availability of refinancing indebtedness, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our revolving credit facility or otherwise, in an amount sufficient to fund our liquidity needs, including the payment of principal and interest on the notes.

A substantial decrease in our operating cash flow or an increase in our expenses could make it difficult for us to meet debt service requirements and could require us to modify our operations, including by curtailing our exploration and drilling programs, selling assets, reducing our capital expenditures, refinancing all or a portion of our existing debt or obtaining additional financing. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

In addition, the terms of future debt agreements may, and our existing debt agreements will, restrict us from implementing some of these alternatives. In the absence of adequate cash from operations and other available capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate these dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any dispositions may not be adequate to meet our debt service obligations then due.

Covenants in the indentures governing the notes and our existing senior notes and in our revolving credit facility currently impose, and future financing agreements may impose, significant operating and financial restrictions.

The indentures governing the notes and our existing senior notes and our revolving credit facility contain restrictions, and future financing agreements may contain additional restrictions, on our activities, including covenants that restrict our and our restricted subsidiaries' ability to:

- incur additional debt;
- pay dividends on, redeem or repurchase stock;
- create liens;
- make specified types of investments;
- apply net proceeds from certain asset sales;
- engage in transactions with our affiliates;
- engage in sale and leaseback transactions;
- merge or consolidate;
- restrict dividends or other payments from restricted subsidiaries;
- sell equity interests of restricted subsidiaries; and
- sell, assign, transfer, lease, convey or dispose of assets.

Our revolving credit facility is secured by substantially all of our oil and gas properties as well as a pledge of all ownership interests in operating subsidiaries. The restrictions contained in our debt agreements may prevent us from taking actions that we believe would be in the best interest of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility.

If we are unable to comply with the restrictions and covenants in the agreements governing the notes and other debt, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that we have borrowed and would impact our ability to make principal and interest payments on the notes.

Any default under the agreements governing our indebtedness, including a default under our revolving credit facility that is not waived by the required lenders, and the remedies sought by the holders of any such indebtedness, could make us unable to pay principal and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness.

In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our revolving credit facility could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under our revolving credit facility to avoid being in default. If we breach our covenants under our revolving credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our revolving credit facility, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. We cannot assure you that we will be granted waivers or amendments to our debt agreements if for any reason we are unable to comply with these agreements, or that we will be able to refinance our debt on terms acceptable to us, or at all.

Notwithstanding our current indebtedness levels and restrictive covenants, we may still be able to incur substantial additional debt or make certain restricted payments, which could exacerbate the risks described above.

We may be able to incur additional debt in the future. Although the indentures governing the notes and our existing senior notes contain restrictions on our ability to incur indebtedness, those restrictions are subject to a number of exceptions. In particular, we may borrow under the revolving credit facility. In addition, if we designate some of our restricted subsidiaries under the indenture as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the indenture and engage in other activities in which restricted subsidiaries may not engage. We may also consider investments in joint ventures or acquisitions that may increase our indebtedness. Also, under the indenture, we will be able to make substantial restricted payments in certain circumstances. Adding new debt to current debt levels or making otherwise restricted payments could intensify the related risks that we and our subsidiaries now face.

Your right to receive payments on the notes is effectively subordinated to the rights of our and our restricted subsidiaries' existing and future secured creditors.

The revolving credit facility is secured by liens on substantially all of our assets and the assets of our restricted subsidiaries. Accordingly, the notes will be effectively subordinated to any secured indebtedness incurred under the revolving credit facility to the extent of the value of the assets securing the revolving credit facility. In the event of any distribution or payment of our or any guarantor's assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of secured indebtedness will have prior claim to those of our or our restricted subsidiaries' assets that constitute their collateral. Holders of notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as such notes, and potentially with all of our or any restricted subsidiary's other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of notes may receive less, ratably, than holders of secured indebtedness.

Table of Contents

The notes will be structurally subordinated to all indebtedness of those of our existing or future subsidiaries that are not, or do not become, guarantors of the notes.

The indenture will not require all of our subsidiaries to become guarantors of the notes. Non-guarantor subsidiaries will have no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. The notes will be structurally subordinated to all indebtedness and other obligations of the non-guarantor subsidiaries such that, in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any such subsidiary, all of the subsidiary's creditors (including trade creditors and preferred stockholders, if any) would be entitled to payment in full out of the subsidiary's assets before we would be entitled to any payment. In addition, the indenture governing the notes will, subject to some limitations, permit non-guarantor subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

We may not be able to repurchase the notes upon a change of control triggering event as required by the indenture governing the notes.

Upon the occurrence of certain kinds of change of control events, we will be required to offer to repurchase all outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase, unless all notes have been previously called for redemption. The holders of our existing senior notes have a similar right, and other debt securities that we may issue in the future that rank equally in right of payment with the notes may have similar rights as well. Our failure to purchase tendered notes would constitute an event of default under the indenture governing the notes, which in turn would constitute an event of default under our revolving credit facility. In addition, the occurrence of a change of control (as defined under the revolving credit facility) in itself would constitute an event of default under our revolving credit facility.

Therefore, it is possible that we may not have sufficient funds at the time of the change of control triggering event to make the required repurchase of notes. Moreover, our revolving credit facility restricts, and any future indebtedness we incur may restrict, our ability to repurchase the notes, including following a change of control triggering event. As a result, following a change of control triggering event, we may not be able to repurchase notes unless we first repay all indebtedness outstanding under our revolving credit facility and any of our other indebtedness that contains similar provisions, or obtain a waiver from the holders of such indebtedness to permit us to repurchase the notes. We may be unable to repay all of that indebtedness or obtain a waiver of that type. Any requirement to offer to repurchase outstanding notes may therefore require us to refinance our other outstanding debt, which we may not be able to do on commercially reasonable terms, if at all.

These repurchase requirements may also delay or make it more difficult for others to obtain control of us. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a "Change of Control Triggering Events" under the indenture. See "Description of the New Notes Repurchase at the Option of Holders Change of Control Triggering Event."

Following a sale of a substantial amount of our assets, you may not be able to determine if a change of control that may give rise to a right to have the notes repurchased has occurred.

The definition of change of control in the indenture governing the notes includes a phrase relating to the sale of "all or substantially all" of our assets. There is no precise, established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

U.S. federal and state fraudulent transfer laws may permit a court to void, subordinate or limit the notes and all guarantees as a fraudulent transfer, and, if that occurs, you may not receive any payments on the notes or may be required to return payments received on the notes.

U.S. federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes and the incurrence of the guarantees of the notes. Under U.S. federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes or the guarantees thereof (or the grant of collateral securing any such obligations) could be voided, subordinated or limited as a fraudulent transfer or conveyance if we or the guarantors of the notes, as applicable, (i) issued the notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors, or (ii) received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring the guarantees and, in the case of (ii) only, one of the following is also true at the time thereof:

- we or any guarantor, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of the guarantees;

- the issuance of the notes or the incurrence of the guarantees left us or any guarantor, as applicable, with an unreasonably small amount of capital or assets to carry on its business;

- we or any guarantor intended to, or believed that we or such guarantor would, incur debts beyond our or such guarantor's ability to pay as they mature; or

- we or any guarantor were a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment is unsatisfied.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is secured or satisfied. A court would likely find that a subsidiary guarantor did not receive reasonably equivalent value or fair consideration for its guarantee to the extent such guarantor did not obtain a reasonably equivalent tangible benefit directly or indirectly from the issuance of the notes.

We cannot be certain as to the standards a court would use to determine whether or not we or any guarantor were insolvent at the relevant time or, regardless of the standard that a court uses, whether the notes or the guarantees would be subordinated to our or any guarantor's other debt. In general, however, a court would deem an entity insolvent if:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

- it could not pay its debts as they became due.

If a court were to find that the issuance of the notes, the incurrence of a guarantee or the grant of security was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or such guarantee or subordinate or limit the notes or such guarantee to presently existing and future indebtedness of ours or of the related guarantor, or require the holders of the notes to repay any amounts received with respect to such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes or guarantees. Further, the avoidance of the notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of such debt.

Each guarantee will contain a provision intended to limit the guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being avoided under applicable fraudulent transfer laws or may reduce the guarantor's obligation to an amount that effectively makes the guarantee worthless. Finally, as a court of equity, a bankruptcy court may subordinate the claims in respect of the notes to other claims against us under the principle of equitable subordination, if the court determines that: (i) the holder of notes engaged in some type of inequitable conduct, (ii) such inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holder of notes and (iii) equitable subordination is not inconsistent with the provisions of the bankruptcy code.

We face risks related to rating agency downgrades.

The notes are rated by Moody's Investor Service and Standard & Poor's. If such rating agencies reduce the rating in the future, the market price of the notes would be adversely affected. In addition, if any of our other outstanding debt is subsequently downgraded, raising capital will become more difficult, borrowing costs under revolving credit facility and other future borrowings may increase and the market price of the notes may decrease.

Many of the covenants contained in the indenture will be suspended if the notes are rated investment grade by either Standard & Poor's Ratings Services or Moody's Investors Service, Inc.

Many of the covenants in the indenture governing the notes will be suspended if the notes are rated investment grade by either Standard & Poor's Ratings Services or Moody's Investors Service, Inc., and certain other conditions are satisfied. These covenants include restrictions on our ability to pay dividends, to incur debt and to enter into certain other transactions. Suspension of these covenants would allow us to engage in certain transactions that would not have been permitted while these covenants were in force, and the effects of any such transactions will be permitted to remain in place even if the notes are subsequently downgraded. There can be no assurance that the notes will ever be rated investment grade, or that if they are rated investment grade, that the notes will maintain such ratings. See "Description of the New Notes Covenant Suspension."

RATIO OF EARNINGS TO FIXED CHARGES

The following table shows our historical ratio of earnings to fixed charges for the periods indicated. For the purposes of calculating the ratio of earnings to fixed charges, "earnings" represents income from continuing operations before income taxes minus income from equity investees plus distributed earnings from equity investees and fixed charges. "Fixed charges" consist of interest expense, including amortization of debt issuance costs and that portion of rental expense considered to be a reasonable approximation of interest.

	Three Months Ended March 31,	Year Ended December 31,				
	2018	2017	2016	2015	2014	2013
Ratio of Earnings to Fixed Charges	(a)	(a)	(a)	(a)	4.3x	(a)

(a) For the three months ended March 31, 2018 and the years ended December 31, 2017, 2016, 2015, and 2013, earnings were insufficient to cover total fixed charges by $19.0 million, $341.3 million, $394.1 million, $109.2 million, and $33.6 million, respectively.

USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. In consideration for issuing the new notes, we will receive old notes from you in the same principal amount. The old notes surrendered in exchange for the new notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the new notes will not result in any change in our indebtedness. The net proceeds from the offering of the old notes were approximately $592.4 million.

THE EXCHANGE OFFER

The following summary of the registration rights agreement and letter of transmittal is not complete and is subject to, and is qualified in its entirety by, all of the provisions of the registration rights agreement and the letter of transmittal, each of which is filed as an exhibit to the registration statement of which this prospectus is a part. The letter of transmittal is included in this prospectus as Annex A. We urge you to read the entire registration rights agreement and the letter of transmittal carefully.

Purpose and Effect of the Exchange Offer

In connection with the issuance of the old notes, we entered into a registration rights agreement with respect to the notes. Pursuant to the registration rights agreement, we agreed that we will, subject to certain exceptions,

- prepare and file a registration statement (the "exchange offer registration statement"), with the SEC with respect to a registered exchange offer to exchange each outstanding old note for a new note having terms substantially identical in all material respects to such old note (except that the new note will not contain terms with respect to transfer restrictions);

- after the effectiveness of the exchange offer registration statement, offer the new notes in exchange for the old notes; and

- keep the exchange offer open for a period of at least twenty business days after the date notice of the exchange offer is mailed or made available to the holders of the old notes.

We have also agreed to include in the exchange offer registration statement a prospectus for use in any resales by any holder of old notes that is a "participating broker-dealer" (as defined in the registration rights agreement) and to keep such exchange offer registration statement effective for a period ending 180 days from the expiration date of this exchange offer; *provided* that if the letters of

transmittal relating to the exchange offer as provided to us indicate that no holder is a broker-dealer, we will not be obligated to maintain the effectiveness of such registration statement after the consummation of the exchange offer.

In the event that:

- any change in law or in applicable interpretations thereof by the staff of the SEC does not permit us to effect the exchange offer;
- the exchange offer is not for any other reason completed by November 24, 2018; or
- any initial purchaser notifies us that its old notes are or were ineligible to be exchanged in the exchange offer under applicable law or applicable interpretations of the SEC staff,

then, we and any subsidiary guarantors will, in lieu of or in addition to conducting the exchange offer, shall as soon as reasonably practicable cause to be filed a shelf registration statement providing for the sale of all the old notes by the holders thereof and to have such shelf registration statement become effective; *provided* that no holder will be entitled to have any "registrable securities" (as defined in the registration rights agreement) included in any shelf registration statement, or entitled to use the prospectus forming a part of such shelf registration statement, until such holder shall have delivered a completed and signed "notice and questionnaire" (as defined in the registration rights agreement) and provided such other information to the Company as is required.

We will pay, as liquidated damages, additional cash interest on the applicable notes, subject to certain exceptions:

- if we do not complete the exchange offer;
- if the shelf registration statement, if required, is not declared effective prior to November 24, 2018; or
- if the shelf registration statement, if required, is declared effective or automatically becomes effective, and thereafter either ceases to be effective or the prospectus contained therein ceases to be useable for more than 30 days in any 12-month period.

The additional interest will be increased by 1.00% per annum during the registration default period. We will pay such additional interest on regular interest payment dates.

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus, for each $2,000, and $1,000 integral multiples in excess of $2,000, principal amount of old notes properly tendered and not withdrawn before the expiration date of the exchange offer, we will issue $2,000, and $1,000 integral multiples in excess of $2,000, principal amount of new notes. Holders may tender some or all of their old notes pursuant to the exchange offer in denominations of $2,000 and $1,000 integral multiples in excess of $2,000 thereof. The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered.

The form and terms of the new notes will be the same as the form and terms of the old notes except that:

- the new notes will have a different CUSIP number from the old notes;
- the new notes will be registered under the Securities Act and, therefore, the global securities representing the new notes will not bear legends restricting the transfer of interests in the new notes;

the new notes will not be subject to the registration rights relating to the old notes; and

Table of Contents

- the new notes will not contain provisions for payment of additional interest in case of non-registration.

The new notes will evidence the same indebtedness as the old notes they replace, and will be issued under, and be entitled to the benefits of, the same indenture governing the issuance of the old notes. As a result, the old notes and the new notes will be treated as a single series of notes under the indenture.

No interest will be paid in connection with the exchange. The new notes will accrue interest from and including the last interest payment date on which interest has been paid on the old notes. Accordingly, the holders of old notes that are accepted for exchange will not receive accrued but unpaid interest on old notes at the time of tender. Rather, that interest will be payable on the new notes delivered in exchange for the old notes on the first interest payment date after the expiration date.

Under existing SEC interpretations, the new notes would generally be freely transferable after the exchange offer without further registration under the Securities Act, except that broker dealers receiving the new notes in the exchange offer in exchange for old notes that were acquired as a result of market-making or other trading activities will be subject to a prospectus delivery requirement with respect to their resale. This view is based on interpretations by the staff of the SEC in no action letters issued to other issuers in exchange offers like this one. We have not, however, asked the SEC to consider this particular exchange offer in the context of a no action letter. Therefore, the SEC might not treat it in the same way it has treated other exchange offers in the past. You will be relying on the no action letters that the SEC has issued to third parties in circumstances that we believe are similar to ours. Based on these no action letters, you must meet the following conditions in order to participate in the exchange offer and receive freely transferable new notes:

- you are not an "affiliate" of ours, as defined in Rule 405 of the Securities Act;
- you are not engaged in and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of new notes to be issued in the exchange offer;
- you are acquiring the new notes issued in the exchange offer in the ordinary course of your business;
- you are not a broker-dealer that acquired the old notes directly from us; and
- you are not acting on behalf of any person who could not truthfully and completely make the foregoing representations.

By tendering your old notes as described in " Procedures for Tendering," you will be representing to us that you satisfy all of the above listed conditions. If you do not satisfy all of the above listed conditions:

- you cannot rely on the position of the SEC set forth in the no-action letters referred to above;
- you cannot tender your old notes in the exchange offer; and
- you must comply with the applicable registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new notes.

In addition, if you are a broker-dealer that acquires new notes pursuant to the exchange offer in exchange for old notes that you acquired as a result of market-making or other trading activities, you must comply with the prospectus delivery requirements of the Securities Act in connection with a resale of the new notes. Such broker-dealers may use this prospectus to fulfill their prospectus delivery requirements with respect to the new notes. We have agreed in the registration rights agreement to

Table of Contents

send a prospectus to any broker-dealer that requests copies in the letter of transmittal accompanying the prospectus until the earlier of 180 days from the completion date of this exchange offer or such time as such broker-dealers no longer hold any old notes.

Unless you are required to do so because you are a broker-dealer, you may not use this prospectus for an offer to resell, resale or other retransfer of new notes. We are not making this exchange offer to, nor will we accept tenders for exchange from, holders of old notes in any jurisdiction in which the exchange offer or the acceptance of it would not be in compliance with the securities or blue sky laws of that jurisdiction.

Holders of old notes do not have appraisal or dissenters' rights under state law or under the indenture in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the applicable requirements of Regulation 14E under the Exchange Act.

Expiration Date

The exchange offer will expire at 11:59 p.m. Eastern Time on ,   2018, unless, in our sole discretion, we extend the expiration date. If we so extend the expiration date, the term "expiration date" shall mean the latest date and time to which we extend the exchange offer. Pursuant to the terms of the registration rights agreement, the expiration date of the exchange offer may not be more than thirty business days following the commencement of the exchange offer. Accordingly, we expect that the maximum period of time that the exchange offer will remain in effect, including any extensions, is thirty business days from the date it commences.

Extensions, Delays in Acceptance, Termination or Amendment

We reserve the right, in our sole discretion to:

- delay accepting for exchange any old notes in connection with the extension of the exchange offer;
- extend the exchange offer;
- terminate the exchange offer; or
- amend the terms of the exchange offer in any way we determine.

We will give notice of any delay, extension or termination to the Exchange Agent. In addition, we will give, as promptly as practicable, notice regarding any delay in acceptance, extension or termination of the offer to the registered holders of old notes by press release or other public announcement. Any extension notice will disclose the approximate number of old notes tendered as of the notice date. If we amend the exchange offer in a manner that we determine to constitute a material change, or if we waive a material condition, we will promptly disclose the amendment or waiver in a manner reasonably calculated to inform the holders of old notes of the amendment or waiver, and extend the offer if required by law, and in any event will extend the offer as necessary such that at least five business days remain in the offer following notice of a material change.

We intend to make public announcements of any delay in acceptance, extension, termination, amendment or waiver regarding the exchange offer prior to 9 a.m., Eastern time, on the next business day after the previously scheduled expiration date.

Table of Contents

Conditions to the Exchange Offer

We will not be required to accept for exchange, or to exchange new notes for, any old notes, and we may terminate the exchange offer as provided in this prospectus at or before the expiration date, if:

- any law, statute, rule or regulation shall have been proposed, adopted or enacted, or interpreted in a manner, which, in our reasonable judgment, would impair our ability to proceed with the exchange offer;

- any action or proceeding is instituted or threatened in any court or by or before the SEC or any other governmental agency with respect to the exchange offer which, in our reasonable judgment, would impair our ability to proceed with the exchange offer;

- we have not obtained any governmental approval which we, in our reasonable judgment, consider necessary for the completion of the exchange offer as contemplated by this prospectus;

- any change, or any condition, event or development involving a prospective change, shall have occurred or be threatened in the general economic, financial, currency exchange or market conditions in the United States or elsewhere that, in our reasonable judgment, would impair our ability to proceed with the exchange offer;

- any other change or development shall have occurred, including a prospective change or development, that, in our reasonable judgment, has or may have a material adverse effect on us, the market price of the new notes or the old notes or the value of the exchange offer to us; or

- there shall have occurred (i) any suspension or limitation of trading in securities generally on the NASDAQ Global Market or the over-the-counter market; (ii) a declaration of a banking moratorium by United States federal or New York authorities; or (iii) a commencement or escalation of a war or armed hostilities involving or relating to a country where we do business or other international or national emergency or crisis directly or indirectly involving the United States.

The conditions listed above are for our sole benefit and we may assert them regardless of the circumstances giving rise to any of these conditions. We may waive these conditions in our sole discretion in whole or in part at any time and from time to time. A failure on our part to exercise any of the above rights shall not constitute a waiver of that right, and that right shall be considered an ongoing right which we may assert at any time and from time to time.

If we determine in our reasonable judgment that any of the events listed above has occurred, we may, subject to applicable law:

- refuse to accept any old notes and return all tendered old notes to the tendering holders and terminate the exchange offer;

- extend the exchange offer and retain all old notes tendered before the expiration of the exchange offer, subject, however, to the rights of holders to withdraw these old notes; or

- waive unsatisfied conditions relating to the exchange offer and accept all properly tendered old notes which have not been withdrawn. With respect to any such waiver, we would treat all tendering holders alike to the extent similarly situated. If this waiver constitutes a material change to the exchange offer, we will disclose this change by means of a prospectus supplement that will be distributed to the registered holders of the old notes. If the exchange offer would otherwise expire, we will extend the exchange offer for five to ten business days, depending on how significant the waiver is and the manner of disclosure to registered holders.

Any determination by us concerning the above events will be final and binding.

In addition, we reserve the right in our sole discretion, to the extent permitted by applicable law, to:

purchase or make offers for any old notes that remain outstanding subsequent to the expiration date; and

purchase old notes in the open market, in privately negotiated transactions or otherwise.

The terms of any such purchases or offers may differ from the terms of the exchange offer.

Procedures for Tendering

We have forwarded to you, along with this prospectus, a letter of transmittal relating to this exchange offer. Because all of the old notes are held in book-entry accounts maintained by the Exchange Agent at DTC, a holder need not submit a letter of transmittal. However, all holders who exchange their old notes for new notes in accordance with the procedures outlined below will be deemed to have acknowledged receipt of, and agreed to be bound by, and to have made all of the affirmative acknowledgements required by and the representations and warranties contained in the letter of transmittal.

Procedures Applicable to Beneficial Holders

Only a registered holder of record of old notes may tender old notes in the exchange offer. If you are a beneficial owner of old notes which are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender old notes in the exchange offer, you should contact the registered holder as soon as possible and instruct them to tender on your behalf and comply with our instructions set forth elsewhere in this prospectus and the letter of transmittal. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either make appropriate arrangements to register ownership of the old notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

Procedures Applicable to Old Notes Held in Book-Entry Form with DTC

The old notes were issued as global securities. Beneficial interests in the old notes, held by direct or indirect participants in DTC, are shown on, and transfers of these interests are effected only through, records maintained in book-entry form by DTC with respect to its participants.

If you hold your old notes in the form of book-entry interests and you wish to tender your old notes for exchange pursuant to the Exchange Offer, you must transmit to the Exchange Agent on or prior to the Expiration Date either:

(1) a computer-generated message transmitted by means of DTC's Automated Tender Offer Program system and received by the Exchange Agent and forming a part of a confirmation of book-entry transfer, in which you acknowledge and agree to be bound by the terms of the letter of transmittal; or

(2) a written or facsimile copy of a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to the Exchange Agent at the address set forth on the cover page of the letter of transmittal.

We understand that the Exchange Agent will make a request promptly after the date of this prospectus to establish accounts with respect to the old notes at DTC for the purpose of facilitating the exchange offer. Any financial institution that is a participant in DTC's system may make book-entry delivery of old notes by causing DTC to transfer such old notes into the Exchange Agent's DTC

Table of Contents

account in accordance with DTC's electronic Automated Tender Offer Program procedures for such transfer. The exchange of new notes for tendered old notes will only be made after timely:

- confirmation of book-entry transfer of the old notes into the Exchange Agent's account; and
- receipt by the Exchange Agent of an "agent's message" and all other required documents specified in the letter of transmittal.

The term "agent's message" means a message, transmitted from the DTC participant to DTC and forming part of the confirmation of a book-entry transfer from DTC to the Exchange Agent, which states that DTC has received an express acknowledgment from a participant in DTC tendering old notes and:

- the aggregate principal amount of old notes which have been tendered by the participant;
- that such participant has received an appropriate letter of transmittal and agrees to be bound by the terms of the letter of transmittal and the terms of the exchange offer; and
- that we may enforce such agreement against the participant.

Delivery of an agent's message will also constitute an acknowledgment from the tendering DTC participant that the representations contained in the letter of transmittal and described below under "Representations on Tendering Old Notes" are true and correct.

Procedures Applicable to Holders of Certificated Old Notes

No definitive certificated notes are issued and outstanding as of the date of this prospectus. Only registered holders of certificated old notes may tender those notes in the exchange offer. If your old notes are certificated notes and you wish to tender those notes for exchange pursuant to the exchange offer, you must transmit to the Exchange Agent, on or prior to the expiration date, a written or facsimile copy of a properly completed and duly executed letter of transmittal, including all other required documents, to the address set forth below under "Exchange Agent." In addition, in order to validly tender your certificated old notes the certificates representing your old notes must be received by the Exchange Agent prior to the expiration date.

Procedures Applicable to All Holders

The tender by a holder that is not withdrawn before expiration of the exchange offer will constitute an agreement between that holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal. If a holder tenders less than all of the old notes held by the holder, the tendering holder should so indicate. The amount of old notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

The method of delivery of old notes, the letter of transmittal and all other required documents or transmission of an agent's message to the Exchange Agent is at the election and risk of the holder. Rather than mail these items, we recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure delivery to the Exchange Agent before expiration of the exchange offer. Holders should not send the letter of transmittal or old notes to us. Delivery of documents to DTC in accordance with its procedures will not constitute delivery to the Exchange Agent.

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, acceptance and withdrawal of tendered outstanding notes. Our determination will be final and binding. We reserve the absolute right to reject any outstanding notes not properly tendered or any outstanding notes the acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular

Table of Contents

outstanding notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. However, we do not expect to treat any holder of outstanding notes differently from other holders to the extent they present the same facts or circumstances.

Unless waived, any defects or irregularities in connection with tenders of outstanding notes must be cured within the time that we determine. Although we intend to notify holders of defects or irregularities with respect to tenders of outstanding notes, neither we, the Exchange Agent nor any other person will incur any liability for failure to give notification. Tenders of outstanding notes will not be deemed made until those defects or irregularities have been cured or waived.

Outstanding notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent without cost to the tendering holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

In addition, we reserve the right in our sole discretion to (a) purchase or make offers for any outstanding notes that remain outstanding subsequent to the expiration date, and (b) to the extent permitted by applicable law, purchase outstanding notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers may differ from the terms of the exchange offer.

Representations on Tendering Old Notes

To exchange your old notes for transferable new notes in the exchange offer, you will be required to represent to the effect that you:

- are not an "affiliate" of ours, as defined in Rule 405 of the Securities Act;
- are not a broker dealer that acquired the old notes directly from us;
- are not engaged in and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of new notes to be issued in the exchange offer;
- are acquiring the new notes issued in the exchange offer in the ordinary course of your business;
- if you are a broker-dealer that will acquire new notes pursuant to the exchange offer in exchange for old notes that you acquired as a result of market-making or other trading activities, you will comply with the prospectus delivery requirements of the Securities Act in connection with a resale of the new notes; and
- are not acting on behalf of any person who could not truthfully and completely make the foregoing representations.

If you are a broker dealer and you will receive new notes for your own account in exchange for old notes that were acquired as a result of market making activities or other trading activities, you will be required to (i) inform us per the instructions in the letter of transmittal and (ii) represent that you will comply with the prospectus delivery requirements of the Securities Act in connection with any resale of the new notes, as set forth in the letter of transmittal. The letter of transmittal states that, by complying with their obligations, a broker dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. See also "Plan of Distribution."

The SEC considers broker-dealers that acquired old notes directly from us, but not as a result of market-making activities or other trading activities, to be making a distribution of the new notes if they participate in the exchange offer. Consequently, these broker-dealers must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new notes, and may not participate in the exchange offer.

Table of Contents

Withdrawal Rights

Any holder will be entitled to withdraw its tender of old notes, not later than the close of business on the last day of the exchange offer, by (a) sending to the Exchange Agent a facsimile transmission or letter setting forth the name of such holder, the principal amount of new notes delivered for exchange and a statement that such holder is withdrawing its election to have such old notes exchanged or (b) effecting such withdrawal in compliance with the applicable procedures of the DTC.

For a withdrawal to be effective for DTC participants, holders must comply with their respective standard operating procedures for electronic tenders and the Exchange Agent must receive an electronic notice of withdrawal from DTC.

Any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of DTC. We will determine in our sole discretion all questions as to the validity, form and eligibility, including time of receipt, for such withdrawal notices, and our determination shall be final and binding on all parties. Any old notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no new notes will be issued with respect to them unless the old notes so withdrawn are validly re-tendered. Any old notes which have been tendered but which are withdrawn or not accepted for exchange will be returned to the holder without cost to such holder promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be re-tendered by following the procedures described above under " Procedures for Tendering" at any time prior to the expiration date.

Exchange Agent

U.S. Bank National Association has been appointed as the Exchange Agent for the exchange offer. U.S. Bank National Association also acts as trustee under the indenture governing the notes. You should direct all executed letters of transmittal and all questions and requests for assistance and requests for additional copies of this prospectus or of the letters of transmittal to the Exchange Agent addressed as follows:

U.S. Bank National Association
Attn: Corporate Actions
111 Fillmore Avenue
St. Paul, MN 55107-1402
Fax: 651-466-7367
Phone: 800-934-6802

If you deliver the letter of transmittal to the Company or to an address other than the one set forth above or transmit instructions via facsimile other than the one set forth above, that delivery or those instructions will not be effective.

Fees and Expenses

We will bear the expenses of soliciting tenders with respect to the exchange offer. The principal solicitation is being made by electronic means; however, we may make additional solicitation by telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the Exchange Agent reasonable and customary fees for its services and reimburse it for its related reasonable out of pocket expenses.

Table of Contents

We will pay the cash expenses to be incurred in connection with the exchange offer. They include the following:

- SEC registration fees;
- fees and expenses of the Exchange Agent and trustee;
- accounting and legal fees and printing costs; and
- related fees and expenses.

Transfer Taxes

Holders who tender their old notes for exchange will not be obligated to pay any transfer taxes. If, however, a transfer tax is imposed for any reason other than the exchange of old notes in connection with the exchange offer, then the tendering holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the tendering holder does not submit satisfactory evidence of payment of these taxes or exemption from them with the letter of transmittal, the amount of these transfer taxes will be billed directly to the tendering holder.

Accounting Treatment

We will record the new notes in our accounting records at the same carrying value as the old notes. This carrying value is the aggregate principal amount of the old notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer, nor will this be recorded as a redemption and issuance.

Consequences of Failure to Properly Tender Old Notes in the Exchange

We will issue the new notes in exchange for old notes under the exchange offer only after timely confirmation of book-entry transfer of the old notes into the Exchange Agent's account and timely receipt by the Exchange Agent of an agent's message and all other required documents specified in the letter of transmittal. Therefore, holders of the old notes desiring to tender old notes in exchange for new notes should allow sufficient time to ensure timely delivery. We are under no duty to give notification of defects or irregularities of tenders of old notes for exchange or waive any such defects or irregularities. Old notes that are not tendered or that are tendered but not accepted by us will, following completion of the exchange offer, continue to be subject to the existing transfer restrictions under the Securities Act. Thus, you may not resell the old notes, offer them for resale or otherwise transfer them unless they are subsequently registered or resold under an exemption from the registration requirements of the Securities Act and applicable state securities laws. There will be no guaranteed delivery procedures for the exchange offer.

Participation in the exchange offer is voluntary. In the event the exchange offer is completed, we will generally not be required to register the remaining old notes, and therefore holders of old notes will not have any further rights to have their old notes exchanged for new notes registered under the Securities Act. Remaining old notes will continue to be subject to the following restrictions on transfer:

- holders may resell old notes only if an exemption from registration is available or, outside the United States, to non-U.S. persons in accordance with the requirements of Regulation S under the Securities Act; and
- the remaining old notes will bear a legend restricting transfer in the absence of registration or an exemption.

Table of Contents

To the extent that old notes are tendered and accepted in connection with the exchange offer, any trading market for remaining old notes could be adversely affected.

Neither we nor our board of directors make any recommendation to holders of old notes as to whether to tender or refrain from tendering all or any portion of their old notes pursuant to the exchange offer. Moreover, no one has been authorized to make any such recommendation. Holders of old notes must make their own decision whether to tender pursuant to the exchange offer and, if so, the aggregate amount of old notes to tender, after reading this prospectus and the letter of transmittal and consulting with their advisors, if any, based on their own financial position and requirements.

Table of Contents

DESCRIPTION OF THE NEW NOTES

We issued the old notes, and will issue the new notes, under an indenture (the "indenture"), between us and U.S. Bank National Association, as trustee (the "trustee"). The old notes were issued in a private transaction that was not subject to the registration requirements of the Securities Act. The indenture is governed by the Trust Indenture Act of 1939 (the "Trust Indenture Act"). The terms of the notes will include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act. For purposes of this description, unless the context otherwise requires, references to the "notes" includes the new notes, the old notes, and any additional notes (as described below). This description of the new notes is qualified by the indenture which is filed as an exhibit to the registration statement of which this prospectus is part.

You can find the definitions of terms used in this description of notes below under the caption " Definitions." Capitalized terms used in this description but not defined below under the caption " Definitions" have the meanings assigned to them in the indenture. In this description, the words "PDC," "we," "us," and "our" refer only to PDC Energy, Inc., and not to any of its Subsidiaries or Affiliates.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

Brief Description of the New Notes and the Subsidiary Guarantees

The Notes

The old notes and the new notes will:

- be general unsecured, senior obligations of PDC;
- rank senior in right of payment to all existing and future subordinated unsecured indebtedness of PDC;
- rank *pari passu* in right of payment with any existing and future senior unsecured indebtedness of PDC, including the Existing Senior Notes and the Existing Convertible Notes;
- rank effectively junior in right of payment to PDC's existing and future secured indebtedness, including indebtedness under the Senior Credit Agreement, to the extent of the assets of PDC constituting collateral securing that indebtedness; and
- be unconditionally guaranteed by future Subsidiary Guarantors on a senior unsecured basis.

The Subsidiary Guarantees

Initially, the notes will be guaranteed by PDC Permian, Inc. but not by any of our other Subsidiaries. However, in the future, each of our other Domestic Restricted Subsidiaries will be required to guarantee the notes if, on any date after the Issue Date, such Subsidiary both:

- Guarantees (or otherwise becomes liable for) Obligations under the Senior Credit Agreement; and
- constitutes a Material Subsidiary.

Additional Subsidiaries will be required to become Subsidiary Guarantors under the circumstances described below under " Covenants Subsidiary Guarantees."

Each Subsidiary Guarantee will:

be a general unsecured, senior obligation of the applicable Subsidiary Guarantor;

Table of Contents

- rank senior in right of payment to all existing and future subordinated indebtedness of such Subsidiary Guarantor;

- rank *pari passu* in right of payment with any existing and future senior indebtedness of such Subsidiary Guarantor; and

- rank effectively junior to all existing and future secured indebtedness of such Subsidiary Guarantor (including any Indebtedness under the Senior Credit Agreement), to the extent of the assets of such Subsidiary Guarantor constituting collateral securing that indebtedness.

For purposes of preparing our consolidated financial statements in accordance with GAAP, our drilling partnerships are not considered "Subsidiaries" as defined in the indenture governing the notes.

All of our Subsidiaries are currently "Restricted Subsidiaries." However, under the circumstances described below under the caption " Covenants Designation of Restricted and Unrestricted Subsidiaries," we will be permitted to designate Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the indenture, and will not guarantee the notes.

Principal, Maturity and Interest

The old notes had, and the new notes will have (together with any old notes that remain outstanding), an initial aggregate principal amount of $600 million. We may issue additional notes ("Additional Notes") under the indenture from time to time. Any issuance of Additional Notes is subject to all of the covenants in the indenture, including the covenant described below under the caption " Covenants Incurrence of Indebtedness and Issuance of Preferred Stock." The old notes, the new notes issued in this exchange offer, and any Additional Notes will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase; provided that if the Additional Notes are not fungible with the old notes or the new notes for U.S. federal income tax purposes, such Additional Notes will have a different CUSIP. We may also issue other debt securities under the indenture. If issued, such other debt securities will not vote together with the notes on any matter. The notes will mature on May 15, 2026, and will be issued in denominations of $2,000 and integral multiples of $1,000 in excess of $2,000.

Interest on the notes will accrue at the rate of 5.750% per annum and will be payable semi-annually in arrears on May 15 and November 15, beginning on May 15, 2018. Additional interest may accrue on the notes in certain circumstances described below under " Registration Rights; Additional Interest," and all references to "interest" in this description include any additional interest that may be payable on the notes. Interest on overdue principal, premium, if any, and interest will accrue at the applicable interest rate on the notes. PDC will make each interest payment to the holders of record of the notes on the immediately preceding May 1 and November 1. Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

Methods of Receiving Payments on the Notes

Payments in respect of the notes represented by the global notes are to be made by wire transfer of immediately available funds to the accounts specified by the holder or holders of the global notes. With respect to certificated notes, PDC will make all payments by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each holder's registered address.

Table of Contents

Paying Agent and Registrar

The trustee is currently acting as paying agent and registrar for the notes. PDC may change the paying agent or registrar without prior notice to the holders of the notes, and PDC or any of the Restricted Subsidiaries may act as paying agent or registrar.

Transfer

The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of the notes, and PDC may require a holder to pay any taxes and fees required by law or permitted by the indenture. PDC will not be required to transfer any note (or portion of a note) selected for redemption. Also, PDC will not be required to transfer any note for a period of 15 days before a selection of notes to be redeemed.

Subsidiary Guarantees of the Notes

Initially, the notes will be guaranteed by PDC Permian, Inc. but not by any of our other Subsidiaries, as none of our other Domestic Restricted Subsidiaries are Material Subsidiaries. Our Subsidiaries will be required to become Subsidiary Guarantors as described under " Covenants Subsidiary Guarantees." The Subsidiary Guarantees will be joint and several obligations of the Subsidiary Guarantors and limited to the maximum amount the Guarantors are permitted to guarantee under applicable law without creating a fraudulent conveyance. See "Risk Factors Risks Associated with our Indebtedness and the Notes U.S. federal and state fraudulent transfer laws may permit a court to void, subordinate or limit the notes and all guarantees, and, if that occurs, you may not receive any payments on the notes or may be required to return payments received on the notes."

A Subsidiary Guarantor may not sell or otherwise dispose of all or substantially all of its properties or assets to, or consolidate with or merge with or into (regardless of whether such Subsidiary Guarantor is the surviving Person), another Person, other than PDC or another Subsidiary Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) (i) such Subsidiary Guarantor is the surviving Person or (ii) the Person acquiring the properties or assets in any such sale or other disposition or the Person formed by or surviving any such consolidation or merger (if other than such Subsidiary Guarantor) assumes all the obligations of such Subsidiary Guarantor under the indenture (including its Subsidiary Guarantee) pursuant to a supplemental indenture; or

(b) such transaction does not violate the provisions of the indenture described under the caption " Repurchase at the Option of Holders Asset Sales."

The Subsidiary Guarantee of a Subsidiary Guarantor will be released as set forth under the caption " Covenants Subsidiary Guarantees," and will also be released immediately:

(1) upon any sale or other disposition of all or substantially all of the properties or assets of such Subsidiary Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) PDC or a Restricted Subsidiary, if the sale or other disposition does not violate the provisions of the indenture described below under the caption " Repurchase at the Option of Holders Asset Sales;"

(2) upon any sale or other disposition of the Capital Stock of such Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) PDC or a Restricted

Table of Contents

Subsidiary, if the sale or other disposition does not violate the provisions of the indenture described under " Repurchase at the Option of Holders Asset Sales" and such Subsidiary Guarantor no longer qualifies as a Subsidiary of PDC as a result of such disposition;

(3) upon designation of such Subsidiary Guarantor as an Unrestricted Subsidiary, in accordance with the provisions of the indenture described below under the caption " Covenants Designation of Restricted and Unrestricted Subsidiaries;"

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the indenture as provided pursuant to the defeasance or satisfaction and discharge provisions of the indenture as described below under the captions " Legal Defeasance and Covenant Defeasance;" and " Satisfaction and Discharge;" or

(5) upon the liquidation or dissolution of such Subsidiary Guarantor, provided no Default or Event of Default occurs as a result thereof or has occurred or is continuing.

Optional Redemption

Except as described in the last paragraph of " Repurchase at the Option of Holders Change of Control Triggering Event," the notes are not redeemable until May 15, 2021. On and after May 15, 2021, PDC may redeem all or a part of the notes, from time to time, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest, if any, on the notes redeemed to the applicable redemption date (subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on May 15 of the years indicated below:

Years	**Redemption price**
2021	104.313%
2022	102.875%
2023	101.438%
2024 and thereafter	100.000%

At any time or from time to time prior to May 15, 2021, PDC may also redeem all or a part of the notes, at a redemption price equal to the Make-Whole Price, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

"Make-Whole Price" with respect to any notes to be redeemed, means an amount equal to the greater of:

(1) 100% of the principal amount of such notes; and

(2) the sum of the present values of (a) the redemption price of such notes at May 15, 2021 (as set forth above) and (b) the remaining scheduled payments of interest from the redemption date to May 15, 2021 (not including any portion of such payments of interest accrued as of the redemption date) discounted back to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 50 basis points;

plus, in the case of both (1) and (2), accrued and unpaid interest on such notes, if any, to the redemption date.

"Comparable Treasury Issue" means, with respect to notes to be redeemed, the U.S. Treasury security selected by an Independent Investment Banker as having a maturity most nearly equal to the period from the redemption date to May 15, 2021, that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a

Table of Contents

comparable maturity; provided that if such period is less than one year, then the U.S. Treasury security having a maturity of one year shall be used.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

"Independent Investment Banker" means Merrill Lynch, Pierce, Fenner & Smith Incorporated and its successors, or, if such firm is unwilling or unable to select the applicable Comparable Treasury Issue, an independent investment banking institution of national standing appointed by PDC.

"Reference Treasury Dealer" means each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and its successors and three additional primary Government Securities dealers in New York City (each a "Primary Treasury Dealer") selected by PDC, and their respective successors; provided, however, that if any such firm or any such successor, as the case may be, shall cease to be a primary Government Securities dealer in New York City, PDC shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(159)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the stated maturity, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined, and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third Business Day preceding the redemption date.

The notice of redemption with respect to the foregoing redemption need not set forth the Make-Whole Price but only the manner of calculation thereof. PDC will notify the trustee of the Make-Whole Price with respect to any redemption promptly after the calculation, and the trustee shall not be responsible for such calculation.

In addition, prior to May 15, 2021, PDC may on any one or more occasions redeem up to 35% of the principal amount of the notes with all or a portion of the net cash proceeds of one or more Equity Offerings at a redemption price equal to 105.750% of the principal amount thereof, plus accrued and unpaid interest, if any, on the notes redeemed to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided that:

(1) at least 65% of the aggregate principal amount of the notes issued on the Issue Date (excluding notes held by PDC and its Subsidiaries) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

Notice of any redemption upon an Equity Offering may be given prior to the completion of the related Equity Offering, and any such redemption or notice may at PDC's discretion, be subject to one or more conditions precedent, including, but not limited to completion of the related Equity Offering.

Unless PDC defaults in the payment of the redemption price, interest, if any, will cease to accrue on the notes or portions thereof called for redemption on the applicable redemption date.

Selection and Notice

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption on a pro rata basis (or, in the case of notes in global form, the trustee will select notes for redemption based on DTC's required method), unless otherwise required by law or applicable stock exchange requirements.

Notes redeemed in part must be redeemed only in amounts of $2,000 or whole multiples of $1,000 in excess thereof (subject to the procedures of DTC or any other depositary). Notices of redemption will be mailed by first class mail or delivered in accordance with the procedures of DTC at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address, except that redemption notices may be mailed or delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture.

If any note is to be redeemed in part only, the notice of redemption that relates to such note shall state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption, unless the redemption is subject to a condition precedent that is not satisfied or waived. On and after the redemption date, interest ceases to accrue on notes or portions of notes called for redemption, unless PDC defaults in making the redemption payment, in which case interest will continue to accrue on notes or portions of notes called for redemption until the redemption price is paid. Any redemption or notice of redemption may, at our discretion, be subject to one or more conditions precedent and, in the case of a redemption with the net cash proceeds of an Equity Offering, be given prior to the completion of the related Equity Offering.

Open Market Purchases; Mandatory Redemption; No Sinking Fund

We may at any time and from time to time purchase notes in the open market or otherwise. We are not required to make mandatory redemption or sinking fund payments with respect to the notes. However, under certain circumstances, we may be required to offer to purchase notes pursuant to the covenants described under the caption " Repurchase at the Option of Holders."

Repurchase at the Option of Holders

Change of Control Triggering Event

If a Change of Control Triggering Event occurs, each holder of notes will have the right to require PDC to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess of $2,000) of that holder's notes pursuant to an offer (a "Change of Control Offer") on the terms set forth in the indenture. In the Change of Control Offer, PDC will offer a payment in cash (the "Change of Control Payment") equal to not less than 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased to the date of purchase (the "Change of Control Payment Date"), subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Table of Contents

Within 30 days following any Change of Control Triggering Event, or, at PDC's option, prior to such Change of Control Triggering Event but after the Change of Control is publicly announced, PDC will provide a notice to each holder describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered or such later date as is necessary to comply with requirements under the Exchange Act, pursuant to the procedures required by the indenture and described in such notice. PDC will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Triggering Event provisions of the indenture, PDC will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Triggering Event provisions of the indenture by virtue of such compliance.

On the Change of Control Payment Date, PDC will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions of notes being purchased by PDC.

The paying agent will promptly mail or wire transfer to each holder of notes properly tendered the Change of Control Payment for such notes (or, if all the notes are then in global form, make such payment through the facilities of DTC), and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; provided that each such new note will be in a principal amount of $2,000 or an integral multiple of $1,000 in excess of $2,000. Any note so accepted for payment will cease to accrue interest on and after the Change of Control Payment Date unless PDC defaults in making the Change of Control Payment, in which case interest will continue to accrue on notes accepted for payment until the Change of Control Payment is made. PDC will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described herein that require PDC to make a Change of Control Offer following a Change of Control Triggering Event will be applicable regardless of whether any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the indenture will not contain provisions that permit the holders of the notes to require that PDC repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

PDC will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if (1) a third party makes the Change of Control Offer in the manner, at the price, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by PDC and purchases all notes properly tendered and not withdrawn under the Change of Control Offer, or (2) PDC has given notice of redemption pursuant to the indenture as described above under the caption " Optional Redemption," unless and until there is a Default in payment of the applicable redemption price.

A Change of Control Offer may be made in advance of a Change of Control Triggering Event, and conditioned upon the occurrence of such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer. Notes repurchased by PDC pursuant to a Change of Control Offer will have the status of notes issued but not outstanding or will be retired and cancelled, at PDC's option. Notes purchased by a third party pursuant to the preceding paragraph will have the status of notes issued and outstanding.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of PDC and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under New York law, which is the governing law of the indenture. Accordingly, the ability of a holder of notes to require PDC to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the properties or assets of PDC and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

In the event that holders of at least 90% of the aggregate principal amount of the outstanding notes accept a Change of Control Offer and PDC (or any third party making such Change of Control Offer, in lieu of PDC, as described above) purchases all of the notes held by such holders, PDC will have the right, upon not less than 30 nor more than 60 days' prior notice, given not more than 30 days following a Change of Control Payment Date, to redeem all, but not less than all, of the notes that remain outstanding at a redemption price equal to the Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest, if any, on the notes that remain outstanding, to the date of redemption (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date).

Asset Sales

PDC will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) PDC (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) (x) at least 75% of the consideration received in respect of such Asset Sale by PDC or such Restricted Subsidiary is in the form of cash or Cash Equivalents or (y) the Fair Market Value of all forms of consideration other than cash and Cash Equivalents received for all Asset Sales since the Issue Date does not exceed in the aggregate 10% of the Adjusted Consolidated Net Tangible Assets of PDC at the time each determination is made. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on PDC's most recent consolidated balance sheet, of PDC or any Restricted Subsidiary (other than contingent liabilities, Subordinated Debt and any obligations in respect of preferred stock) that are assumed by the transferee of any such assets or Equity Interests pursuant to (1) a customary novation agreement (or other legal documentation with the same effect) that includes a full release of PDC or such Restricted Subsidiary from any and all liability therefor or (2) an assignment agreement that includes, in lieu of such release, the agreement of the transferee or its parent company to indemnify and hold harmless PDC or such Restricted Subsidiary from and against any loss, liability or other cost in respect of such assumed liability;

(b) Liquid Securities;

(c) promissory notes or other obligations of the transferee in the Asset Sale that are converted to cash or Cash Equivalents within 180 days of the Asset Sale; and

Table of Contents

(d) Additional Assets.

Notwithstanding the foregoing, the 75% limitation referred to above shall be deemed satisfied with respect to any Asset Sale in which the cash or Cash Equivalents portion of the consideration received therefrom, determined in accordance with the foregoing provision on an after-tax basis, is equal to or greater than what the after-tax proceeds would have been had such Asset Sale complied with the aforementioned 75% limitation.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale or, if PDC has entered into a binding commitment or commitments with respect to any of the actions described in clauses (2) or (3) below, within the later of (x) 365 days after the receipt of any Net Proceeds from an Asset Sale or (y) 180 days after the entering into of such commitment or commitments, PDC (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

(1) to permanently repay or purchase Senior Debt;

(2) to invest in Additional Assets; or

(3) to make capital expenditures in respect of a Related Business of PDC or any of its Restricted Subsidiaries.

However, pending application or investment of such Net Proceeds as provided in clauses (1) through (3), such Net Proceeds may be applied to temporarily reduce revolving credit Indebtedness. An amount equal to any Net Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) through (3) above will constitute "Excess Proceeds."

Within ten Business Days after the aggregate amount of Excess Proceeds exceeds $30 million, PDC will make an offer (an "Asset Sale Offer") to all holders of notes and all holders of other Indebtedness that is *pari passu* with the notes containing provisions similar to those set forth in the indenture with respect to offers to purchase or redeem with the proceeds of sales of assets, to purchase the maximum principal amount of notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, PDC or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, PDC will use the Excess Proceeds to purchase the notes and such other *pari passu* Indebtedness on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

Notwithstanding the foregoing, the sale, conveyance or other disposition of all or substantially all of the properties or assets of PDC and its Restricted Subsidiaries, taken as a whole, will be governed by the provisions of the indenture described under the caption " Repurchase at the Option of Holders Change of Control Triggering Event" and/or the provisions described under the caption " Covenants Merger, Consolidation or Sale of Substantially All Assets" and not by the provisions of the Asset Sales covenant.

PDC will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sales provisions of the indenture, or compliance with the Asset Sales provisions of the indenture would constitute a violation of any such laws or regulations, PDC will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sales provisions of the indenture by virtue of such compliance.

Table of Contents

The Senior Credit Agreement contains, and future debt agreements may contain, prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale and including repurchases of or other prepayments in respect of the notes. The exercise by the holders of notes of their right to require PDC to repurchase the notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control Triggering Event or Asset Sale itself does not, due to the financial effect of such repurchases on PDC or otherwise. In the event a Change of Control Triggering Event or Asset Sale occurs at a time when PDC is prohibited from purchasing notes, PDC could seek the consent of the applicable lenders to the purchase of notes or could attempt to refinance the Indebtedness that contain such prohibitions. If PDC does not obtain a consent or repay that Indebtedness, PDC will remain prohibited from purchasing notes. In that case, PDC's failure to purchase tendered notes would constitute an Event of Default under the indenture which could, in turn, constitute a default under other Indebtedness. Finally, PDC's ability to pay cash to the holders of notes upon a repurchase may be limited by PDC's then-existing financial resources. See "Risk Factors Risks Related to the Notes We may not be able to repurchase the notes upon a change of control triggering event as required by the indenture governing the notes."

Covenants

Restricted Payments

PDC will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of PDC's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving PDC or any of its Restricted Subsidiaries) or to the direct or indirect holders of PDC's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of PDC and other than dividends or distributions payable to PDC or any Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption, acquisition or retirement made in connection with any merger or consolidation involving PDC) any Equity Interests of PDC or any direct or indirect parent company of PDC;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Debt, except a payment of interest or principal at or within three Business Days prior to or after the Stated Maturity thereof (excluding (a) any intercompany Indebtedness between or among PDC and any of its Restricted Subsidiaries or (b) the purchase or other acquisition of Subordinated Debt acquired in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase or other acquisition); or

(4) make any Restricted Investment;

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) PDC would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the most recently ended four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness

Table of Contents

pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "Incurrence of Indebtedness and Issuance of Preferred Stock;" and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by PDC and its Restricted Subsidiaries since the Existing Senior Notes Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (9) and (12) of the next succeeding paragraph), is equal to or less than the sum, without duplication, of:

(a) 50% of the Consolidated Net Income of PDC for the period (taken as one accounting period) from the beginning of the most recent fiscal quarter commencing before the Existing Senior Notes Issue Date to the end of PDC's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(b) 100% of (A) (i) the aggregate net cash proceeds and (ii) the Fair Market Value of (x) marketable securities (other than marketable securities of PDC or an Affiliate of PDC), (y) Capital Stock of a Person (other than PDC or an Affiliate of PDC) engaged primarily in any Related Business and (z) other assets used or useful in any Related Business, in each case received by PDC since the Existing Senior Notes Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of PDC (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of PDC that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of PDC), (B) with respect to Indebtedness that is incurred on or after the Existing Senior Notes Issue Date, the amount by which such Indebtedness of PDC or any of its Restricted Subsidiaries is reduced on PDC's consolidated balance sheet upon the conversion or exchange after the Existing Senior Notes Issue Date of any such Indebtedness into or for Equity Interests of PDC (other than Disqualified Stock), and (C) the aggregate net cash proceeds, if any, received by PDC or any of its Restricted Subsidiaries upon any conversion or exchange described in clause (A) or (B) above; *plus*

(c) with respect to Restricted Investments made by PDC and its Restricted Subsidiaries after the Existing Senior Notes Issue Date, an amount equal to the sum, without duplication, of (A) the net reduction in such Restricted Investments in any Person resulting from (i) repayments of loans or advances, or other transfers of assets, in each case to PDC or any Restricted Subsidiary, (ii) other repurchases, repayments or redemptions of such Restricted Investments, (iii) the sale of any such Restricted Investment to a purchaser other than PDC or a Subsidiary of PDC or (iv) the release of any Guarantee (except to the extent any amounts are paid under such Guarantee) that constituted a Restricted Investment plus (B) with respect to any Unrestricted Subsidiary designated as such after the Existing Senior Notes Issue Date that is redesignated as a Restricted Subsidiary after the Existing Senior Notes Issue Date, the Fair Market Value of PDC's Investment in such Subsidiary held by PDC or any of its Restricted Subsidiaries at the time of such redesignation; *plus*

(d) 100% of any dividends received by PDC or a Restricted Subsidiary after the Existing Senior Notes Issue Date from an Unrestricted Subsidiary, to the extent such dividends were not otherwise included in the Consolidated Net Income of PDC for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the

case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds from the substantially concurrent sale (other than to a Subsidiary of PDC) of, Equity Interests of PDC (other than Disqualified Stock and other than Equity Interests issued or sold to an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan, option plan or similar trust is financed by loans from or Guaranteed by PDC or any of its Restricted Subsidiaries unless such loans have been repaid with cash on or prior to the date of determination) or from the substantially concurrent contribution of common equity capital to PDC; provided that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph and clause (7) of this paragraph;

(3) the purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt (including the payment of any required premium and any fees and expenses incurred in connection with such purchase, redemption, defeasance or other acquisition or retirement) with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(4) the purchase, redemption or other acquisition or retirement for value of any Equity Interests of PDC or any Restricted Subsidiary held by any of PDC's or any of its Restricted Subsidiaries' current or former directors or employees in connection with the exercise or vesting of any equity compensation (including, without limitation, stock options, restricted stock and phantom stock) in order to satisfy PDC's or such Restricted Subsidiary's tax withholding obligation with respect to such exercise or vesting;

(5) purchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;

(6) payments to fund the purchase, redemption or other acquisition or retirement for value by PDC of fractional Equity Interests arising out of stock dividends, splits or combinations, business combinations or other transactions permitted by the indenture;

(7) as long as no Default has occurred and is continuing or would be caused thereby, the purchase, redemption or other acquisition or retirement for value of any Equity Interests of PDC or any Restricted Subsidiary held by any of PDC's (or any of its Restricted Subsidiaries') current or former directors or employees; provided that the aggregate price paid for all such purchased, redeemed, acquired or retired Equity Interests may not exceed the sum of (a) $25 million plus (b) the aggregate amount of cash proceeds received by PDC from the sale of PDC's Equity Interests (other than Disqualified Stock) to any such directors or employees that occurs after the Issue Date; provided that the amount of such cash proceeds utilized for any such purchase, redemption or other acquisition or retirement will be excluded from clause (3)(b) of the immediately preceding paragraph and clause (2) of this paragraph plus (c) the cash proceeds of key man life insurance policies received by PDC and its Restricted Subsidiaries after the Issue Date;

(8) as long as no Default has occurred and is continuing or would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of PDC or any class or series of preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test described below under the caption " Incurrence of Indebtedness and Issuance of Preferred Stock;"

(9) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of Equity Interests (other than Disqualified Stock) of such Restricted Subsidiary; provided that such dividend or similar distribution is paid to all holders of such Equity Interests on a pro rata basis based on their respective holdings of such Equity Interests;

(10) purchases of Subordinated Debt at a purchase price not greater than (a) 101% of the principal amount of such Subordinated Debt and accrued and unpaid interest thereon in the event of a Change of Control or (b) 100% of the principal amount of such Subordinated Debt and accrued and unpaid interest thereon in the event of an Asset Sale in connection with any change of control offer or asset sale offer required by the terms of such Subordinated Debt, but only if:

(i) in the case of a Change of Control Triggering Event, PDC has first complied with and fully satisfied its obligations under the covenant described under " Repurchase at the Option of Holders Change of Control Triggering Event;" or

(ii) in the case of an Asset Sale, PDC has complied with and fully satisfied its obligations under the covenant described under " Repurchase at the Option of Holders Asset Sales;"

(11) payments or distributions to dissenting stockholders pursuant to applicable law in connection with a merger, consolidation or transfer of all or substantially all of the assets of PDC that complies with the provisions described under the caption " Merger, Consolidation or Sale of Substantially All Assets;" and

(12) other Restricted Payments in an aggregate amount at any time outstanding not to exceed $50 million.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value, on the date of such Restricted Payment, of the Restricted Investment proposed to be made or the asset(s) or securities proposed to be paid, transferred or issued by PDC or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount, and the Fair Market Value of any non-cash Restricted Payment shall be determined in accordance with the definition of that term. For purposes of determining compliance with this covenant, in the event that a Restricted Payment meets the criteria of more than one of the exceptions described in (1) through (12) above or is entitled to be made pursuant to the first paragraph of this covenant, PDC shall, in its sole discretion, classify such Restricted Payment, or later classify, reclassify or re-divide all or a portion of such Restricted Payment, in any manner that complies with this covenant.

Incurrence of Indebtedness and Issuance of Preferred Stock

PDC will not, and will not permit any of its Restricted Subsidiaries to directly or indirectly create, incur, issue, assume, Guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur;" with "incurrence" having a correlative meaning) any Indebtedness (including Acquired Debt), and PDC will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any preferred stock; provided, however, that PDC may incur Indebtedness (including Acquired Debt) and issue Disqualified Stock, and Subsidiary Guarantors may incur Indebtedness (including Acquired Debt) and issue preferred stock, if the Fixed Charge Coverage Ratio for PDC's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

Table of Contents

Notwithstanding the foregoing, the first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness or the issuance of any Disqualified Stock or preferred stock described below (collectively, "Permitted Debt"):

(1) the incurrence by PDC and any Restricted Subsidiary of Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of PDC and its Restricted Subsidiaries thereunder) not to exceed the greatest of (i) $1.4 billion, (ii) the sum of $500 million plus an amount equal to 35.0% of Adjusted Consolidated Net Tangible Assets of PDC and (iii) the Borrowing Base, in each case of clauses (ii) and (iii), determined as of the date of the incurrence of such Indebtedness after giving pro forma effect to such incurrence and the application of the proceeds therefrom;

(2) the incurrence by PDC and its Restricted Subsidiaries of Existing Indebtedness;

(3) the incurrence by PDC of Indebtedness represented by the notes;

(4) the incurrence by PDC or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation, improvement, deployment, refurbishment or modification of property, plant or equipment or furniture, fixtures and equipment, in each case, used in the business of PDC or any of its Restricted Subsidiaries, in an aggregate principal amount at any time outstanding, including all Permitted Refinancing Indebtedness incurred to extend, renew, refund, refinance, replace, defease, discharge or otherwise retire for value any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of (a) $50 million and (b) 4.0% of Adjusted Consolidated Net Tangible Assets of PDC, determined as of the date of the incurrence of such Indebtedness;

(5) the incurrence or issuance by PDC or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, defease, discharge or otherwise retire for value any Indebtedness (other than intercompany Indebtedness) or Disqualified Stock of PDC, or Indebtedness (other than intercompany Indebtedness) or preferred stock of any Restricted Subsidiary, in each case that was permitted by the indenture to be incurred or issued under the first paragraph of this covenant or clause (2), (3), (4), (10) or (15) of this paragraph or this clause (5);

(6) the incurrence by PDC or any of its Restricted Subsidiaries of intercompany Indebtedness between or among PDC and any of its Restricted Subsidiaries; provided, however, that (a) if PDC or any Subsidiary Guarantor is the obligor on such Indebtedness and the payee is not PDC or a Subsidiary Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the notes, in the case of PDC, or the Subsidiary Guarantee, in the case of a Subsidiary Guarantor; and (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than PDC or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either PDC or a Restricted Subsidiary will be deemed, in each case, to constitute an incurrence of such Indebtedness by PDC or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any of PDC's Restricted Subsidiaries to PDC or to any of its Restricted Subsidiaries of any preferred stock; provided, however, that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than PDC or a Restricted Subsidiary; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either PDC or a Restricted Subsidiary, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence of obligations of PDC or a Restricted Subsidiary pursuant to Hedging Obligations;

(9) the Guarantee by PDC or any of the Subsidiary Guarantors of Indebtedness of PDC or a Restricted Subsidiary that was permitted to be incurred by another provision of this covenant; provided that if the Indebtedness being Guaranteed is subordinated to or *pari passu* with the notes, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed;

(10) the incurrence by PDC or any Restricted Subsidiary of Permitted Acquisition Indebtedness;

(11) the incurrence by PDC or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;

(12) the incurrence by PDC or any Restricted Subsidiary of Indebtedness consisting of the financing of insurance premiums in customary amounts consistent with the operations and business of PDC and its Restricted Subsidiaries;

(13) the incurrence by PDC or any Restricted Subsidiary of Indebtedness constituting reimbursement obligations with respect to letters of credit; provided that, upon the drawing of such letters of credit, such obligations are reimbursed within 30 days following such drawing;

(14) the incurrence by PDC or any of its Restricted Subsidiaries of Indebtedness in the form of Guarantees of Indebtedness of joint ventures; provided that the aggregate principal amount of the Obligations incurred pursuant to such Guarantees shall not exceed the greater of (a) $100 million and (b) 4.0% of Adjusted Consolidated Net Tangible Assets, determined as of the date of each incurrence of such Guarantee after giving pro forma effect to the application of proceeds of the Indebtedness being guaranteed; and

(15) the incurrence by PDC or any of the Restricted Subsidiaries of Indebtedness in an aggregate principal amount that, when taken together with all other Indebtedness of PDC and its Restricted Subsidiaries outstanding on the date of such incurrence (other than Indebtedness permitted by clauses (1) through (14) above or the first paragraph of this covenant) and any Permitted Refinancing Indebtedness incurred to extend, renew, refund, refinance, replace, defease, discharge or otherwise retire for value any Indebtedness incurred pursuant to this clause (15) does not exceed the greater of (a) 5.0% of Adjusted Consolidated Net Tangible Assets of PDC, determined as of the date of the incurrence of such Indebtedness after giving pro forma effect to such incurrence and the application of the proceeds therefrom and (b) $150 million.

PDC will not incur, and will not permit any Subsidiary Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of PDC or such Subsidiary Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the notes and the applicable Subsidiary Guarantee, on substantially identical terms; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of PDC solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this " Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, (a) in the event that an item of proposed Indebtedness, Disqualified Stock or preferred stock meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (15) of the second paragraph of this covenant, or is entitled to be incurred or issued pursuant to the first paragraph of this covenant, PDC will be permitted to divide and classify such item on the date of its incurrence or issuance, or later divide and reclassify all or a portion of such item, in any manner that complies with this covenant and (b) all Indebtedness outstanding on the Issue Date under the Senior Credit Agreement shall be deemed to have been Incurred on the Issue Date under clause (1) of the second paragraph of this covenant and may not be later divided or reclassified pursuant to clause (a) of this sentence. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock or preferred stock in the form of additional Disqualified Stock or preferred stock of the same class will be deemed not to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred stock for purposes of this covenant; provided, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of PDC as accrued.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that PDC or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Permitted Refinancing Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Liens

PDC will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or permit to exist any Lien (the "Initial Lien"), other than Permitted Liens, upon any of its property or assets (including Capital Stock and Indebtedness of any Subsidiaries of PDC and including any income or profits from such property or assets), whether owned on the Issue Date or thereafter acquired, which Lien secures any Subordinated Debt or other Indebtedness, unless:

(1) in the case of Liens securing Subordinated Debt of PDC or a Subsidiary Guarantor, the notes or Subsidiary Guarantee, as applicable, are secured by a Lien on such property or assets on a senior basis to the Subordinated Debt so secured with the same priority as the notes or such Subsidiary Guarantee, as applicable, has to such Subordinated Debt until such time as such Subordinated Debt is no longer so secured by a Lien; and

(2) in the case of Liens securing other Indebtedness of PDC or a Subsidiary Guarantor, the notes or Subsidiary Guarantees, as applicable, are secured by a Lien on such property or assets on an equal and ratable basis with the other Indebtedness so secured until such time as such other Indebtedness is no longer so secured by a Lien.

Table of Contents

Any Lien securing the notes or Subsidiary Guarantees created pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the unconditional release and discharge of the Initial Lien.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

PDC will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock to PDC or any of its Restricted Subsidiaries, or pay any Indebtedness owed to PDC or any of its Restricted Subsidiaries;

(b) make loans or advances to PDC or any of its Restricted Subsidiaries; or

(c) sell, lease or transfer any of its properties or assets to PDC or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under, by reason of or with respect to:

(1) the Senior Credit Agreement, any Existing Indebtedness, Capital Stock or any other agreements or instruments, in each case as in effect on the Issue Date and any amendments, restatements, modifications, renewals, extensions, supplements, increases, refundings, replacements or refinancings thereof; provided that the encumbrances and restrictions in any such amendments, restatements, modifications, renewals, extensions, supplements, increases, refundings, replacements or refinancings are, in the reasonable good faith judgment of the Chief Executive Officer and the Chief Financial Officer of PDC, no more restrictive, taken as a whole, than those contained in the applicable agreements or instruments as in effect on the Issue Date;

(2) the indenture, the notes and the Subsidiary Guarantees;

(3) applicable law, rule, regulation, order, approval, permit or similar restriction;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by PDC or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired and any amendments, restatements, modifications, renewals, extensions, supplements, increases, refundings, replacements or refinancings thereof; provided, that the encumbrances and restrictions in any such amendments, restatements, modifications, renewals, extensions, supplements, increases, refundings, replacements or refinancings are, in the reasonable good faith judgment of the Chief Executive Officer and Chief Financial Officer of PDC, no more restrictive, taken as a whole, than those in effect on the date of the acquisition; provided, further, that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(5) customary non-assignment provisions in contracts, leases and licenses (including, without limitation, licenses of intellectual property) entered into in the ordinary course of business;

(6) any agreement for the sale or other disposition of the Equity Interests in, or all or substantially all of the properties or assets of, a Restricted Subsidiary, that restricts distributions by the applicable Restricted Subsidiary pending the sale or other disposition;

(7) Permitted Refinancing Indebtedness; provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive,

Table of Contents

taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(8) Liens permitted to be incurred under the provisions of the covenant described above under the caption " Limitation on Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(9) the issuance of preferred stock by a Restricted Subsidiary or the payment of dividends thereon in accordance with the terms thereof; provided that issuance of such preferred stock is permitted pursuant to the covenant described under the caption " Incurrence of Indebtedness and Issuance of Preferred Stock" and the terms of such preferred stock do not expressly restrict the ability of a Restricted Subsidiary to pay dividends or make any other distributions on its Capital Stock (other than requirements to pay dividends or liquidation preferences on such preferred stock prior to paying any dividends or making any other distributions on such other Capital Stock);

(10) other Indebtedness of PDC or any of its Restricted Subsidiaries permitted to be incurred pursuant to an agreement entered into subsequent to the Issue Date in accordance with the covenant described under the caption " Incurrence of Indebtedness and Issuance of Preferred Stock;" provided that the provisions relating to such encumbrance or restriction contained in such Indebtedness are not materially less favorable to PDC and its Restricted Subsidiaries, taken as a whole, in the reasonable good faith judgment of the Chief Executive Officer and Chief Financial Officer of PDC, than the provisions contained in the Senior Credit Agreement as in effect on the Issue Date;

(11) Indebtedness incurred or Capital Stock issued by any Restricted Subsidiary, provided that the restrictions contained in the agreements or instruments governing such Indebtedness or Capital Stock (a) apply only in the event of a payment default or a default with respect to a financial covenant in such agreement or instrument or (b) will not materially affect PDC's ability to pay all principal, interest and premium, if any, on the notes, in the reasonable good faith judgment of the Chief Executive Officer or Chief Financial Officer of PDC;

(12) customary provisions restricting subletting or assignment of any lease governing a leasehold interest;

(13) Hedging Obligations permitted from time to time under the indenture;

(14) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(15) with respect only to encumbrances or restrictions of the type referred to in clause (c) of the immediately preceding paragraph:

(a) customary nonassignment provisions (including provisions forbidding subletting) in leases governing leasehold interests or Farm-In Agreements or Farm-Out Agreements relating to leasehold interests in oil and gas properties to the extent such provisions restrict the transfer of the lease, the property leased thereunder or the other interests therein;

(b) provisions limiting the disposition or distribution of assets or property in, or transfer of Capital Stock of, joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into (i) in the ordinary course of business, or (ii) with the approval of PDC's Board of Directors, which limitations are applicable only to the assets, property or Capital Stock that are the subject of such agreements; and

Table of Contents

(c) Capital Lease Obligations, security agreements, mortgages, purchase money agreements or similar instruments to the extent such encumbrance or restriction restricts the transfer of the property (including Capital Stock) subject to such Capital Lease Obligations, security agreements, mortgages, purchase money agreements or similar instruments.

Transactions with Affiliates

PDC will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or Guarantee with, or for the benefit of, any Affiliate of PDC (each, an "Affiliate Transaction"), involving aggregate payments or consideration in excess of $1 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to PDC or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by PDC or such Restricted Subsidiary with a Person that is not an Affiliate of PDC; and

(2) PDC delivers to the trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $25 million, a resolution of the Board of Directors of PDC set forth in an Officers' Certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this covenant and that such Affiliate Transaction or series of related Affiliate Transactions has been approved by a majority of the disinterested members of the Board of Directors of PDC; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $50 million, an opinion as to the fairness to PDC or such Restricted Subsidiary of such Affiliate Transaction or series of related Affiliate Transactions from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment, consulting or similar agreement or arrangement, stock option or stock ownership plan, employee benefit plan, officer or director indemnification agreement, restricted stock agreement, severance agreement or other compensation plan or arrangement entered into by PDC or any of its Restricted Subsidiaries in the ordinary course of business and payments, awards, grants or issuances of securities pursuant thereto;

(2) transactions between or among PDC and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of PDC solely because PDC owns, directly or through a Subsidiary, an Equity Interest in, or controls, such Person;

(4) reasonable fees and expenses and compensation paid to, and indemnity or insurance provided on behalf of, officers, directors or employees of PDC or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of PDC to, or receipt of a capital contribution from, Affiliates of PDC;

(6) Restricted Payments that do not violate the provisions of the indenture described above under the caption " Restricted Payments" or any Permitted Investments;

(7) loans or advances to employees in the ordinary course of business or consistent with past practice;

(8) advances to or reimbursements of employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business;

(9) the performance of obligations of PDC or any of its Restricted Subsidiaries under the terms of any written agreement to which PDC or any of its Restricted Subsidiaries was a party on the Issue Date, as these agreements may be amended, modified or supplemented from time to time; provided, however, that any future amendment, modification or supplement entered into after the Issue Date will be permitted to the extent that its terms do not materially and adversely affect the rights of any holders of the notes (as determined in good faith by the Board of Directors of PDC) as compared to the terms of the agreements in effect on the Issue Date;

(10) (a) guarantees of performance by PDC and its Restricted Subsidiaries of Unrestricted Subsidiaries in the ordinary course of business, except for Guarantees of Indebtedness in respect of borrowed money, and (b) pledges of Equity Interests of Unrestricted Subsidiaries for the benefit of lenders of Unrestricted Subsidiaries;

(11) transactions between PDC or any Restricted Subsidiary and any Person, a director of which is also a director of PDC or any direct or indirect parent company of PDC and such director is the sole cause for such Person to be deemed an Affiliate of PDC or any Restricted Subsidiary; provided, however, that such director abstains from voting as director of PDC or such direct or indirect parent company of PDC, as the case may be, on any matter involving such other Person; and

(12) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services that are Affiliates, in each case in the ordinary course of business and otherwise in compliance with the terms of the indenture, provided that in the reasonable determination of the Board of Directors of PDC or the senior management of PDC, such transactions are on terms not materially less favorable to PDC or the relevant Restricted Subsidiary than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of PDC.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of PDC may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by PDC and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation. That designation will only be permitted if the applicable Restricted Subsidiary meets the definition of an Unrestricted Subsidiary and if such Investment would be permitted at that time, either pursuant to (a) the covenant described above under the caption " Restricted Payments" or (b) the definition of Permitted Investment.

Any designation of a Subsidiary of PDC as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors of PDC giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption " Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the requirements of the definition of "Unrestricted Subsidiary" set forth below under " Definitions," it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant

Table of Contents

described under the caption " Incurrence of Indebtedness and Issuance of Preferred Stock," PDC will be in Default of such covenant.

The Board of Directors of PDC may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption " Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

Reports

Regardless of whether required by the rules and regulations of the SEC, so long as any notes are outstanding, PDC will file with the SEC for public availability, within the time periods specified in the SEC's rules and regulations (unless the SEC will not accept such a filing, in which case PDC will comply with the requirements described in the second succeeding paragraph):

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if PDC were required to file such reports; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if PDC were required to file such reports.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. Each annual report on Form 10-K will include a report on PDC's consolidated financial statements by PDC's certified independent accountants.

If, at any time, PDC is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, PDC will nevertheless continue filing the reports specified in the preceding paragraphs of this covenant with the SEC within the time periods specified above unless the SEC will not accept such a filing. PDC will not take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept PDC's filings for any reason, PDC will post the reports referred to in the preceding paragraphs on its website within the time periods that would apply if PDC were required to file those reports with the SEC. Any default or event of default arising from a failure to file with the SEC or post in a timely manner any information shall be deemed cured upon filing or posting such information.

Subsidiary Guarantees

If, after the Issue Date, any Domestic Restricted Subsidiary that is not already a Subsidiary Guarantor both:

(1) Guarantees (or otherwise becomes liable for) Obligations under the Senior Credit Agreement, and

(2) constitutes a Material Subsidiary,

then such Subsidiary will become a Subsidiary Guarantor by executing and delivering a supplemental indenture, in the form provided for in the indenture, to the trustee within 30 days of the date on which it is required to become a Subsidiary Guarantor.

If, at any date after the Issue Date, PDC's Domestic Restricted Subsidiaries that are not Subsidiary Guarantors are Material in the Aggregate, then PDC shall cause one or more of such Domestic Restricted Subsidiaries (the selection thereof to be at PDC's discretion) to promptly become

Subsidiary Guarantors by executing and delivering a supplemental indenture, in the form provided for in the indenture, such that, after giving effect thereto, the remaining Domestic Restricted Subsidiaries would not be Material in the Aggregate and otherwise not meet the definition of "Material Subsidiary."

The Subsidiary Guarantee of a Subsidiary Guarantor will be released at such time as such Subsidiary Guarantor ceases to (i) Guarantee (or otherwise be liable for) Obligations under the Senior Credit Agreement or (ii) constitute a Material Subsidiary or, if after giving effect to such release, PDC's Domestic Restricted Subsidiaries would not be Material in the Aggregate.

Merger, Consolidation or Sale of Substantially All Assets

PDC will not (1) consolidate or merge with or into another Person (regardless of whether PDC is the surviving corporation), convert into another form of entity or continue in another jurisdiction; or (2), directly or indirectly, sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to another Person, unless:

(1) either: (a) PDC is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger or resulting from such conversion (if other than PDC) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is a corporation, limited liability company or limited partnership organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such conversion, consolidation or merger (if other than PDC) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of PDC under the notes and the indenture (and the Registration Rights Agreement, if any obligations thereunder remain unsatisfied) pursuant to agreements; provided that, unless such Person is a corporation, a corporate co-issuer of the notes will be added to the indenture by a supplement to the indenture;

(3) immediately after such transaction or transactions, no Default or Event of Default exists; and

(4) PDC or the Person formed by or surviving any such consolidation or merger (if other than PDC), or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made, would (on the date of such transaction after giving pro forma effect thereto and to any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period) either (a) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption " Incurrence of Indebtedness and Issuance of Preferred Stock;" or (b) have a Fixed Charge Coverage Ratio that is not less than the Fixed Charge Coverage Ratio of PDC and its Restricted Subsidiaries immediately before such transaction.

For purposes of this covenant, the sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of one or more Subsidiaries of PDC, which properties or assets, if held by PDC instead of such Subsidiaries, would constitute all or substantially all of the properties or assets of PDC on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties or assets of PDC.

The surviving entity will succeed to, and be substituted for, and may exercise every right and power of, PDC under the indenture; provided, however, that PDC will not be released from the obligation to pay the principal of, premium, if any, and interest on the notes in the case of a lease of all or substantially all of PDC's properties or assets in a transaction that is subject to, and that complies with the provisions of, this covenant.

Notwithstanding the restrictions described above, any Restricted Subsidiary may consolidate with, merge into or dispose of all or part of its properties or assets to PDC, PDC may merge into a Restricted Subsidiary for the purpose of reincorporating PDC in another jurisdiction, and any Restricted Subsidiary may consolidate with, merge into or dispose of all or part of its properties or assets to another Restricted Subsidiary.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the properties or assets of a Person.

Covenant Suspension

From and after the occurrence of an Investment Grade Rating Event, the covenants specifically listed under the following captions in this prospectus will be suspended:

(a) clause (4) of the covenant described under " Covenants Merger, Consolidation or Sale of Substantially All Assets" and

(b) the provisions of the indenture described above under the following headings:

" Repurchase at the Option of Holders Asset Sales;"

" Covenants Restricted Payments;"

" Covenants Incurrence of Indebtedness and Issuance of Preferred Stock;"

" Covenants Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;" and

" Covenants Transactions with Affiliates."

During any period that the foregoing covenants have been suspended (the "Suspension Period"), PDC may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under the caption " Covenants Designation of Restricted and Unrestricted Subsidiaries." We and our Restricted Subsidiaries will remain subject to all other covenants in the indenture, including those described above under "Repurchase at the Option of Holders Change of Control Triggering Event" and " Covenants Subsidiary Guarantees."

Notwithstanding the foregoing, if the rating assigned to the notes by both Rating Agencies should subsequently decline to below an Investment Grade Rating, the foregoing covenants will be reinstituted as of and from the date of such rating decline. Calculations under the reinstated "Restricted Payments" covenant will be made as if the "Restricted Payments" covenant had been in effect since the Issue Date except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. Furthermore, all Indebtedness incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be deemed to have been incurred or issued pursuant to clause (2) of the definition of "Permitted Debt." In addition, for purposes of the covenant described under " Covenants Transactions with Affiliates," all agreements and arrangements entered into by the Company or any Restricted Subsidiary with an Affiliate of the Company during the Suspension Period will be deemed to have been entered into prior to the Issue Date and permitted by clause (9) of such covenant, and for purposes of the covenant described under " Covenants Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries," all contracts entered into during the Suspension Period that contain any of the restrictions contemplated by such covenant will be deemed to have been existing on the Issue Date.

There can be no assurance that the notes will ever achieve an Investment Grade Rating, or that any such rating will be maintained.

Table of Contents

Events of Default

Under the indenture, each of the following will constitute an "Event of Default" with respect to the notes:

(1) default for 30 days in the payment when due of interest on the notes;

(2) default in the payment when due of the principal of, or premium, if any, on the notes;

(3) failure by PDC to comply with its obligations under " Covenants Merger, Consolidation or Sale of Substantially All Assets" or to consummate a purchase of notes when required pursuant to the covenants described under the caption " Repurchase at the Option of Holders;"

(4) failure by PDC or any of its Restricted Subsidiaries for 30 days after written notice from the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding notes to comply with the provisions described under the captions " Covenants Restricted Payments" or " Covenants Incurrence of Indebtedness and Issuance of Preferred Stock" or to comply with the provisions described under the caption " Repurchase at the Option of Holders" to the extent not described in clause (3) above;

(5) (a) except as addressed in subclause (b) of this clause (5), failure by PDC or any of its Restricted Subsidiaries for 60 days after written notice from the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding notes to comply with any of the other agreements in the indenture or the notes or (b) failure by PDC for 180 days after notice from the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding notes to comply with the covenant described under the caption " Covenants Reports;"

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by PDC or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by PDC or any of its Restricted Subsidiaries), other than Indebtedness owed to PDC or any of its Restricted Subsidiaries, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness ("Payment Default"); or

(b) results in the acceleration of such Indebtedness prior to its maturity;

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $50 million or more;

(7) failure by PDC or any Significant Subsidiary or group of PDC's Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for PDC and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of $50 million (net of any amounts that a reputable and creditworthy insurance company has acknowledged liability for in writing), which judgments are not paid, discharged or stayed for a period of 60 days;

(8) except as permitted by the indenture, any Subsidiary Guarantee is held in a judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Subsidiary Guarantor, or any Person acting on behalf of any Subsidiary Guarantor, denies or disaffirms its obligations under its Subsidiary Guarantee; or

(9) certain events of bankruptcy, insolvency or reorganization with respect to PDC or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for PDC and its Restricted Subsidiaries), would constitute a Significant Subsidiary.

The indenture will provide that in the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to PDC, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, all then outstanding notes will become due and payable immediately without further action or notice. However, the effect of such provision may be limited by applicable law. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding notes may declare all of the notes to be due and payable immediately by notice in writing to PDC and, in case of a notice by holders, also to the trustee specifying the respective Event of Default and that it is a notice of acceleration.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power with respect to the notes. The trustee may withhold from holders of the notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium, if any.

Subject to the provisions of the indenture relating to the duties of the trustee in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any holders of notes unless such holders have offered to the trustee indemnity or security satisfactory to the trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest, when due, no holder of a note may pursue any remedy with respect to the indenture or the notes unless:

(a) such holder has previously given the trustee notice of a continuing Event of Default;

(b) holders of at least 25% in aggregate principal amount of the then outstanding notes have made a written request to the trustee to pursue the remedy;

(c) such holders have offered the trustee reasonable security or indemnity against any loss, liability or expense;

(d) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(e) holders of a majority in aggregate principal amount of the then outstanding notes have not given the trustee a direction that is inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding notes by notice to the trustee may, on behalf of the holders of all of the notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the indenture except a continuing Default or Event of Default in the payment of interest or premium, if any, on, or the principal of, the notes.

Notwithstanding the foregoing, if an Event of Default specified in clause (6) above shall have occurred and be continuing, such Event of Default and any consequential acceleration (to the extent not in violation of any applicable law or in conflict with any judgment or decree of a court of competent jurisdiction) shall be automatically rescinded if (a) (i) the Indebtedness that is the subject of such Event of Default has been repaid or (ii) if the default relating to such Indebtedness is waived by the holders of such Indebtedness or cured and if such Indebtedness has been accelerated, then the holders thereof have rescinded their declaration of acceleration in respect of such Indebtedness and (b) any other existing Events of Default, except nonpayment of principal, premium, if any, or interest on the notes that became due solely because of the acceleration of the notes, have been cured or waived.

PDC is required to deliver to the trustee annually an Officers' Certificate regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, PDC is required within five Business Days to deliver to the trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, stockholder, member, manager or partner of PDC or any Subsidiary Guarantor, as such, will have any liability for any obligations of PDC or the Subsidiary Guarantors under the notes, the indenture, the Subsidiary Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

PDC may, at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, elect to have all of its obligations discharged with respect to the outstanding notes and all obligations of the Subsidiary Guarantors discharged with respect to their Subsidiary Guarantees ("Legal Defeasance") except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the principal of, or interest or premium, if any, on such notes when such payments are due from the trust referred to below;

(2) PDC's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee, and PDC's and the Subsidiary Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the indenture.

In addition, PDC may, at its option and at any time, elect to have the obligations of PDC and the Subsidiary Guarantors released with respect to the provisions of the indenture described above under " Repurchase at the Option of Holders" and under " Covenants" (other than the covenant described under " Covenants Merger, Consolidation or Sale of Substantially All Assets," except to the extent described below) and the limitation imposed by clause (4) under " Covenants Merger, Consolidation or Sale of Substantially All Assets" (such release and termination being referred to as "Covenant Defeasance"), and thereafter any omission to comply with such obligations or provisions will not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs in accordance with the indenture, the Events of Default described under clauses (3) through (7) under the caption " Events of Default" and the Event of Default described under clause (9) under the caption " Events of Default" (but only with respect to Subsidiaries of PDC), in each case, will no longer constitute an Event of Default with respect to the notes. In addition, upon the occurrence of Covenant Defeasance all obligations of the Subsidiary Guarantors with respect to their Subsidiary Guarantees will be discharged.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) PDC must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the

opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants to pay the principal of, or interest and premium, if any, on the outstanding notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and PDC must specify whether the notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, PDC must deliver to the trustee an opinion of counsel confirming that (a) PDC has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, PDC has delivered to the trustee an opinion of counsel confirming that the holders of the outstanding notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit or the grant of Liens securing such borrowing);

(5) such Legal Defeasance or Covenant Defeasance and the related deposit will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) to which PDC or any of its Subsidiaries is a party or by which PDC or any of its Subsidiaries is bound;

(6) PDC must deliver to the trustee an Officers' Certificate stating that the deposit was not made by PDC with the intent of preferring the holders of notes over the other creditors of PDC with the intent of defeating, hindering, delaying or defrauding any creditors of PDC or others;

(7) PDC must deliver to the trustee an Officers' Certificate stating that all conditions precedent set forth in clauses (1) through (6) of this paragraph have been complied with; and

(8) PDC must deliver to the trustee an opinion of counsel, stating that all conditions precedent set forth in clauses (2), (3) and (5) of this paragraph have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the indenture, the debt securities issued thereunder (including the notes) or any Guarantee thereof may be amended or supplemented with the consent of the holders of a majority in aggregate principal amount of the then-outstanding debt securities of each series affected by such amendment or supplemental indenture, with each such series voting as a separate class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, debt securities) and, subject to certain exceptions relating to waivers of past Defaults and rights of holders of notes to receive payment, any existing Default or Event of Default or compliance with any provision of the indenture or the debt securities issued thereunder (including the notes) or any Guarantee thereof may be waived with respect to each series of debt securities with the consent of the holders of a majority in aggregate principal amount of the then-outstanding debt securities of such series voting as a separate class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, debt securities).

Without the consent of each holder of the outstanding debt securities affected, an amendment, supplement or waiver may not (with respect to any notes held by a non-consenting holder):

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any debt security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an original issue discount security that would be due and payable upon a declaration of acceleration of the maturity thereof pursuant to the indenture, or change any place of payment where, or the coin or currency in which, any debt security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date therefor);

(2) reduce the percentage in principal amount of the then-outstanding debt securities of any series, the consent of whose holders is required for any such amendment, supplement or waiver;

(3) modify any of the provisions set forth in (i) the provisions of the indenture related to the holder's unconditional contractual right to receive principal, premium, if any, and interest on the debt securities or (ii) the provisions of the indenture related to the waiver of past Defaults under such indenture except to increase any such percentage or to provide that certain other provisions of such indenture cannot be modified or waived without the consent of the holder of each then-outstanding debt security affected thereby;

(4) waive a redemption payment with respect to any debt security; provided, however, that any purchase or repurchase of debt securities shall not be deemed a redemption of the debt securities;

(5) release any Subsidiary Guarantor from any of its obligations under its Subsidiary Guarantee or the indenture, except in accordance with the terms of such indenture (as supplemented by any supplemental indenture); or

(6) make any change in the foregoing amendment and waiver provisions of the indenture.

Notwithstanding the foregoing, without the consent of any holder of debt securities, PDC, the Subsidiary Guarantors (if any) and the trustee may amend or supplement the indenture or the debt securities or the Guarantees thereof issued thereunder to:

(1) cure any ambiguity or defect or to correct or supplement any provision therein that may be inconsistent with any other provision therein;

(2) evidence the succession of another Person to PDC and the assumption by any such successor of the covenants of PDC therein and, to the extent applicable, to the debt securities;

(3) provide for uncertificated notes in addition to or in place of certificated notes;

(4) add a Subsidiary Guarantee and cause any Person to become a Subsidiary Guarantor, and/ or to evidence the succession of another Person to a Subsidiary Guarantor and the assumption by any such successor of the Subsidiary Guarantee of such Subsidiary Guarantor therein;

(5) secure the debt securities of any series;

(6) add to the covenants of PDC such further covenants, restrictions, conditions or provisions as PDC shall consider to be appropriate for the benefit of the holders of all or any series of debt securities (and if such covenants, restrictions, conditions or provisions are to be for the benefit of less than all series of debt securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power therein conferred upon PDC and

to make the occurrence, or the occurrence and continuance, of a Default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in the indenture as set forth therein; provided, that in respect of any such additional covenant, restriction, condition or provision, such supplemental indenture may provide for a particular period of grace after Default (which period may be shorter or longer than that allowed in the case of other Defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the trustee upon such an Event of Default or may limit the right of the holders of a majority in aggregate principal amount of the debt securities of such series to waive such an Event of Default;

(7) make any change to any provision of the indenture that would provide any additional rights or benefits to the holders of the debt securities issued thereunder or that does not adversely affect the rights or interests of any such holder;

(8) provide for the issuance of additional debt securities in accordance with the provisions set forth in the indenture on the date of such indenture;

(9) add any additional Defaults or Events of Default in respect of all or any series of debt securities;

(10) change or eliminate any of the provisions of the indenture; provided that any such change or elimination shall become effective only when there is no debt security outstanding of any series created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision;

(11) establish the form or terms of debt securities of any series as permitted thereunder, including to reopen any series of any debt securities as permitted thereunder;

(12) evidence and provide for the acceptance of appointment thereunder by a successor trustee with respect to the debt securities of one or more series and to add to or change any of the provisions of the indenture as shall be necessary to provide for or facilitate the administration of the trusts thereunder by more than one trustee, pursuant to the requirements of such indenture;

(13) conform the text of the indenture (and/or any supplemental indenture) or any debt securities issued thereunder to any provision of a description of such debt securities appearing in a prospectus or prospectus supplement or an offering memorandum or offering circular pursuant to which such debt securities were offered to the extent that such provision was intended to be a verbatim recitation of a provision of such indenture (and/or any supplemental indenture) or any debt securities or Guarantees issued thereunder;

(14) add a corporate co-issuer in accordance with the covenant set forth under the caption " Covenants Merger, Consolidation or Sale of Substantially All Assets;" or

(15) modify, eliminate or add to the provisions of the indenture to such extent as shall be necessary to effect the qualification of such indenture under the Trust Indenture Act, or under any similar federal statute subsequently enacted, and to add to such indenture such other provisions as may be expressly required under the Trust Indenture Act.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment, supplement or waiver, but it is sufficient if such consent approves the substance thereof. After an amendment, supplement or waiver under the indenture requiring approval of the holders becomes effective, PDC shall provide to the holders of debt securities affected thereby a notice briefly describing such amendment, supplement or waiver. However, the failure to give such notice to all such holders, or any defect therein, will not impair or affect the validity of the applicable amendment, supplement or waiver.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect as to all notes issued thereunder (except as to surviving rights of registration of transfer or exchange of the notes and as otherwise specified in the indenture), when:

(1) either:

(a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to PDC, have been delivered to the trustee for cancellation; or

(b) all notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the delivering of a notice of redemption or otherwise or will become due and payable within one year and PDC or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the notes not delivered to the trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit or the grant of Liens securing such borrowing);

(3) such deposit will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) to which PDC or any Subsidiary Guarantor is a party or by which PDC or any Subsidiary Guarantor is bound;

(4) PDC or any Subsidiary Guarantor has paid or caused to be paid all sums payable by it under the indenture; and

(5) PDC has delivered irrevocable instructions to the trustee to apply the deposited money toward the payment of the notes at maturity or on the redemption date, as the case may be.

In addition, PDC must deliver to the trustee (a) an Officers' Certificate, stating that all conditions precedent set forth in clauses (1) through (5) above have been satisfied and (b) an opinion of counsel, stating that all conditions precedent set forth in clauses (3) and (5) above have been satisfied.

Concerning the Trustee

If the trustee is a creditor of PDC or any Subsidiary Guarantor, the indenture will limit the right of the trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it has any conflicting interest (as defined in the Trust Indenture Act) after a Default has occurred and is continuing, it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee (if the indenture has been qualified under the Trust Indenture Act) or resign.

The holders of a majority in aggregate principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. If an Event of Default occurs and is continuing, the trustee will be required, in the exercise of its powers, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless such holder has offered to the trustee security or indemnity satisfactory to the trustee against any loss, liability or expense.

Additional Information

Anyone who receives this prospectus may obtain a copy of the indenture and the Registration Rights Agreement without charge by writing to PDC Energy, Inc., 1775 Sherman Street, Suite 3000, Denver, Colorado 80203, Attention: Corporate Secretary.

Governing Law

The indenture, the notes and the Subsidiary Guarantees will be governed by the laws of the State of New York.

Book-entry, Delivery and Form of the New Notes

The new notes will be represented by one or more permanent global notes in registered form without interest coupons (the "Global Notes"). The Global Notes will be deposited upon issuance with the trustee as custodian for The Depository Trust Company ("DTC"), and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive notes in registered certificated form ("Certificated Notes") except in the limited circumstances described below. See " Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject to changes by DTC. PDC takes no responsibility for these operations and procedures and urges investors to contact DTC or their participants directly to discuss these matters. Neither PDC nor the trustee nor any of their respective agents will have any responsibility for the performance by DTC or its participants or indirect participants of its obligations under the rules and procedures governing its operations, and the information in this section is subject to change at any time.

DTC has advised PDC that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Table of Contents

DTC has also advised PDC that, pursuant to procedures established by it:

(1) upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and

(2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants in such system. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, PDC, the Subsidiary Guarantors and the trustee will treat the Persons in whose names the notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither PDC, the Subsidiary Guarantors, the trustee nor any agent of any of them has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised PDC that its current practice, at the due date of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or PDC. Neither PDC nor the trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the notes, and PDC and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

DTC has advised PDC that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange the Global Notes for legended notes in certificated form, and to distribute such notes to its Participants.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

(1) DTC (a) notifies PDC that it is unwilling or unable to continue as depositary for the Global Note or (b) has ceased to be a clearing agency registered under the Exchange Act, and in each case PDC fails to appoint a successor depositary within 90 days;

(2) PDC, at its option, notifies the trustee in writing that it elects to cause the issuance of Certificated Notes; or

(3) a Default or Event of Default has occurred and is continuing and DTC notifies the trustee of its decision to exchange the Global Note for Certificated Notes.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures).

Exchange of Certificated Notes for Global Notes Certificated

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

Same Day Settlement and Payment

PDC will make payments in respect of the notes represented by the Global Notes (including principal, premium, if any, and interest) by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. PDC will make all payments of principal, interest and premium, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each such holder's registered address. The notes represented by the Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. PDC expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Registration Rights; Additional Interest

The following description is a summary of the material provisions of the Registration Rights Agreement. It does not restate that agreement in its entirety. We urge you to read the Registration Rights Agreement in its entirety because it, and not this description, defines your registration rights as holders of the old notes. See "   Additional Information."

PDC, the Subsidiary Guarantors and the initial purchasers entered into the Registration Rights Agreement on November 29, 2017. PDC and the Subsidiary Guarantors agreed for the benefit of holders of the old notes to file with the SEC and use commercially reasonable efforts to cause to become effective a registration statement relating to an offer to exchange the old notes for the new notes.

In the event that applicable interpretations of the staff of the SEC do not permit us to effect the exchange offer or if, for any other reason, we do not complete the exchange offer by the 360th day following Issue Date, we will use commercially reasonable efforts to cause to become effective a shelf registration statement relating to resales of the old notes and to keep that shelf registration statement effective until the earlier of one year following the issuance of the old notes and such time as all old notes covered by the shelf registration statement have been sold. We will, in the event of such a shelf registration, provide to each holder copies of a prospectus, notify each holder when the shelf registration statement has become effective, and take certain other actions to permit resales of the old notes. A holder of the old notes that sells old notes under the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with those sales, and will be bound by the provisions of the Registration Rights Agreement that are applicable to such a holder of the old notes (including certain indemnification obligations).

If the exchange offer is not completed (or, if required, the shelf registration statement is not declared effective or does not automatically become effective) on or before the 360th day following the Issue Date, then we will pay additional interest to all holders of old notes with the effect that the annual interest rate borne by the old notes will be increased by one percentage point (1.0%) until the exchange offer is completed or the shelf registration statement is declared effective (or becomes automatically effective). All accrued additional interest will be paid by PDC on the next scheduled interest payment date in the same manner as interest is paid on the old notes. Following the time that the old notes are registered, the accrual of additional interest will cease. The provisions for additional interest will be the only monetary remedy available to holders under the Registration Rights Agreement.

The Registration Rights Agreement may be amended or supplemented (and rights of holders of old notes thereunder may be waived) only pursuant to the written consent of the holders of a majority in principal amount of the notes; provided, however, that without the consent of each holder of the outstanding old notes affected, an amendment, supplement or waiver may not (with respect to any old notes held by a non-consenting holder) change any provision of the Registration Rights Agreement in a manner that could affect adversely the rights of such non-consenting holder to receive additional interest in the amount and on the payment dates as provided in the Registration Rights Agreement as in effect on the Issue Date.

Definitions

"Acquired Debt" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, regardless of whether such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person, but excluding Indebtedness which is extinguished, retired or repaid in connection with such Person merging with or becoming a Subsidiary of such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

Table of Contents

"Additional Assets" means:

(1) any property or assets (other than Indebtedness and Capital Stock) to be used by PDC or a Restricted Subsidiary in a Related Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by PDC or another Restricted Subsidiary;

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary; or

(4) Capital Stock of any Restricted Subsidiary; provided that all the Capital Stock of such Subsidiary held by PDC or any of its Restricted Subsidiaries shall entitle PDC or such Restricted Subsidiary to not less than a pro rata portion of all dividends or other distributions made by such Subsidiary upon any of such Capital Stock;

provided, however, that, in the case of clauses (2), (3) and (4), such Subsidiary is primarily engaged in a Related Business.

"Adjusted Consolidated Net Tangible Assets" means, with respect to any specified Person or Persons (all of such specified Persons, whether one or more, being referred to in this definition as the "Referent Person"), as of the date of determination (without duplication), the remainder of:

(a) the sum of:

(i) discounted future net revenues from proved oil and gas reserves of such Person and its Restricted Subsidiaries calculated in accordance with SEC guidelines before any provincial, territorial, state, federal or foreign income taxes, as estimated by PDC in a reserve report prepared as of the end of PDC's most recently completed fiscal year for which audited financial statements are available and giving effect to applicable Oil and Natural Gas Hedging Contracts, (A) as increased by, as of the date of determination, the estimated discounted future net revenues from (1) estimated proved oil and gas reserves acquired since such year end, which reserves were not reflected in such year-end reserve report, and (2) estimated oil and gas reserves attributable to upward revisions of estimates of proved oil and gas reserves (including previously estimated development costs incurred during the period and the accretion of discount since the prior period end) since such year-end due to exploration, development, exploitation or other activities, and (B) as decreased by, as of the date of determination, the estimated discounted future net revenues from (1) estimated proved oil and gas reserves reflected in such reserve report produced or disposed of since such year-end, and (2) estimated oil and gas reserves attributable to downward revisions of estimates of proved oil and gas reserves reflected in such reserve report since such year-end due to changes in geological conditions or other factors that would, in accordance with standard industry practice, cause such revisions, in each case described in this clause (i) calculated in accordance with SEC guidelines and estimated by PDC's petroleum engineers or any independent petroleum engineers engaged by PDC for that purpose;

(ii) the capitalized costs that are attributable to oil and gas properties of the Referent Person and its Restricted Subsidiaries to which no proved oil and gas reserves are attributable, based on PDC's books and records as of a date no earlier than the date of PDC's latest available annual or quarterly financial statements;

(iii) the Net Working Capital of the Referent Person on a date no earlier than the date of PDC's latest annual or quarterly financial statements; and

(iv) the greater of (A) the net book value of other tangible assets of the Referent Person and its Restricted Subsidiaries, as of a date no earlier than the date of PDC's latest annual or

Table of Contents

quarterly financial statements, and (B) the appraised value, as estimated by independent appraisers, of other tangible assets of the Referent Person and its Restricted Subsidiaries, as of a date no earlier than the date of PDC's latest audited financial statements (provided that PDC shall not be required to obtain such appraisal solely for the purpose of determining this value); *minus*

(b) the sum of:

(i) the net book value of any Capital Stock of a Restricted Subsidiary of the Referent Person that is not owned by the Referent Person or another Restricted Subsidiary of the Referent Person;

(ii) to the extent not otherwise taken into account in determining Adjusted Consolidated Net Tangible Assets of the Referent Person, any net gas-balancing liabilities of the Referent Person and its Restricted Subsidiaries reflected in PDC's latest audited financial statements;

(iii) to the extent included in (a)(i) above, the discounted future net revenues, calculated in accordance with SEC guidelines (utilizing the prices utilized in PDC's year-end reserve report), attributable to reserves that are required to be delivered by the Referent Person to third parties to fully satisfy the obligations of the Referent Person and its Restricted Subsidiaries with respect to Volumetric Production Payments (determined, if applicable, using the schedules specified with respect thereto); and

(iv) the discounted future net revenues, calculated in accordance with SEC guidelines, attributable to reserves subject to Dollar-Denominated Production Payments that, based on the estimates of production and price assumptions included in determining the discounted future net revenues specified in (a)(i) above, would be necessary to fully satisfy the payment obligations of the Referent Person and its Subsidiaries with respect to Dollar-Denominated Production Payments (determined, if applicable, using the schedules specified with respect thereto).

If PDC changes its method of accounting from the successful efforts or a similar method to the full cost method of accounting, "Adjusted Consolidated Net Tangible Assets" of the Referent Person will continue to be calculated as if PDC were still using the successful efforts or a similar method of accounting.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Asset Sale" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights (including by way of a Production Payment or a sale and leaseback transaction); provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of PDC and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the indenture described above under the caption " Repurchase at the Option of Holders Change of Control Triggering Event" and/or the provisions described above under the caption " Covenants Merger, Consolidation or Sale of Substantially All Assets" and not by the provisions of the Asset Sales covenant; and

(2) the issuance of Equity Interests in any of PDC's Restricted Subsidiaries (other than directors' qualifying shares) or the sale of Equity Interests held by PDC or its Restricted Subsidiaries in any of its Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $20 million;

(2) a transfer of assets between or among PDC and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to PDC or to a Restricted Subsidiary;

(4) the sale, lease or other disposition of equipment, inventory, products, services, accounts receivable or other assets in the ordinary course of business, including in connection with any compromise, settlement or collection of accounts receivable, and any sale or other disposition of damaged, worn-out or obsolete assets or assets that are no longer useful in the conduct of the business of PDC and its Restricted Subsidiaries;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) a Restricted Payment that does not violate the covenant described above under the caption " Covenants Restricted Payments," including the issuance or sale of Equity Interests or the sale, lease or other disposition of products, services, equipment, inventory, accounts receivable or other assets pursuant to any such Restricted Payment;

(7) the consummation of a Permitted Investment, including, without limitation, unwinding any Hedging Obligations, and including the issuance or sale of Equity Interests or the sale, lease or other disposition of products, services, equipment, inventory, accounts receivable or other assets pursuant to any such Permitted Investment;

(8) a disposition of Hydrocarbons or mineral products inventory in the ordinary course of business;

(9) the farm-out, lease or sublease of developed or undeveloped crude oil or natural gas properties owned or held by PDC or any Restricted Subsidiary in exchange for crude oil and natural gas properties owned or held by another Person;

(10) the creation or perfection of a Lien (but not, except as contemplated in clause (11) below, the sale or other disposition of the properties or assets subject to such Lien);

(11) the creation or perfection of a Permitted Lien and the exercise by any Person in whose favor a Permitted Lien is granted of any of its rights in respect of that Permitted Lien;

(12) the licensing or sublicensing of intellectual property, including, without limitation, licenses for seismic data, in the ordinary course of business and which do not materially interfere with the business of PDC and its Restricted Subsidiaries;

(13) surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(14) any Production Payments and Reserve Sales; provided that all such Production Payments and Reserve Sales (other than incentive compensation programs on terms that are reasonably customary in the oil and gas business for geologists, geophysicists and other providers of technical services to PDC or a Restricted Subsidiary) shall have been created, incurred, issued, assumed or Guaranteed in connection with the financing of, and within 90 days after the acquisition of, the oil and gas properties that are subject thereto;

Table of Contents

(15) the sale or other disposition (regardless of whether in the ordinary course of business) of oil and gas properties; provided that, at the time of such sale or other disposition, such properties do not have attributed to them any proved reserves; and

(16) any trade or exchange by PDC or any Restricted Subsidiary of properties or assets used or useful in a Related Business for other properties or assets used or useful in a Related Business owned or held by another Person (including Capital Stock of a Person engaged in a Related Business that is or becomes a Restricted Subsidiary), including any cash or Cash Equivalents necessary in order to achieve and exchange of equivalent value, provided that the Fair Market Value of the properties or assets traded or exchanged by PDC or such Restricted Subsidiary (including any cash or Cash Equivalents to be delivered by PDC or such Restricted Subsidiary) is reasonably equivalent to the Fair Market Value of the properties or assets (together with any cash or Cash Equivalents) to be received by PDC or such Restricted Subsidiary, and provided, further, that any cash received in the transaction must be applied in accordance with the covenant described above under " Repurchase at the Option of Holders Asset Sales" as if such transaction were an Asset Sale.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time or upon the occurrence of a subsequent condition. The terms "Beneficially Owns," "Beneficially Owned" and "Beneficially Owning" will have a corresponding meaning.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managers or managing member or members of such limited liability company (as applicable) or any duly authorized committee of managers or managing members (as applicable) thereof; and

(4) with respect to any other Person, the board of directors or duly authorized committee of such Person serving a similar function.

"Borrowing Base" means, with respect to borrowings under the Senior Credit Agreement and any amendment to and/or modification or replacement of the foregoing in the form of a reserve-based borrowing base credit facility, in each case with lenders that include commercial banks regulated by the U.S. Office of the Comptroller of the Currency, the maximum amount determined or re-determined by the lenders thereunder as the aggregate lending value to be ascribed to the oil and gas properties and other assets of PDC and its Restricted Subsidiaries against which such lenders are prepared to provide loans, letters of credit or other Indebtedness to the credit parties, using customary practices and standards for determining reserve-based borrowing base loans and which are generally applied to borrowers in the Related Business by commercial lenders, as determined semi-annually during each year and/or on such other occasions as may be required or provided for therein.

"Business Day" means any day other than a Legal Holiday.

Table of Contents

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Capital Stock" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, regardless of whether such debt securities include any right of participation with Capital Stock.

"Cash Equivalents" means:

(1) United States dollars;

(2) Government Securities having maturities of not more than one year from the date of acquisition;

(3) marketable general obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition thereof, having a credit rating of "A" or better from either S&P or Moody's;

(4) certificates of deposit, demand deposit accounts and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any domestic commercial bank having capital and surplus in excess of $500 million and a Thomson Bank Watch Rating of "B" or better;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2), (3) and (4) above entered into with any financial institution meeting the qualifications specified in clause (4) above;

(6) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition;

(7) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (6) of this definition; and

(8) deposits in any currency available for withdrawal on demand with any commercial bank that is organized under the laws of any country in which PDC or any Restricted Subsidiary maintains its chief executive office or is engaged in the Related Business; provided that all such deposits are made in such accounts in the ordinary course of business.

"Change of Control" means:

(1) any "person" or "group" of related persons (as such terms are used in Section 13(d) of the Exchange Act) is or becomes a Beneficial Owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of PDC (or its successor by merger, consolidation or

purchase of all or substantially all of its properties or assets) (for the purposes of this clause, such person or group shall be deemed to Beneficially Own any Voting Stock of PDC held by an entity, if such person or group Beneficially Owns, directly or indirectly, more than 50% of the voting power of the Voting Stock of such entity);

(2) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of PDC and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d) of the Exchange Act); or

(3) the adoption or approval by the stockholders of PDC of a plan for the liquidation or dissolution of PDC.

"Change of Control Triggering Event" means the occurrence of a Change of Control that is accompanied or followed by a downgrade by one or more gradations (including gradations within ratings categories as well as between ratings categories) or withdrawal of the rating of the notes within the Ratings Decline Period by one of the Rating Agencies, as a result of which the rating of the notes on any day during such Ratings Decline Period is below the rating by such Rating Agency in effect immediately preceding the first public announcement of the Change of Control (or occurrence thereof if such Change of Control occurs prior to public announcement).

"Consolidated Cash Flow" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale (together with any related provision for taxes and any related non-recurring charges relating to any premium or penalty paid, write-off of deferred financing costs or other financial recapitalization charges in connection with redeeming or retiring any Indebtedness prior to its Stated Maturity), to the extent that such losses were deducted in computing such Consolidated Net Income; *plus*

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(4) exploration and abandonment expense (if applicable) to the extent deducted in calculating Consolidated Net Income; *plus*

(5) depreciation, depletion, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period), impairment, other non-cash expenses and other non-cash items (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, depletion, amortization, impairment and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(6) any interest expense attributable to any Oil and Natural Gas Hedging Contract, to the extent that such interest expense was deducted in computing such Consolidated Net Income; *plus*

(7) the accretion of interest charges on future plugging and abandonment obligations and future retirement benefits, to the extent such charges were deducted in computing such Consolidated Net Income; *minus*

(8) non-cash items increasing such Consolidated Net Income for such period, other than items that were accrued in the ordinary course of business, and *minus*

(9) the sum of (a) the amount of deferred revenues that are amortized during such period and are attributable to reserves that are subject to Volumetric Production Payments and (b) amounts recorded in accordance with GAAP as repayments of principal and interest pursuant to Dollar-Denominated Production Payments;

in each case, on a consolidated basis and determined in accordance with GAAP. Notwithstanding the preceding sentence, clauses (1) through (7) relating to amounts of a Restricted Subsidiary of the referent Person will be added to Consolidated Net Income to compute Consolidated Cash Flow of such Person only to the extent (and in the same proportion) that the Net Income of such Restricted Subsidiary was included in calculating the Consolidated Net Income of such Person and if a corresponding amount would be permitted at the date of determination to be dividended to the referent Person by such Restricted Subsidiary without prior governmental approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or the holders of its Capital Stock.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, members or partners;

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of such Person or its consolidated Restricted Subsidiaries (including pursuant to any sale or leaseback transaction) that is not sold or otherwise disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person will be excluded;

(5) any asset impairment writedowns on oil and gas properties under GAAP or SEC guidelines will be excluded;

(6) any non-cash mark-to-market adjustments to assets or liabilities resulting in unrealized gains or losses in respect of Hedging Obligations (including those resulting from the application of the Financial Standards Accounting Board's Accounting Standards Codification (ASC) 815) shall be excluded; and

(7) to the extent deducted in the calculation of Net Income, any non-cash or other charges associated with any premium or penalty paid, write-off of deferred financing costs or other financial recapitalization charges in connection with redeeming or retiring any Indebtedness will be excluded.

Table of Contents

"Consolidated Tangible Assets" means, with respect to any Person as of any date, the amount which, in accordance with GAAP, would be set forth under the caption "Total Assets" (or any like caption) on a consolidated balance sheet of such Person and its Restricted Subsidiaries, less all goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets in accordance with GAAP.

"Credit Facilities" means, with respect to PDC or any of its Restricted Subsidiaries, one or more debt facilities (including, without limitation, the Senior Credit Agreement), commercial paper facilities or Debt Issuances providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to any lenders, other financiers or to special purpose entities formed to borrow from (or sell such receivables to) any lenders or other financiers against such receivables), letters of credit, bankers' acceptances, other borrowings or Debt Issuances, in each case, as amended, restated, modified, renewed, extended, refunded, replaced or refinanced (in each case, without limitation as to amount), in whole or in part, from time to time (including through one or more Debt Issuances).

"Currency Agreement" means in respect of a Person any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party or a beneficiary.

"Debt Issuances" means, with respect to PDC or any Restricted Subsidiary, one or more issuances after the Issue Date of Indebtedness evidenced by notes, debentures, bonds or other similar securities or instruments.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require PDC to repurchase or redeem such Capital Stock upon the occurrence of a Change of Control Triggering Event or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that PDC may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption " Covenants Restricted Payments." The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the indenture will be the maximum amount that PDC and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"Dollar-Denominated Production Payments" means production payment obligations recorded as liabilities in accordance with GAAP, together with all undertakings and obligations in connection therewith.

"Domestic Restricted Subsidiary" means any Restricted Subsidiary that (a) was formed under the laws of the United States or any state of the United States or the District of Columbia or (b) Guarantees or otherwise provides direct credit support for any Indebtedness of PDC or any Restricted Subsidiary (other than a Foreign Subsidiary).

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means (1) an offering for cash by PDC of its Capital Stock (other than Disqualified Stock), or options, warrants or rights with respect to its Capital Stock or (2) a cash contribution to PDC's common equity capital from any Person.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Existing Convertible Notes" means $200 million aggregate principal amount of 1.125% senior convertible notes due 2021 issued by PDC on September 14, 2016.

"Existing Indebtedness" means Indebtedness of PDC and its Subsidiaries (other than Indebtedness under the Senior Credit Agreement, the notes and the Subsidiary Guarantees) in existence on the Issue Date, including the Existing Senior Notes and the Existing Convertible Notes, until such amounts are repaid.

"Existing Senior Notes" means, collectively, the 7.75% Senior Notes Due 2022 issued pursuant to that certain indenture dated as of October 3, 2012 between PDC and U.S. Bank National Association, as trustee, and the 6.125% Senior Notes Due 2024 issued pursuant to that certain indenture dated as of September 15, 2016 between PDC and U.S. Bank National Association, as trustee.

"Existing Senior Notes Issue Date" means October 3, 2012.

"Fair Market Value" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party. Fair Market Value of an asset or property in excess of $10 million shall be determined by an Officer of PDC, and in the case of amounts in excess of $25 million, by the Board of Directors of PDC, in each case, acting in good faith. The determination shall be conclusive and, in the case of determinations exceeding $25 million, evidenced by a resolution of the Board of Directors.

"Farm-In Agreement" means an agreement whereby a Person agrees to pay all or a share of the drilling, completion or other expenses of an exploratory or development well (which agreement may be subject to a maximum payment obligation, after which expenses are shared in accordance with the working or participation interests therein or in accordance with the agreement of the parties) or perform the drilling, completion or other operation on such well in exchange for an ownership interest in an oil or gas property.

"Farm-Out Agreement" means a Farm-In Agreement, viewed from the standpoint of the party that transfers an ownership interest to another.

"Fixed Charge Coverage Ratio" means with respect to any specified Person for any four-quarter reference period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations or otherwise (including acquisitions of assets used or useful in a Related Business), or any Person or any of its Restricted Subsidiaries

acquired by the specified Person or any of its Restricted Subsidiaries, and including in each case any related financing transactions and increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred on the first day of the four-quarter reference period, and any Consolidated Cash Flow for such period will be calculated giving pro forma effect to any operating improvements or cost savings that have occurred or are reasonably expected to occur in the reasonable judgment of the principal accounting officer or Chief Financial Officer of PDC (regardless of whether those operating improvements or cost savings could then be reflected in pro forma financial statements prepared in accordance with Regulation S-X under the Securities Act or any other regulation or policy of the SEC related thereto);

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness, but if the remaining term of such Hedging Obligation is less than 12 months, then such Hedging Obligation shall only be taken into account for that portion of the period equal to the remaining term thereof).

"Fixed Charges" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (excluding (i) any interest attributable to Production Payments and Reserve Sales, (ii) write-off of deferred financing costs and (iii) accretion of interest charges on future plugging and abandonment obligations, future retirement benefits and other obligations that do not constitute Indebtedness, but including, without limitation, amortization of debt issuance costs and original issue discount, noncash interest payments, the interest component of any deferred payment obligations other than that attributable to any Oil and Natural Gas Hedging Contract, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings), and net of the effect of all payments made or received pursuant to Interest Rate Agreements; plus

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(3) any interest on Indebtedness of another Person that is Guaranteed by the specified Person or one or more of its Restricted Subsidiaries or secured by a Lien on assets of such

Table of Contents

specified Person or one or more of its Restricted Subsidiaries, regardless of whether such Guarantee or Lien is called upon; plus

(4) all dividends, whether paid or accrued and regardless of whether in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of PDC (other than Disqualified Stock) or to PDC or a Restricted Subsidiary, in each case, on a consolidated basis and determined in accordance with GAAP.

"Foreign Subsidiary" means any Restricted Subsidiary other than a Domestic Restricted Subsidiary.

"GAAP" means generally accepted accounting principles in the United States which are in effect from time to time; provided, however, that operating leases and Capital Leases shall be accounted for during the term of the indenture in accordance with generally accepted accounting principles in the United States in effect on the Issue Date. Subject to the proviso in the previous sentence or PDC's election in the following sentence, all ratios and computations based on GAAP contained in the indenture will be computed in conformity with GAAP. At any time after the Issue Date, PDC may elect to apply International Financial Reporting Standards, or IFRS, accounting principles in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IFRS (except as otherwise provided in the indenture); provided that any such election, once made, shall be irrevocable; provided, further, that any calculation or determination in the indenture that requires the application of GAAP for periods that include fiscal quarters ended prior to PDC's election to apply IFRS shall remain as previously calculated or determined in accordance with GAAP. PDC shall give notice of any such election made in accordance with this definition to the trustee and the holders of notes.

"Government Securities" means direct obligations of, or obligations Guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"Guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services or to take or pay or to maintain financial statement conditions or otherwise), or entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part). "Guarantee" used as a verb has a correlative meaning.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate and Currency Hedges, Oil and Natural Gas Hedging Contracts and other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices, in each case entered into for non-speculative purposes.

"Hydrocarbons" means oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons, natural gas liquids, and all constituents, elements or compounds thereof and products refined or processed therefrom.

"Indebtedness" means, with respect to any specified Person, without duplication, any indebtedness of such Person, regardless of whether contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, credit agreements, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

Table of Contents

(3) in respect of bankers' acceptances;

(4) representing Capital Lease Obligations;

(5) in respect of any Guarantee by such Person of production or payment with respect to a Production Payment (but not any other contractual obligation in respect of such Production Payment);

(6) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed, except any such balance that constitutes an accrued expense or a trade payable; or

(7) representing any Interest Rate and Currency Hedges, if and to the extent any of the preceding items (other than letters of credit and Interest Rate and Currency Hedges) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes (a) all Indebtedness of any other Person, of the types described above in clauses (1) through (7), secured by a Lien on any asset of the specified Person (regardless of whether such Indebtedness is assumed by the specified Person); provided that the amount of such Indebtedness will be the lesser of (i) the Fair Market Value of such asset at such date of determination and (ii) the amount of such Indebtedness of such other Person, and (b) to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person, of the types described above in clauses (1) through (7) above. Furthermore, the amount of any Indebtedness outstanding as of any date will be the accreted value thereof, in the case of any Indebtedness issued with original issue discount; and the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

Notwithstanding the foregoing, the following shall not constitute "Indebtedness:"

(i) accrued expenses and trade accounts payable arising in the ordinary course of business;

(ii) except as provided in clause (5) of the first paragraph of this definition, any obligation in respect of any Production Payment and Reserve Sales;

(iii) any obligation in respect of any Farm-In Agreement;

(iv) any indebtedness which has been defeased in accordance with GAAP or defeased pursuant to the deposit of cash or Government Securities (in an amount sufficient to satisfy all such indebtedness obligations at maturity or redemption, as applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such indebtedness, and subject to no other Liens, and the other applicable terms of the instrument governing such indebtedness;

(v) oil or natural gas balancing liabilities incurred in the ordinary course of business and consistent with past practice;

(vi) any obligation in respect of any Oil and Natural Gas Hedging Contract;

(vii) any unrealized losses or charges in respect of Hedging Obligations (including those resulting from the application of ASC 815);

(viii) any obligations in respect of (a) bid, performance, completion, surety, appeal and similar bonds, (b) obligations in respect of bankers' acceptances, (c) insurance obligations or bonds and other similar bonds and obligations and (d) any Guarantees or letters of credit functioning as or supporting any of the foregoing bonds or obligations; provided, however, that such bonds or obligations mentioned in subclause (a), (b), (c) or (d) of this clause (viii), are incurred in the

Table of Contents

ordinary course of the business of PDC and its Restricted Subsidiaries and do not relate to obligations for borrowed money;

(ix) any Disqualified Stock of PDC or preferred stock of a Restricted Subsidiary;

(x) any obligation arising from any agreement providing for indemnities, guarantees, purchase price adjustments, holdbacks, contingency payment obligations based on the performance of the acquired or disposed assets or similar obligations (other than Guarantees of Indebtedness) incurred by any Person in connection with the acquisition or disposition of assets; and

(xi) all contracts and other obligations, agreements, instruments or arrangements described in clauses (20), (21), (22) and (23) of the definition of "Permitted Liens."

"Interest Rate Agreement" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"Interest Rate and Currency Hedges" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Investment Grade Rating" means a rating equal to or higher than:

(1) Baa3 (or the equivalent) by Moody's; or

(2) BBB (or the equivalent) by S&P,

or, if either such entity ceases to rate the notes for reasons outside of the control of PDC, the equivalent investment grade credit rating from any other Rating Agency.

"Investment Grade Rating Event" means the first day on which (a) the notes have an Investment Grade Rating from at least one Rating Agency, (b) no Default with respect to the notes has occurred and is then continuing under the indenture and (c) PDC has delivered to the trustee an Officers' Certificate certifying as to the satisfaction of the conditions set forth in clauses (a) and (b) of this definition.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, advances or capital contributions (excluding endorsements of negotiable instruments and documents in the ordinary course of business, and commission, travel and similar advances to officers, employees and consultants made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet of such Person prepared in accordance with GAAP. If PDC or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, PDC will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of PDC's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption " Covenants Restricted Payments." The acquisition by PDC or any Subsidiary of PDC of a Person that holds an Investment in a third Person will be deemed to be an Investment by PDC or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption " Covenants Restricted Payments." Except as otherwise provided in the indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

Table of Contents

"Issue Date" means the first date on which old notes were issued under the indenture.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment for the notes are authorized by law, regulation or executive order to remain closed.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, regardless of whether filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction other than a precautionary financing statement respecting a lease not intended as a security agreement.

"Liquid Securities" means securities that are publicly traded on the New York Stock Exchange, NYSE MKT, the Nasdaq Stock Market or any other regulated stock exchange in the United States, Canada, Europe or Australia (or any of their successors) and as to which PDC is not subject to any restrictions on sale or transfer (including any volume restrictions under Rule 144 under the Securities Act or any other restrictions imposed by the Securities Act) or as to which a registration statement under the Securities Act covering the resale thereof is in effect for as long as the securities are held; provided that securities meeting such requirements shall be treated as Liquid Securities from the date of receipt thereof until and only until the earlier of (a) the date on which such securities are sold or exchanged for cash or Cash Equivalents and (b) 180 days following the date of receipt of such securities. If such securities are not sold or exchanged for cash or Cash Equivalents within 180 days of receipt thereof, for purposes of determining whether the transaction pursuant to which PDC or a Restricted Subsidiary received the securities was in compliance with the provisions of the indenture described under " Asset Sales," such securities shall be deemed not to have been Liquid Securities at any time.

"Material Subsidiary" means any Domestic Restricted Subsidiary (a) that has Consolidated Tangible Assets that exceed 5.0% of the Consolidated Tangible Assets of PDC and its Restricted Subsidiaries as of the end of the most recent fiscal quarter of PDC for which financial statements are required to be delivered under the indenture, (b) whose Consolidated Cash Flow exceeds 5.0% of the Consolidated Cash Flow of PDC and its Restricted Subsidiaries for the period of four consecutive fiscal quarters of PDC most recent ended for which financial statements are required to be delivered under the indenture or (c) together with all other Domestic Restricted Subsidiaries that would not otherwise be deemed to be Material Subsidiaries, would represent, in the aggregate ("Material in the Aggregate"), (x) 10.0% or more of the Consolidated Tangible Assets of PDC and its Restricted Subsidiaries as of the end of the most recent fiscal quarter of PDC for which financial statements are required to be delivered under the indenture or (y) 10.0% or more of the Consolidated Cash Flow of PDC and its Restricted Subsidiaries for the period of four consecutive fiscal quarters of PDC most recently ended for which financial statements are required to be delivered under the indenture.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"Net Income" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of non-cash preferred stock dividends, excluding, however:

(1) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with: (a) any Asset Sale (including, without limitation, any cash received pursuant to any sale and leaseback transaction) or (b) the disposition of any securities by such Person or the extinguishment of any Indebtedness of such Person; and

(2) any extraordinary or non-recurring gain or loss, together with any related provision for taxes on such extraordinary or non-recurring gain or loss.

"Net Proceeds" means the aggregate cash proceeds received by PDC or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expense incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Sale;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Sale, in accordance with the terms of such Indebtedness, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law be repaid out of the proceeds from such Asset Sale;

(3) all distributions and other payments required to be made to holders of minority interests in Subsidiaries or joint ventures as a result of such Asset Sale; and

(4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, or held in escrow, in either case for adjustment in respect of the sale price or for any liabilities associated with the assets disposed of in such Asset Sale and retained by PDC or any Restricted Subsidiary after such Asset Sale.

"Net Working Capital" means (a) all current assets of PDC and its Restricted Subsidiaries except current assets from Oil and Natural Gas Hedging Contracts, less (b) all current liabilities of PDC and its Restricted Subsidiaries, except (i) current liabilities included in Indebtedness, (ii) current liabilities associated with asset retirement obligations relating to oil and gas properties and (iii) any current liabilities from Oil and Natural Gas Hedging Contracts, in each case as set forth in the consolidated financial statements of PDC prepared in accordance with GAAP (excluding any adjustments made pursuant to ASC 815).

"Non-Recourse Debt" means Indebtedness:

(1) as to which neither PDC nor any Restricted Subsidiary (a) provides any Guarantee or credit support of any kind (including any undertaking, Guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise), in each case other than Liens on and pledges of the Equity Interests of any Unrestricted Subsidiary or any joint venture owned by PDC or any Restricted Subsidiary to the extent securing otherwise Non-Recourse Debt of such Unrestricted Subsidiary or joint venture; and

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of PDC or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means, in the case of PDC, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, principal financial officer, principal accounting officer, any Vice President, the Treasurer or the Secretary (or persons performing similar functions) of PDC and, in the case of any Subsidiary Guarantor, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, principal financial officer, principal accounting officer, any Vice

Table of Contents

President, the Treasurer or the Secretary (or persons performing similar functions) of such Subsidiary Guarantor, or, with respect to a limited liability company, either an Officer, manager, or managing member of such limited liability company.

"Officers' Certificate" means, in the case of PDC, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of PDC and, in the case of any Subsidiary Guarantor, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of such Subsidiary Guarantor, or, with respect to a limited liability company, either an Officer, manager, or managing member of such limited liability company.

"Oil and Natural Gas Hedging Contract" means any Hydrocarbon hedging agreements and other agreements or arrangements entered into in the ordinary course of business in the oil and gas industry for the purpose of protecting against fluctuations in Hydrocarbon prices.

"Permitted Acquisition Indebtedness" means Indebtedness or Disqualified Stock of PDC or any of PDC's Restricted Subsidiaries to the extent such Indebtedness or Disqualified Stock was Indebtedness or Disqualified Stock of:

(1) a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary; or

(2) a Person that was merged or consolidated into PDC or a Restricted Subsidiary;

provided that on the date of incurrence of such Indebtedness or issuance of such Disqualified Stock, or the date such Subsidiary became a Restricted Subsidiary or the date such Person was merged or consolidated into PDC or a Restricted Subsidiary, as applicable, after giving pro forma effect thereto,

(a) the Restricted Subsidiary or PDC, as applicable, would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described under " Covenants Incurrence of Indebtedness and Issuance of Preferred Stock," or

(b) the Fixed Charge Coverage Ratio for PDC would be greater than the Fixed Charge Coverage Ratio for PDC immediately prior to such transaction.

"Permitted Business Investments" means Investments and expenditures made in the ordinary course of, and of a nature that is or shall have become customary in, a Related Business as means of actively exploiting, exploring for, acquiring, developing, processing, gathering, marketing or transporting oil, natural gas, other Hydrocarbons and minerals (including with respect to plugging and abandonment) through agreements, transactions, interests or arrangements that permit one to share risks or costs of such activities or comply with regulatory requirements regarding local ownership, including without limitation, (a) ownership interests in oil, natural gas, other Hydrocarbons and minerals properties, liquefied natural gas facilities, processing facilities, gathering systems, pipelines, storage facilities or related systems or ancillary real property interests; (b) Investments in the form of or pursuant to operating agreements, working interests, royalty interests, mineral leases, processing agreements, Farm-In Agreements, Farm-Out Agreements, contracts for the sale, transportation or exchange of oil, natural gas, other Hydrocarbons and minerals, production sharing agreements, participation agreements, development agreements, area of mutual interest agreements, unitization agreements, pooling agreements, joint bidding agreements, service contracts, joint venture agreements, partnership agreements (whether general or limited), subscription agreements, stock purchase agreements, stockholder agreements and other similar agreements (including for limited liability companies) with third parties; and (c) direct or indirect ownership interests in drilling rigs and related equipment, including, without limitation, transportation equipment.

"Permitted Investments" means:

(1) any Investment in PDC or in a Restricted Subsidiary;

(2) any Investment in Cash Equivalents;

(3) any Investment by PDC or any Restricted Subsidiary in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary; or

(b) such Person is merged or consolidated with or into, or transfers or conveys substantially all of its properties or assets to, or is liquidated into, PDC or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption " Repurchase at the Option of Holders Asset Sales;"

(5) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of PDC or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;

(6) Investments represented by Hedging Obligations;

(7) advances to or reimbursements of employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business, in each case to the extent they constitute Investments;

(8) loans or advances to employees in the ordinary course of business or consistent with past practice, in each case to the extent they constitute Investments;

(9) advances and prepayments for asset purchases in the ordinary course of business in a Related Business of PDC or any of its Restricted Subsidiaries;

(10) receivables owing to PDC or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as PDC or any such Restricted Subsidiary deems reasonable under the circumstances;

(11) surety and performance bonds and workers' compensation, utility, lease, tax, performance and similar deposits and prepaid expenses in the ordinary course of business;

(12) guarantees by PDC or any of its Restricted Subsidiaries of operating leases (other than Capital Lease Obligations) or of other obligations that do not constitute Indebtedness, in each case entered into by PDC or any such Restricted Subsidiary in the ordinary course of business;

(13) Investments of a Restricted Subsidiary acquired after the Issue Date or of any entity merged into PDC or merged into or consolidated with a Restricted Subsidiary in accordance with the covenant described under " Covenants Merger, Consolidation or Sale of Substantially All Assets" or the covenant described in the third paragraph under " Subsidiary Guarantees of the Notes" (as applicable) to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger or consolidation and were in existence on the date of such acquisition, merger or consolidation;

(14) Permitted Business Investments;

(15) Investments received as a result of a foreclosure by PDC or any of its Restricted Subsidiaries with respect to any secured Investment in default;

(16) Investments in any units of any oil and gas royalty trust;

Table of Contents

(17) Investments existing on the Issue Date, and any extension, modification or renewal of any such Investments existing on the Issue Date, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases of such Investments (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investments as in effect on the Issue Date);

(18) repurchases of or other Investments in the notes;

(19) Investments to the extent that common stock of PDC is the consideration paid or provided by PDC; and

(20) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (20) that are at the time outstanding not to exceed the greater of (a) 5.0% of Adjusted Consolidated Net Tangible Assets of PDC and (b) $150 million.

"Permitted Liens" means, with respect to any Person:

(1) Liens securing Indebtedness incurred under Credit Facilities pursuant to clause (1) of the second paragraph of the covenant described under the caption " Covenants Incurrence of Indebtedness and Issuance of Preferred Stock;" provided that the aggregate amount of such indebtedness does not exceed the aggregate amount that would be allowed under such clause (1);

(2) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the covenant entitled " Covenants Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired, improved, or constructed with or financed by such Indebtedness;

(3) pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits or cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, in each case incurred in the ordinary course of business;

(4) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or similar Liens arising by contract or statute in the ordinary course of business and with respect to amounts which are not yet delinquent or are being contested in good faith by appropriate proceedings;

(5) Liens for taxes, assessments or other governmental charges or which are being contested in good faith by appropriate proceedings provided appropriate reserves required pursuant to GAAP have been made in respect thereof;

(6) Liens in favor of the issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness;

(7) encumbrances, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially

Table of Contents

adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(8) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of PDC and its Restricted Subsidiaries, taken as a whole;

(9) any attachment or judgment Liens not giving rise to an Event of Default;

(10) Liens for the purpose of securing the payment of all or a part of the purchase price of, or Capital Lease Obligations with respect to, or the repair, improvement or construction cost of, assets or property acquired or repaired, improved or constructed in the ordinary course of business; provided that:

> (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be incurred under the indenture and does not exceed the cost of the assets or property so acquired or repaired, improved or constructed plus fees and expenses in connection therewith; and
>
> (b) such Liens are created within 180 days of repair, improvement or construction or acquisition of such assets or property and do not encumber any other assets or property of PDC or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto (including improvements);

(11) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained or deposited with a depositary institution; provided that:

> (a) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by PDC in excess of those set forth by regulations promulgated by the Federal Reserve Board; and
>
> (b) such deposit account is not intended by PDC or any Restricted Subsidiary to provide collateral to the depository institution;

(12) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by PDC and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on the Issue Date;

(14) Liens on property at the time PDC or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into PDC or a Restricted Subsidiary; provided, however, that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such acquisition; provided further, however, that such Liens may not extend to any other property owned by PDC or any Restricted Subsidiary other than those of the Person merged or consolidated with PDC or such Restricted Subsidiary;

(15) Liens on property or Capital Stock of a Person at the time such Person becomes a Restricted Subsidiary; provided, however, that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; provided further, however, that such Liens may not extend to any other property owned by PDC or any Restricted Subsidiary;

(16) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to PDC or a Subsidiary Guarantor;

(17) Liens securing the notes, the Subsidiary Guarantees and other obligations arising under the indenture;

(18) Liens securing Permitted Refinancing Indebtedness of PDC or a Restricted Subsidiary incurred to refinance Indebtedness of PDC or a Restricted Subsidiary that was previously so secured; provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property or assets that is the security for a Permitted Lien hereunder;

(19) Liens in respect of Production Payments and Reserve Sales;

(20) Liens on pipelines and pipeline facilities that arise by operation of law;

(21) Liens arising under joint venture agreements, partnership agreements, oil and gas leases or subleases, assignments, purchase and sale agreements, division orders, contracts for the sale, purchasing, processing, transportation or exchange of oil or natural gas, unitization and pooling declarations and agreements, development agreements, area of mutual interest agreements, licenses, sublicenses, net profits interests, participation agreements, Farm-Out Agreements, Farm-In Agreements, carried working interest, joint operating, unitization, royalty, sales and similar agreements relating to the exploration or development of, or production from, oil and gas properties entered into in the ordinary course of business in a Related Business;

(22) Liens reserved in oil and gas mineral leases for bonus, royalty or rental payments and for compliance with the terms of such leases;

(23) Liens on, or related to, properties or assets to secure all or part of the costs incurred in the ordinary course of a Related Business for exploration, drilling, development, production, processing, transportation, marketing, storage, abandonment or operation;

(24) Liens arising under the indenture in favor of the trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under the indenture; provided that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of the Indebtedness;

(25) Liens securing obligations of PDC and its Restricted Subsidiaries under non-speculative Hedging Obligations;

(26) Liens on and pledges of the Equity Interests of any Unrestricted Subsidiary or any joint venture owned by PDC or any Restricted Subsidiary to the extent securing Non-Recourse Debt of such Unrestricted Subsidiary or joint venture;

(27) Liens securing Indebtedness of any Foreign Subsidiary which Indebtedness is permitted by the indenture;

(28) Liens incurred in the ordinary course of business of PDC or any Restricted Subsidiary with respect to obligations that, at any one time outstanding, do not exceed the greater of (a) $150 million and (b) 5.0% of Adjusted Consolidated Net Tangible Assets of PDC; and

(29) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Debt and are held in an escrow account or similar arrangement to be applied for such purpose.

"Permitted Refinancing Indebtedness" means any Indebtedness of PDC or any of its Restricted Subsidiaries, any Disqualified Stock of PDC or any preferred stock of any Restricted Subsidiary (a) issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance,

Table of Contents

replace, defease, discharge or otherwise retire for value, in whole or in part, or (b) constituting an amendment, modification or supplement to or a deferral or renewal of ((a) and (b) above, collectively, a "Refinancing"), any other Indebtedness of PDC or any of its Restricted Subsidiaries (other than intercompany Indebtedness), any Disqualified Stock of PDC or any preferred stock of a Restricted Subsidiary in a principal amount or, in the case of Disqualified Stock of PDC or preferred stock of a Restricted Subsidiary, liquidation preference, not to exceed (after deduction of reasonable and customary fees and expenses incurred in connection with the Refinancing) the lesser of:

(1) the principal amount or, in the case of Disqualified Stock or preferred stock, liquidation preference, of the Indebtedness, Disqualified Stock or preferred stock so Refinanced (plus, in the case of Indebtedness, the amount of premium, if any paid in connection therewith), and

(2) if the Indebtedness being Refinanced was issued with any original issue discount, the accreted value of such Indebtedness (as determined in accordance with GAAP) at the time of such Refinancing.

Notwithstanding the preceding, no Indebtedness, Disqualified Stock or preferred stock will be deemed to be Permitted Refinancing Indebtedness, unless:

(1) such Indebtedness, Disqualified Stock or preferred stock has a final maturity date or redemption date, as applicable, no earlier than the final maturity date or redemption date, as applicable, of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness, Disqualified Stock or preferred stock being Refinanced;

(2) if the Indebtedness, Disqualified Stock or preferred stock being Refinanced is contractually subordinated or otherwise junior in right of payment to the notes, such Indebtedness, Disqualified Stock or preferred stock has a final maturity date or redemption date, as applicable, no earlier than the final maturity date or redemption date, as applicable, of, and is contractually subordinated or otherwise junior in right of payment to, the notes, on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness, Disqualified Stock or preferred stock being Refinanced at the time of the Refinancing; and

(3) such Indebtedness or Disqualified Stock is incurred or issued by PDC or such Indebtedness, Disqualified Stock or preferred stock is incurred or issued by the Restricted Subsidiary that is the obligor on the Indebtedness being Refinanced or the issuer of the Disqualified Stock or preferred stock being Refinanced; provided that a Restricted Subsidiary that is also a Subsidiary Guarantor may guarantee Permitted Refinancing Indebtedness incurred by PDC, regardless of whether such Restricted Subsidiary was an obligor or guarantor of the Indebtedness being Refinanced.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Production Payments" means Dollar-Denominated Production Payments and Volumetric Production Payments, collectively.

"Production Payments and Reserve Sales" means the grant or transfer by PDC or a Subsidiary of PDC to any Person of a royalty, overriding royalty, net profits interest, Production Payment, partnership or other interest in oil and gas properties, reserves or the right to receive all or a portion of the production or the proceeds from the sale of production attributable to such properties, including any such grants or transfers pursuant to incentive compensation programs on terms that are reasonably customary in the oil and gas business for geologists, geophysicists and other providers of technical services to PDC or a Subsidiary of PDC.

Table of Contents

"Rating Agency" means any of S&P or Moody's, or if (and only if) S&P or Moody's shall not make a rating on the notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by PDC, which shall be substituted for S&P or Moody's, as the case may be.

"Ratings Decline Period" means the period that (i) begins on the occurrence of a Change of Control and (ii) ends 60 days following consummation of such Change of Control.

"Registration Rights Agreement" means that certain registration rights agreement dated as of the Issue Date by and among PDC, the Subsidiary Guarantors and the initial purchasers set forth therein.

"Related Business" means any business which is the same as or related, ancillary or complementary to any of the businesses of PDC and its Restricted Subsidiaries on the Issue Date, which includes (1) the acquisition, exploration, exploitation, development, production, operation and disposition of interests in oil, gas and other Hydrocarbon properties, and the utilization of PDC's and its Restricted Subsidiaries' properties, (2) the gathering, marketing, treating, processing, storage, refining, selling and transporting of any production from such interests or properties and products produced in association therewith, (3) any power generation and electrical transmission business, (4) oil field sales and services and related activities, (5) development, purchase and sale of real estate and interests therein, and (6) any business or activity relating to, arising from, or necessary, appropriate or incidental to the activities described in the foregoing clauses (1) through (5) of this definition.

"Reporting Failure" means the failure of PDC to file with the SEC and make available or otherwise deliver to the trustee and each holder of notes, within the time periods specified in " Covenants Reports" (after giving effect to any grace period specified under Rule 12b-25 under the Exchange Act), the periodic reports, information, documents or other reports that PDC may be required to file with the SEC pursuant to such provision.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of PDC other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Credit Agreement" means the Fourth Amended and Restated Credit Agreement dated as of May 23, 2018, or, where the context indicates the Third Amended and Restated Credit Agreement dated as of May 21, 2013, as amended at various times prior to the Issue Date, among (i) PDC, as borrower, (ii) the guarantors party thereto, (iii) JPMorgan Chase Bank, N.A., as administrative agent and lender, and (iv) the lenders party thereto from time to time, and any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, restated, modified, supplemented, increased, renewed, refunded, replaced (including replacement after the termination of such credit facility), supplemented, restructured or refinanced in whole or in part from time to time in one or more agreements or instruments.

"Senior Debt" means:

(1) all Indebtedness of PDC or any of its Restricted Subsidiaries outstanding under Credit Facilities and all Hedging Obligations with respect thereto;

(2) the notes and any other Indebtedness of PDC or any of its Restricted Subsidiaries permitted to be incurred under the terms of the indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is subordinated in right of payment to the notes or any Subsidiary Guarantee; and

Table of Contents

(3) all Obligations with respect to the items listed in the preceding clauses (1) and (2).

Notwithstanding anything to the contrary in the preceding sentence, Senior Debt will not include:

(a) any intercompany Indebtedness of PDC or any of its Subsidiaries to PDC or any of its Affiliates;

(b) any Indebtedness that is incurred in violation of the indenture; or

(c) any trade payables or taxes owed or owing by PDC or any Restricted Subsidiary.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "significant subsidiary" of PDC within the meaning of Rule 1-02 under Regulation S-X under the Securities Act.

"Sponsored Limited Partnerships" means any drilling partnership in existence as of December 31, 2007 in which PDC is the managing general partner but which is not majority-owned by PDC, directly or indirectly.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal is scheduled to be paid in the documentation governing such Indebtedness as of its issue date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subordinated Debt" means Indebtedness of PDC or a Subsidiary Guarantor that is contractually subordinated in right of payment (by its terms or the terms of any document or instrument relating thereto), to the notes or the Subsidiary Guarantee of such Subsidiary Guarantor, as applicable.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity (other than a partnership) of which more than 50% of the total voting power of its Voting Stock is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

Notwithstanding the foregoing, none of the Sponsored Limited Partnerships shall be Subsidiaries.

"Subsidiary Guarantee" means any Guarantee of the notes by any Subsidiary Guarantor in accordance with the provisions of the indenture described under the caption " Covenants Subsidiary Guarantees."

"Subsidiary Guarantor" means each Restricted Subsidiary that has become obligated under a Subsidiary Guarantee, in accordance with the terms of the guarantee provisions of the indenture, but only for so long as such Subsidiary remains so obligated pursuant to the terms of the indenture.

"Unrestricted Subsidiary" means any Subsidiary of PDC (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) that is designated by the Board of Directors of PDC as an Unrestricted Subsidiary pursuant to a resolution of such Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is a Person with respect to which neither PDC nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain

Table of Contents

or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(3) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of PDC or any of its Restricted Subsidiaries, except to the extent such Guarantee or credit support would be released upon such designation.

Any Subsidiary of an Unrestricted Subsidiary shall also be an Unrestricted Subsidiary.

"Volumetric Production Payments" means production payment obligations recorded as deferred revenue in accordance with GAAP, together with all related undertakings and obligations.

"Voting Stock" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

Table of Contents

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations that may be relevant to the exchange of old notes for new notes and to the ownership and disposition of new notes, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, administrative rulings, and judicial decisions, all as in effect or in existence as of the date of this prospectus, all of which are subject to change, possibly on a retroactive basis, or to different interpretations.

This summary applies only to holders who purchased old notes at a price equal to the issue price of the old notes (i.e., the first price at which a substantial amount of the old notes were sold other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers), participate in the exchange described herein, and held the old notes and will hold the new notes as "capital assets" within the meaning of Section 1221 of the Code (generally, investment property) and does not deal with investors that may have special tax situations such as

- dealers in securities;
- traders in securities that use a mark-to-market method of accounting;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding notes as part of a conversion transaction, constructive sale, wash sale or other integrated transaction or a hedge, a straddle or synthetic security;
- persons subject to the alternative minimum tax;
- certain former citizens or long-term residents of the United States;
- foreign governments or international organizations;
- financial institutions;
- insurance companies;
- controlled foreign corporations and passive foreign investment companies, and shareholders of such corporations;
- real estate investment trusts;
- regulated investment companies and shareholders of such companies;
- entities that are tax-exempt for U.S. federal income tax purposes and retirement plans, individual retirement accounts and tax-deferred accounts;

- pass-through entities, including partnerships and entities and arrangements classified as partnerships for U.S. federal tax purposes, and beneficial owners of pass-through entities; and

- persons that acquire the notes for a price other than their issue price.

If you are a partnership (including an entity treated as a partnership for U.S. federal tax purposes) holding notes or a partner in such a partnership, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership, and you should consult your own tax advisor regarding the U.S. federal income tax consequences of the exchange of old notes for new notes and the ownership and disposition of the new notes.

This summary does not discuss all of the aspects of U.S. federal income taxation that may be relevant to you in light of your particular investment or other circumstances. In addition, this summary

Table of Contents

does not discuss any U.S. state or local income, foreign income, estate or gift or other tax consequences or the effect of any tax treaty. We have not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with these statements and conclusions. This summary assumes that the old notes are properly treated for tax purposes as not being issued with original issue discount ("OID") for U.S. federal income tax purposes.

HOLDERS WHO EXCHANGE OLD NOTES FOR NEW NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, AS WELL AS OF ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Contingent Payment Debt Instruments

In certain circumstances, we may be required to make payments in excess of stated interest and the adjusted issue price of the notes (see "Description of the New Notes Optional Redemption" and "Description of the New Notes Repurchase at the Option of Holders Change of Control Triggering Event"). The possibility of such potential payments may cause the notes to be "contingent payment debt instruments" for U.S. federal income tax purposes. We do not believe that and do not intend to treat such potential payments as causing the notes to be considered contingent payment debt instruments, and our determination is binding on you unless you disclose a contrary position in the manner required by applicable Treasury regulations. Our determination is not, however, binding on the IRS, and if the IRS were to challenge this determination, you might be required to accrue income on the notes, based on a "comparable yield," at a higher rate than the stated interest rate on the notes and to treat as ordinary income (rather than as capital gain) any income realized on a taxable disposition of notes before the resolution of the contingencies. The remainder of this discussion assumes that the notes will not be treated as a contingent payment debt instrument for U.S. federal income tax purposes.

Exchange of Old Notes for New Notes

The exchange of old notes for new notes pursuant to the exchange offer described above under "The Exchange Offer" should not constitute a material modification of the terms of the old notes and therefore should not be a taxable event for U.S. federal income tax purposes. Accordingly, you should not recognize gain or loss upon the receipt of new notes in exchange for old notes pursuant to the exchange offer. In addition, you should have the same tax basis and holding period in the new notes received as in the old notes surrendered.

U.S. Holders

The following discussion applies to you if you are a "U.S. Holder" (as defined below).

Definition of U.S. Holder

You are a "U.S. Holder" for purposes of this discussion if you are a beneficial owner of notes and you are, for U.S. federal income tax purposes:

- an individual who is a U.S. citizen or U.S. resident alien;
- a corporation (or other entity taxable as a corporation) that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of the source of that income; or

Table of Contents

- a trust, if (1) a U.S. court is able to exercise primary supervision over the trust's administration and one or more "United States persons" (within the meaning of the Code) has the authority to control all of the trust's substantial decisions, or (2) the trust has a valid election in effect under applicable Treasury regulations to be treated as a "United States person."

Interest on the Notes

Interest paid on new notes will be taxed as ordinary interest income at the time it is received or accrued, in accordance with your method of accounting for U.S. federal income tax purposes.

Sale or Other Disposition of Notes

Subject to the discussion above regarding an exchange of notes pursuant to the exchange offer, upon the sale, redemption, exchange, retirement or other taxable disposition of new notes, you will recognize taxable gain or loss equal to the difference, if any, between:

- the amount realized on the disposition (less any amount attributable to accrued and unpaid interest, which will be taxable as ordinary interest income to the extent you have not previously included such amounts in income in the manner described above under " Interest on the Notes"); and

- your adjusted tax basis in the notes.

Your adjusted tax basis in a note generally will equal the amount you paid for the note.

Your gain or loss will be capital gain or loss. This capital gain or loss will be long-term capital gain or loss if, at the time of the disposition, you have held the notes for more than one year. Under current law, long-term capital gains of non-corporate taxpayers are taxed at reduced rates. Short-term capital gains are taxed at ordinary income rates. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

In general, information reporting is required as to certain payments of principal and interest on your notes and on the disposition of your notes, unless you are a corporation or other exempt person. In addition, "backup withholding" at a rate of 24% may apply:

- to any payments made to you of principal and interest on your notes, and

- to payment of the proceeds of a sale or other disposition of your notes,

if you are not exempt and you fail to provide a correct taxpayer identification number certified under penalties of perjury, as well as certain other information, or otherwise to comply with applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and may be refunded or credited against your U.S. federal income tax liability, provided that the correct information is timely provided to the IRS.

Medicare Tax on Unearned Income

A 3.8% tax is imposed on the "net investment income" of certain U.S. citizens and resident aliens, and on the undistributed "net investment income" of certain estates and trusts, in both cases to the extent that net investment income exceeds a certain threshold. Among other items, certain "net investment income" generally includes interest and net gain from the disposition of property (including the notes), less certain deductions.

Table of Contents

You should consult your own tax advisor with respect to the tax consequences of the Medicare Tax on Unearned Income.

Non-U.S. Holders

The following discussion applies to you if you are a "Non-U.S. Holder" (as defined below).

Definition of Non-U.S. Holder

You are a "Non-U.S. Holder" for purposes of this discussion if you are a beneficial owner of a note and you are an individual, corporation, estate or trust that is not a U.S. Holder.

Interest on the Notes

Payments to you of interest on the notes will not be subject to U.S. federal income or withholding tax if you qualify for the "portfolio interest" exemption. You will qualify for the portfolio interest exemption if:

- you do not, directly or indirectly, actually or constructively, own 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- you are not a controlled foreign corporation for U.S. federal income tax purposes that is related, directly or indirectly, actually or constructively, to us;
- you are not a bank receiving interest on the notes in connection with the extension of credit made pursuant to a loan agreement entered into in the ordinary course of your trade or business; and
- such interest is not effectively connected with your conduct of a U.S. trade or business.

The exemption from taxation and withholding described above and several of the special rules for non-U.S. holders described below generally apply only if you appropriately certify as to your non-U.S. status. You can generally meet the certification requirement by providing a properly completed and executed IRS Form W-8BEN or W-8BEN-E (or other applicable form) to the applicable withholding agent. Other methods might be available to satisfy the certification requirements described above, depending on your particular circumstances. Special rules apply to foreign intermediaries, including partnerships, estates and trusts, and in certain circumstances certifications as to the foreign status of partners, trust owners or beneficiaries may have to be provided to the applicable withholding agent.

If you cannot satisfy the requirements of the "portfolio interest" exemption described above, payments of interest made to you generally will be subject to U.S. federal withholding tax at a 30% rate unless (1) you provide the applicable withholding agent with a properly executed IRS Form W-8BEN or W-8BEN-E (or other applicable form) claiming an exemption from or reduction in this withholding tax under an applicable income tax treaty, or (2) the payments of interest are effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a permanent establishment by you in the United States (see " Income or Gain Effectively Connected with a Trade or Business in the United States").

Sale or Other Disposition of Notes

You generally will not have to pay U.S. federal income tax on any gain realized from the sale, redemption, exchange, retirement or other disposition of your notes unless:

- you are an individual who is present in the United States for 183 days or more during the taxable year of the sale or other disposition of your notes and specific other conditions are met; or

Table of Contents

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, is attributable to a U.S. "permanent establishment" maintained by you).

To the extent that the amount realized on any sale, exchange, redemption or other taxable disposition of the notes is attributable to accrued but unpaid interest not previously included in income, such amount is treated as interest subject to the rules described above under " Non-U.S. Holders Interest on the Notes."

Income or Gain Effectively Connected with a Trade or Business in the United States

If you are engaged in a trade or business in the United States and income or gain in respect of your notes is effectively connected with the conduct of such trade or business (and, if required by an applicable income tax treaty, is attributable to a U.S. "permanent establishment" maintained by you), the income or gain generally will be subject to U.S. federal income tax at regular graduated income tax rates in generally the same manner as if you were a U.S. holder (although such income or gain will be exempt from U.S. federal tax withholding if you provide the appropriate certification). In addition, if you are a foreign corporation, you may be subject to U.S. "branch profits tax" equal to 30% of your effectively connected earnings and profits for the taxable year, as adjusted for certain items, unless a lower rate applies to you under an applicable U.S. income tax treaty. For this purpose, you must include interest, gain and income on your notes in the earnings and profits subject to U.S. branch profits tax if these amounts are effectively connected with your conduct of a trade or business in the United States.

Backup Withholding and Information Reporting

In certain circumstances, "backup withholding" at a rate of 24% may apply:

- to any payments made to you of principal and interest on your notes, and

- to payment of the proceeds of a sale or other disposition of your notes.

Backup withholding will not apply to payments made to you if you have provided the required certification that you are not a U.S. person as described in " Non-U.S. Holders Interest on the Notes" above, and provided that the payer does not have actual knowledge or reason to know that you are a U.S. person (as defined in the Code). However, the payer may be required to report to the IRS and you payments of interest on the notes and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of a treaty or agreement.

Backup withholding is not an additional tax and may be refunded or credited against your U.S. federal income tax liability, provided that the correct information is timely provided to the IRS.

Foreign Accounts

Sections 1471 through 1474 of the Code (commonly referred to as "FATCA") generally impose 30% withholding tax on "withholdable payments," which include interest on, and the gross proceeds from the sale or other disposition of, notes paid to (i) a foreign financial institution (as defined in Section 1471 of the Code) unless it agrees to collect and disclose to the IRS information regarding direct and indirect U.S. account holders and (ii) a non-financial foreign entity unless it certifies certain information regarding substantial U.S. owners of the entity, which generally includes any U.S. person who directly or indirectly owns more than 10% of the entity. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Under U.S. Treasury regulations and IRS guidance, the withholding obligations described above will apply to payments of gross proceeds from a sale or other disposition of the notes on or after January 1, 2019. You should consult your own tax advisor with respect to the potential tax consequences of FATCA.

Table of Contents

PLAN OF DISTRIBUTION

If you want to participate in the exchange offer, you must represent, among other things, that you:

- are not an "affiliate" of ours, as defined in Rule 405 of the Securities Act (or if you are such an "affiliate," you must comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable);
- are not a broker-dealer that acquired the old notes directly from us;
- are not engaged in and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of new notes to be issued in the exchange offer;
- acquired the new notes issued in the exchange offer in the ordinary course of your business; and
- are not acting on behalf of any person who could not truthfully and completely make the foregoing representations.

In addition, if you are a broker-dealer that acquires new notes pursuant to the exchange offer in exchange for old notes that you acquired as a result of market-making or other trading activities, you may be deemed to be an "underwriter" within the meaning of the Securities Act and must comply with the prospectus delivery requirements of the Securities Act in connection with a resale of the new notes.

This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired as a result of market-making activities or other trading activities.

New notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the new notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such new notes. Any broker-dealer that resells new notes that were received by it for its own account pursuant to the exchange offer may be deemed to be an "underwriter" within the meaning of the Securities Act, and any profit on any such resale of new notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Until the earlier of 180 days from the expiration date of this exchange offer or such time as such broker-dealers no longer hold any old notes, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the letter of transmittal.

We have agreed in the registration rights agreement to pay all expenses incident to the exchange offer other than commissions or concessions of any brokers or dealers and will indemnify the holders of the securities (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the new notes will be passed upon for us by Davis Graham & Stubbs LLP.

EXPERTS

Independent Registered Public Accounting Firm

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2017 have been so incorporated in reliance on the report (which contains an adverse opinion on the effectiveness of internal control over financial reporting) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Independent Petroleum Consultants

Certain information contained in the documents we include and incorporate by reference into this prospectus with respect to the natural gas and oil reserves associated with our natural gas and oil prospects is derived from the reports of Ryder Scott Company, L.P., an independent petroleum and natural gas consulting firm, and has been incorporated by reference into this prospectus upon the authority of said firm as experts with respect to the matters covered by such reports and in giving such reports. With respect to the 2017 Form 10-K, the information derived from the reports of Ryder Scott is included under "Items 1 and 2. Business and Properties" and "Supplemental Information Unaudited" of the Notes to Consolidated Financial Statements.

Certain information contained in the documents we include and incorporate by reference into this prospectus with respect to the natural gas and oil reserves associated with our natural gas and oil prospects is derived from the reports of Netherland, Sewell & Associates, Inc., an independent petroleum and natural gas consulting firm, and has been incorporated by reference into this prospectus upon the authority of said firm as experts with respect to the matters covered by such reports and in giving such reports. With respect to the 2017 Form 10-K , the information derived from the reports of Netherland, Sewell & Associates, Inc. is included under "Items 1 and 2. Business and Properties" and "Supplemental Information Unaudited" of the Notes to Consolidated Financial Statements.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public from the SEC's website at www.sec.gov or from our website at www.pdce.com. You may also read and copy any document we file at the SEC's public reference room in Washington, D.C., located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Information about us is also available at our website at www.pdce.com. However, the information on our website is not part of this prospectus.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" in this prospectus the information in the documents that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus. We expect to file additional documents with the SEC in the future that will, when filed, update the current information included in or incorporated by reference into this prospectus. Any information that is part of this prospectus or any prospectus supplement that speaks as of a later date than any other information that is part of this prospectus or any prospectus supplement updates or supersedes such other information. You should consider any statement which is so modified or superseded to be a part of this prospectus only as so modified or superseded.

Table of Contents

The following documents filed with the SEC are incorporated by reference herein:

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on February 27, 2018, as amended by our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2017 filed with the SEC on May 1, 2018;

- The information in our Definitive Proxy Statement on Schedule 14A filed on April 19, 2018 that is incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2017;

- Our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 filed with the SEC on May 3, 2018;

- Our Current Reports on Form 8-K and Form 8-K/A filed with the SEC on January 5, 2018, February 9, 2018, May 25, 2018 and May 31, 2018;

- All documents, or portions thereof, filed by us subsequent to the date of this prospectus, under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, prior to the termination of the offering made hereby; and

- All documents filed pursuant to the Exchange Act after the date of this Registration Statement and prior to effectiveness of this Registration Statement.

Documents, or portions thereof, furnished or deemed furnished by us are not incorporated by reference into this prospectus. Information that we file later with the SEC will automatically update and supersede the previously filed information.

You may obtain, free of charge, a copy of any of these documents (other than exhibits to these documents unless the exhibits specifically are incorporated by reference into these documents or referred to in this prospectus) by writing or calling us at the following address and telephone number:

Investor Relations Department
Manager Investor Relations
PDC Energy, Inc.
1775 Sherman Street, Suite 3000
Denver, Colorado 80203
(303) 860-5800

Table of Contents

ANNEX A:

LETTER OF TRANSMITTAL

To Tender

$600,000,000 5.750% Senior Notes due 2026
That Have Been Registered Under the Securities Act of 1933
For Any and All Outstanding Unregistered
5.750% Senior Notes due 2026
of

PDC Energy, Inc.

Pursuant to the Prospectus dated , 2018

THE EXCHANGE OFFER WILL EXPIRE AT 11:59 P.M., EASTERN TIME, ON , 2018 UNLESS THE EXCHANGE OFFER IS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

The Exchange Agent for the Exchange Offer is:

U. S. Bank National Association
Attn: Corporate Actions
111 Fillmore Avenue
St. Paul, MN 55107-1402
Fax: 651-466-7367
Phone: 800-934-6802

For Information, Call: 800-934-6802

Delivery of this Letter of Transmittal to an address other than as set forth above or transmission of instructions to a facsimile number other than the one listed above will not constitute a valid delivery. The instructions set forth in this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed.

HOLDERS WHO WISH TO BE ELIGIBLE TO RECEIVE NEW NOTES FOR THEIR OLD NOTES PURSUANT TO THE EXCHANGE OFFER MUST VALIDLY TENDER (AND NOT WITHDRAW) THEIR OLD NOTES TO THE EXCHANGE AGENT PRIOR TO THE EXPIRATION DATE.

By execution hereof, the undersigned acknowledges receipt of the prospectus dated , 2018 (the "Prospectus") of PDC Energy, Inc., a Delaware corporation (the "Company") which, together with this Letter of Transmittal (the "Letter of Transmittal"), constitutes the Company's offer to exchange (the "Exchange Offer") up to $600,000,000 aggregate principal amount of its 5.750% Senior Notes due 2026 (the "New Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a registration statement of which the Prospectus constitutes a part, for a like principal amount of its outstanding unregistered 5.750% Senior Notes due 2026 (the "Old Notes"), upon the terms and subject to the conditions set forth in the Prospectus. Capitalized terms used but not defined herein have the meanings given to them in the Prospectus.

This Letter of Transmittal is to be used by Holders if delivery of Old Notes is to be made by book-entry transfers to an account maintained by the Exchange Agent at DTC pursuant to the procedures set forth in the Prospectus or certificates representing Old Notes are to be physically delivered to the Exchange Agent herewith by Holders. **Delivery of documents to DTC does not constitute delivery to the Exchange Agent.**

If delivery of the Old Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at DTC, this Letter of Transmittal need not be manually executed; provided, however, that tenders of Old Notes must be effected in accordance with the procedures mandated by The Depository Trust Company's ("DTC") Automated Tender Offer Program ("ATOP"). If tenders of Old Notes are to be made in accordance with ATOP procedures, a tendering Holder will become bound by the terms and conditions hereof in accordance with the procedures established under ATOP (including by execution hereof, an agreement by the tendering Holder that the Company may rely on the tendering Holder's indication of its status as a broker-dealer as set forth below).

The term "Holder" with respect to the Exchange Offer means any person in whose name Old Notes are registered on the books of the Company or the trustee or any other person who has obtained a properly completed bond power from the registered Holder.

The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer. Holders who wish to tender their Old Notes must complete this letter in its entirety.

The instructions included with this Letter of Transmittal must be followed. Questions and requests for assistance or for additional copies of the Prospectus or this Letter of Transmittal may be directed to the Exchange Agent at the address set forth on the cover page of this Letter of Transmittal. See Instruction 8. Requests sent to the Company will not be effective.

List below the Old Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, list the certificate numbers and principal amounts on a separately executed schedule and affix the schedule to this Letter of Transmittal. Tenders of Old Notes will be accepted only in authorized denominations.

DESCRIPTION OF OLD NOTES

Name(s) and Address(es) of Holder(s) (Please fill in if blank)	**Certificate Number(s)* (attach signed list if necessary)**	**Aggregate Principal Amount of Old Note(s)**	**Aggregate Principal Amount Tendered (if less than all)****
TOTAL PRINCIPAL AMOUNT OF OLD NOTES TENDERED			

* Need not be completed by Holders tendering by book-entry transfer.

** Need not be completed by Holders who wish to tender with respect to all Old Notes listed. Old Notes tendered hereby must be in denominations of $2,000 and $1,000 integral multiples of $2,000 thereof.

Table of Contents

o **CHECK HERE IF OLD NOTES ARE BEING DELIVERED BY DTC BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution:

DTC Book-Entry Account Number:

Transaction Code Number:

BY CREDITING THE OLD NOTES TO THE EXCHANGE AGENT'S ACCOUNT WITH DTC'S ATOP AND BY COMPLYING WITH APPLICABLE ATOP PROCEDURES WITH RESPECT TO THE EXCHANGE OFFER, THE HOLDER OF THE OLD NOTES ACKNOWLEDGES AND AGREES TO BE BOUND BY THE TERMS OF THIS LETTER OF TRANSMITTAL AND CONFIRMS ON BEHALF OF ITSELF AND THE BENEFICIAL OWNERS OF SUCH OLD NOTES ALL PROVISIONS OF THIS LETTER OF TRANSMITTAL APPLICABLE TO IT AND SUCH BENEFICIAL OWNERS AS FULLY AS IF SUCH BENEFICIAL OWNERS HAD COMPLETED THE INFORMATION REQUIRED HEREIN AND EXECUTED AND TRANSMITTED THIS LETTER OF TRANSMITTAL.

o **CHECK HERE IF TENDERED BY BOOK-ENTRY TRANSFER AND NON-EXCHANGED OLD NOTES ARE TO BE RETURNED BY CREDITING THE DTC ACCOUNT SET FORTH ABOVE.**

o **CHECK HERE IF YOU ARE A BROKER-DEALER AND ARE ELIGIBLE TO PARTICIPATE IN THE EXCHANGE OFFER. IF SO, YOU WILL RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.**

Name:

____

Address:

____

**ATTENTION BROKER-DEALERS: IMPORTANT NOTICE
CONCERNING YOUR ABILITY TO RESELL THE NEW NOTES**

IF THE EXCHANGE AGENT DOES NOT RECEIVE ANY LETTERS OF TRANSMITTAL FROM BROKER-DEALERS REQUESTING ADDITIONAL COPIES OF THE PROSPECTUS FOR USE IN CONNECTION WITH RESALES OF THE NEW NOTES, BROKER-DEALERS MAY NOT USE THE PROSPECTUS AND THE COMPANY WILL HAVE NO OBLIGATION TO MAINTAIN THE EFFECTIVENESS OF THE REGISTRATION STATEMENT. IF THE EFFECTIVENESS OF THE REGISTRATION STATEMENT IS TERMINATED, YOU WILL NOT BE ABLE TO USE THE PROSPECTUS IN CONNECTION WITH RESALES OF NEW NOTES AFTER SUCH TIME. SEE SECTION ENTITLED "THE EXCHANGE OFFER TERMS OF THE EXCHANGE OFFER" CONTAINED IN THE PROSPECTUS FOR MORE INFORMATION. BY EXECUTION HEREOF, THE UNDERSIGNED AGREES THAT THE COMPANY MAY RELY ON THE UNDERSIGNED'S INDICATION OF ITS STATUS AS BROKER-DEALER AS SET FORTH ABOVE.

A-3

Table of Contents

Ladies and Gentlemen:

Subject to the terms of the Exchange Offer, the undersigned hereby tenders to the Company the principal amount of Old Notes indicated above. By executing this Letter of Transmittal the undersigned hereby irrevocably constitutes and appoints the Exchange Agent its agent and attorney-in-fact (with full knowledge that the Exchange Agent also acts as the agent of the Company and as trustee under the indenture for the Old Notes and the New Notes) with respect to the tendered Old Notes with full power of substitution to (i) deliver certificates for such Old Notes to the Company, or transfer ownership of such Old Notes on the account books maintained by DTC, together, in either such case, with all accompanying evidences of transfer and authenticity to, or upon the order of, the Company and (ii) present such Old Notes for transfer on the books of the Company, and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Old Notes, all in accordance with the terms of the Exchange Offer. The power of attorney granted in this paragraph shall be deemed irrevocable and coupled with an interest.

The undersigned hereby further represents to the Company that (i) neither the undersigned nor any person receiving any New Notes directly or indirectly from the undersigned pursuant to the Exchange Offer is an "affiliate" of the Company or its subsidiaries, as defined under Rule 405 under the Securities Act, (ii) neither the undersigned nor any person receiving any New Notes directly or indirectly from the undersigned pursuant to the Exchange Offer is engaging or intends to engage in the distribution of the New Notes and none of them have any arrangement or understanding with any person to participate in the distribution of the New Notes, (iii) the New Notes to be acquired pursuant to the Exchange Offer will be acquired in the ordinary course of business of the person acquiring the New Notes, whether or not such person is the undersigned, (iv) it is not a broker-dealer that acquired Old Notes directly from the Company, and if it is a broker-dealer that holds Old Notes that were acquired for its own account as a result of market-making activities or other trading activities, it will deliver a Prospectus meeting the requirements of the Securities Act in connection with any resales of the New Notes received by it in the Exchange Offer, (v) the undersigned and each person receiving any New Notes directly or indirectly from the undersigned pursuant to the Exchange Offer acknowledge and agree that any broker-dealer or any person participating in the Exchange Offer for the purpose of distributing the New Notes (x) must comply with the registration and Prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction of the New Notes acquired by such person and (y) cannot rely on the position of the staff of the Securities and Exchange Commission (the "Commission") set forth in the Exxon Capital Holdings Corporation no-action letter (available May 13, 1988) and the Morgan Stanley and Co., Inc. no-action letter (available June 5, 1991), as interpreted in the Commission's no-action letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters, (vi) the undersigned and each person receiving any New Notes directly or indirectly from the undersigned pursuant to the Exchange Offer understand that a secondary resale transaction described in clause (v) above should be covered by an effective registration statement; and (vii) the undersigned is not acting on behalf of any person who could not truthfully and completely make the representations contained in the foregoing subclauses (i) through (vii). If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Old Notes that were acquired as a result of market making or other trading activities, it acknowledges that it will deliver a Prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes received in respect of such Old Notes pursuant to the Exchange Offer; however, by so acknowledging and by delivering a Prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The Company has agreed that, subject to the provisions of the registration rights agreement, the Prospectus, as it may be amended or supplemented from time to time, may be used by a participating broker-dealer (as defined below) in connection with resales of New Notes received in exchange for Old Notes for a period of up to 180 days commencing when New Notes are first issued in the Exchange

Offer and ending upon the earlier of the expiration of the 180th day after the Exchange Offer has been completed or such time as such broker-dealers no longer own any Old Notes. In that regard, each broker-dealer who acquired Old Notes for its own account as a result of market-making or other trading activities (a "participating broker-dealer"), by tendering such Old Notes and executing, or otherwise becoming bound by, this Letter of Transmittal, agrees that, upon receipt of notice from the Company of the occurrence of any event or the discovery of any fact which makes any statement contained or incorporated by reference in the Prospectus untrue in any material respect or which causes the Prospectus to omit to state a material fact necessary in order to make the statements contained or incorporated by reference therein, in light of the circumstances under which they were made, not misleading or of the occurrence of certain other events specified in the registration rights agreement, such participating broker-dealer will suspend the sale of New Notes pursuant to the Prospectus until the Company has amended or supplemented the Prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented Prospectus to the participating broker-dealer or the Company has given notice that the sale of the New Notes may be resumed, as the case may be.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the assignment and transfer of the Old Notes tendered hereby.

The undersigned acknowledges that, for purposes of the Exchange Offer, the Company will be deemed to have accepted for exchange, and to have exchanged, validly tendered Old Notes, if, as and when the Company gives oral or written notice thereof to the Exchange Agent.

All authority herein conferred or agreed to be conferred shall survive the death, incapacity, liquidation, dissolution, winding up or any other event relating to the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

The undersigned acknowledges that the Company's acceptance of Old Notes validly tendered for exchange pursuant to any one of the procedures described in the section of the Prospectus entitled "The Exchange Offer" and in the instructions hereto will constitute a valid, binding and enforceable agreement between the undersigned and the Company upon the terms and subject to the conditions of the Exchange Offer.

Unless otherwise indicated in the box entitled "Special Issuance Instructions" below, please issue the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Notes, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the New Notes (and, if applicable, substitute certificates representing Notes for any Old Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Old Notes Tendered."

THE UNDERSIGNED ACKNOWLEDGES THAT THE EXCHANGE OFFERS ARE SUBJECT TO THE MORE DETAILED TERMS SET FORTH IN THE PROSPECTUS AND, IN CASE OF ANY CONFLICT BETWEEN THE TERMS OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL, THE TERMS OF THE PROSPECTUS SHALL PREVAIL.

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OLD NOTES TENDERED" ABOVE AND SIGNING THIS LETTER OF TRANSMITTAL, WILL BE DEEMED TO HAVE TENDERED THE OLD NOTES AS SET FORTH IN SUCH BOX ABOVE.

Table of Contents

HOLDER(S) SIGN HERE

Date:

Signature of Owner

Must be signed by registered holder(s) exactly as name(s) appear(s) on certificate(s) for the Old Notes hereby tendered or on a security position listing, or by any person(s) authorized to become the registered holder(s) by endorsements and documents transmitted herewith. If signature is by an attorney-in-fact, executor, administrator, trustee, guardian, officer of a corporation or another acting in a fiduciary or representative capacity, please set forth the signer's full title. See Instruction 6.

Names

Capacity (Full Title)

Address (including zip code)

Area Code and Telephone Number

Tax Identification Number or Social Security Number

SIGNATURE GUARANTEE
(SIGNATURE(S) MUST BE GUARANTEED IF REQUIRED BY INSTRUCTION 1)

(Name of Eligible Institution Guaranteeing Signatures)

(Address (including zip code) and Telephone Number (including area code) of Firm)

(Authorized Signature)

(Printed Name)

(Title)

Date

A-6

Table of Contents

SPECIAL ISSUANCE INSTRUCTIONS
(See Instruction 4 herein)

To be completed ONLY if certificates for Old Notes in a principal amount not tendered are to be issued in the name of, or the New Notes issued pursuant to the Exchange Offer are to be issued to the order of, someone other than the person or persons whose signature(s) appear(s) within this Letter of Transmittal or issued to an address different from that shown in the box entitled "Description of Old Notes" within this Letter of Transmittal, or if Old Notes tendered by book-entry transfer that are not accepted for purchase are to be credited to an account maintained at DTC other than the account at DTC indicated above.

Name: ______________________
(Please Print)

Address: ______________________
(Please Print)

____
Zip Code

____
Taxpayer Identification or Social Security Number

SPECIAL DELIVERY INSTRUCTIONS
(See Instruction 4 herein)

To be completed ONLY if certificates for Old Notes in a principal amount not tendered or not accepted for purchase or the New Notes issued pursuant to the Exchange Offer are to be sent to someone other than the person or persons whose signature(s) appear(s) within this Letter of Transmittal or to an address different from that shown in the box entitled "Description of Old Notes" within this Letter of Transmittal or to be credited to an account maintained at DTC other than the account at DTC indicated above.

Name: ______________________
(Please Print)

Address: ______________________
(Please Print)

____
Zip Code

____
Taxpayer Identification or Social Security Number

		30.40
Granted	**18,102,340**	**44.42**
Vested	**(11,677,381)**	**41.34**
Cancelled	**(1,856,675)**	**44.52**
Outstanding at September 30, 2006	**32,601,130**	**43.83**

At September 30, 2006, there was $961 million of total unrecognized compensation cost related to share-based compensation arrangements for all awards that is expected to be recognized over a weighted average period of .95 years. The total fair value of restricted stock vested during the three and nine months ended September 30, 2006 was $32 million and $525 million.

NOTE 14 Business Segment Information

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

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

All Other consists of equity investment activities including Principal Investing, Corporate and Strategic Investments, the residual impact of the allowance for credit losses and the cost allocation processes, Merger and Restructuring Charges, intersegment eliminations, and the results of certain consumer finance and commercial lending businesses that are being liquidated. *All Other* also includes certain amounts associated with ALM activities, including the residual impact of funds transfer pricing allocation methodologies, amounts associated with the change in the value of derivatives used as economic hedges of interest rate and foreign exchange rate fluctuations that do not qualify for SFAS 133 hedge accounting treatment, certain gains or losses on sales of whole mortgage loans, and Gains (Losses) on Sales of Debt Securities.

Total Revenue includes Net Interest Income on a fully taxable-equivalent (FTE) basis and Noninterest Income. The adjustment of Net Interest Income to a FTE basis results in a corresponding increase in Income Tax Expense. The Net Interest Income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Net Interest Income of the business segments also includes an allocation of Net Interest Income generated by the Corporation s ALM activities.

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

Table of Contents

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

Business Segments

For the Three Months Ended September 30

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

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

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

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

31

Table of Contents

Business Segments

For the Nine Months Ended September 30

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

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

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

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

32

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

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

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

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

Table of Contents

Bank of America Corporation and Subsidiaries

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

Table of Contents	**Page**

Table of Contents

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

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

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

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

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

Recent Events

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

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

Table of Contents

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

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

MBNA Merger Overview

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

Performance Overview

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

Table 1

Business Segment Total Revenue and Net Income

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

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

Global Consumer and Small Business Banking

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

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

Global Corporate and Investment Banking

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

Global Wealth and Investment Management

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

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

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

All Other

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

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

Table of Contents

Financial Highlights

Net Interest Income

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

Table 2

Noninterest Income

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

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

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

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

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

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

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

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

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

38

Table of Contents

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

Provision for Credit Losses

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

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

Gains (Losses) on Sales of Debt Securities

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

Table 3

Noninterest Expense

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

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

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

Marketing expense increased $280 million and $723 million for the three and nine months ended September 30, 2006 due to the acquisition of MBNA and higher marketing spending related to consumer banking initiatives.

Amortization of Intangibles expense increased $240 million and $709 million for the three and nine months ended September 30, 2006 as the above mentioned MBNA merger increased purchased credit card relationships, affinity relationships, core deposit intangibles and other intangibles.

Income Tax Expense

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

Table of Contents

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

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

Table of Contents

Table 4

Selected Quarterly Financial Data

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

Table of Contents

Table 5

Selected Year-to-Date Financial Data

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

Assets

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

Liabilities and Shareholders Equity

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

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

Table of Contents

Supplemental Financial Data

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

Operating Basis Presentation

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

Net Interest Income FTE Basis

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

Performance Measures

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

Return on Average Common Shareholders Equity and Shareholder Value Added

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

Table of Contents

Table 6

Supplemental Financial Data and Reconciliations to GAAP Financial Measures

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

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

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

Table of Contents

Core Net Interest Income Managed Basis

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

Table 7

Core Net Interest Income Managed Basis

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

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

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

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

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

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

Table of Contents

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

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

Table of Contents

Table 8

Quarterly Average Balances and Interest Rates FTE Basis

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

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

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

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

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

Table of Contents

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

Table of Contents

Table 9

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

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

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

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

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

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

Table of Contents

Business Segment Operations

Segment Description

The Corporation reports the results of its operations through three business segments: *Global Consumer and Small Business Banking, Global Corporate and Investment Banking,* and *Global Wealth and Investment Management*. *All Other* consists of equity investment activities including Principal Investing and Corporate and Strategic Investments, the residual impact of the allowance for credit losses and the cost allocation processes, Merger and Restructuring Charges, intersegment eliminations, and the results of certain consumer finance and commercial lending businesses that are being liquidated. *All Other* also includes certain amounts associated with ALM activities, including the residual impact of funds transfer pricing allocation methodologies, amounts associated with the change in the value of derivatives used as economic hedges of interest rate and foreign exchange rate fluctuations that do not qualify for SFAS 133 hedge accounting treatment, gains or losses on sales of whole mortgage loans, and Gains (Losses) on Sales of Debt Securities.

Basis of Presentation

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

The management accounting reporting process derives segment and business results by utilizing allocation methodologies for revenue, expense, and capital. The Net Income derived for the businesses are dependent upon revenue and cost allocations using an activity-based costing model, funds transfer pricing, other methodologies, and assumptions management believes are appropriate to reflect the results of the business.

The Corporation s ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant fluctuations in earnings that are caused by interest rate volatility. The Corporation s goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect Net Interest Income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. Some ALM activities are recorded in the businesses (i.e., *Deposits*) such as external product pricing decisions, including deposit pricing strategies, as well as the effects of our internal funds transfer pricing process and other ALM actions such as portfolio positioning. These activities are reported in each of the Corporation s segments under *ALM/Other*. In addition, any residual effect of the funds transfer pricing process is retained in *All Other*.

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

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

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

Table of Contents

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

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

Table of Contents

Global Consumer and Small Business Banking

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

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

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

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

(2) Fully taxable-equivalent basis

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

n/m = not meaningful

Table of Contents

Global Consumer and Small Business Banking

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

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

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

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

[2] Fully taxable-equivalent basis

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

n/m = not meaningful

53

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

Deposits

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

Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client facing lending activity and our ALM activities. The revenue is attributed to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. Deposits also generate various account fees such as non-sufficient fund fees, overdraft charges and account service fees while debit cards generate interchange fees. Interchange fees are volume based and paid by merchants to have the debit transaction processed.

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

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

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

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

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

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

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

Card Services

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

55

Table of Contents

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

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

Table of Contents

Card Services Data [(1)]

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

Credit Card Data [(3)]

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

Mortgage

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

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

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

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

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

Table of Contents

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

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

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

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

Home Equity

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

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

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

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

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

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

ALM/Other

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

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

Table of Contents

Global Corporate and Investment Banking

		Three Months Ended September 30, 2006						
(Dollars in millions)	**Total**		**Business Lending**		**Capital Markets and Advisory Services**		**Treasury Services**	**ALM/ Other**
Net interest income [1]	**$ 2,643**		**$ 1,131**		**$ 375**		**$ 979**	**$ 158**
Noninterest income								
Service charges	**710**		**130**		**29**		**509**	**42**
Investment and brokerage services	**252**		**5**		**205**		**8**	**34**
Investment banking income	**554**				**554**			
Trading account profits	**711**		**10**		**657**		**13**	**31**
All other income	**1,145**		**128**		**48**		**195**	**774**
Total noninterest income	**3,372**		**273**		**1,493**		**725**	**881**
Total revenue [1]	**6,015**		**1,404**		**1,868**		**1,704**	**1,039**
Provision for credit losses	**22**		**53**		**(3)**		**(1)**	**(27)**
Gains on sales of debt securities	**14**		**3**		**8**			**3**
Noninterest expense	**2,965**		**548**		**1,366**		**810**	**241**
Income before income taxes [1]	**3,042**		**806**		**513**		**895**	**828**
Income tax expense	**1,120**		**287**		**189**		**331**	**313**
Net income	**$ 1,922**		**$ 519**		**$ 324**		**$ 564**	**$ 515**
Shareholder value added	**$ 828**		**$ 145**		**$ 26**		**$ 387**	**$ 270**
Net interest yield [1]	**1.65**	**%**	**1.92**	**%**	**n/m**		**2.90 %**	**n/m**
Return on average equity	**18.62**		**14.17**		**11.94**	**%**	**33.37**	**n/m**
Efficiency ratio [1]	**49.30**		**39.02**		**73.14**		**47.51**	**n/m**
Period end total assets [2]	**$ 675,893**		**$ 241,257**		**$ 374,488**		**$ 158,711**	**n/m**

		Three Months Ended September 30, 2005			
(Dollars in millions)	Total	Business Lending	Capital Markets and Advisory Services	Treasury Services	ALM/ Other
Net interest income [1]	$ 2,749	$ 1,199	$ 453	$ 861	$ 236
Noninterest income					
Service charges	671	127	34	468	42
Investment and brokerage services	267	5	217	7	38
Investment banking income	532		531		1
Trading account profits	571	5	516	12	38
All other income	499	171	93	173	62
Total noninterest income	2,540	308	1,391	660	181
Total revenue [1]	5,289	1,507	1,844	1,521	417
Provision for credit losses	12	113	(14)		(87)
Gains on sales of debt securities	17	2	3		12
Noninterest expense	2,854	499	1,198	786	371

Income before income taxes [1]		2,440			897			663			735		145
Income tax expense		889			328			241			265		55
Net income	$	1,551		$	569		$	422		$	470	$	90
Shareholder value added	$	450		$	180		$	153		$	303	$	(186)
Net interest yield [1]		1.92	%		2.29	%		n/m			2.36	%	n/m
Return on average equity		14.91			14.93			17.14	%		29.21		n/m
Efficiency ratio [1]		53.96			33.10			64.93			51.63		n/m
Period end total assets [2]		$ 602,008			$ 217,357			$ 319,954			$ 165,021		n/m

(1) Fully taxable-equivalent basis

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

n/m = not meaningful

Table of Contents

Global Corporate and Investment Banking

	Nine Months Ended September 30, 2006								
(Dollars in millions)	Total		Business Lending		Capital Markets and Advisory Services		Treasury Services		ALM/ Other
Net interest income (1)	**$ 8,069**		**$ 3,476**		**$ 1,165**		**$ 2,901**		**$ 527**
Noninterest income									
Service charges	**2,100**		**387**		**90**		**1,489**		**134**
Investment and brokerage services	**801**		**14**		**658**		**24**		**105**
Investment banking income	**1,721**				**1,720**				**1**
Trading account profits	**2,591**		**44**		**2,360**		**36**		**151**
All other income	**2,011**		**397**		**199**		**536**		**879**
Total noninterest income	**9,224**		**842**		**5,027**		**2,085**		**1,270**
Total revenue (1)	**17,293**		**4,318**		**6,192**		**4,986**		**1,797**
Provision for credit losses	**102**		**88**		**8**				**6**
Gains on sales of debt securities	**34**		**8**		**12**				**14**
Noninterest expense	**8,953**		**1,603**		**4,074**		**2,430**		**846**
Income before income taxes (1)	**8,272**		**2,635**		**2,122**		**2,556**		**959**
Income tax expense	**3,051**		**976**		**785**		**946**		**344**
Net income	**$ 5,221**		**$ 1,659**		**$ 1,337**		**$ 1,610**		**$ 615**
Shareholder value added	**$ 1,865**		**$ 432**		**$ 452**		**$ 1,053**		**$ (72)**
Net interest yield (1)	**1.76**	**%**	**2.03**	**%**	**n/m**		**2.85**	**%**	**n/m**
Return on average equity	**16.50**		**13.88**		**16.54**	**%**	**30.27**		**n/m**
Efficiency ratio (1)	**51.77**		**37.14**		**65.79**		**48.74**		**n/m**
Period end total assets(2)	**$ 675,893**		**$ 241,257**		**$ 374,488**		**$ 158,711**		**n/m**

	Nine Months Ended September 30, 2005				
(Dollars in millions)	Total	Business Lending	Capital Markets and Advisory Services	Treasury Services	ALM/ Other
Net interest income (1)	$ 8,394	$ 3,633	$ 1,527	$ 2,411	$ 823
Noninterest income					
Service charges	1,977	361	81	1,412	123
Investment and brokerage services	775	13	651	21	90
Investment banking income	1,345		1,344		1
Trading account profits	1,463	(36)	1,362	53	84
All other income	1,697	680	264	502	251
Total noninterest income	7,257	1,018	3,702	1,988	549
Total revenue (1)	15,651	4,651	5,229	4,399	1,372
Provision for credit losses	(388)	(141)	(14)	(5)	(228)
Gains on sales of debt securities	168	62	23		83
Noninterest expense	8,166	1,487	3,408	2,360	911

Income before income taxes [1]		8,041			3,367			1,858			2,044			772
Income tax expense		2,933			1,206			665			736			326
Net income	$	5,108		$	2,161		$	1,193		$	1,308		$	446
Shareholder value added	$	1,820		$	997		$	399		$	808		$	(384)
Net interest yield [1]		2.06	%		2.43	%		n/m			2.28	%		n/m
Return on average equity		16.43			18.94			16.43	%		27.09			n/m
Efficiency ratio [1]		52.17			31.97			65.18			53.64			n/m
Period end total assets[2]	$	602,008		$	217,357		$	319,954		$	165,021			n/m

(1) Fully taxable-equivalent basis

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

n/m = not meaningful

(Dollars in millions)	Three Months Ended September 30 2006	2005	Nine Months Ended September 30 2006	2005
Average				
Total loans and leases	**$ 246,419**	$ 216,121	**$ 242,161**	$ 210,038
Total trading-related assets	**340,521**	328,713	**330,378**	313,422
Total market-based earning assets [(1)]	**375,960**	335,043	**356,831**	319,856
Total earning assets [(2)]	**636,614**	566,674	**612,441**	543,719
Total assets [(2)]	**715,174**	648,312	**694,571**	626,041
Total deposits	**206,576**	188,901	**203,275**	188,879
Allocated equity	**40,941**	41,265	**42,308**	41,556

	September 30 2006	2005
Period end		
Total loans and leases	**$ 243,410**	$ 220,873
Total trading-related assets	**296,504**	273,261
Total market-based earning assets [(1)]	**337,702**	278,557
Total earning assets [(2)]	**592,702**	514,944
Total assets [(2)]	**675,893**	602,008
Total deposits	**199,737**	184,518

(1) Total market-based earning assets represents earning assets from the *Capital Markets and Advisory Services* business.

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

Global Corporate and Investment Banking provides a wide range of financial services, to both our issuer and investor clients that range from business banking clients to large international corporate and institutional investor clients, using a strategy to deliver value-added financial products and advisory solutions. *Global Corporate and Investment Banking* s products and services are delivered from three primary businesses: *Business Lending, Capital Markets and Advisory Services,* and *Treasury Services*, and are provided to our clients through a global team of client relationship managers and product partners. In addition, *ALM/Other* includes the results of ALM activities and other commercial-related businesses such as Latin America and Asia consumer and commercial banking franchise in Hong Kong. In addition to our operations in Latin America, our clients are supported through offices in 26 countries that are divided into three distinct geographic regions: U.S. and Canada; Asia; and Europe, Middle East and Africa. For more information on our Latin American and Asian operations, see Foreign Portfolio beginning on page 87.

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

Net Income increased $371 million to $1.9 billion due to an increase in Noninterest Income that was partially offset by declines in Net Interest Income and increases in Noninterest Expense.

Although *Global Corporate and Investment Banking* experienced overall growth in Average Loans and Leases of $30.3 billion, or 14 percent, Net Interest Income declined due to spread compression. This decline was partially offset by wider spreads in our *Treasury Services* deposit base as we effectively managed pricing in a rising interest rate environment.

Noninterest Income increased $832 million, or 33 percent, driven largely by the sale of our Brazilian operations that closed this quarter which generated a $720 million gain (pre-tax) and was reflected in all other income.

Noninterest Expense increased $111 million, or four percent, due to increased Personnel Expense, including performance-based incentive compensation, and general operating costs.

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

Net Income increased $113 million, or two percent. Within this overall increase of Net Income, there was an increase in Total Revenue of $1.6 billion largely due to increases in Trading Account Profits, Investment Banking Income, and the sale of our Brazilian operations. The increases in Investment Banking Income and Trading Account Profits were driven by continued leadership in leveraged debt underwriting and a favorable market environment. This increase in Total Revenue was partially offset by the increase in the Provision for Credit Losses. Provision for Credit Losses was $102 million compared to negative $388 million for the same period in the prior year. The change in the Provision for Credit Losses was

Table of Contents

primarily due to the absence this year of benefits from the release of reserves in 2005 related to reduced exposures in Latin America and reduced uncertainties associated with the FleetBoston Financial Corporation (FleetBoston) credit integration. A lower level of commercial recoveries also contributed to the increase in the Provision for Credit Losses. Additionally, Noninterest Expense increased $787 million. These period over period changes were primarily driven by the same factors as described in the three month discussion above.

Business Lending

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

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

Net Income decreased $50 million, or nine percent, primarily due to decreases in Net Interest Income and Noninterest Income, combined with an increase in Noninterest Expense. These items were partially offset by a decrease in the Provision for Credit Losses. The decrease in Net Interest Income was driven by the impact of lower spreads on all loan products which were partially offset by growth in Average Loans and Leases. Average Loans and Leases increased $22.8 billion, or 12 percent, due primarily to growth in the commercial loan portfolio. The decrease in Noninterest Income was due to a decrease in Equity Investment Gains. Provision for Credit Losses decreased $60 million, or 53 percent, driven by the continued stable credit environment. The increase in Noninterest Expense was primarily driven by increased expenses associated with personnel, technology, and professional fees.

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

Net Income decreased $502 million, or 23 percent. This decrease in Net Income was primarily due to increases in the Provision for Credit Losses and Noninterest Expense combined with decreases in Noninterest Income and Net Interest Income. The decreases of $157 million in Net Interest Income and $176 million in Noninterest Income were primarily driven by the same factors as described in the three month discussion above. In addition, Noninterest Income decreased as a result of the gains in 2005 from spreads widening in certain industries in our credit default protection purchased. The Provision for Credit Losses was $88 million, compared to negative $141 million for the same period in the prior year. The increase in the Provision for Credit Losses was primarily due to the absence of benefits from the release of reserves in 2005 related to reduced uncertainties associated with the FleetBoston credit integration and a lower level of commercial recoveries in 2006. The increase in Noninterest Expense was primarily driven by the same factors as described in the three month discussion above.

Capital Markets and Advisory Services

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005	**2006**	2005
Investment banking income				
Advisory fees	**$ 85**	$ 89	**$ 215**	$ 222
Debt underwriting	**417**	348	**1,273**	933
Equity underwriting	**52**	94	**232**	189
Total investment banking income	**554**	531	**1,720**	1,344
Sales and trading				
Fixed income:				
Liquid products	**401**	459	**1,607**	1,445
Credit products	**238**	219	**678**	570
Structured products	**373**	278	**1,103**	762
Total fixed income	**1,012**	956	**3,388**	2,777
Equity income	**310**	360	**1,096**	1,131
Total sales and trading (1)	**1,322**	1,316	**4,484**	3,908
Total Capital Markets and Advisory Services Market-based Revenue (1)	**$ 1,876**	$ 1,847	**$ 6,204**	$ 5,252

(1) Includes Gains on Sales of Debt Securities of $8 million and $3 million for the three months ended September 30, 2006 and 2005, and $12 million and $23 million for the nine months ended September 30, 2006 and 2005.

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

Net Income decreased $98 million, or 23 percent, as Noninterest Expense increased while total *Capital Markets and Advisory Services* market-based revenue remained relatively flat.

Total *Capital Markets and Advisory Services* market-based revenue was $1.9 billion, representing an increase of $29 million, or two percent. The increase in Investment Banking Income of $23 million, or four percent, was benefited by increased market activity and continued leadership in leveraged debt underwriting. This increase was offset by a decrease in equity underwriting due to a decrease in merger and acquisition activity. Sales and trading remained relatively flat as increases in structured products were offset by decreases in liquid products and equity income.

Noninterest Expense increased $168 million, or 14 percent, due to higher Personnel Expense and general operating costs.

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

Net Income increased $144 million, or 12 percent. This was driven primarily by increases in sales and trading fixed income activity of $611 million, or 22 percent, and was driven by a favorable market environment as well as benefits from previous investments in personnel and trading infrastructure. The increases in Investment Banking Income of $376 million, or 28 percent, and Noninterest Expense of $666 million, or 20 percent, were primarily driven by the same factors described in the three month discussion above.

Treasury Services

Treasury Services provides integrated working capital management and treasury solutions to clients across the U.S. and 52 countries through our network of proprietary offices and special clearing arrangements. Our clients include multinationals, middle-market companies, correspondent banks, commercial real estate firms and governments. Our products and services include treasury management, trade finance, foreign exchange, short-term credit facilities and short-term investing options. Net Interest Income is derived from interest and noninterest-bearing deposits, sweep investments, and other liability management products. Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client facing lending activity and our ALM activities. The revenue is attributed to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. Noninterest Income is generated from payment and receipt products, merchant services, wholesale card products, and trade services and is comprised primarily of service charges which are net of market-based earnings credit rates applied against noninterest-bearing deposits.

Table of Contents

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

Net Income increased $94 million, or 20 percent, primarily due to an increase in Net Interest Income and higher Service Charges. Net Interest Income from *Treasury Services* increased $118 million, or 14 percent, driven primarily by wider spreads associated with higher short-term interest rates as we effectively managed pricing in a rising interest rate environment. This was partially offset by the impact of a $9.7 billion, or six percent, decrease in *Treasury Services* average deposit balances. This decrease was primarily due to the slowdown in the mortgage and title business reducing real estate escrow and demand deposit balances.

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

Net Income increased $302 million, or 23 percent. This increase in Net Income was primarily due to the increase in Net Interest Income of $490 million. This period over period change was primarily driven by the same factors as described in the three month discussion above.

ALM/Other

ALM/Other is comprised primarily of our Latin American operations in Chile, Argentina and Uruguay, and our commercial operations in Mexico. Brazilian operations were included through September 1, 2006, the effective date of the sale of these operations. These operations primarily service indigenous and multinational corporations, small businesses and affluent consumers. *ALM/Other* also includes our Asia retail and commercial banking franchise in Hong Kong and an allocation of a portion of the Corporation s Net Interest Income from ALM activities. For more information on our Latin American and Asian operations, see Foreign Portfolio beginning on page 87.

Net Income increased $425 million for the three months ended September 30, 2006, as compared to the same period in the prior year. The increase was primarily the result of the gain recorded on the sale of our Brazilian operations for approximately $1.9 billion in equity of Banco Itau, Brazil s second largest nongovernment-owned banking company. The sale resulted in a $720 million gain (pre-tax) that was recorded in all other income. The $1.9 billion equity investment in Banco Itau was recorded in Corporate and Strategic Investments. For more information on our Corporate and Strategic Investments, see *All Other* beginning on page 71. Partially offsetting the increase from the sale of our Brazilian operations was a decrease in Net Interest Income driven by the impact of the flattening yield curve on the results of ALM activities. The Provision for Credit losses was negative $27 million, $60 million higher than the same quarter in 2005, primarily due to the absence of the benefit received in 2005 from reduced exposures in Latin America partially offset by an increased level of recoveries in 2006. Noninterest Expense decreased $130 million for the three months ended September 30, 2006, as compared to the same period in the prior year. The decrease was primarily driven by lower expenses related to Latin America compared to the three months ended September 30, 2005.

Net Income increased $169 million for the nine months ended September 30, 2006, as compared to the same period in the prior year. The decrease in Net Interest Income of $296 million and the increase in Noninterest income of $721 million was primarily driven by the same factors as described in the three month discussion above. The Provision for Credit Losses was $6 million compared to negative $228 million for the same period in the prior year. The change in the Provision for Credit Losses was primarily due to the absence of the benefit received in 2005 from reduced exposures in Latin America. Noninterest Expense decreased $65 million for the nine months ended September 30, 2006, as compared to the same periods in the prior year. The decrease was driven primarily by lower litigation related expenses as compared to the nine months ended September 30, 2005.

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

During December 2005, we entered into a definitive agreement with a consortium led by Johannesburg-based Standard Bank Group Limited for the sale of our assets and liabilities in Argentina. Closing is subject to obtaining all necessary regulatory approvals and is expected to be completed in 2006 or early 2007.

In August 2006, we entered into an agreement with CCB to sell Bank of America (Asia) Ltd., our retail and commercial banking franchise in Hong Kong, for total consideration of approximately $1.25 billion. Closing is subject to regulatory approval.

Also during August, 2006, we announced a definitive agreement to sell our operations in Chile and Uruguay for stock in Banco Itau and other consideration for approximately $615 million. Each closing is subject to regulatory approval and is expected to be completed in 2006 of early

2007.

Table of Contents

Global Wealth and Investment Management

(Dollars in millions)	Three Months Ended September 30, 2006								
	Total		**Private Bank**		**Columbia Management**		**Premier Banking and Investments**		**ALM/ Other**
Net interest income [1]	**$ 943**		**$ 242**		**$ (13)**		**$ 490**		**$ 224**
Noninterest income									
Investment and brokerage services	**843**		**248**		**374**		**183**		**38**
All other income	**82**		**11**		**16**		**31**		**24**
Total noninterest income	**925**		**259**		**390**		**214**		**62**
Total revenue [1]	**1,868**		**501**		**377**		**704**		**286**
Provision for credit losses	**(1)**		**(4)**				**3**		
Noninterest expense	**992**		**342**		**250**		**340**		**60**
Income before income taxes [1]	**877**		**163**		**127**		**361**		**226**
Income tax expense	**324**		**60**		**47**		**133**		**84**
Net income	**$ 553**		**$ 103**		**$ 80**		**$ 228**		**$ 142**
Shareholder value added	**$ 291**		**$ 42**		**$ 43**		**$ 124**		**$ 82**
Net interest yield [1]	**3.22**	**%**	**3.07**	**%**	**n/m**		**4.12**	**%**	**n/m**
Return on average equity	**21.68**		**17.51**		**19.00**	**%**	**23.36**		**n/m**
Efficiency ratio [1]	**53.12**		**68.16**		**66.64**		**48.30**		**n/m**
Period end total assets [2]	**$ 125,247**		**$ 32,648**		**$ 2,980**		**$ 51,828**		**n/m**

	Three Months Ended September 30, 2005								
(Dollars in millions)	Total		Private Bank		Columbia Management		Premier Banking and Investments		ALM/ Other
Net interest income [1]	$ 937		$ 252		$ (2)		$ 444		$ 243
Noninterest income									
Investment and brokerage services	793		252		330		176		35
All other income	89		15		10		40		24
Total noninterest income	882		267		340		216		59
Total revenue [1]	1,819		519		338		660		302
Provision for credit losses	(1)		(5)				6		(2)
Noninterest expense	924		302		221		329		72
Income before income taxes [1]	896		222		117		325		232
Income tax expense	328		80		42		117		89
Net income	$ 568		$ 142		$ 75		$ 208		$ 143
Shareholder value added	$ 310		$ 90		$ 35		$ 124		$ 61
Net interest yield [1]	3.10	%	3.32	%	n/m		3.15	%	n/m
Return on average equity	22.51		27.16		16.88	%	26.29		n/m
Efficiency ratio [1]	50.79		58.37		65.69		49.85		n/m
Period end total assets [2]	$ 125,684		$ 30,999		$ 2,928		$ 56,992		n/m

(1) Fully taxable-equivalent basis

(2) Total Assets include asset allocations to match liabilities (i.e., deposits).
n/m = not meaningful

Table of Contents

Global Wealth and Investment Management

(Dollars in millions)	Nine Months Ended September 30, 2006				
	Total	**Private Bank**	**Columbia Management**	**Premier Banking and Investments**	**ALM/ Other**
Net interest income [1]	**$ 2,910**	**$ 746**	**$ (34)**	**$ 1,509**	**$ 689**
Noninterest income					
Investment and brokerage services	**2,546**	**768**	**1,115**	**550**	**113**
All other income	**335**	**72**	**38**	**91**	**134**
Total noninterest income	**2,881**	**840**	**1,153**	**641**	**247**
Total revenue [1]	**5,791**	**1,586**	**1,119**	**2,150**	**936**
Provision for credit losses	**(42)**	**(52)**		**10**	
Noninterest expense	**2,975**	**948**	**733**	**1,012**	**282**
Income before income taxes [1]	**2,858**	**690**	**386**	**1,128**	**654**
Income tax expense	**1,057**	**255**	**143**	**417**	**242**
Net income	**$ 1,801**	**$ 435**	**$ 243**	**$ 711**	**$ 412**
Shareholder value added	**$ 1,009**	**$ 255**	**$ 139**	**$ 433**	**$ 182**
Net interest yield [1]	**3.34 %**	**3.23 %**	**n/m**	**4.13 %**	**n/m**
Return on average equity	**23.34**	**24.66**	**20.06 %**	**27.10**	**n/m**
Efficiency ratio [1]	**51.37**	**59.72**	**65.56**	**47.07**	**n/m**
Period end total assets [2]	**$ 125,247**	**$ 32,648**	**$ 2,980**	**$ 51,828**	**n/m**

	Nine Months Ended September 30, 2005				
(Dollars in millions)	Total	Private Bank	Columbia Management	Premier Banking and Investments	ALM/ Other
Net interest income [1]	$ 2,814	$ 748	$ 7	$ 1,227	$ 832
Noninterest income					
Investment and brokerage services	2,348	781	965	502	100
All other income	259	48	23	112	76
Total noninterest income	2,607	829	988	614	176
Total revenue [1]	5,421	1,577	995	1,841	1,008
Provision for credit losses	(8)	(20)		14	(2)
Noninterest expense	2,763	918	669	956	220
Income before income taxes [1]	2,666	679	326	871	790
Income tax expense	959	244	117	314	284
Net income	$ 1,707	$ 435	$ 209	$ 557	$ 506
Shareholder value added	$ 938	$ 268	$ 97	$ 307	$ 266
Net interest yield [1]	3.13 %	3.36 %	n/m	2.93 %	n/m
Return on average equity	22.68	26.06	16.27 %	23.54	n/m
Efficiency ratio [1]	50.97	58.21	67.24	51.93	n/m
Period end total assets [2]	$ 125,684	$ 30,999	$ 2,928	$ 56,992	n/m

(1) Fully taxable-equivalent basis

(2) Total Assets include asset allocations to match liabilities (i.e., deposits).
n/m = not meaningful

68

Table of Contents

(Dollars in millions)	Three Months Ended September 30 2006	2005	Nine Months Ended September 30 2006	2005
Average				
Total loans and leases	**$ 62,271**	$ 55,260	**$ 60,496**	$ 53,063
Total earning assets [(1)]	**116,124**	119,974	**116,490**	120,304
Total assets [(1)]	**123,796**	127,805	**124,234**	128,095
Total deposits	**113,529**	118,135	**113,906**	118,174
Allocated equity	**10,115**	10,014	**10,316**	10,059

	September 30 2006	2005
Period end		
Total loans and leases	**$ 63,301**	$ 56,147
Total earning assets [(1)]	**117,258**	117,613
Total assets [(1)]	**125,247**	125,684
Total deposits	**114,721**	116,364

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

Global Wealth and Investment Management provides a wide offering of customized banking and investment services tailored to meet the changing wealth management goals of our individual and institutional customer base. Our clients have access to a range of services offered through three primary businesses: *The Private Bank*, *Columbia Management (Columbia)*, and *Premier Banking and Investments (PB&I)*. In addition, *ALM/Other* includes the impact of *Banc of America Specialist*, the results of ALM activities and the impact of migrating qualifying affluent customers from *Global Consumer and Small Business Banking* to our *PB&I* customer service model.

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

Net Income decreased $15 million, or three percent, mostly due to higher Noninterest Expense partially offset by higher Total Revenue. Total Revenue increased $49 million, or three percent, due to increases in both Noninterest Income and Net Interest Income.

Net Interest Income increased $6 million, or one percent, due to increases in deposit spreads and higher Average Loans and Leases, offset by a decline in ALM activity and loan spread compression. *Global Wealth and Investment Management* also benefited from the migration of deposits from *Global Consumer and Small Business Banking*.

Noninterest Income increased $43 million, or five percent, primarily due to an increase in Investment and Brokerage Services driven by record levels of assets under management.

Noninterest Expense increased $68 million, or seven percent, primarily due to increases in Personnel Expense driven by the *PB&I* expansion of Client Managers and employee incentive plans.

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

Net Income increased $94 million, or six percent, due to higher Total Revenue and a credit loss recovery, partially offset by higher Noninterest Expense. Net Interest Income increased $96 million, or three percent, and Noninterest Income increased $274 million, or 11 percent. Noninterest Income also benefited from equity gains of $75 million for the nine months ended September 30, 2006. Noninterest expense increased $212 million, or eight percent. These period over period changes were primarily driven by the same factors as described in the three month discussion above.

Provision for Credit Losses decreased $34 million due to a credit loss recovery of approximately $50 million in 2006.

Assets Under Management

Assets under management generate fees based on a percentage of their market value. They consist largely of mutual funds and separate accounts, which are comprised of taxable and nontaxable money market products, equities, and taxable and nontaxable fixed income securities. Client brokerage assets represent a source of commission revenue for the Corporation. Assets in custody represent trust assets administered for customers. Trust assets encompass a broad range of asset types including real estate, private company ownership interest, personal property and investments.

Table of Contents

Assets under management increased $34.7 billion, or seven percent, to $517.1 billion, which was driven by net inflows in both money market and equity funds as well as favorable market action.

Client Assets

(Dollars in billions)	September 30, 2006	December 31, 2005
Assets under management	**$ 517.1**	$ 482.4
Client brokerage assets	**175.9**	161.7
Assets in custody	**93.1**	94.2
Less: Client brokerage assets and assets in custody included in assets under management	**(36.8)**	(29.8)
Total net client assets	**$ 749.3**	$ 708.5

The Private Bank

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

Net Income decreased $39 million, or 27 percent, for the three months ended September 30, 2006, compared to the same period in the prior year. The decrease in Net Income was primarily due to a decrease in Total Revenue of $18 million, or three percent, driven by both lower Net Interest Income and Noninterest Income and an increase in Noninterest Expense of $40 million, or 13 percent. The decrease in Net Interest Income was due to spread compression in the loan portfolio partially offset by an increase in Average Loans and Leases. Noninterest Expense increased primarily due to higher personnel cost.

Net Income was unchanged for the nine months ended September 30, 2006 as a result of an increase in Total Revenue of $9 million being partially offset by an increase in Noninterest Expense of $30 million, compared to the same period in the prior year. These period over period changes were primarily driven by the same factors as described in the three month discussion above. Noninterest Income also benefited from equity gains of $25 million for the nine months ended September 30, 2006.

In addition, Provision for Credit Losses decreased $32 million due to a credit loss recovery of approximately $50 million for the nine months ended September 30, 2006.

Columbia

Columbia is an asset management business serving the needs of both institutional clients and individual customers. *Columbia* provides asset management services, including mutual funds, liquidity strategies and separate accounts. *Columbia* mutual fund offerings provide a broad array of investment strategies and products, including equities, fixed income (taxable and non-taxable) and money market (taxable and non-taxable) funds. *Columbia* distributes its products and services directly to institutional clients, and distributes to individuals through *The Private Bank*, *Family Wealth Advisors, PB&I*, and nonproprietary channels including other brokerage firms.

Net Income increased $5 million, or seven percent, and $34 million, or 16 percent, for the three and nine months ended September 30, 2006, compared to the same periods in the prior year. The increase in Net Income was primarily a result of an increase in Investment and Brokerage Service Fees of $44 million, or 13 percent, and $150 million, or 16 percent, for the three and nine months ended September 30, 2006, compared to the same periods in the prior year. This increase is due to higher assets under management driven by net inflows in money market and equity funds and favorable market action. Noninterest Expense increased $29 million, or 13 percent, and $64 million, or 10 percent, for the three and nine months ended September 30, 2006, compared to the same periods in the prior year primarily due to Personnel Expense including revenue-based compensation and other operating costs.

Premier Banking and Investments (PB&I)

Premier Banking and Investments includes *Banc of America Investments (BAI)*, our full-service retail brokerage business and our *Premier Banking* channel. *PB&I* brings personalized banking and investment expertise through priority service with

Table of Contents

client-dedicated teams. *PB&I* provides a high-touch client experience through a network of approximately 4,000 client advisors to our affluent customers with a personal wealth profile that includes investable assets plus a mortgage that exceeds $500,000 or at least $100,000 of investable assets. *BAI* is the third largest bank-owned brokerage company in the U.S. with $180.0 billion in client assets.

Net Income increased $20 million, or 10 percent, and $154 million, or 28 percent, for the three and nine months ended September 30, 2006, compared to the same periods in the prior year, primarily due to an increase in Net Interest Income. The increase in Net Interest Income of $46 million, or 10 percent, and $282 million, or 23 percent, for the three and nine months ended September 30, 2006, was primarily driven by higher deposit spreads partially offset by lower average deposit balances. Net Interest Income also benefited from higher average loans and leases, mainly residential mortgages and home equity. Deposit spreads increased 4 bps to 2.30 percent, and 9 bps to 2.24 percent, for the three and nine months ended September 30, 2006, compared to the same periods in the prior year, as we effectively managed pricing in a rising interest rate environment.

The increase in Noninterest Income of $27 million, or four percent, for the nine months ended September 30, 2006, was primarily driven by higher Investment and Brokerage Services. Noninterest Expense increased $56 million, or six percent, for the nine months ended September 30, 2006, primarily due to increases in Personnel Expense driven by the *PB&I* expansion of Client Managers and employee incentive plans.

ALM/Other

We migrate qualifying affluent customers, and their related deposit balances and associated Net Interest Income from the *Global Consumer and Small Business Banking* segment to our *PB&I* customer service model. To provide a view of organic growth in *PB&I,* we allocate the original migrated deposit balances, including attrition, as well as the corresponding Net Interest Income at original spreads from *PB&I* to *ALM/Other*. Management believes that the resulting *PB&I* business approximates an organic, incremental view of the business.

Net Income decreased $1 million, or one percent, and $94 million, or 19 percent, for the three and nine months ended September 30, 2006, compared to the same periods in the prior year. The decrease in Net Income was primarily due to a decrease in Net Interest Income partially offset by an increase in Noninterest Income. Net Interest Income decreased $19 million and $143 million for the three and nine months ended September 30, 2006, compared to the same periods in the prior year, driven by a reduction from ALM activities due to a flattening yield curve, partially offset by higher Net Interest Income on deposits due to migration of certain banking relationships from *Global Consumer and Small Business Banking*. The total cumulative average impact of migrated balances was $49.2 billion and $47.8 billion for the three and nine months ended September 30, 2006, compared to $41.5 billion $37.7 billion for the same periods in 2005. Noninterest Income benefited from $50 million in equity gains for the nine months ended September 30, 2006.

All Other

(Dollars in millions)	**Three Months Ended September 30** **2006**	2005	**Nine Months Ended September 30** **2006**	2005
Net interest income [1]	**$ 65**	$ 9	**$ 93**	$ (296)
Noninterest income				
Equity investment gains	**687**	640	**1,835**	1,471
All other income	**(117)**	(674)	**(648)**	(405)
Total noninterest income	**570**	(34)	**1,187**	1,066
Total revenue [1]	**635**	(25)	**1,280**	770
Provision for credit losses		41	**(40)**	37
Gains (losses) on sales of debt securities	**(483)**	13	**(497)**	847
Merger and restructuring charges [2]	**269**	120	**561**	353
All other noninterest expense	**(93)**	132	**58**	240
Income before income taxes [1]	**(24)**	(305)	**204**	987

Income tax expense (benefit)		**(76)**		(185)		**(7)**		169
Net income	**$**	**52**	$	(120)	**$**	**211**	$	818
Shareholder value added	**$**	**(215)**	$	(614)	**$**	**(483)**	$	(507)

(1) Fully taxable-equivalent basis

(2) For more information on Merger and Restructuring Charges, see Note 2 of the Consolidated Financial Statements.

Table of Contents

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

Equity Investments includes Principal Investing, and Corporate and Strategic Investments. Principal Investing is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages of their life cycle from start-up to buyout. Corporate Investments primarily includes investments in publicly traded equity securities and funds and are accounted for as available-for-sale (AFS) securities and recorded in Other Assets on the Consolidated Balance Sheet. Strategic Investments includes the Corporation s strategic investments in CCB, Santander and Banco Itau. The $1.9 billion equity investment in Banco Itau was recorded in Corporate and Strategic Investments and the resulting $720 million gain (pre-tax) was recorded within *Global Corporate and Investment Banking*. Income associated with *Equity Investments* is recorded in Equity Investment Gains and includes gains (losses) on sales of these investments, dividends, and Principal Investing s fair value adjustments of its investments.

The following table presents the components of *All Other* s Equity Investment Gains and a reconciliation to the total consolidated Equity Investment Gains for the three and nine months ended September 30, 2006 and 2005.

Components of Equity Investment Gains

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005	**2006**	2005
Principal Investing	**$ 604**	$ 550	**$ 1,347**	$ 1,096
Corporate and Strategic Investments	**83**	90	**488**	375
Total All Other equity investment gains	**687**	640	**1,835**	1,471
Other equity investment gains [(1)]	**18**	73	**287**	220
Total consolidated equity investment gains	**$ 705**	$ 713	**$ 2,122**	$ 1,691

(1) Other equity investment gains include results from activities within the three business segments.

The *Other* component of *All Other* includes the residual impact of the allowance for credit losses and the cost allocation processes, Merger and Restructuring Charges, intersegment eliminations, and the results of certain consumer finance and commercial lending businesses that are being liquidated. *Other* also includes certain amounts associated with ALM activities, including the residual impact of funds transfer pricing allocation methodologies, amounts associated with the change in the value of derivatives used as economic hedges of interest rate and foreign exchange rate fluctuations that do not qualify for SFAS 133 hedge accounting treatment, gains or losses on sales of whole mortgage loans, and Gains (Losses) on Sales of Debt Securities. The objective of the funds transfer pricing allocation methodology is to neutralize the businesses from changes in interest rate and foreign exchange fluctuations. Accordingly, for segment reporting purposes, the businesses receive the neutralizing benefit to Net Interest Income related to the economic hedges previously mentioned, with the offset recorded in *Other*. *Other* also includes FTE adjustments, through Noninterest Income and Income Tax Expense (Benefit), that impact the effective tax rate. See Note 14 of the Consolidated Financial Statements for information associated with the FTE adjustments relating to Net Interest Income.

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

Net Income increased $172 million to $52 million driven primarily by an increase in other income and a decrease in other noninterest expense which was partially offset by a decrease in Gains (Losses) on Sales of Debt Securities and an increase in Merger and Restructuring Charges. The increase in other income of $557 million was primarily the result of 2005 being negatively affected by the change in the value of derivatives of $(418) million used as economic hedges that did not qualify for SFAS 133 hedge accounting treatment and a $65 million gain on the sale of property that occurred in 2006. Gains (Losses) on Sales of Debt Securities decreased $496 million primarily due to a loss on the sale of mortgage-backed securities which was driven by an overall strategic shift in our balance sheet strategy to hold a lower level of investments in securities relative to loans (see Interest Rate Risk Management Securities on page 99 for further discussion). Merger and Restructuring Charges increased $149 million due to the MBNA merger. See Note 2 of the Consolidated Financial Statements for further information associated with the MBNA merger. Other noninterest expense declined $225 million due to decreases in general operating expenses.

Income Tax Expense (Benefit) was $(76) million in 2006 as compared to $(185) million in 2005. The decrease in the tax benefit was driven by a lower pre-tax loss, as well as higher effective tax expense, resulting from the prior implications of purchase accounting associated with certain FleetBoston leveraged leases which were sold during the quarter. The gain on

Table of Contents

the leverage lease sales was recorded in *Global Corporate Investment Banking*, and the impact of the high effective tax expense was allocated as a FTE charge to Noninterest Income. *All Other* includes an offset to this FTE impact.

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

Net Income decreased $607 million, or 74 percent, primarily due to a decrease of $1.3 billion in Gains (Losses) on Sales of Debt Securities and an increase of $208 million in Merger and Restructuring Charges which was partially offset by increases in Net Interest Income of $389 million, Equity Investment Gains of $364 million and decreases in all other noninterest expense of $182 million. The increase in Equity Investment Gains was largely driven by an increase in Principal Investing of $251 million due to favorable market conditions and increased liquidity in the markets. The decrease in Gains (Losses) on Sales of Debt Securities was primarily driven by a loss on the sale of mortgage-backed securities described in the three month discussion above combined with the impact of gains recorded on the sales of mortgage-backed securities in 2005. The increase in Merger and Restructuring Charges and decrease in all other noninterest expense was driven by the same factors as described in the three month discussion above.

Income Tax Expense (Benefit) was $(7) million in 2006 compared to $169 million in 2005. This change was driven by the decrease in pre-tax income, partially offset by a $175 million cumulative tax charge in 2006 resulting from the change in tax legislation relating to the extraterritorial income and foreign sales corporation regimes.

Off-Balance Sheet Financing Entities

Off-Balance Sheet Commercial Paper Conduits

In addition to traditional lending, we also support our customers financing needs by facilitating their access to the commercial paper markets. These markets provide an attractive, lower-cost financing alternative for our customers. Our customers sell assets, such as high-grade trade or other receivables or leases, to a commercial paper financing entity, which in turn issues high-grade short-term commercial paper that is collateralized by the underlying assets. The purpose and use of these types of entities are more fully discussed on page 31 of Management s Discussion and Analysis of Financial Condition and Results of Operations filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

We receive fees for providing combinations of liquidity, standby letters of credit (SBLCs) or similar loss protection commitments, and derivatives to the commercial paper financing entities. We manage our credit risk on these commitments by subjecting them to our normal underwriting and risk management processes. At September 30, 2006 and December 31, 2005, we had off-balance sheet liquidity commitments and SBLCs to these entities of $30.9 billion and $25.9 billion. Substantially all of these liquidity commitments and SBLCs mature within one year. These amounts are included in Table 10. Net revenues earned from fees associated with these off-balance sheet financing entities were approximately $67 million and $52 million for the nine months ended September 30, 2006 and 2005.

Qualified Special Purpose Entities

To manage our capital position and diversify funding sources, we will, from time to time, sell assets to off-balance sheet entities that obtain financing by issuing commercial paper, term notes, or both to our customers. These entities are Qualified Special Purpose Entities (QSPEs) that have been isolated beyond our reach or that of our creditors, even in the event of bankruptcy or other receivership. The purpose and use of these types of entities are more fully discussed on page 31 of Management s Discussion and Analysis of Financial Condition and Results of Operations filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

We may provide liquidity, SBLCs or similar loss protection commitments to these entities, or we may enter into derivatives with these entities in which we assume certain risks. We manage any credit or market risk on commitments or derivatives through normal underwriting and risk management processes. At September 30, 2006 and December 31, 2005, we had off-balance sheet liquidity commitments, SBLCs and other financial guarantees to these entities of $7.4 billion and $7.1 billion, for which we received fees of $8 million and $7 million for the nine months ended September 30, 2006 and 2005. Substantially all of these commitments mature within one year and are included in Table 10. Derivative activity related to these entities is included in Note 4 of the Consolidated Financial Statements.

In addition, as a result of the MBNA merger on January 1, 2006, the Corporation acquired interests in off-balance sheet credit card securitization vehicles which issue both commercial paper and medium-term notes. We hold subordinated interests issued by these entities, which are QSPEs, but do not otherwise provide liquidity or other forms of loss protection to these vehicles. For additional information on credit card securitizations, see Note 8 of the Consolidated Financial Statements.

Table of Contents

Obligations and Commitments

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. These obligations are more fully discussed in Note 10 of the Consolidated Financial Statements and Notes 12 and 13 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

Many of our lending relationships contain funded and unfunded elements. The funded portion is reflected on our balance sheet. The unfunded component of these commitments is not recorded on our balance sheet until a draw is made under the credit facility; however, a reserve is established for probable losses. These commitments, as well as guarantees, are more fully discussed in Note 10 of the Consolidated Financial Statements.

The following table summarizes the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date. At September 30, 2006, charge cards (nonrevolving card lines) to individuals and government entities guaranteed by the U.S. government in the amount of $9.6 billion (related outstandings of $255 million) were not included in credit card line commitments in the table below.

Table 10

Credit Extension Commitments

	September 30, 2006		
(Dollars in millions)	Expires in 1 year or less	Thereafter	Total
Loan commitments [1]	**$ 145,819**	**$ 178,137**	**$ 323,956**
Home equity lines of credit	**1,800**	**92,386**	**94,186**
Standby letters of credit and financial guarantees	**30,419**	**19,121**	**49,540**
Commercial letters of credit	**4,753**	**592**	**5,345**
Legally binding commitments	**182,791**	**290,236**	**473,027**
Credit card lines [2]	**831,790**	**12,521**	**844,311**
Total	**$ 1,014,581**	**$ 302,757**	**$ 1,317,338**

(1) Included at September 30, 2006, are equity commitments of $1.6 billion related to obligations to further fund Principal Investing equity investments.

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

Managing Risk

Our management governance structure enables us to manage all major aspects of our business through an integrated planning and review process that includes strategic, financial, associate, customer and risk planning. We derive much of our revenue from managing risk from customer transactions for profit. In addition to qualitative factors, we utilize quantitative measures to optimize risk and reward trade offs in order to achieve growth targets and financial objectives while reducing the variability of earnings and minimizing unexpected losses. Risk metrics that allow us to measure performance include economic capital targets, SVA targets and corporate risk limits. By allocating capital to a business unit, we effectively define that unit s ability to take on risk. Country, trading, asset class and other limits supplement the allocation of economic capital. These limits are based on an analysis of risk and reward in each business unit and management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. Our risk management process continually evaluates risk and appropriate metrics needed to measure it. Our business exposes us to the following major risks: strategic, liquidity, credit, market and operational. For a more detailed discussion of our risk management activities, see pages 33 through 62 of Management s Discussion and Analysis of Financial Condition and Results of Operations filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

Strategic Risk Management

The Board provides oversight for strategic risk through the CEO and the Finance Committee. We use an integrated business planning process to help manage strategic risk. A key component of the planning process aligns strategies, goals, tactics and resources. The process begins with an assessment that creates a plan for the Corporation, setting the corporate strategic direction. The planning process then cascades through the business units, creating business unit plans that are

Table of Contents

aligned with the Corporation s direction. Tactics and metrics are monitored to ensure adherence to the plans. As part of this monitoring, business units must perform periodic self-assessments further described in the Operational Risk Management section beginning on page 103. This assessment looks at changing market and business conditions, and the overall risk in meeting objectives. Corporate Audit in turn monitors, and independently reviews and evaluates, the plans and self-assessments.

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

Liquidity Risk and Capital Management

Liquidity Risk

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events. A more detailed discussion of our liquidity risk is included beginning on page 35 of Management s Discussion and Analysis of Financial Condition and Results of Operations filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

One ratio used to monitor the stability of our funding composition is the loan to domestic deposit (LTD) ratio. This ratio reflects the percent of Loans and Leases that are funded by domestic customer deposits, a relatively stable funding source. A ratio below 100 percent indicates that our loan portfolio is completely funded by domestic customer deposits. The ratio was 116 percent at September 30, 2006 compared to 102 percent at December 31, 2005. The increase was primarily attributable to the acquisition of MBNA, organic growth in the loan and lease portfolio, and a strategic shift to retain a larger share of mortgage production on the Corporation s balance sheet.

The parent company maintains a cushion of excess liquidity that would be sufficient to fully fund holding company and nonbank affiliate operations for an extended period during which funding from normal sources is disrupted. The primary measure used to assess the parent company s liquidity is the Time to Required Funding during such a period of liquidity disruption. As of September 30, 2006, Time to Required Funding was 22 months compared to 29 months at December 31, 2005. The reduction reflects the pre-funding of the $5.2 billion cash payment related to the MBNA acquisition combined with an increase in share repurchases.

We originate loans for retention on our balance sheet and for distribution. As part of our originate to distribute strategy, commercial loan originations are distributed through syndication structures, and residential mortgages originated by *Mortgage* and *Home Equity* are frequently distributed in the secondary market. In connection with our balance sheet management activities, we may retain mortgage loans originated as well as purchase and sell loans based on our assessment of market conditions. During the three months ended September 30, 2006, the Corporation made a strategic shift in its balance sheet composition strategy. As part of this strategic shift, management targeted a reduction of mortgage-backed securities of approximately $100 billion over the next couple of years in order to achieve a balance sheet composition that would be consistent with management s revised risk-reward profile. This will reduce the Corporation s concentration in mortgage-backed securities and provide for a future balance sheet composition more heavily concentrated in loans. See Interest Rate Risk Management Securities beginning on page 99 for further discussion.

Regulatory Capital

As a regulated financial services company, we are governed by certain regulatory capital requirements. Presented in Table 11 are the regulatory capital ratios, actual capital amounts and minimum required capital amounts for the Corporation, Bank of America, N.A., FIA Card Services, N.A., and Bank of America, N.A. (USA) at September 30, 2006 and December 31, 2005. Effective June 10, 2006, MBNA America Bank, N.A. was renamed FIA Card Services, N.A. Additionally, on October 20, 2006, Bank of America, N.A. (USA) merged into FIA Card Services, N.A.

Table of Contents

Table 11

Regulatory Capital

(Dollars in millions)	September 30, 2006 Actual Ratio		Amount	Minimum Required (1)	December 31, 2005 Actual Ratio		Amount	Minimum Required (1)
Risk-based capital								
Tier 1								
Bank of America Corporation	**8.48**	**%**	**$ 88,085**	**$ 41,571**	8.25	%	$ 74,375	$ 36,059
Bank of America, N.A.	**9.05**		**76,360**	**33,744**	8.70		69,547	31,987
FIA Card Services, N.A. (2)	**22.03**		**14,217**	**2,582**				
Bank of America, N.A. (USA)	**10.92**		**6,370**	**2,333**	8.66		5,567	2,570
Total								
Bank of America Corporation	**11.46**		**119,074**	**83,143**	11.08		99,901	72,118
Bank of America, N.A.	**11.04**		**93,106**	**67,487**	10.73		85,773	63,973
FIA Card Services, N.A. (2)	**25.42**		**16,409**	**5,164**				
Bank of America, N.A. (USA)	**13.87**		**8,090**	**4,666**	11.46		7,361	5,140
Tier 1 Leverage								
Bank of America Corporation	**6.16**		**88,085**	**42,882**	5.91		74,375	37,732
Bank of America, N.A.	**6.65**		**76,360**	**34,425**	6.69		69,547	31,192
FIA Card Services, N.A. (2)	**23.21**		**14,217**	**1,838**				
Bank of America, N.A. (USA)	**11.43**		**6,370**	**1,672**	9.37		5,567	1,783

(1) Dollar amount required to meet guidelines for adequately capitalized institutions.

(2) FIA Card Services, N.A. is presented for periods subsequent to December 31, 2005.

Basel II

On September 25, 2006, the Agencies officially published several documents providing updates to the Basel II Risk-Based Capital Standards for the United States as well as new Regulatory Reporting Requirements related to these Risk-Based Capital Standards for review and comment by U.S.-based banks and trade associations. With the publication, a 120 day public comment period began, providing an opportunity to submit comments for consideration to the Agencies. The Agencies consist of the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision, collectively with the Federal Reserve.

These documents included previously published regulations and guidance as well as revised Market Risk rules and a proposal including several new regulatory reporting templates. These Capital Standards are expected to be finalized in 2007.

We continue our execution efforts to ensure preparedness with Basel II requirements. Our goal is to achieve full compliance by the start of the domestic parallel processing in 2008. Further, we anticipate being ready for all international reporting requirements that occur before this time. We continue to interact regularly with regulators in this process.

Dividends

On October 25, 2006, the Board declared a regular quarterly cash dividend on common stock of $0.56 per share, payable on December 22, 2006 to common shareholders of record on December 1, 2006. On July 26, 2006, the Board increased the quarterly cash dividend on common stock 12 percent from $0.50 to 0.56 per share.

Common Share Repurchases

We will continue to repurchase shares, from time to time, in the open market or in private transactions through our approved repurchase programs. We repurchased approximately 231 million shares of common stock for the nine months ended September 30, 2006, which more than offset the 98.3 million shares issued under employee stock plans. On April 26, 2006, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation s common stock at an aggregate cost not to exceed $12.0 billion to be completed within a period of 18 months. As of September 30, 2006, 123.2 million shares remained outstanding under the 2006 authorized plan. For additional information on common share repurchases, see Note 11 of the Consolidated Financial Statements.

Table of Contents

Preferred Stock

In November 2006, the Corporation issued 74,000 shares, or $1.9 billion, of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series E (Series E Preferred Stock) with a par value of $0.01 per share. An option to purchase up to an additional 11,100 shares of Series E Preferred Stock, at a purchase price of $25,000 per share, has been granted to the underwriters. Ownership is held in the form of depositary shares, each representing a 1/1,000 interest in a share of Series E Preferred Stock, paying a quarterly cash dividend on the liquidation preference of $25,000 per share of Series E Preferred Stock at an annual rate equal to the greater of (a) three-month London InterBank Offered Rates (LIBOR) plus 0.35 percent and (b) 4.00 percent, payable quarterly in arrears. On any dividend date on or after November 15, 2011, the Corporation may redeem Series E Preferred Stock, in whole or in part, at its option, at $25,000 per share, plus accrued and unpaid dividends. Series E Preferred Stock shares are not subject to the operations of a sinking fund, have no participation rights and are not convertible. The holders of Series E Preferred Stock have no general voting rights. If any quarterly dividend payable on the Series E Preferred Stock is in arrears for six or more quarterly dividend periods (whether consecutive or not) the holders of the Series E Preferred Stock and any other class or series of preferred stock ranking equally with the Series E Preferred Stock as to payment of dividends and upon which equivalent voting rights have been conferred and are exercisable (voting as a single class) will be entitled to vote for the election of two additional directors. These voting rights terminate when the Corporation has paid in full dividends on the Series E Preferred Stock for at least four quarterly dividend periods following the dividend arrearage.

During October 2006, the Board declared a $0.38775 regular cash dividend on the 6.204% Non-Cumulative Preferred Stock, Series D (Series D Preferred Stock). The dividend is payable December 14, 2006, to shareholders of record on November 30, 2006.

In September 2006, the Corporation authorized 34,500 shares and issued 33,000 shares, or $825 million, of Series D Preferred Stock with a par value of $0.01 per share. Ownership is held in the form of depositary shares, each representing a 1/1,000 interest in a share of Series D Preferred Stock, paying a quarterly cash dividend on the liquidation preference of $25,000 per share of Series D Preferred Stock at an annual rate of 6.204 percent. On any dividend date on or after September 14, 2011, the Corporation may redeem Series D Preferred Stock, in whole or in part, at its option, at $25,000 per share, plus accrued and unpaid dividends. Series D Preferred Stock shares are not subject to the operation of a sinking fund, have no participation rights and are not convertible. The holders of Series D Preferred Stock have no general voting rights. If any quarterly dividend payable on the Series D Preferred Stock is in arrears for six or more quarterly dividend periods (whether consecutive or not), the holders of the preferred stock and any other class or series of preferred stock ranking equally with the Series D Preferred Stock as to payment of dividends and upon which equivalent voting rights have been conferred and are exercisable (voting as a single class) will be entitled to vote for the election of two additional directors. These voting rights terminate when the Corporation has paid in full dividends on the Series D Preferred Stock for at least four quarterly dividend periods following the dividend arrearage.

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

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

For additional information on the issuance and redemption of preferred stock, see Note 11 of the Consolidated Financial Statements.

Credit Risk Management

Credit risk is the risk of loss arising from the inability of a borrower or counterparty to meet its obligations. Credit risk can also arise from operational failures that result in an advance, commitment or investment of funds. We define the credit exposure to a borrower or counterparty as the loss potential arising from all product classifications, including loans and leases, derivatives, trading account assets, assets held-for-sale, and unfunded lending commitments that include loan commitments, letters of credit and financial guarantees. For derivative positions, our credit risk is measured as the net replacement cost in the event the counterparties with contracts in a gain position to us fail to perform under the terms of those

Table of Contents

contracts. We use the current mark-to-market value to represent credit exposure without giving consideration to future mark-to-market changes. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements. Our consumer and commercial credit extension and review procedures take into account funded and unfunded credit exposures. For additional information on derivatives and credit extension commitments, see Notes 4 and 10 of the Consolidated Financial Statements.

For credit risk purposes, we evaluate our *Card Services* operations on both a held and managed basis (a non-GAAP measure). Managed basis treats securitized loan receivables as if they were still on the balance sheet. We evaluate credit performance on a managed basis as the receivables that have been securitized are subject to the same underwriting standards and ongoing monitoring as the held loans. For additional discussion of credit quality statistics of both held and managed loans, refer to the *Card Services* discussion beginning on page 55. For additional information on securitizations, refer to Note 8 of the Consolidated Financial Statements.

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

Consumer Portfolio Credit Risk Management

For a detailed discussion of our consumer portfolio credit risk management process, see page 38 of Management s Discussion and Analysis of Financial Condition and Results of Operations filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 25, 2006. For additional information on our managed portfolio, refer to Note 8 of the Consolidated Financial Statements.

Table 12 presents outstanding consumer loans and leases at September 30, 2006 and December 31, 2005.

Table 12

Outstanding Consumer Loans and Leases

	September 30, 2006			December 31, 2005		
(Dollars in millions)	**Amount**	**Percent**		Amount	Percent	
Residential mortgage	**$ 218,918**	**50.4**	**%**	$ 182,596	51.3	%
Credit card domestic	**60,130**	**13.9**		58,548	16.5	
Credit card foreign	**9,937**	**2.3**				
Home equity lines	**71,577**	**16.5**		62,098	17.5	
Direct/Indirect consumer (1)	**62,985**	**14.5**		45,490	12.8	
Other consumer (2)	**10,468**	**2.4**		6,725	1.9	
Total consumer loans and leases	**$ 434,015**	**100.0**	**%**	$ 355,457	100.0	%

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

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

Concentrations of Consumer Credit Risk

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

From time to time, we purchase credit protection on certain portions of our consumer portfolio. This protection is designed to enhance our overall risk management strategy. At September 30, 2006 and December 31, 2005, we had mitigated a portion of our credit risk on approximately $137.3 billion and $110.4 billion of residential mortgage and indirect automobile loans through the purchase of credit protection. Our regulatory risk-weighted assets were reduced as a result of these transactions because we transferred a portion of our credit risk to unaffiliated parties. At September 30, 2006 and December 31, 2005, these transactions had the cumulative effect of reducing our risk-weighted assets by $37.4 billion and $30.6 billion, and resulted in increases of 30 bps and 28 bps in our Tier 1 Capital ratio at September 30, 2006 and December 31, 2005.

Table of Contents

Consumer Portfolio Credit Quality Performance

Overall, consumer credit quality remained stable in the first nine months of 2006 as performance was favorably impacted by lower bankruptcy-related charge-offs.

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

Credit card loans are charged off no later than the end of the month in which the account becomes 180 days past due or in which 60 days has elapsed since receipt of notification of bankruptcy filing and are not classified as nonperforming. Other unsecured consumer loans are charged off no later than the end of the month in which the account becomes 120 days past due or 60 days past due if in bankruptcy and are not classified as nonperforming. Deficiencies in non-real estate secured loans and leases are charged off no later than the end of the month in which the account becomes 120 days past due and are generally not classified as nonperforming. Real estate secured consumer loans are placed on nonaccrual and are classified as nonperforming no later than 90 days past due. The amount deemed uncollectible on real estate secured loans is charged off at 180 days past due.

Table 13 presents consumer net charge-offs and net charge-off ratios on the held portfolio during the three and nine months ended September 30, 2006 and 2005.

Table 13

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

	Three Months Ended September 30						**Nine Months Ended September 30**					
	2006			2005			**2006**			2005		
(Dollars in millions)	**Amount**	**Percent**		Amount	Percent		**Amount**	**Percent**		Amount	Percent	
Residential mortgage	**$ 6**	**0.01**	**%**	$ 7	0.02	%	**$ 30**	**0.02**	**%**	$ 22	0.02	%
Credit card domestic	**853**	**5.42**		772	5.55		**2,210**	**4.53**		2,286	5.76	
Credit card foreign	**70**	**2.94**					**146**	**2.24**				
Home equity lines	**11**	**0.06**		9	0.06		**32**	**0.06**		24	0.06	
Direct/Indirect consumer	**152**	**0.99**		60	0.50		**334**	**0.77**		167	0.50	
Other consumer	**85**	**3.03**		58	3.42		**202**	**2.52**		157	3.00	
Total consumer	**$ 1,177**	**1.07**	**%**	$ 906	1.06	%	**$ 2,954**	**0.96**	**%**	$ 2,656	1.07	%

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

As presented in Table 13, consumer net charge-offs from on-balance sheet loans increased $271 million to $1.2 billion, and $298 million to $3.0 billion for the three and nine months ended September 30, 2006 compared to the same periods in 2005. The increase in consumer net charge-offs for both periods was primarily driven by the addition of the MBNA portfolio. The three month comparison was also impacted by changes made in 2005 in credit card minimum payment requirements which resulted in 2006 net charge-offs. The increase in the nine month comparison was partially offset by a decrease in credit card domestic net charge-offs. See below for a discussion of the impact of SOP 03-3 on the MBNA portfolio.

Net charge-offs for the held credit card domestic portfolio increased $81 million to $853 million, or 5.42 percent of total average held credit card domestic loans for the three months ended September 30, 2006 compared to 5.55 percent for the same period in 2005. This increase was driven by changes made in 2005 in credit card minimum payment requirements which resulted in 2006 net charge-offs, new advances on accounts for which previous loan balances were sold to the securitization trusts, the addition of the MBNA portfolio and seasoning of the portfolio. These increases were partially offset by a decrease in bankruptcy-related net charge-offs. Net charge-offs for the held credit card domestic portfolio decreased $76 million to $2.2 billion, or 4.53 percent of total average held credit card domestic loans for the nine months ended September 30, 2006 compared to 5.76 percent for the same period in 2005. This decrease was primarily driven by lower bankruptcy-related net charge-offs partially offset by new advances on accounts for which previous loan balances were sold to the securitization trusts, the addition of the MBNA portfolio and seasoning of the portfolio.

Net losses for the managed credit card domestic portfolio increased $614 million to $1.5 billion, or 4.23 percent of total average managed credit card domestic loans for the three months ended September 30, 2006 compared to 5.74 percent of

79

Table of Contents

total average managed credit card domestic loans for the three months ended September 30, 2005. Net losses for the managed credit card domestic portfolio increased $1.1 billion to $3.8 billion, or 3.65 percent of total average managed credit card domestic loans for the nine months ended September 30, 2006 compared to 6.04 percent of total average managed credit card domestic loans for the nine months ended September 30, 2005. Managed losses were primarily higher due to the addition of the MBNA portfolio and seasoning of the portfolio, partially offset by lower bankruptcy-related net losses. The 151 bps and 239 bps decreases in the managed credit card domestic portfolio net loss ratio for the three and nine months ended September 30, 2006 were driven by the beneficial impact of MBNA and lower net losses resulting from bankruptcy reform. The three month comparison was also impacted by losses in 2006 related to changes made in 2005 for credit card minimum payment requirements.

Net charge-offs for the held credit card foreign portfolio were $70 million, or 2.94 percent, and $146 million, or 2.24 percent for the three and nine months ended September 30, 2006. Net losses for the managed credit card foreign portfolio were $270 million, or 4.17 percent, and $690 million, or 3.82 percent, of total average managed credit card foreign loans for the three and nine months ended September 30, 2006. These net charge-offs and net losses relate to the addition of the MBNA portfolio.

Table 14

Credit Card Net Charge-offs/Losses and Net Charge-off/Loss Ratios

	Three Months Ended September 30							
	2006				2005			
	Held Basis		**Managed Basis**		Held Basis		Managed Basis	
(Dollars in millions)	**Amount**	**Percent**	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Net Charge-offs/Losses								
Credit card domestic	**$ 853**	**5.42 %**	**$ 1,478**	**4.23 %**	$ 772	5.55 %	$ 864	5.74 %
Credit card foreign	**70**	**2.94**	**270**	**4.17**				
Average Balances								
Credit card domestic	**62,508**		**138,545**		55,271		59,762	
Credit card foreign	**9,455**		**25,593**					

	Nine Months Ended September 30							
	2006				2005			
	Held Basis		**Managed Basis**		Held Basis		Managed Basis	
(Dollars in millions)	**Amount**	**Percent**	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Net Charge-offs/Losses								
Credit card domestic	**$ 2,210**	**4.53 %**	**$ 3,778**	**3.65 %**	$ 2,286	5.76 %	$ 2,658	6.04 %
Credit card foreign	**146**	**2.24**	**690**	**3.82**				
Average Balances								
Credit card domestic	**65,198**		**138,402**		53,033		58,821	
Credit card foreign	**8,725**		**24,136**					

SOP 03-3 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor s initial investment in loans acquired in a transfer if those differences are attributable, at least in part, to credit quality. SOP 03-3 prohibits carrying over or the creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of the SOP (categories of loans for which it is probable, at the time of acquisition, that all amounts due according to the contractual terms of the loan agreement will not be collected). The prohibition of the valuation allowance carryover applies to the purchase of an individual loan, a pool of loans, a group of loans, and loans acquired in a purchase business combination.

In accordance with SOP 03-3, certain acquired loans of MBNA that were considered impaired were written down to fair value at the acquisition date. Therefore, reported charge-offs and managed losses were lower since these impaired loans that would have been charged off during the period were reduced to fair value as of the acquisition date. SOP 03-3 did not impact the securitized loan portfolio.

Consumer net charge-offs and net charge-off ratios as reported and excluding the impact of SOP 03-3 for the three and nine months ended September 30, 2006 are presented below. Management believes that excluding the impact of SOP 03-3 from the net charge-offs and the net charge-off ratios provides a more accurate reflection of portfolio credit quality.

Table of Contents

Table 15

Consumer Net Charge-offs and Net Charge-off Ratios (Excluding the Impact of SOP 03-3) [(1)]

	Three Months Ended September 30, 2006				Nine Months Ended September 30, 2006			
	As Reported		Excluding Impact		As Reported		Excluding Impact	
(Dollars in millions)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Residential mortgage	$ 6	0.01 %	$ 6	0.01 %	$ 30	0.02 %	$ 30	0.02 %
Credit card domestic	853	5.42	863	5.48	2,210	4.53	2,298	4.71
Credit card foreign	70	2.94	75	3.13	146	2.24	195	2.98
Home equity lines	11	0.06	11	0.06	32	0.06	32	0.06
Direct/Indirect consumer	152	0.99	157	1.02	334	0.77	406	0.94
Other consumer	85	3.03	91	3.22	202	2.52	239	2.98
Total consumer	**$ 1,177**	**1.07 %**	**$ 1,203**	**1.09 %**	**$ 2,954**	**0.96 %**	**$ 3,200**	**1.04 %**

(1) This table presents a non-GAAP financial measure. Net charge-offs exclude the impact of SOP 03-3 which decreased net charge-offs on credit card domestic $10 million and $88 million, credit card foreign $5 million and $49 million, direct/indirect consumer $5 million and $72 million, and other consumer $6 million and $37 million for the three and nine months ended September 30, 2006. The impact of SOP 03-3 on average outstanding consumer loans and leases for the three and nine months ended September 30, 2006 was not material.

As presented in Table 16, nonperforming consumer assets increased $111 million to $957 million at September 30, 2006 from December 31, 2005. Nonperforming consumer loans and leases were $897 million at September 30, 2006 compared to $785 million at December 31, 2005, representing 0.21 percent and 0.22 percent of outstanding consumer loans and leases. Nonperforming home equity lines increased $58 million due to growth and seasoning of the portfolio.

Table 16

Nonperforming Consumer Assets

(Dollars in millions)	September 30 2006	December 31 2005
Nonperforming consumer loans and leases		
Residential mortgage	$ 599	$ 570
Home equity lines	175	117
Direct/Indirect consumer	37	37
Other consumer	86	61
Total nonperforming consumer loans and leases	897	785
Consumer foreclosed properties	60	61
Total nonperforming consumer assets [(1)]	$ 957	$ 846
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases	0.21 %	0.22 %
Nonperforming consumer assets as a percentage of outstanding consumer loans, leases and foreclosed properties	0.22	0.24

(1) Balances do not include $28 million and $24 million of nonperforming consumer loans held-for-sale, included in Other Assets at September 30, 2006 and December 31, 2005.

Table 17 presents the additions and reductions to nonperforming assets in the consumer portfolio during the most recent five quarters.

Table 17

Nonperforming Consumer Assets Activity

(Dollars in millions)	**Third Quarter 2006**	Second Quarter 2006	First Quarter 2006	Fourth Quarter 2005	Third Quarter 2005
Nonperforming loans and leases					
Balance, beginning of period	**$ 805**	$ 785	$ 785	$ 688	$ 678
Additions to nonperforming loans and leases:					
New nonaccrual loans and leases	**394**	314	274	354	256
Reductions in nonperforming loans and leases:					
Paydowns and payoffs	**(61)**	(35)	(7)	(33)	(52)
Sales	**(27)**	(33)	(31)	(35)	(25)
Returns to performing status [1]	**(163)**	(173)	(183)	(141)	(120)
Charge-offs [2]	**(33)**	(41)	(33)	(27)	(29)
Transfers to foreclosed properties	**(18)**	(12)	(20)	(17)	(20)
Transfers to loans held-for-sale				(4)	
Total net additions to nonperforming loans and leases	**92**	20		97	10
Total nonperforming loans and leases, end of period	**897**	805	785	785	688
Foreclosed properties					
Balance, beginning of period	**47**	62	61	63	62
Additions to foreclosed properties:					
New foreclosed properties	**49**	31	40	34	35
Reductions in foreclosed properties:					
Sales	**(10)**	(32)	(31)	(29)	(28)
Writedowns	**(26)**	(14)	(8)	(7)	(6)
Total net additions to (reductions in) foreclosed properties	**13**	(15)	1	(2)	1
Total foreclosed properties, end of period	**60**	47	62	61	63
Nonperforming consumer assets, end of period	**$ 957**	$ 852	$ 847	$ 846	$ 751

[1] Consumer loans and leases are generally returned to performing status when principal or interest is less than 90 days past due.

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

On-balance sheet consumer loans and leases 90 days or more past due and still accruing interest totaled $2.5 billion at September 30, 2006, and were up $1.2 billion from December 31, 2005. Included in this balance at September 30, 2006 were $111 million of residential mortgage loans related to repurchases pursuant to our servicing agreements with Government National Mortgage Association (GNMA) mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. In addition, included in loans held-for-sale at December 31, 2005 were $161 million of government-guaranteed GNMA residential mortgage loans 90 days or more past due and still accruing interest. There were no such balances at September 30, 2006. The increase in total consumer loans and leases 90 days or more past due and still accruing interest from December 31, 2005 was primarily driven by an increase of $659 million in credit card domestic due to seasoning of the portfolio, adoption of MBNA collection practices that have historically led to higher delinquencies but lower losses, the trend toward more normalized loss levels and the addition of the MBNA portfolio. Other increases in consumer loans and leases 90 days or more past due and accruing interest of $192 million in consumer direct/indirect and $181 million in credit card foreign were due to the addition of MBNA.

Commercial Portfolio Credit Risk Management

For a detailed discussion of our commercial portfolio credit risk management process, see page 41 of Management s Discussion and Analysis of Financial Condition and Results of Operations filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

Table of Contents

Table 18 presents outstanding commercial loans and leases at September 30, 2006 and December 31, 2005.

Table 18

Outstanding Commercial Loans and Leases

	September 30, 2006		December 31, 2005	
(Dollars in millions)	**Amount**	**Percent**	Amount	Percent
Commercial domestic	**$ 154,578**	**65.7%**	$ 140,533	64.3%
Commercial real estate [(1)]	**37,121**	**15.8**	35,766	16.4
Commercial lease financing	**21,289**	**9.1**	20,705	9.5
Commercial foreign	**22,146**	**9.4**	21,330	9.8
Total commercial loans and leases	**$ 235,134**	**100.0%**	$ 218,334	100.0%

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

Concentrations of Commercial Credit Risk

Portfolio credit risk is evaluated and managed with a goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure, and manage concentrations of credit exposure by industry, product, geography and customer relationship. Distribution of loans and leases by loan size is an additional measure of the portfolio risk diversification. We also review, measure, and manage commercial real estate loans by geographic location and property type. In addition, within our international portfolio, we evaluate borrowings by region and by country. Tables 19 through 24 summarize these concentrations.

From the perspective of portfolio risk management, customer concentration management is most relevant in *Global Corporate and Investment Banking*. Within that group s *Business Lending* and *Capital Markets and Advisory Services* portfolios, we facilitate bridge financing to fund acquisitions and other short-term needs as well as providing syndicated financing for our clients. These client transactions are sometimes large and leveraged. They can also have a higher degree of risk as we are providing offers or commitments for various components of the clients capital structures, including lower rated unsecured and subordinated debt tranches. These concentrations are managed in part through our established originate to distribute strategy. In many cases, these offers to finance will not be accepted. If accepted, these highly conditioned commitments are often retired prior to or shortly following funding via the placement of securities, syndication or the client s decision to terminate. Where we have a binding commitment and there is a market disruption or other unexpected event, there may be heightened exposure in the portfolios, an increase in criticized assets and higher potential for loss, until an orderly disposition of the exposure can be made.

In *Business Lending* within *Global Corporate and Investment Banking*, concentrations are actively managed through the underwriting and ongoing monitoring processes, the established strategy of originate to distribute and through the utilization of various risk mitigation tools, such as credit derivatives, to economically hedge our risk to certain credit counterparties. Credit derivatives are financial instruments that we purchase for protection against the deterioration of credit quality. Earnings volatility increases due to accounting asymmetry as we mark-to-market the credit derivatives, as required by SFAS 133. The exposures being hedged, including the funding commitments, are accounted for on an accrual basis. Once funded, these exposures are accounted for at historical cost less an allowance for credit losses or, if held-for-sale, at the lower of cost or market.

At September 30, 2006 and December 31, 2005, we had net notional credit default protection purchased in our credit derivatives portfolio of $9.1 billion and $14.7 billion. The mark-to-market impact from the credit default protection resulted in net losses of $34 million and $172 million for the three and nine months ended September 30, 2006 compared to net losses of $43 million and net gains of $95 million in the comparable periods in 2005. Losses in the three and nine months ended September 30, 2006 primarily reflected the impact of credit spread tightening across most of our hedge positions. Effective January 1, 2006, we record the impact of these credit derivatives that economically hedge the portfolio in Other Income in the Consolidated Statement of Income. Prior to January 1, 2006, the impact was recorded in Trading Account Profits. Prior period amounts have been reclassified to conform to current period presentation. The average Value-at-Risk (VAR) for these credit derivative hedges was $63 million for the twelve months ended September 30, 2006, and $61 million for the twelve months ended September 30, 2005. There is a diversification effect between the credit derivative hedges and the market-based trading portfolio such that their combined average VAR was $60 million and $59 million for the twelve months ended September 30, 2006 and 2005. Refer to the discussion on page 97 for a description of our VAR calculation for market-based trading portfolio.

Table of Contents

Table 19 shows commercial credit exposure by industry in the categories of utilized exposure, unfunded exposure and total committed exposure and includes commercial loans and leases, SBLCs and financial guarantees, derivative assets, assets held-for-sale, and commercial letters of credit. These amounts exclude the impact of our credit hedging activities, which are separately shown in Table 20. As shown in Table 19, our commercial credit exposure is diversified across a broad range of industries. Total commercial credit exposure increased by $39.7 billion, or seven percent to $603.8 billion at September 30, 2006 compared to December 31, 2005. Real estate increased by $5.2 billion, or seven percent, due primarily to high levels of commercial mortgage-backed securities activity in 2006, which is included in assets held-for-sale. Government and public education increased $4.3 billion, or 13 percent, due primarily to increases in exposure to various state and local government entities. The addition of MBNA contributed to growth in a number of industries including individuals and trusts, insurance, and healthcare equipment and services.

Table 19

Commercial Credit Exposure by Industry (1, 2)

(Dollars in millions)	**Commercial Utilized**		**Commercial Unfunded**		**Total Commercial**	
	September 30 2006	December 31 2005	**September 30 2006**	December 31 2005	**September 30 2006**	December 31 2005
Real estate (3)	**$ 52,791**	$ 47,580	**$ 22,815**	$ 22,793	**$ 75,606**	$ 70,373
Diversified financials	**27,074**	24,975	**40,567**	39,098	**67,641**	64,073
Retailing	**28,177**	25,189	**15,496**	16,778	**43,673**	41,967
Government and public education	**21,589**	19,041	**16,095**	14,309	**37,684**	33,350
Capital goods	**16,332**	15,337	**18,810**	17,667	**35,142**	33,004
Banks	**24,607**	21,755	**10,078**	9,056	**34,685**	30,811
Consumer services	**18,421**	17,481	**12,243**	12,014	**30,664**	29,495
Individuals and trusts	**18,720**	16,754	**10,134**	7,594	**28,854**	24,348
Materials	**15,710**	16,754	**12,131**	12,139	**27,841**	28,893
Healthcare equipment and services	**15,245**	13,455	**11,874**	12,039	**27,119**	25,494
Commercial services and supplies	**14,243**	13,038	**8,118**	8,114	**22,361**	21,152
Food, beverage and tobacco	**10,675**	11,194	**8,946**	9,396	**19,621**	20,590
Energy	**9,516**	9,061	**8,509**	8,038	**18,025**	17,099
Utilities	**6,714**	5,507	**11,007**	9,675	**17,721**	15,182
Transportation	**11,142**	11,297	**5,997**	5,683	**17,139**	16,980
Insurance	**6,646**	4,745	**10,101**	9,123	**16,747**	13,868
Media	**6,379**	6,701	**8,763**	8,549	**15,142**	15,250
Religious and social organizations	**7,817**	7,426	**2,747**	2,596	**10,564**	10,022
Consumer durables and apparel	**5,147**	5,142	**4,367**	4,176	**9,514**	9,318
Telecommunication services	**3,577**	3,520	**5,092**	5,673	**8,669**	9,193
Pharmaceuticals and biotechnology	**3,743**	1,675	**3,588**	3,231	**7,331**	4,906
Technology hardware and equipment	**2,820**	3,116	**4,393**	4,055	**7,213**	7,171
Software and services	**2,364**	2,573	**3,481**	3,135	**5,845**	5,708
Automobiles and components	**1,481**	1,602	**3,683**	4,276	**5,164**	5,878
Food and staples retailing	**2,122**	2,258	**1,960**	1,983	**4,082**	4,241
Household and personal products	**672**	536	**1,375**	1,133	**2,047**	1,669
Semiconductors and semiconductor equipment	**1,150**	536	**554**	583	**1,704**	1,119
Other	**5,531**	2,503	**455**	423	**5,986**	2,926
Total	**$ 340,405**	$ 310,751	**$ 263,379**	$ 253,329	**$ 603,784**	$ 564,080

(1) December 31, 2005 industry balances have been restated to reflect the realignment of industry codes utilizing Standard & Poor s industry classifications and internal industry management.

(2) Derivative Assets are reported on a mark-to-market basis and have been reduced by the amount of cash collateral applied of $7.8 billion and $9.3 billion at September 30, 2006 and December 31, 2005. Commercial utilized credit exposure at December 31, 2005 has been restated to reflect cash collateral applied to

Derivative Assets. In addition to cash collateral, Derivative Assets are also collateralized by $7.7 billion and $7.8 billion of other marketable securities at September 30, 2006 and December 31, 2005 for which the credit risk has not been reduced.

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

Table of Contents

Table 20 shows our net credit default protection by industry. To lessen the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection. A negative notional amount indicates a net amount of protection purchased in a particular industry; conversely, a positive notional amount indicates a net amount of protection sold in a particular industry. Credit protection is purchased to cover the funded portion as well as the unfunded portion of credit exposure. Since December 31, 2005, our net credit default swap positions have been reduced by $5.6 billion reflecting our view of the underlying risk in our excess concentrations and our near term outlook on the credit environment.

Table 20

Net Credit Default Protection by Industry [1]

(Dollars in millions)	**September 30 2006**	December 31 2005
Telecommunication services	**$ (1,149)**	$ (1,205)
Media	**(971)**	(1,790)
Retailing	**(790)**	(1,134)
Real estate	**(785)**	(1,305)
Materials	**(649)**	(1,119)
Consumer services	**(573)**	(788)
Automobiles and components	**(518)**	(679)
Insurance	**(508)**	(1,493)
Utilities	**(450)**	(899)
Banks	**(415)**	(315)
Capital goods	**(412)**	(741)
Commercial services and supplies	**(407)**	(472)
Energy	**(373)**	(589)
Food, beverage and tobacco	**(348)**	(580)
Healthcare equipment and services	**(317)**	(709)
Pharmaceuticals and biotechnology	**(248)**	(470)
Transportation	**(222)**	(323)
Food and staples retailing	**(201)**	(324)
Consumer durables and apparel	**(190)**	(475)
Software and services	**(153)**	(299)
Diversified financials	**(45)**	(250)
Semiconductors and semiconductor equipment	**(45)**	(54)
Government and public education	**(30)**	
Technology hardware and equipment	**(5)**	(402)
Individuals and trusts	**3**	(30)
Household and personal products	**75**	75
Other [2]	**661**	1,677
Total	**$ (9,065)**	$ (14,693)

[1] December 31, 2005 industry balances have been restated to reflect the realignment of industry codes utilizing Standard & Poor s industry classifications and internal industry management.

[2] Represents net credit default swaps index positions, including tranched index exposure, which were principally investment grade. Indices are comprised of corporate credit derivatives that trade as an aggregate index value. Generally, they are grouped into portfolios based on specific ratings of credit quality or global geographic location. As of September 30, 2006 and December 31, 2005, CDS index positions were sold to reflect our current view of the credit markets.

Table 21 shows the maturity profile of the net credit default protection portfolio at September 30, 2006 and December 31, 2005.

Table 21

Net Credit Default Protection by Maturity Profile

	September 30 2006		December 31 2005	
Less than or equal to one year	**2**	**%**		%
Greater than one year and less than or equal to five years	**52**		65	
Greater than five years	**46**		35	
Total	**100**	**%**	100	%

Table 22 shows our net credit default protection portfolio by credit exposure debt rating at September 30, 2006 and December 31, 2005.

Table 22

Net Credit Default Protection by Credit Exposure Debt Rating [(1)]

(Dollars in millions)	**September 30, 2006**			December 31, 2005		
Ratings	**Net Notional**	**Percent**		Net Notional	Percent	
AAA	**$ (13)**	**0.1**	**%**	$ (22)	0.2	%
AA	**(125)**	**1.4**		(523)	3.6	
A	**(2,699)**	**29.8**		(4,861)	33.1	
BBB	**(4,946)**	**54.6**		(8,572)	58.2	
BB	**(1,463)**	**16.1**		(1,792)	12.2	
B	**(360)**	**4.0**		(424)	2.9	
CCC and below	**(112)**	**1.2**		(149)	1.0	
NR [(2)]	**653**	**(7.2)**		1,650	(11.2)	
Total	**$ (9,065)**	**100.0**	**%**	$ (14,693)	100.0	%

(1) In order to mitigate the cost of purchasing credit protection, credit exposure can be added by selling credit protection. The distribution of debt rating for net notional credit default protection purchased is shown as negative amounts and the net notional credit protection sold is shown as positive amounts.

(2) In addition to unrated names, NR includes $661 million and $1.7 billion in net credit default swaps index positions at September 30, 2006 and December 31, 2005. While index positions are principally investment grade, credit default swaps indices include names in and across each of the ratings categories.

Table of Contents

Table 23 presents outstanding commercial real estate loans by geographic region and property type diversification. The amounts outstanding exclude commercial loans and leases secured by owner-occupied real estate. Commercial loans and leases secured by owner-occupied real estate are made on the general creditworthiness of the borrower where real estate is obtained as additional security and the ultimate repayment of the credit is not dependent on the sale, lease and rental, or refinancing of the real estate. For purposes of this table, commercial real estate reflects loans dependent on the sale of the real estate as the primary source of repayment. The increase in residential property type loans was driven by higher utilizations in the for sale housing sector due to increased construction and land costs.

Table 23

Outstanding Commercial Real Estate Loans

(Dollars in millions)	**September 30, 2006**	December 31, 2005
By Geographic Region [(1)]		
California	**$ 7,716**	$ 7,615
Northeast	**6,666**	6,337
Southeast	**5,426**	4,370
Florida	**3,923**	4,507
Southwest	**3,723**	3,658
Midwest	**2,361**	2,595
Northwest	**2,103**	2,048
Midsouth	**1,942**	1,485
Other	**1,021**	873
Geographically diversified [(2)]	**1,472**	1,693
Non-U.S.	**768**	585
Total	**$ 37,121**	$ 35,766
By Property Type		
Residential	**$ 8,686**	$ 7,601
Office buildings	**4,813**	4,984
Apartments	**4,173**	4,461
Land and land development	**4,144**	3,715
Shopping centers/retail	**3,900**	4,165
Industrial/warehouse	**2,828**	3,031
Multiple use	**1,165**	996
Hotels/motels	**999**	790
Resorts	**160**	183
Other [(3)]	**6,253**	5,840
Total	**$ 37,121**	$ 35,766

(1) Distribution is based on geographic location of collateral. Geographic regions are in the U.S. unless otherwise noted.

(2) The geographically diversified category is comprised primarily of unsecured outstandings to real estate investment trusts and national homebuilders whose portfolios of properties span multiple geographic regions.

(3) Represents loans to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types.

Foreign Portfolio

As shown in Table 24, at September 30, 2006, foreign exposure to borrowers or counterparties in emerging markets increased $3.6 billion to $20.8 billion compared to $17.2 billion at December 31, 2005. The increase was primarily due to higher sovereign and corporate securities trading exposures in Asia Pacific. Foreign exposure to borrowers or counterparties in emerging markets represented 16 percent and 20 percent of total foreign exposure at September 30, 2006 and December 31, 2005.

At September 30, 2006, 59 percent of the emerging markets exposure was in Asia Pacific, compared to 51 percent at December 31, 2005. Asia Pacific emerging markets exposure increased by $3.6 billion. Growth was driven by higher cross border sovereign and corporate securities trading exposure primarily in South Korea, as well as higher other financing and loan exposures in both India and South Korea. Our investment in CCB accounted for $3.0 billion of reported exposure in China at both September 30, 2006 and December 31, 2005.

Table of Contents

In August 2006, we entered into a definitive agreement with CCB to sell Bank of America (Asia) Ltd., our retail and commercial banking franchise in Hong Kong for total consideration of approximately $1.25 billion. Closing is subject to regulatory approval. As previously disclosed, our corporate banking and wholesale franchises are not impacted by this sale.

At September 30, 2006, 40 percent of the emerging markets exposure was in Latin America compared to 49 percent at December 31, 2005. Lower exposures in Chile and Brazil were offset by an increase in Mexico. The decline in Chile was due to higher local liabilities which reduced our local currency exposure. The decline in Brazil was due to the closure of the transaction for the sale of our Brazilian operations in exchange principally for equity in Banco Itau. As of September 30, 2006, our investment in Banco Itau accounted for $1.9 billion of reported exposure in Brazil.

Similar to the transaction for the sale of our Brazilian operations, in August, 2006, we announced a definitive agreement to sell our operations in Chile and Uruguay for equity in Banco Itau and other consideration for approximately $615 million. Each closing is subject to regulatory approval and is expected to be completed in 2006 or early 2007.

The sale of our Brazilian operations and the closing of the Chile and Uruguay transactions will result in Bank of America holding approximately 7.4 percent of the equity of Banco Itau through voting and non-voting shares.

The increased exposures in Mexico were attributable to higher loan exposures. Our 24.9 percent investment in Santander accounted for $2.2 billion and $2.1 billion of reported exposure in Mexico at September 30, 2006 and December 31, 2005.

In December 2005, we entered into a definitive agreement with a consortium led by Johannesburg-based Standard Bank Group Limited for the sale of our assets and liabilities in Argentina. Closing is subject to obtaining regulatory approvals and is expected to be completed in 2006 or early 2007.

Table of Contents

Table 24 sets forth regional foreign exposure to selected countries in emerging markets.

Table 24

Selected Emerging Markets [1]

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing [2]	Derivative Assets [3]	Securities/ Other Investments [4]	Total Cross-Border Exposure [5]	Local Country Exposure Net of Local Liabilities [6]	**Total Foreign Exposure September 30 2006**	Increase/ (Decrease) from December 31 2005
Region/Country								
Asia Pacific								
China	$ 230	$ 70	$ 42	$ 3,167	$ 3,509	$	**$ 3,509**	$ 105
South Korea	200	713	91	2,064	3,068		**3,068**	1,913
India	792	419	234	695	2,140		**2,140**	549
Taiwan	301	55	84	164	604	444	**1,048**	130
Hong Kong	367	51	23	374	815		**815**	256
Singapore	249	13	39	435	736		**736**	266
Macau	69	17	6	66	158	179	**337**	92
Malaysia	13	2	1	298	314		**314**	225
Other Asia Pacific [7]	4	21	9	317	351		**351**	90
Total Asia Pacific	2,225	1,361	529	7,580	11,695	623	**12,318**	3,626
Latin America								
Mexico	958	257	128	2,502	3,845		**3,845**	521
Brazil	838	106	23	1,980	2,947	426	**3,373**	(98)
Chile	239	16		1	256	329	**585**	(395)
Argentina	36	17		74	127	60	**187**	(7)
Other Latin America [7]	102	105	4	62	273	15	**288**	(71)
Total Latin America	2,173	501	155	4,619	7,448	830	**8,278**	(50)
Central and Eastern Europe [7]	26	30	14	110	180		**180**	38
Total	$ 4,424	$ 1,892	$ 698	$ 12,309	$ 19,323	$ 1,453	**$ 20,776**	$ 3,614

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

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

(3) Derivative Assets are reported on a mark-to-market basis and have been reduced by the amount of cash collateral applied of $18 million and $55 million at September 30, 2006 and December 31, 2005. There are no other marketable securities collateralizing Derivative Assets as of September 30, 2006. Derivative Assets were collateralized by $3 million of other marketable securities at December 31, 2005.

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

(5)

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

(6) Local country exposure includes amounts payable to us by borrowers with a country of residence in which the credit is booked, regardless of the currency in which the claim is denominated. Management subtracts local funding or liabilities from local exposures as allowed by the FFIEC. Total amount of available local liabilities funding local country exposure at September 30, 2006 was $22.7 billion compared to $24.2 billion at December 31, 2005. Local liabilities at September 30, 2006 in Asia Pacific and Latin America were $16.9 billion and $5.8 billion of which $7.5 billion were in Hong Kong, $6.2 billion in Singapore, $2.0 billion in Chile, $1.8 billion in Argentina, $1.2 billion in Mexico, $897 million in South Korea, $871 million in India, $744 million in Uruguay, and $532 million in China. There were no other countries with available local liabilities funding local country exposure greater than $500 million.

(7) No country included in Other Asia Pacific, Other Latin America, and Central and Eastern Europe had total foreign exposure of more than $300 million.

Table of Contents

Commercial Portfolio Credit Quality Performance

Commercial credit quality continued to be good in the first nine months of 2006.

Table 25 presents commercial net charge-offs and net charge-off ratios for the three and nine months ended September 30, 2006 and 2005.

Table 25

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

	Three Months Ended September 30				Nine Months Ended September 30			
	2006		2005		2006		2005	
(Dollars in millions)	Amount	Percent	Amount	Percent	Amount [2]	Percent	Amount	Percent
Commercial domestic	**$ 111**	**0.29 %**	$ 54	0.17 %	**$ 213**	**0.19 %**	$ 73	0.08 %
Commercial real estate	**2**	**0.02**	2	0.02	**2**	**0.01**	3	0.01
Commercial lease financing			209	4.06	**(40)**	**(0.26)**	243	1.58
Commercial foreign	**(13)**	**(0.21)**	(26)	(0.55)	**(7)**	**(0.04)**	(61)	(0.45)
Total commercial	**$ 100**	**0.17 %**	$ 239	0.47 %	**$ 168**	**0.10 %**	$ 258	0.18 %

(1) Percentage amounts are calculated as annualized net charge-offs divided by average outstanding loans and leases during the period for each loan category.
(2) Includes a reduction in net charge-offs on commercial domestic of $17 million as a result of the impact of SOP 03-3 for the nine months ended September 30, 2006. See discussion of SOP 03-3 in the Consumer Portfolio Credit Quality Performance section.

Commercial net charge-offs in the three months ended September 30, 2006 totaled $100 million, a decrease of $139 million from the same period in 2005. The charge-offs in 2006 in the commercial domestic category were primarily in small business commercial product due to portfolio seasoning and the addition of MBNA. The charge-offs for the three months ended September 30, 2005 were centered in commercial lease financing related to the domestic airline industry. For the nine months ended September 30, 2006, net charge-offs totaled $168 million, a decrease of $90 million from the same period in 2005. The decrease was centered in commercial lease financing which experienced a higher level of airline industry charge-offs in 2005. Commercial domestic net charge-offs for the nine months ended September 30, 2006 were up $140 million from the same period in 2005 due to a lower level of recoveries, small business commercial product portfolio seasoning and the addition of MBNA. Commercial foreign net charge-offs continued to be in a net recovery position for both the three and nine months ended September 30, 2006. The lower net recovery position for the nine month period was primarily driven by higher charge-offs in Brazil.

As presented in Table 26, commercial utilized criticized credit exposure was essentially flat at $7.6 billion at September 30, 2006 compared to December 31, 2005. Newly criticized exposure of $6.1 billion was offset by $6.0 billion of paydowns, payoffs, credit quality improvements, charge-offs and loan sales. From a line of business perspective, the most significant net increase was $147 million in *Global Consumer and Small Business Banking*, primarily attributable to the MBNA business credit card portfolio. The most significant improvement was in *Global Corporate and Investment Banking*, with a net decrease of $108 million primarily attributable to the sale of our Brazilian operations and a reduction in commercial assets held-for-sale.

Commercial utilized criticized exposure currently includes funded bridge and/or syndicated loans that are intended to be distributed, syndicated or retired in the normal course of business and do not represent deterioration in the portfolio. This held-for-sale funded bridge exposure is included in Other Assets and recorded at the lower of cost or market. See further discussion on bridge financing on page 83.

Table of Contents

Table 26

Commercial Utilized Criticized Exposure (1)

(Dollars in millions)	September 30, 2006 Amount	Percent (2)		December 31, 2005 Amount	Percent (2,3)	
Commercial domestic	**$ 5,477**	**2.59**	**%**	$ 5,259	2.75	%
Commercial real estate	**744**	**1.55**		723	1.63	
Commercial lease financing	**572**	**2.69**		611	2.95	
Commercial foreign	**760**	**1.28**		934	1.73	
Total commercial utilized criticized exposure (4)	**$ 7,553**	**2.22**	**%**	$ 7,527	2.42	%

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

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

(3) Commercial - domestic and total commercial utilized criticized exposure ratios at December 31, 2005 have been restated to reflect cash collateral applied to Derivative Assets that are in total commercial utilized credit exposure.

(4) Includes funded bridge and/or syndicated loans of $252 million and $442 million at September 30, 2006 and December 31, 2005 which are intended to be or have been distributed, syndicated or retired.

Table 27 presents nonperforming commercial assets at September 30, 2006 and December 31, 2005.

Table 27

Nonperforming Commercial Assets

(Dollars in millions)	September 30 2006		December 31 2005	
Nonperforming commercial loans and leases				
Commercial domestic	**$ 544**		$ 581	
Commercial real estate	**68**		49	
Commercial lease financing	**35**		62	
Commercial foreign	**36**		34	
Total nonperforming commercial loans and leases	**683**		726	
Commercial foreclosed properties	**16**		31	
Total nonperforming commercial assets (1)	**$ 699**		$ 757	
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases	**0.29**	**%**	0.33	%
Nonperforming commercial assets as a percentage of outstanding commercial loans, leases and foreclosed properties	**0.30**		0.35	

(1) Balances do not include $71 million and $45 million of nonperforming commercial assets, primarily commercial loans held-for-sale, included in Other Assets at September 30, 2006 and December 31, 2005.

Table of Contents

Table 28 presents the additions and reductions to nonperforming assets in the commercial portfolio during the most recent five quarters.

Table 28

Nonperforming Commercial Assets Activity

(Dollars in millions)	**Third Quarter 2006**	Second Quarter 2006	First Quarter 2006	Fourth Quarter 2005	Third Quarter 2005
Nonperforming loans and leases					
Balance, beginning of period	**$ 762**	$ 799	$ 726	$ 810	$ 1,092
Additions to nonperforming loans and leases:					
New nonaccrual loans and leases	**174**	204	286	215	213
Advances	**13**	6	3	8	11
Reductions in nonperforming loans and leases:					
Paydowns and payoffs	**(115)**	(32)	(152)	(149)	(131)
Sales	**(41)**	(74)		(9)	(9)
Returns to performing status [(1)]	**(26)**	(17)	(10)	(27)	(16)
Charge-offs [(2)]	**(84)**	(124)	(41)	(122)	(303)
Transfers to foreclosed properties			(3)		(3)
Transfers to loans held-for-sale			(10)		(44)
Total net additions to (reductions in) nonperforming loans and leases	**(79)**	(37)	73	(84)	(282)
Total nonperforming loans and leases, end of period	**683**	762	799	726	810
Nonperforming securities					
Balance, beginning of period					14
Reductions in nonperforming securities:					
Paydowns, payoffs, and exchanges					(14)
Total net reductions in nonperforming securities					(14)
Total nonperforming securities, end of period					
Foreclosed properties					
Balance, beginning of period	**27**	34	31	36	49
Additions to foreclosed properties:					
New foreclosed properties	**1**	1	4		4
Reductions in foreclosed properties:					
Sales	**(5)**	(7)	(1)	(3)	(14)
Writedowns	**(7)**	(1)		(2)	(2)
Charge-offs					(1)
Total net additions to (reductions in) foreclosed properties	**(11)**	(7)	3	(5)	(13)
Total foreclosed properties, end of period	**16**	27	34	31	36
Nonperforming commercial assets, end of period	**$ 699**	$ 789	$ 833	$ 757	$ 846

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

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

At September 30, 2006, Other Assets included commercial loans held-for-sale of $22.1 billion, of which $71 million was nonperforming, and leveraged lease partnership interests of $173 million. At December 31, 2005, Other Assets included commercial loans held-for-sale of $7.3 billion, of which $45 million was nonperforming, and leveraged lease partnership interests of $183 million. The $14.8 billion increase in commercial loans held-for-sale was centered in *Capital Markets and Advisory Services* within *Global Corporate and Investment Banking*.

Commercial loans and leases 90 days or more past due and still accruing interest, were $267 million at September 30, 2006, an increase of $99 million compared to December 31, 2005 primarily due to a $109 million increase in commercial domestic driven by the addition of the MBNA business credit card portfolio.

Table of Contents

Provision for Credit Losses

The Provision for Credit Losses was $1.2 billion, for the three months ended September 30, 2006, essentially flat compared to the same period in 2005. For the nine months ended September 30, 2006, the Provision for Credit Losses was $3.4 billion, a 32 percent increase compared to the same period in 2005.

The consumer portion of the Provision for Credit Losses decreased $129 million to $1.0 billion for the third quarter and increased $150 million to $3.2 billion for the first nine months of 2006 compared to the same periods a year ago. The increase resulting from the addition of MBNA was more than offset in the third quarter comparison, and was partially offset in the nine month comparison, by reduced credit-related costs on the domestic credit card portfolio. In the nine month comparison, the absence of $210 million provision recorded in the second quarter of 2005 to establish reserves for changes in credit card minimum payment requirements also partially offset the increase in provision. For discussions of the impact of SOP 03-3, see Consumer Portfolio Credit Quality Performance on page 79.

The commercial portion of the Provision for Credit Losses increased $142 million to $116 million, and $664 million to $218 million for the three and nine months ended September 30, 2006, primarily due to the absence in 2006 of the benefits from release of reserves in 2005 related to reduced exposures in Latin America. The provision was also higher due to the addition of MBNA. In addition to the drivers for the three month comparison, the increase in provision in the nine month comparison also resulted from the absence of the benefits from the release of reserves in 2005 related to reduced uncertainties associated with the FleetBoston credit integration as well as lower recoveries in 2006 and seasoning of the small business commercial product portfolios.

Allowance for Credit Losses

Allowance for Loan and Lease Losses

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

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

The second component of the Allowance for Loan and Lease Losses covers performing commercial loans and leases, and consumer loans. The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment. As of September 30, 2006, quarterly updating of historical loss experience did not have a material impact to the allowance for commercial loan and lease losses. The allowance for consumer loan and lease losses is based on aggregated portfolio segment evaluations, generally by product type. Loss forecast models are utilized for consumer products that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. These consumer loss forecast models are updated on a quarterly basis in order to incorporate information reflective of the current economic environment. As of September 30, 2006, quarterly updating of the loss forecast models did not have a material impact on allowance for consumer loan and lease losses. Included within this second component of the Allowance for Loan and Lease Losses and determined separately from the procedures outlined above are reserves which are maintained to cover uncertainties that affect our estimate of probable losses including the imprecision inherent in the forecasting methodologies, as well as domestic and global economic uncertainty, large single name defaults and event risk.

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

Table of Contents

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

The Allowance for Loan and Lease Losses for the consumer portfolio as presented in Table 30 increased $789 million from December 31, 2005 to $5.3 billion at September 30, 2006. The increase was primarily attributable to the addition of MBNA.

The allowance for commercial loan and lease losses was $3.6 billion at September 30, 2006, a $38 million increase from December 31, 2005. This increase is primarily attributable to the addition of MBNA partially offset by the impact of the sale of our Brazilian operations.

Within the individual consumer and commercial product categories, credit card domestic allowance levels include reductions throughout 2006 from new securitizations and reductions as reserves established in 2005 for changes in minimum payment requirements were utilized to absorb associated net charge-offs. Direct/indirect consumer allowance levels increased as the Corporation discontinued new sales of receivables into consumer finance securitization trusts. Commercial domestic allowance levels also increased as reserves were established for new advances on business credit card accounts for which previous loan balances were sold to the securitization trusts.

Reserve for Unfunded Lending Commitments

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

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

Changes to the reserve for unfunded lending commitments are made through the Provision for Credit Losses. The reserve for unfunded lending commitments at September 30, 2006 was $388 million, a decrease of $7 million from December 31, 2005, attributable to the impact of the sale of our Brazilian operations.

Table of Contents

Table 29 presents a rollforward of the allowance for credit losses for the three and nine months ended September 30, 2006 and 2005.

Table 29

Allowance for Credit Losses

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2006**	2005	**2006**	2005
Allowance for loan and lease losses, beginning of period	**$ 9,080**	$ 8,319	**$ 8,045**	$ 8,626
MBNA balance, January 1, 2006			**577**	
Loans and leases charged off				
Residential mortgage	**(17)**	(14)	**(57)**	(44)
Credit card domestic	**(984)**	(871)	**(2,569)**	(2,554)
Credit card foreign	**(85)**		**(189)**	
Home equity lines	**(14)**	(12)	**(44)**	(35)
Direct/Indirect consumer	**(205)**	(91)	**(498)**	(261)
Other consumer	**(132)**	(84)	**(309)**	(235)
Total consumer	**(1,437)**	(1,072)	**(3,666)**	(3,129)
Commercial domestic	**(155)**	(133)	**(400)**	(381)
Commercial real estate	**(3)**	(2)	**(5)**	(5)
Commercial lease financing	**(8)**	(215)	**(16)**	(267)
Commercial foreign	**(34)**	(17)	**(74)**	(37)
Total commercial	**(200)**	(367)	**(495)**	(690)
Total loans and leases charged off	**(1,637)**	(1,439)	**(4,161)**	(3,819)
Recoveries of loans and leases previously charged off				
Residential mortgage	**11**	7	**27**	22
Credit card domestic	**131**	99	**359**	268
Credit card foreign	**15**		**43**	
Home equity lines	**3**	3	**12**	11
Direct/Indirect consumer	**53**	31	**164**	94
Other consumer	**47**	26	**107**	78
Total consumer	**260**	166	**712**	473
Commercial domestic	**44**	79	**187**	308
Commercial real estate	**1**		**3**	2
Commercial lease financing	**8**	6	**56**	24
Commercial foreign	**47**	43	**81**	98
Total commercial	**100**	128	**327**	432
Total recoveries of loans and leases previously charged off	**360**	294	**1,039**	905
Net charge-offs	**(1,277)**	(1,145)	**(3,122)**	(2,914)
Provision for loan and lease losses	**1,165**	1,152	**3,440**	2,626
Other	**(96)**		**(68)**	(12)
Allowance for loan and lease losses, September 30	**8,872**	8,326	**8,872**	8,326
Reserve for unfunded lending commitments, beginning of period	**395**	383	**395**	402
Provision for unfunded lending commitments		7		(12)
Other	**(7)**		**(7)**	
Reserve for unfunded lending commitments, September 30	**388**	390	**388**	390
Total	**$ 9,260**	$ 8,716	**$ 9,260**	$ 8,716
Loans and leases outstanding at September 30	**$ 669,149**	$ 554,612	**$ 669,149**	$ 554,612
Allowance for loan and lease losses as a percentage of loans and leases outstanding at September 30	**1.33 %**	1.50 %	**1.33 %**	1.50 %
Consumer allowance for loan and lease losses as a percentage of consumer loans and leases outstanding at September 30	**1.22**	1.37	**1.22**	1.37
Commercial allowance for loan and lease losses as a percentage of commercial loans and leases outstanding at	**1.52**	1.72	**1.52**	1.72

September 30				
Average loans and leases outstanding during the period	**$ 673,477**	$ 539,497	**$ 641,909**	$ 528,331
Annualized net charge-offs as a percentage of average loans and leases outstanding during the period [(1)]	**0.75 %**	0.84 %	**0.65 %**	0.74 %
Allowance for loan and lease losses as a percentage of nonperforming loans and leases at September 30	**562**	556	**562**	556
Ratio of the allowance for loan and lease losses at September 30 to annualized net charge-offs [(1)]	**1.75**	1.83	**2.13**	2.14

(1) For the three and nine months ended September 30, 2006, the impact of SOP 03-3 decreased net charge-offs by $26 million and $263 million. Excluding the impact of SOP 03-3, annualized net charge-offs as a percentage of average loans and leases outstanding for the three and nine months ended September 30, 2006 was 0.77 percent and 0.70 percent, and the ratio of the Allowance for Loan and Lease Losses at September 30, 2006 to annualized net charge-offs was 1.72 and 1.97.

Table of Contents

For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is available to absorb any credit losses without restriction. Table 30 presents our allocation by product type.

Table 30

Allocation of the Allowance for Credit Losses by Product Type

	September 30, 2006		December 31, 2005	
(Dollars in millions)	Amount	Percent	Amount	Percent
Allowance for loan and lease losses				
Residential mortgage	**$ 273**	**3.1 %**	$ 277	3.4 %
Credit card domestic	**3,078**	**34.7**	3,301	41.0
Credit card foreign	**264**	**3.0**		
Home equity lines	**135**	**1.5**	136	1.7
Direct/Indirect consumer	**1,066**	**12.0**	421	5.2
Other consumer	**488**	**5.5**	380	4.8
Total consumer	**5,304**	**59.8**	4,515	56.1
Commercial domestic	**2,256**	**25.4**	2,100	26.1
Commercial real estate	**592**	**6.7**	609	7.6
Commercial lease financing	**222**	**2.5**	232	2.9
Commercial foreign	**498**	**5.6**	589	7.3
Total commercial (1)	**3,568**	**40.2**	3,530	43.9
Allowance for loan and lease losses	**8,872**	**100.0 %**	8,045	100.0 %
Reserve for unfunded lending commitments	**388**		395	
Total	**$ 9,260**		$ 8,440	

(1) Includes allowance for loan and lease losses on commercial impaired loans of $50 million and $55 million at September 30, 2006 and December 31, 2005.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as market movements. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business, our customer and proprietary trading operations, our ALM activities, credit risk mitigation activities, and mortgage banking activities. More detailed information on our market risk management process is included on pages 53 through 61 of Management s Discussion and Analysis of Financial Condition and Results of Operations filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

96

Table of Contents

Trading Risk Management

The histogram of daily revenue or loss below is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for the twelve months ended September 30, 2006. Trading-related revenue encompasses proprietary trading and customer-related activities. During the twelve months ended September 30, 2006, positive trading-related revenue was recorded for 94 percent of the trading days. Furthermore, only one percent of the total trading days had losses greater than $10 million, and the largest loss was $24 million. This can be compared to the twelve months ended September 30, 2005, where positive trading-related revenue was recorded for 87 percent of the trading days and only four percent of the total trading days had losses greater than $10 million, and the largest loss was $55 million.

Histogram of Daily Market Risk-related Revenue

Twelve Months Ended September 30, 2006

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

A VAR model estimates a range of hypothetical scenarios to calculate a potential loss which is not expected to be exceeded with a specified confidence level. These estimates are impacted by the nature of the positions in the portfolio and the correlation within the portfolio. Within any VAR model, there are significant and numerous assumptions that will differ from company to company. Our VAR model assumes a 99 percent confidence level. Statistically, this means that losses will exceed VAR, on average, one out of 100 trading days, or two to three times each year. Actual losses did not exceed VAR in the twelve months ended September 30, 2006 and exceeded VAR twice in the twelve months ended September 30, 2005.

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

Table of Contents

Table 31 presents average, high and low daily VAR for the twelve months ended September 30, 2006 and 2005.

Table 31

Trading Activities Market Risk

	Twelve Months Ended September 30					
	2006			2005		
	VAR			VAR		
(Dollars in millions)	**Average**	**High [(1)]**	**Low [(1)]**	Average	High [(1)]	Low [(1)]
Foreign exchange	**$ 6.4**	**$ 19.3**	**$ 3.1**	$ 5.4	$ 12.1	$ 2.4
Interest rate	**19.3**	**50.0**	**8.8**	25.3	58.2	10.7
Credit	**26.5**	**35.1**	**18.4**	20.9	32.2	14.4
Real estate/mortgage	**9.2**	**15.8**	**4.7**	10.4	20.7	4.9
Equities	**19.8**	**39.6**	**12.6**	15.9	35.1	8.0
Commodities	**5.8**	**9.1**	**3.4**	7.2	10.6	3.7
Portfolio diversification	**(45.6)**			(44.4)		
Total market-based trading portfolio [(2)]	**$ 41.4**	**$ 59.8**	**$ 29.3**	$ 40.7	$ 67.0	$ 26.0

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

(2) See Commercial Portfolio Credit Risk Management on page 82 for a discussion of the VAR related to the credit derivatives that economically hedge the loan portfolio.

Stress Testing

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

Interest Rate Risk Management

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

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

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

Table of Contents

We prepare forward looking forecasts of managed Net Interest Income. These baseline forecasts take into consideration expected future business growth, ALM positioning, and the direction of interest rate movements as implied by the forward market curve. We then measure and evaluate the impact that alternative interest rate scenarios have to these static baseline forecasts in order to assess interest rate sensitivity under varied conditions. The spot and 12-month forward rates used in our respective baseline forecasts at September 30, 2006 and December 31, 2005 were as follows:

Table 32

Forward Rates

	September 30, 2006		December 31, 2005	
	Federal Funds	**Ten-Year Swap**	Federal Funds	Ten-Year Swap
Spot rates	**5.25 %**	**5.17 %**	4.25 %	4.94 %
12-month forward rates	**4.75**	**5.17**	4.75	4.97

The following table reflects the pre-tax dollar impact to forecasted Core Net Interest Income Managed Basis (see Table 7 on page 45) over the next twelve months from September 30, 2006 and December 31, 2005, resulting from a 100 bp gradual parallel increase, a 100 bp gradual parallel decrease, a 100 bp gradual curve flattening (increase in short-term rates or decrease in long-term rates) and a 100 bp gradual curve steepening (decrease in short-term rates or increase in long-term rates) from the forward market curve.

Table 33

Estimated Core Net Interest Income Managed Basis at Risk

(Dollars in millions)

Curve Change	**Short Rate**	**Long Rate**	**September 30 2006**	December 31 2005
+100 Parallel shift	+100	+100	**$ (171)**	$ (357)
-100 Parallel shift	-100	-100	**544**	244
Flatteners				
Short end	+100		**(304)**	(523)
Long end		-100	**(191)**	(298)
Steepeners				
Short end	-100		**734**	536
Long end		+100	**132**	168

The sensitivity analysis above assumes that we take no action in response to these rate shifts over the indicated years. The estimated exposure is reported on a managed basis and reflects impacts that may be realized primarily in Net Interest Income and Card Income. This sensitivity analysis excludes any impact that could occur in the valuation of retained interests in the Corporation s securitizations due to changes in interest rate levels (see Note 8 of the Consolidated Financial Statements for additional information on Securitizations).

Beyond what is already implied in the forward market curve, the interest rate risk position has become less exposed to rising rates since December 31, 2005 due to the termination of receive-fixed swap positions, the addition of pay-fixed swap positions, the addition of interest rate option positions and a reduction in mortgage-backed securities holdings. These actions that reduced the exposure to rising rates were partially offset by the addition of MBNA, which was liability sensitive, and a net increase in residential whole loan balances. Conversely, we would benefit from falling rates or a steepening of the yield curve beyond what is already implied in the forward market curve.

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

Securities

The securities portfolio is an integral part of our ALM position. During the three months ended September 30, 2006, the Corporation made a strategic shift in its balance sheet composition strategy to reduce the level of mortgage-backed securities and thereby reduce the level of investments in debt securities relative to loans. Accordingly, management targeted a reduction of mortgage-backed securities of approximately $100 billion over the next couple of years in order to achieve a

99

balance sheet composition that would be consistent with management s revised risk-reward profile. This reduction will also reduce the Corporation s concentration in overall debt securities and would provide for a future balance sheet composition more heavily concentrated in loans.

During the three months ended September 30, 2006, the Corporation sold $43.7 billion of mortgage-backed securities at a loss of $496 million. Management expects the total targeted reduction in securities levels of approximately $100 billion will result from the third-quarter sale, combined with expected maturities and paydowns of mortgage-backed securities over the next couple of years. Accordingly, management intends to hold the remaining mortgage-backed securities until recovery.

The securities portfolio also includes investments to a lesser extent in corporate, municipal and other investment grade debt securities. The strategic shift in the balance sheet composition strategy did not impact these holdings. The Corporation has the intent to hold these securities to recovery unless there is a significant deterioration in credit quality in any individual security.

During the three months ended September 30, 2006 and 2005, we purchased debt securities of $3.5 billion and $9.7 billion and sold $45.8 billion and $2.4 billion. Of the $45.8 billion sold in the quarter ended September 30, 2006, $35.9 billion settled in October 2006. The unsettled amount at September 30, 2006, is reflected in Other Assets. We realized $(469) million and $29 million in Gains (Losses) on Sales of Debt Securities during the three months ended September 30, 2006 and 2005. During the three months ended September 30, 2006 and 2005, the portfolio had maturities and received paydowns of $6.1 billion and $9.6 billion. As a result of a decrease in interest rates, combined with the securities sale, the value of the Corporation s Accumulated Other Comprehensive Income (OCI) related to AFS debt securities increased by $6.6 billion (pre-tax) during the three months ended September 30, 2006. For further information, see Note 11 to the Consolidated Financial Statements.

During the nine months ended September 30, 2006 and 2005, we purchased AFS debt securities of $38.3 billion and $200.4 billion, sold $53.1 billion and $133.4 billion, and had maturities and received paydowns of $17.7 billion and $31.4 billion. We realized $(464) million and $1.0 billion in Gains (Losses) on Sales of Debt Securities during the nine months ended September 30, 2006 and 2005. As a result of the increase in interest rates, combined with the securities sale, the value of the Corporation s Accumulated OCI related to AFS debt securities declined by $577 million (pre-tax) during the nine months ended September 30, 2006.

Accumulated OCI includes $3.1 billion in after-tax losses at September 30, 2006, related to unrealized losses associated with our AFS securities portfolio, including $3.5 billion of unrealized losses related to AFS debt securities and $418 million of unrealized gains related to AFS equity securities. Total market value of the AFS debt securities was $195.1 billion with a weighted average duration of 4.1 years and primarily relates to our mortgage-backed securities portfolio.

Changes to the Accumulated OCI amounts for the AFS debt securities portfolio going forward will be driven by further interest rate or price fluctuations, the collection of cash flows including prepayment and maturity activity, and the passage of time.

Residential Mortgage Portfolio

During the three months ended September 30, 2006 and 2005, we purchased $1.1 billion and $10.5 billion of residential mortgages related to ALM activities, sold $9.7 billion during the quarter in 2006 and had no whole mortgage loan sales during the quarter in 2005. We added $12.0 billion and $6.6 billion of originated residential mortgages to the balance sheet for the three months ended September 30, 2006 and 2005. Additionally, we received paydowns of $6.1 billion and $9.8 billion for the three months ended September 30, 2006 and 2005.

During the nine months ended September 30, 2006 and 2005, we purchased $30.8 billion and $25.0 billion of residential mortgages related to ALM activities and sold $9.7 billion and $10.0 billion. We added $34.4 billion and $12.3 billion of originated residential mortgages to the balance sheet for the nine months ended September 30, 2006 and 2005. Additionally, we received paydowns of $18.2 billion and $28.0 billion for the nine months ended September 30, 2006 and 2005.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to mitigate our risk. We use derivatives to hedge the changes in cash flows or market values of our balance sheet. See Note 4 of the Consolidated Financial Statements for additional information on our hedging activities.

Table of Contents

Our interest rate contracts are generally non-leveraged generic interest rate and foreign exchange basis swaps, options, futures, and forwards. In addition, we use foreign exchange contracts, including cross-currency interest rate swaps and foreign currency forward contracts, to mitigate the foreign exchange risk associated with foreign currency-denominated assets and liabilities, as well as certain equity investments in foreign subsidiaries. Table 34 reflects the notional amounts, fair value, weighted average receive fixed and pay fixed rates, expected maturity, and estimated duration of our open ALM derivatives at September 30, 2006 and December 31, 2005.

The changes in our derivatives portfolio reflect actions taken for interest rate risk management. The decision to reposition our derivative portfolio are based upon the current assessment of economic and financial conditions including the interest rate environment, balance sheet composition and trends, and the relative mix of our cash and derivative positions. The notional amount of our net pay fixed swap position (including foreign exchange contracts) increased $93.9 billion to $71.2 billion at September 30, 2006 compared to the net receive fixed position of $22.8 billion at December 31, 2005. The notional amount of our option position increased $166.0 billion to $223.3 billion at September 30, 2006, compared to December 31, 2005. The increase in the notional amount of options was due primarily to the addition of caps and floors, used to reduce the sensitivity of Net Interest Income to changes in market interest rates as described above. Futures and forward rate contracts are comprised primarily of $117.0 billion of short Eurodollar futures at September 30, 2006 and $35.0 billion of forward purchase contracts of mortgage-backed securities and mortgage loans at December 31, 2005. The forward purchase contracts outstanding at December 31, 2005, settled from January 2006 to April 2006, with an average yield of 5.46 percent.

The following table includes derivatives utilized in our ALM activities, including those designated as SFAS 133 accounting hedges and those used as economic hedges. The fair value of net ALM contracts increased from a loss of $386 million at December 31, 2005 to a gain of $439 million at September 30, 2006. The increase was attributable to gains from changes in the value of foreign exchange basis swaps of $1.6 billion, receive fixed and pay fixed interest rate swaps of $983 million, and futures and forward rate contracts of $125 million, partially offset by losses from changes in the values of foreign exchange contracts of $1.0 billion, and option products of $877 million. The increase in the value of foreign exchange basis swaps was due to the strengthening of most foreign currencies against the dollar during the first nine months of 2006. The increase in the value of receive fixed interest rate swaps was due to terminations, partially offset by losses due to increases in market interest rates. The increase in the value of pay fixed interest rate swaps was due to gains from increases in market interest rates, partially offset by terminations. The decrease in the value of foreign exchange contracts was due primarily to increases in interest rates in most foreign markets during the nine months ended September 30, 2006. The decrease in the value of option products was primarily due to the termination of swaptions.

Table of Contents

Table 34

Asset and Liability Management Interest Rate and Foreign Exchange Contracts

September 30, 2006

(Dollars in millions, average estimated duration in years)	Fair Value	Total	2006	2007	2008	2009	2010	Thereafter	Average Estimated Duration
		Expected Maturity							
Receive fixed interest rate swaps [1]	$ (666)								5.04
Notional amount		$ 55,265	$ 1,000	$ 2,795	$ 7,519	$ 3,900	$ 3,265	$ 36,786	
Weighted average fixed rate		4.85 %	4.64 %	4.80 %	4.53 %	4.17 %	4.35 %	5.04 %	
Pay fixed interest rate swaps [1]	(149)								1.50
Notional amount		$ 145,739	$	$ 50,000	$ 29,390	$ 51,000	$	$ 15,349	
Weighted average fixed rate		5.19 %	%	5.48 %	5.33 %	4.84 %	%	5.15 %	
Foreign exchange basis swaps [2]	960								
Notional amount		$ 29,860	$	$ 174	$ 2,201	$ 2,951	$ 5,169	$ 19,365	
Option products [3]	472								
Notional amount		223,278		205,000	18,176		68	34	
Foreign exchange contracts [4]	(101)								
Notional amount [5]		18,999	(413)	52	1,527	1,877	3,734	12,222	
Futures and forward rate contracts [6]	(77)								
Notional amount [5]		(116,998)	2	(62,000)	(55,000)				
Net ALM contracts	$ 439								

December 31, 2005

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

[1] At September 30, 2006, none of the receive fixed and $52.5 billion of the pay fixed swap notional represented forward starting swaps that will not be effective until their respective contractual start dates. At December 31, 2005, $46.6 billion of the receive fixed swap notional and $41.9 billion of the pay fixed swap

notional represented forward starting swaps that will not be effective until their respective contractual start dates.

(2) Foreign exchange basis swaps consist of cross-currency variable interest rate swaps used separately or in conjunction with receive fixed interest rate swaps.

(3) Option products include $150.1 billion in caps, $55.0 billion in floors and $18.2 billion in swaptions at September 30, 2006. Amounts at December 31, 2005 totaled $5.0 billion in caps and $52.2 billion in swaptions.

(4) Foreign exchange contracts include foreign-denominated receive fixed interest rate swaps, cross-currency receive fixed interest rate swaps and foreign currency forward rate contracts. Total notional at September 30, 2006 was comprised of $19.3 billion in foreign-denominated and cross currency receive fixed swaps and $309 million in foreign currency forward rate contracts. At December 31, 2005, the notional balance consisted entirely of $16.1 billion in foreign-denominated and cross-currency fixed swaps.

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

(6) Futures and forward rate contracts include Eurodollar futures and forward purchase and sale contracts. Notional balances were mostly comprised of $117.0 billion in Eurodollar futures at September 30, 2006. At December 31, 2005, the position was comprised of $34.7 billion in forward purchase contracts.

Table of Contents

The Corporation uses interest rate and foreign exchange rate derivative instruments to hedge the variability in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). The net losses on both open and closed derivative instruments recorded in Accumulated OCI net-of-tax at September 30, 2006 was $3.7 billion. These net losses are expected to be reclassified into earnings in the same period when the hedged item affects earnings and will decrease income or increase expense on the respective hedged items. Assuming no change in open cash flow derivative hedge positions and no changes to interest and foreign exchange rates beyond what is implied in the forward yield curve at September 30, 2006, the net losses are expected to be reclassified into earnings as follows: 12 percent within the next year, 57 percent within five years, 83 percent within 10 years, with the remaining 17 percent thereafter. For more information on derivatives designated as cash flow hedges, see Note 4 of the Consolidated Financial Statements.

The amounts included in Accumulated OCI for terminated derivative contracts were losses of $3.1 billion and $2.5 billion, net-of-tax, at September 30, 2006 and December 31, 2005. The increase in losses was attributable primarily to losses in the value of interest rate swaps that were terminated during the nine month period. Losses on these terminated derivative contracts are reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings.

Mortgage Banking Risk Management

Interest rate lock commitments (IRLCs) on loans intended to be sold are subject to interest rate risk between the date of the IRLC and the date the loan is funded. Residential first mortgage loans held-for-sale are subject to interest rate risk from the date of funding until the loans are sold to the secondary market. To hedge interest rate risk, we utilize forward loan sale commitments and other derivative instruments including options. These instruments are used either as an economic hedge of IRLCs and residential first mortgage loans held-for-sale, or designated as a cash flow hedge of residential first mortgage loans held-for-sale, in which case their net-of-tax unrealized gains and losses are included in Accumulated OCI. At September 30, 2006, the notional amount of derivatives hedging the IRLCs and residential first mortgage loans held-for-sale was $22.6 billion.

We manage changes in the value of MSRs by entering into derivative financial instruments. MSRs are a nonfinancial asset created when the underlying mortgage loan is sold to investors and we retain the right to service the loan. We use certain derivatives such as options and interest rate swaps as economic hedges of MSRs. At September 30, 2006, the amount of MSRs identified as being hedged by derivatives was approximately $2.9 billion. The notional amount of the derivative contracts designated as economic hedges of MSRs at September 30, 2006 was $39.0 billion. The changes in the fair values of the derivative contracts are substantially offset by changes in values of the MSRs that are hedged by these derivative contracts. During the three and nine months ended September 30, 2006, the changes in values attributed to economically hedged MSRs were $(162) million and $310 million, offset by derivative hedge gains or (losses) of $260 million and $(179) million.

The Corporation has elected to adopt SFAS 156 Accounting for Servicing of Financial Assets and account for consumer MSR s using the fair value measurement method on January 1, 2006. See Note 1 of the Consolidated Financial Statements for additional information as it relates to this accounting standard. See Note 7 of the Consolidated Financial Statements for additional information on MSRs.

Operational Risk Management

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

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

We approach operational risk from two perspectives: enterprise-wide and line of business-specific. The Compliance and Operational Risk Committee, chartered in 2005 as a subcommittee of the Finance Committee, provides consistent communication and oversight of significant operational and compliance issues and oversees the adoption of best practices. Two groups within Risk Management, Compliance Risk Management and Enterprise Operational Risk Management, facilitate the consistency of effective policies, industry best practices, controls and monitoring tools for managing and assessing operational risks across the Corporation. These groups also work with the line of business executives and their Risk Management counterparts to implement appropriate policies, processes and assessments at the line of business level and support groups. Compliance and operational risk awareness is also driven across the Corporation through training and strategic communication efforts. For selected risks, we establish specialized support groups, such as Information Security and Supply Chain Management. These specialized groups develop corporate-wide risk management practices, such as an information security program and a supplier program, in order to ensure that suppliers adopt appropriate policies and procedures when performing work on behalf of the Corporation. These specialized groups also assist the lines of business in the development and implementation of risk management practices specific to the needs of the individual businesses.

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

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

Recent Accounting and Reporting Developments

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

Complex Accounting Estimates

Our significant accounting principles as described in Note 1 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006 are essential in understanding Management s Discussion and Analysis of Financial Condition and Results of Operations. Many of our significant accounting principles require complex judgments to estimate values of assets and liabilities. We have procedures and processes to facilitate making these judgments. For a complete discussion of our more judgmental and complex accounting estimates, see Complex Accounting Estimates on pages 62 through 65 of Management s Discussion and Analysis of Financial Condition and Results of Operations filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management s Discussion and Analysis of Financial Condition and Results of Operations Market Risk Management beginning on page 96 and the sections referenced therein for Quantitative and Qualitative Disclosures about Market Risk.

Table of Contents

Item 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the Exchange Act), the Corporation s management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Corporation s disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Corporation s Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that the Corporation s disclosure controls and procedures were effective in recording, processing, summarizing and reporting information required to be disclosed by the Corporation, within the time periods specified in the Securities and Exchange Commission s rules and forms.

Changes in internal controls

In addition and as of the end of the period covered by this report, there have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter to which this report relates that have materially affected or are reasonably likely to materially affect the Corporation s internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 10 of the Consolidated Financial Statements for litigation and regulatory disclosure that supplements the disclosure in the Corporation s Current Report on Form 8-K filed on May 25, 2006, as well as the quarterly reports on Form 10-Q for the quarters ended June 30, 2006 and March 31, 2006, and the Current Reports on Form 8-K filed since December 31, 2005.

Item 1A. Risk Factors

There are no material changes from the risk factors set forth under Part I, Item 1A. Risk Factors in the Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

Item 2. Unregistered Sales of Equity Securities and the Use of Proceeds

See Note 11 of the Consolidated Financial Statements for information on the monthly share repurchase activity for the three and nine months ended September 30, 2006 and 2005, including total common shares repurchased under announced programs, weighted average per share price and the remaining buyback authority under announced programs.

Table of Contents

Item 6. Exhibits

Exhibit 3(a)	Amended and Restated Certificate of Incorporation of the Registrant, incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed May 7, 1999
Exhibit 3(b)	Certificate of Amendment of Amended and Restated Certificate of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant s Current Report on Form 8-K filed March 30, 2004
Exhibit 3(c)	Certificate of Designations of 6.204% Non-Cumulative Preferred Stock, Series D (Series D Preferred Stock) of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant s Current Report on Form 8-K filed September 14, 2006
Exhibit 3(d)	Certificate of Designations of Floating Rate Non-Cumulative Preferred Stock, Series E (Series E Preferred Stock) of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant s Current Report on Form 8-K filed November 6, 2006
Exhibit 3(e)	Amended and Restated Bylaws of the Registrant, as in effect on the date hereof, incorporated by reference to Exhibit 3.1 of the Registrant s Current Report on Form 8-K filed October 25, 2006
Exhibit 4(a)	Specimen certificate of the Registrant s Series D Preferred Stock, incorporated by reference to Exhibit 4.2 of the Registrant s Current Report on Form 8-K filed September 14, 2006
Exhibit 4(b)	Deposit Agreement relating to the Series D Preferred Stock, dated September 6, 2006, among the Registrant, Computershare Shareholder Services, Inc., Computershare Trust Company, N.A. and Holders from time to time of the Series D Preferred Stock depositary shares, incorporated by reference to Exhibit 4.1 of the Registrant s Current Report on Form 8-K filed September 14, 2006
Exhibit 4(c)	Form of Depositary Receipt for the Series D Preferred Stock depositary shares, incorporated by reference to Exhibit 4.3 of the Registrant s Current Report on Form 8-K filed September 14, 2006
Exhibit 4(d)	Specimen certificate of the Registrant s Series E Preferred Stock, incorporated by reference to Exhibit 4.2 of the Registrant s Current Report on Form 8-K filed November 6, 2006
Exhibit 4(e)	Deposit Agreement relating to the Series E Preferred Stock, dated October 30, 2006, among the Registrant, Computershare Shareholder Services, Inc., Computershare Trust Company, N.A. and Holders from time to time of the Series E Preferred Stock depositary shares, incorporated by reference to Exhibit 4.1 of the Registrant s Current Report on Form 8-K filed November 6, 2006
Exhibit 4(f)	Form of Depositary Receipt for the Series E Preferred Stock depositary shares, incorporated by reference to Exhibit 4.3 of the Registrant s Current Report on Form 8-K filed November 6, 2006
Exhibit 11	Earnings Per Share Computation - included in Note 11 of the Consolidated Financial Statements
Exhibit 12	Ratio of Earnings to Fixed Charges Ratio of Earnings to Fixed Charges and Preferred Dividends
Exhibit 31(a)	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31(b)	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32(a)	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002
Exhibit 32(b)	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002

Table of Contents

SIGNATURE

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

Bank of America Corporation

Registrant

/s/ Neil A. Cotty

Date: November 8, 2006

Neil A. Cotty

Chief Accounting Officer

(Duly Authorized Officer)

Bank of America Corporation

Form 10-Q

Index to Exhibits

Exhibit	Description
3(a)	Amended and Restated Certificate of Incorporation of the Registrant, incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K filed May 7, 1999
3(b)	Certificate of Amendment of Amended and Restated Certificate of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant s Current Report on Form 8-K filed March 30, 2004
3(c)	Certificate of Designations of 6.204% Non-Cumulative Preferred Stock, Series D (Series D Preferred Stock) of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant s Current Report on Form 8-K filed September 14, 2006
3(d)	Certificate of Designations of Floating Rate Non-Cumulative Preferred Stock, Series E (Series E Preferred Stock) of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant s Current Report on Form 8-K filed November 6, 2006
3(e)	Amended and Restated Bylaws of the Registrant, as in effect on the date hereof, incorporated by reference to Exhibit 3.1 of the Registrant s Current Report on Form 8-K filed October 25, 2006
4(a)	Specimen certificate of the Registrant s Series D Preferred Stock, incorporated by reference to Exhibit 4.2 of the Registrant s Current Report on Form 8-K filed September 14, 2006
4(b)	Deposit Agreement relating to the Series D Preferred Stock, dated September 6, 2006, among the Registrant, Computershare Shareholder Services, Inc., Computershare Trust Company, N.A. and Holders from time to time of the Series D Preferred Stock depositary shares, incorporated by reference to Exhibit 4.1 of the Registrant s Current Report on Form 8-K filed September 14, 2006
4(c)	Form of Depositary Receipt for the Series D Preferred Stock depositary shares, incorporated by reference to Exhibit 4.3 of the Registrant s Current Report on Form 8-K filed September 14, 2006
4(d)	Specimen certificate of the Registrant s Series E Preferred Stock, incorporated by reference to Exhibit 4.2 of the Registrant s Current Report on Form 8-K filed November 6, 2006
4(e)	Deposit Agreement relating to the Series E Preferred Stock, dated October 30, 2006, among the Registrant, Computershare Shareholder Services, Inc., Computershare Trust Company, N.A. and Holders from time to time of the Series E Preferred Stock depositary shares, incorporated by reference to Exhibit 4.1 of the Registrant s

	Current Report on Form 8-K filed November 6, 2006
4(f)	Form of Depositary Receipt for the Series E Preferred Stock depositary shares, incorporated by reference to Exhibit 4.3 of the Registrant s Current Report on Form 8-K filed November 6, 2006
11	Earnings Per Share Computation - included in Note 11 of the Consolidated Financial Statements
12	Ratio of Earnings to Fixed Charges Ratio of Earnings to Fixed Charges and Preferred Dividends
31(a)	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31(b)	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32(a)	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32(b)	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002