Explanation of the FDIC's Loss Sharing Exposure

The FDIC's exposure is capped at $2.5 billion. The FDIC and the Treasury's Troubled Asset Relief Program (TARP) will provide guarantees on certain residential assets for 10 years and certain other assets for a period of 5 years. BAC will bear the first $10 billion in losses. Additional losses will be shared with the FDIC, Treasury, and the Federal Reserve covering 90 percent of the losses with BAC bearing 10 percent. After the first $10 billion in losses, the FDIC and Treasury will cover losses pro rata in proportions of 25% for the FDIC and 75% for Treasury up to a cap of $2.5 billion for the FDIC and $7.5 billion for the Treasury. Further losses will be covered 90% by the Federal Reserve through nonrecourse lending. The FDIC will receive compensation in the form of what is projected to be $1 billion in preferred stock and warrants with an aggregate exercise value of 10% of the amount of preferred issued.

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