10-Q 1 d10q.txt BANK OF AMERICA 10-Q ========== UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 FORM 10-Q (Mark One) [X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Quarterly Period Ended September 30, 2001 or [ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Commission file number: 1-6523 Exact name of registrant as specified in its charter: Bank of America Corporation State of incorporation: Delaware IRS Employer Identification Number: 56-0906609 Address of principal executive offices: Bank of America Corporate Center Charlotte, North Carolina 28255 Registrant's telephone number, including area code: (888) 279-3457 Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No On October 31, 2001, there were 1,573,317,669 shares of Bank of America Corporation Common Stock outstanding.

========== Bank of America Corporation September 30, 2001 Form 10-Q ========== INDEX Page ----

Part I. Financial Information Item 1. Financial Statements

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Bank of America Corporation and Subsidiaries Consolidated Statement of Income ---------- Three Months Ended Nine Months Ended September 30 September 30 ---------- (Dollars in millions, except per share information) 2001 2000 2001 2000 ---------- Interest income Interest and fees on loans and leases $ 6,511 $ 8,283 $ 21,371 $ 23,593 Interest and dividends on securities 891 1,251 2,631 3,830 Federal funds sold and securities purchased under agreements to resell 321 633 1,161 1,803 Trading account assets 930 744 2,712 1,974 Other interest income 669 324 1,613 828 ---------- Total interest income 9,322 11,235 29,488 32,028 ---------- Interest expense Deposits 2,097 2,868 7,173 8,083 Short-term borrowings 869 2,223 3,467 6,015 Trading account liabilities 285 237 887 607 Long-term debt 867 1,344 3,088 3,638 ---------- Total interest expense 4,118 6,672 14,615 18,343 ---------- Net interest income 5,204 4,563 14,873 13,685 Noninterest income Consumer service charges 712 684 2,120 1,948 Corporate service charges 528 474 1,538 1,413 ---------- Total service charges 1,240 1,158 3,658 3,361 ---------- Consumer investment and brokerage services 386 357 1,164 1,108 Corporate investment and brokerage services 142 114 415 340 ---------- Total investment and brokerage services 528 471 1,579 1,448 ---------- Mortgage banking income 109 121 426 366 Investment banking income 305 376 1,106 1,146 Equity investment gains 22 422 340 1,119 Card income 618 594 1,792 1,634 Trading account profits/(1)/ 433 402 1,508 1,630 Other income 174 131 541 550 ---------- Total noninterest income 3,429 3,675 10,950 11,254 ---------- Total revenue 8,633 8,238 25,823 24,939 Provision for credit losses 1,251 435 2,886 1,325 Gains on sales of securities 97 11 82 23 Noninterest expense Personnel 2,304 2,298 7,239 7,143 Occupancy 448 419 1,309 1,248 Equipment 273 285 835 882 Marketing 165 147 516 398 Professional fees 144 100 411 298 Amortization of intangibles 219 215 665 650 Data processing 175 167 552 495 Telecommunications 121 127 368 391 Other general operating 613 509 1,732 1,529 General administrative and other 144 143 454 412 Business exit costs 1,305 - 1,305 - Restructuring charges - 550 - 550 ---------- Total noninterest expense 5,911 4,960 15,386 13,996 ---------- Income before income taxes 1,568 2,854 7,633 9,641 Income tax expense 727 1,025 2,899 3,509 ---------- Net income $ 841 $ 1,829 $ 4,734 $ 6,132

========== Net income available to common shareholders $ 839 $ 1,828 $ 4,730 $ 6,128

========== Per share information Earnings per common share $ .52 $ 1.11 $ 2.95 $ 3.70

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Diluted earnings per common share $ .51 $ 1.10 $ 2.90 $ 3.66

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Dividends per common share $ .56 $ .50 $ 1.68 $ 1.50

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Average common shares issued and outstanding (in thousands) 1,599,692 1,639,392 1,603,340 1,654,013

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(1) Trading account profits for the nine months ended September 30, 2001 included the $83 million transition adjustment loss resulting from the adoption of Statement of Financial Accounting Standards No.133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) on January 1, 2001. See accompanying notes to consolidated financial statements. 2

Bank of America Corporation and Subsidiaries Consolidated Balance Sheet -- ------------------ September 30 December 31 (Dollars in millions) 2001 2000 -- --------------------- Assets Cash and cash equivalents $ 23,280 $ 27,513 Time deposits placed and other short-term investments 4,629 5,448 Federal funds sold and securities purchased under agreements to resell (includes $26,418 and $24,622 pledged as collateral) 26,450 28,055 Trading account assets (includes $35,079 and $21,216 pledged as collateral) 53,471 43,041 Derivative assets 23,816 15,534 Securities: Available-for-sale (includes $34,746 and $40,674 pledged as collateral) 74,815 64,651 Held-to-maturity, at cost (market value - $1,094 and $1,133) 1,149 1,187 -- Total securities 75,964 65,838 -- Loans and leases 339,018 392,193 Allowance for credit losses (6,665) (6,838) -- Loans and leases, net of allowance for credit losses 332,353 385,355 -- ----------- Premises and equipment, net 6,372 6,433 Interest receivable 3,355 4,432 Mortgage banking assets 3,477 3,762 Goodwill 11,028 11,643 Core deposits and other intangibles 1,330 1,499 Other assets 74,580 43,638 -- Total assets $640,105 $642,191

Liabilities Deposits in domestic offices: Noninterest-bearing $98,881 $98,722 Interest-bearing 215,569 211,978 Deposits in foreign offices: Noninterest-bearing 1,854 1,923 Interest-bearing 43,566 51,621 -- Total deposits 359,870 364,244 -- Federal funds purchased and securities sold under agreements to repurchase 59,839 49,411 Trading account liabilities 22,575 20,947 Derivative liabilities 18,193 22,402 Commercial paper 2,544 6,955 Other short-term borrowings 20,396 35,243 Accrued expenses and other liabilities 40,369 22,859 Long-term debt 61,213 67,547 Trust preferred securities 4,955 4,955 -- Total liabilities 589,954 594,563 --

--- Commitments and contingencies (Note Seven) Shareholders' equity Preferred stock, $0.01 par value; authorized - 100,000,000 shares; issued and outstanding - 1,556,979 and 1,692,172 shares 67 72 Common stock, $0.01 par value; authorized - 5,000,000,000 shares; issued and outstanding - 1,582,129,416 and 1,613,632,036 shares 6,491 8,613 Retained earnings 41,857 39,815 Accumulated other comprehensive income (loss) 1,731 (746) Other 5 (126) -- Total shareholders' equity 50,151 47,628 -- Total liabilities and shareholders' equity $640,105 $642,191

See accompanying notes to consolidated financial statements. 3

Bank of America Corporation and Subsidiaries Consolidated Statement of Changes in Shareholders' Equity

Accumulated Common Stock Other Preferred ----------------------- Retained Comprehensive (Dollars in millions, shares in thousands) Stock Shares Amount Earnings Income (Loss) /(1)/ -- Balance, December 31, 1999 $77 1,677,273 $11,671 $35,681 $(2,658) Net income 6,132 Other comprehensive income, net of tax: Net unrealized gains on available-for-sale and marketable equity securities 852 Net unrealized losses on foreign currency translation adjustments (2) Comprehensive income Cash dividends: Common (2,475) Preferred (4) Common stock issued under employee plans 3,091 53 Common stock repurchased (49,650) (2,444) Conversion of preferred stock (3) 109 3 Other 1 114 4 -- Balance, September 30, 2000 $74 1,630,824 $9,397 $39,338 $(1,808)

Balance, December 31, 2000 $72 1,613,632 $8,613 $39,815 $(746) Net income 4,734 Other comprehensive income, net of tax: Net unrealized gains on available- for-sale and marketable equity securities 1,029 Net unrealized losses on foreign currency translation adjustments (4) Net gains on derivatives /(2)/ 1,452 Comprehensive income Cash dividends: Common (2,691) Preferred (4) Common stock issued under employee plans 22,096 830 Common stock repurchased (53,826) (3,016) Conversion of preferred stock (5) 226 5 Other 1 59 3 -- Balance, September 30, 2001 $67 1,582,129 $6,491 $41,857 $1,731

(1) Accumulated Other Comprehensive Income (Loss) consists of the after-tax valuation allowance for available-for-sale and marketable equity securities of $469 and $(560) at September 30, 2001 and December 31, 2000, respectively; foreign currency translation adjustments of $(190) and $(186) at September 30, 2001 and December 31, 2000, respectively; and net gains on derivatives of $1,452 at September 30, 2001. (2) Net gains on derivatives for the nine months ended September 30, 2001 included the $9 million after-tax transition adjustment gain resulting from the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) on January 1, 2001. See accompanying notes to consolidated financial statements. 4

-- Bank of America Corporation and Subsidiaries Consolidated Statement of Cash Flows - -- Nine Months Ended September 30 ---------- ------------------ (Dollars in millions)

2001 2000 --

	2001	2000
~~Operating activities~~		
~~Net income~~	~~$ 4,734~~	~~$ 6,132~~
~~Reconciliation of net income to net cash provided by (used in) operating activities:~~		
~~Provision for credit losses~~	~~2,886~~	~~1,325~~
~~Gains on sales of securities~~	~~(82)~~	~~(23)~~
~~Business exit costs~~	~~1,305~~	~~-~~
~~Restructuring charges~~	~~-~~	~~550~~
~~Depreciation and premises improvements amortization~~	~~641~~	~~695~~
~~Amortization of intangibles~~	~~665~~	~~650~~
~~Deferred income tax expense~~	~~272~~	~~1,329~~
~~Net increase in trading and hedging instruments~~	~~(19,788)~~	~~(1,020)~~
~~Net (increase) decrease in interest receivable~~	~~1,077~~	~~(846)~~
~~Net increase in other assets~~	~~(9,114)~~	~~(6,364)~~
~~Net increase (decrease) in interest payable~~	~~(992)~~	~~555~~
~~Net increase (decrease) in accrued expenses and other liabilities~~	~~17,068~~	~~(84)~~
~~Other operating activities, net~~	~~(707)~~	~~(1,421)~~

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~~-- Net cash provided by (used in) operating activities (2,035) 1,478 -- Investing activities Net (increase) decrease in time deposits placed and other short-term investments 819 (704) Net decrease in federal funds sold and securities purchased under agreements to resell 1,605 4,504 Proceeds from sales of available-for-sale securities 95,361 15,802 Proceeds from maturities of available-for-sale securities 5,632 4,536 Purchases of available-for-sale securities (99,971) (16,880) Proceeds from maturities of held-to-maturity securities - 211 Proceeds from sales and securitizations of loans and leases 9,874 5,440 Other changes in loans and leases, net 11,565 (38,959) Purchases~~

~~and originations of mortgage banking assets (932) (337) Net purchases of premises and equipment (580) (434) Proceeds from sales of foreclosed properties 230 200 Acquisition and divestiture of business activities, net (417) 81~~

~~Net cash provided by (used in) investing activities 23,186 (26,540)~~

~~Financing activities Net increase (decrease) in deposits (4,374) 6,899 Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase 10,428 (1,665) Net increase (decrease) in commercial paper and other short-term borrowings (19,258) 7,947 Proceeds from issuance of long-term debt 10,905 22,993 Retirement of~~

~~long-term~~
~~debt~~
~~(18,239)~~
~~(8,618)~~
~~Proceeds~~
~~from issuance~~
~~of common~~
~~stock 903~~
~~237 Common~~
~~stock~~
~~repurchased~~
~~(3,016)~~
~~(2,444) Cash~~
~~dividends~~
~~paid (2,695)~~
~~(2,479)~~
~~Other~~
~~financing~~
~~activities, net~~
~~(18) (340) --~~
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~~----------~~
~~Net cash~~
~~provided by~~
~~(used in)~~
~~financing~~
~~activities~~
~~(25,364)~~
~~22,530 ------~~
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~~------ Effect~~
~~of exchange~~
~~rate changes~~
~~on cash and~~
~~cash~~
~~equivalents~~
~~(20) (62) ----~~
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~~--------------~~
~~--------------~~
~~--------------~~
~~--------------~~
~~--------------~~
~~-------- Net~~
~~decrease in~~
~~cash and cash~~
~~equivalents~~
~~(4,233)~~
~~(2,594) Cash~~
~~and cash~~
~~equivalents at~~
~~January 1~~
~~27,513~~
~~26,989 ------~~
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~~--------------~~
~~------ Cash~~

~~and cash equivalents at September 30 $ 23,280 $ 24,395 ---- ------------- ------------- ------------- ------------- ------------- ------------- ------------- ------------- -------~~

Net loans and leases transferred to (from) loans held for sale amounted to $18,651 and $(245) for the nine months ended September 30, 2001 and 2000, respectively. Loans transferred to foreclosed properties amounted to $398 and $289 for the nine months ended September 30, 2001 and 2000, respectively. Loans securitized and retained in the available-for-sale securities portfolio amounted to $9,237 and $224 for the nine months ended September 30, 2001 and 2000, respectively. See accompanying notes to consolidated fiancial statements. 5 Bank of America Corporation and Subsidiaries Notes to Consolidated Financial Statements ==

Bank of America Corporation (the Corporation) is a Delaware corporation, a bank holding company and a financial holding company. Through its banking and nonbanking subsidiaries, the Corporation provides a diverse range of financial services and products throughout the U.S. and in selected international markets. At September 30, 2001, the Corporation operated its banking activities primarily under two charters: Bank of America, N.A. and Bank of America, N.A. (USA). Note One - Accounting Policies The consolidated financial statements include the accounts of the Corporation and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The information contained in the consolidated financial statements is unaudited. In the opinion of management, all normal recurring adjustments necessary for a fair statement of the interim period results have been made. Certain prior period amounts have been reclassified to conform to current period classifications. Accounting policies followed in the presentation of interim financial results are presented on pages 66 to 72 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000 and on page seven of the Corporation's Form 10-Q for the quarterly period ended June 30, 2001. Recently Issued Accounting Pronouncements Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of Effective Date of Financial Accounting Standards Board Statement No. 133," and Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities -- an amendment of FASB Statement No. 133," was adopted by the Corporation on January 1, 2001. In accordance with the provisions of SFAS 133, the Corporation recorded certain transition adjustments as required by SFAS 133. The impact of such transition adjustments to net income was a loss of $52 million (net of related income tax benefits of $31 million), and a net transition gain of $9 million (net of related income taxes of $5 million) included in other comprehensive income on January 1, 2001. Because the transition adjustment was not material to the Corporation's overall results, the before-tax charge to earnings was included in trading account profits in noninterest income rather than shown separately as the cumulative effect of an accounting change. Further, the initial adoption of SFAS 133 resulted in the Corporation recognizing $577 million of derivative assets and $514 million of derivative liabilities on the balance sheet. The Corporation expects that within the first twelve months after adoption of SFAS 133, it will reclassify into earnings substantially all of the transition adjustment originally recorded in other comprehensive income. In 2000, the FASB issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125" (SFAS 140). SFAS 140 was effective for transfers occurring after March 31, 2001 and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The December 31, 2000 consolidated financial statements included the disclosures required by SFAS 140. The implementation of SFAS 140 did not have a material impact on the Corporation's results of operations or financial condition. On July 20, 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 was effective for business combinations initiated after June 30, 2001. SFAS 141 requires that all business combinations completed after its adoption be accounted for under the purchase method of accounting and establishes specific criteria for the recognition of intangible assets separately from goodwill. SFAS 142 will be effective for the Corporation on January 1, 2002 and primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Upon adoption of SFAS 142, goodwill will no longer be amortized and will be tested for impairment at least annually at the reporting unit level. 6 Based on current levels of amortization expense, the Corporation estimates that the elimination of goodwill amortization expense will positively impact net income by approximately $600 million, or approximately $0.37 per common share (diluted), on an annual basis. Note Two - Exit and Restructuring Charges Exit Charges On August 15, 2001, the Corporation announced that it was exiting its auto leasing and subprime real estate lending businesses. As a result of this strategic decision, the Corporation recorded pre-tax exit charges in the third quarter of 2001 of $1.7 billion ($1.3 billion after-tax) consisting of provision for credit losses of $395 million and noninterest expense of $1.3 billion. Business exit costs within noninterest expense consisted of the write-off of goodwill of $685 million, auto lease residual charges of $400 million, real estate servicing asset charges of $145 million and other transaction costs of $75 million. See Note Five for additional information on the exit-related provision for credit losses. Restructuring Charges As part of its productivity and investment initiatives announced on July 28, 2000, the Corporation recorded a pre-tax charge of $550 million ($346 million after-tax) in the third quarter of 2000. Of the $550 million restructuring charge, approximately $475 million was used to cover severance and related costs and approximately $75 million was used for other costs related to process change and channel consolidation. The reserve balance at December 31, 2000 was $293 million. At September 30, 2001, the restructuring reserve had been substantially utilized. Note Three - Trading Activities Trading-Related Revenue Trading account profits represent the net amount earned from the Corporation's trading positions, which include trading account assets and liabilities as well as derivative positions. These transactions include positions to meet customer demand as well as for the Corporation's own trading account. Trading positions are taken in a diverse range of financial instruments and markets. The profitability of these trading positions is largely dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements. Trading account profits, as reported in the Consolidated Statement of Income, does not include the net interest income recognized on interest-earning and interest-bearing trading positions or the related funding charge or benefit. Trading account profits and trading-related net interest income ("trading-related revenue") are presented in the table below as they are both considered in evaluating the overall profitability of the Corporation's trading positions. Trading-related revenue is derived from foreign exchange spot, forward and cross-currency contracts, fixed income and equity securities and derivative contracts in interest rates, equities, credit and commodities. Trading account profits for the nine months ended September 30, 2001 included an $83 million transition adjustment net loss recorded as a result of the implementation of SFAS 133. 7

-- Three Months Ended Nine Months Ended September 30 September 30 --- (Dollars in millions) 2001 2000 2001 2000 --------------------- --- ~~Trading account profits - as reported $433 $402 $1,508 $1,630 Net interest income 397 244 1,136 719 -- Total trading-related revenue $830 $646 $2,644 $2,349 -- ---- Trading-related revenue by product Foreign exchange contracts $138 $114 $419 $400 Interest rate contracts 220 115 582 634 Fixed income 249 120 724 372 Equities and equity derivatives 195 290 757 892 Commodities and other 28 7 162 51 -------------------------------- --- Total trading-related revenue $830 $646 $2,644 $2,349~~

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Trading Account Assets and Liabilities The fair values of the components of trading account assets and liabilities at September 30, 2001 and December 31, 2000 were:

-- September 30 December 31
(Dollars in millions) 2001 2000 --
~~Trading account assets U.S. Government & Agency securities $19,119 $10,545 Foreign sovereign debt 8,458 10,432 Corporate & other debt securities 11,910 7,841 Equity securities 3,598 6,363 Mortgage-backed securities 2,060 1,713 Other 8,326 6,147 -- ------ Total $53,471 $43,041~~

~~Trading account liabilities U.S. Government & Agency securities $9,865 $10,906 Foreign sovereign debt 1,831 1,860 Corporate & other debt securities 1,267 2,215 Equity securities 5,121 5,712 Mortgage-backed securities 22 37 Other 4,469 217 --~~

~~Total $22,575 $20,947~~

See Note Four below for additional information on derivative positions, including credit risk. Note Four - Derivatives The Corporation designates a derivative as held for trading or hedging purposes when it enters into a derivative contract. Derivatives utilized by the Corporation include swaps, financial futures and forward settlement contracts, and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Financial futures and forward settlement contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date and rate or price. An option contract is an agreement that conveys to the purchaser the right, but not the 8 obligation, to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined rate or price at a time or during a period in the future. Option agreements can be transacted on organized exchanges or directly between parties. Credit Risk Associated with Derivative Activities Credit risk associated with derivatives is measured as the net replacement cost should the counterparties with contracts in a gain position to the Corporation completely fail to perform under the terms of those contracts and any collateral underlying the contracts proves to be of no value. In managing derivative credit risk, both the current exposure, which is the replacement cost of contracts on the measurement date, as well as an estimate of the potential change in value of contracts over their remaining lives are considered. In managing credit risk associated with its derivative activities, the Corporation deals primarily with U.S. and foreign commercial banks, broker-dealers and corporates. To minimize credit risk, the Corporation enters into legally enforceable master netting arrangements, which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon occurrence of certain events. A portion of the derivative activity involves exchange-traded instruments. Because exchange-traded instruments conform to standard terms and are subject to policies set by the exchange involved, including counterparty approval, margin requirements and security deposit requirements, the credit risk is considered minimal. The following table presents the notional or contract and credit risk amounts at September 30, 2001 and December 31, 2000 of the Corporation's derivative asset positions held for trading and hedging purposes. These derivative positions are primarily executed in the over-the-counter market. The credit risk amounts presented in the following table do not consider the value of any collateral but take into consideration the effects of legally enforceable master netting agreements. Derivative Assets

----
September 30, 2001 December 31, 2000/(1)/ --
Contract/ Credit Contract/ Credit (Dollars in millions) Notional Risk Notional Risk ---
~~Interest rate contracts Swaps $5,063,450 $12,406 $3,256,992 $ 3,236 Futures and forwards 1,510,891 148 1,227,537 57 Written options 647,298 - 664,108 -~~

~~Purchased options 687,363 1,338 601,828 145 Foreign exchange contracts Swaps 127,506 1,874 61,035 1,424 Spot, futures and forwards 720,643 2,107 682,665 3,215 Written options 58,329 - 35,161 - Purchased options 55,621 331 32,639 380 Equity contracts Swaps 14,027 1,052 17,482 637 Futures and forwards 49,230 - 61,004 353 Written options 23,535 - 30,976 - Purchased options 27,499 2,574 36,304 3,670 Commodity and other contracts Swaps 7,328 1,196 9,126 1,902 Futures and forwards 2,732 27 2,098 81 Written options 10,180 - 12,603 - Purchased options 10,129 201 10,515 228 Credit derivatives 39,009 562 40,638 206~~

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Net replacement cost
$23,816
$15,534 --

(1) The amounts at December 31, 2000 do not reflect derivative positions that were off-balance sheet prior to the adoption of SFAS 133. 9 The table above includes both long and short derivative positions. The average fair value of derivative assets for the nine months ended September 30, 2001 and 2000 was $17.9 billion and $18.6 billion, respectively. The average fair value of derivative liabilities for the nine months ended September 30, 2001 and 2000 was $17.3 billion and $19.3 billion, respectively. The fair value of derivative assets at September 30, 2001 and December 31, 2000 was $23.8 billion and $15.5 billion, respectively. The fair value of derivative liabilities at September 30, 2001 and December 31, 2000 was $18.2 billion and $22.4 billion, respectively. During the nine months ended September 30, 2001 and 2000, there were no material credit losses associated with derivative contracts. At September 30, 2001 and December 31, 2000, there were no nonperforming derivative positions that were material to the Corporation. In addition to credit risk management activities, the Corporation uses credit derivatives to generate revenue by taking on exposure to underlying credits. The Corporation also provides credit derivatives to sophisticated customers who wish to hedge existing credit exposures or take on additional credit exposure to generate revenue. The Corporation's credit derivative positions at September 30, 2001 and December 31, 2000 consisted of credit default swaps and total return swaps. Asset and Liability Management (ALM) Activities Risk management interest rate contracts and foreign exchange contracts are utilized in the Corporation's ALM process. The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant unplanned 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 adversely affect net interest income. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation. Interest income and interest expense on hedged variable-rate assets and liabilities, respectively, increases or decreases as a result of interest rate fluctuations. Gains and losses on the derivative instruments that are linked to these hedged assets and liabilities are expected to substantially offset this variability in earnings. Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow the Corporation to effectively manage its interest rate risk position. Generic interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments based on the contractual underlying notional amount. Basis swaps involve the exchange of interest payments based on the contractual underlying notional amounts, where both the pay rate and the receive rate are floating rates based on different indices. Option products primarily consist of caps and floors. Interest rate caps and floors are agreements where, for a fee, the purchaser obtains the right to receive interest payments when a variable interest rate moves above or below a specified cap or floor rate, respectively. Futures contracts used for ALM activities are primarily index futures providing for cash payments based upon the movements of an underlying rate index. The Corporation uses foreign currency contracts to manage the foreign exchange risk associated with certain foreign-denominated assets and liabilities, as well as the Corporation's equity investments in foreign subsidiaries. Foreign exchange contracts, which include spot, futures and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Foreign exchange option contracts are similar to interest rate option contracts except that they are based on currencies rather than interest rates. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate. Fair Value Hedges The Corporation uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its fixed rate assets and liabilities due to fluctuations in interest rates and exchange rates. For the nine months ended September 30, 2001, the Corporation recognized in the Consolidated Statement of Income a net loss of $9 million (included in net interest income), which represented the ineffective portion and excluded component in assessing hedge effectiveness of fair value hedges. 10 Cash Flow Hedges The Corporation also uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in cash flows of its variable rate assets and liabilities. For the nine months ended September 30, 2001, the Corporation recognized in the Consolidated Statement of Income a net loss of $6 million (included in mortgage banking income), which represented the ineffective portion and excluded component in assessing hedge effectiveness of cash flow hedges. The Corporation has determined that there are no hedging positions where it is probable that certain forecasted transactions may not occur by the end of the originally specified time period or within an additional two months. For cash flow hedges, gains and losses on derivative contracts reclassified from accumulated other comprehensive income to current period earnings are included in the line item in the Consolidated Statement of Income in which the hedged item is recorded in the same period the forecasted transaction affects earnings. Deferred net gains on derivative instruments of approximately $99 million included in accumulated other comprehensive income at September 30, 2001 are expected to be reclassified into earnings during the next twelve months. These net gains reclassified into earnings are expected to increase income or reduce expense on the hedged items. Hedges of Net Investments in Foreign Operations The Corporation uses forward exchange contracts, currency swaps, and nonderivative hedging instruments to hedge its net investments in foreign operations against adverse movements in exchange rates. For the nine months ended September 30, 2001, net gains of $136 million related to these derivatives and nonderivative hedging instruments were recorded as a component of the foreign currency translation adjustment in other comprehensive income. These net gains were largely offset by losses in the Corporation's net investments in foreign operations. For the same period, the Corporation had no excluded component of net investment hedges. Note Five - Loans and Leases Loans and leases at September 30, 2001 and December 31, 2000 were:

	September 30, 2001		December 31, 2000	
(Dollars in millions)	Amount	Percent	Amount	Percent
Commercial - domestic	$126,410	37.2 %	$146,040	37.2 %
Commercial - foreign	25,357	7.5	31,066	7.9
Commercial real estate - domestic	23,607	7.0	26,154	6.7
Commercial real estate - foreign	366	.1	282	.1
Total commercial	175,740	51.8	203,542	51.9
Residential mortgage	76,962	22.7	84,394	21.5
Home equity lines	22,288	6.6	21,598	5.5
Direct/Indirect consumer	38,513	11.4	40,457	10.3
Consumer finance	5,352	1.6	25,800	6.6
Bankcard	18,040	5.3	14,094	3.6
Foreign consumer	2,123	.6	2,308	.6
Total consumer	163,278	48.2	188,651	48.1
Total loans and leases	$339,018	100.0 %	$392,193	100.0 %

As part of the strategic decision to exit the subprime real estate lending business, the Corporation recorded a provision for credit losses of $395 million which, combined with an existing allowance for credit losses of $240 million, was used to write the loan portfolio down to estimated market value. As a result, charge-offs of $635 million were recorded in the subprime real estate loan portfolio. The entire subprime real estate loan portfolio of approximately $21.4 billion, which was included in consumer finance loans, was transferred from the loans and leases portfolio to loans held for sale included in other assets and is carried at the lower of cost or market value. 11 The Corporation securitizes, sells and services interests in certain types of loans. During 2001, $9.2 billion of residential mortgage loans were securitized, of which $8.5 billion occurred in the third quarter of 2001. The table below summarizes the changes in the allowance for credit losses for the three months and nine months ended September 30, 2001 and 2000:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2001	2000	2001	2000
Balance, beginning of period	$ 6,911	$ 6,815	$ 6,838	$ 6,828
Loans and leases charged off	(1,654)	(586)	(3,523)	(1,776)
Recoveries of loans and leases previously charged off	163	151	473	451
Net charge-offs	(1,491)	(435)	(3,050)	(1,325)
Provision for credit losses	1,251	435	2,886	1,325
Other, net	(6)	(76)	(9)	(89)
Balance, September 30	$ 6,665	$ 6,739	$ 6,665	$ 6,739

The allowance on certain homogeneous loan portfolios, which generally consist of consumer loans, is based on aggregated portfolio segment evaluations generally by loan type. The remaining portfolios are reviewed on an individual loan basis. The following table presents the recorded investment in specific loans that were considered individually impaired in accordance with Statement of

Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," (SFAS 114) at September 30, 2001 and December 31, 2000: -- September 30 December 31 (Dollars in millions) 2001 2000 --- Commercial - domestic $2,630 $2,891 Commercial - foreign 582 521 Commercial real estate - domestic 391 412 Commercial real estate - foreign - 2 -- Total impaired loans $3,603 $3,826 ══ A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. Once a loan has been identified as impaired, management measures impairment in accordance with SFAS 114. Impaired loans are measured based on the present value of payments expected to be received, observable market prices or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral. If the recorded investment in impaired loans exceeds the measure of estimated fair value, a valuation allowance is established as a component of the allowance for credit losses. At September 30, 2001 and December 31, 2000, nonperforming loans, including certain loans which were considered impaired, totaled $4.1 billion and $5.2 billion, respectively. Included in other assets was $1.3 billion and $124 million of loans held for sale which would have been classified as nonperforming had they been included in loans at September 30, 2001 and December 31, 2000, respectively. The decrease in nonperforming loans was primarily due to the transfer of approximately $1.2 billion of nonperforming subprime real estate loans to loans held for sale in the third quarter of 2001 as a result of the decision to exit the subprime real estate lending business and due to sales of nonperforming commercial - domestic and residential mortgage loans in 2001. Foreclosed properties amounted to $404 million and $249 million at September 30, 2001 and December 31, 2000, respectively. 12 Note Six - Short-Term Borrowings and Long-Term Debt During 2001, Bank of America Corporation issued $7.0 billion of senior and subordinated long-term debt, domestically and internationally, with maturities ranging from 2002 to 2031. Of the $7.0 billion issued, $5.9 billion was converted from fixed rates ranging from 5.65 percent to 7.54 percent to floating rates through interest rate swaps at spreads ranging from 6 basis points below to 139 basis points over three-month London InterBank Offered Rate (LIBOR). The remaining $1.1 billion bears interest at floating rates ranging primarily from 25 to 83 basis points over three-month LIBOR and 28 basis points over one-month LIBOR. At September 30, 2001, Bank of America Corporation had the authority to issue approximately $14.6 billion of additional corporate debt and other securities under its existing shelf registration statements. During the third quarter of 2001, Bank of America Corporation filed a $3.4 billion shelf registration statement to be used exclusively for "retail targeted" offerings of InterNotesSM in the United States. At September 30, 2001, Bank of America Corporation had the authority to issue 300 billion in yen-denominated notes (approximately U.S. $3 billion) under a shelf registration statement in Japan to be used exclusively for primary offerings to non-United States residents. In addition, Bank of America Corporation allocated $2 billion of a joint Euro medium-term note program to be used exclusively for secondary offerings to non-United States residents for a shelf registration statement filed in Japan. The Corporation had $420 million outstanding under these programs at September 30, 2001. At December 31, 2000, the Corporation had no notes outstanding under these programs. Bank of America, N.A. maintains a domestic program to offer up to a maximum of $50.0 billion, at any one time, of bank notes with fixed or floating rates and maturities ranging from seven days or more from date of issue. Short-term bank notes outstanding under this program totaled $2.6 billion at September 30, 2001 compared to $14.5 billion at December 31, 2000. These short-term bank notes, along with Treasury tax and loan notes and term federal funds purchased, are reflected in other short-term borrowings in the Consolidated Balance Sheet. Long-term debt under current and former programs totaled $5.7 billion at September 30, 2001 compared to $17.6 billion at December 31, 2000. During 2001, Bank of America, N.A. issued $428 million in senior long-term bank notes maturing in 2002 through 2006. Of the $428 million, $388 million bears interest at fixed rates ranging from 3.75 percent to 4.88 percent. The remaining $40 million bears interest at 20 basis points over three-month LIBOR. Bank of America Corporation and Bank of America, N.A. maintain a joint Euro medium-term note program to offer up to $25.0 billion of senior, or in the case of Bank of America Corporation, subordinated notes exclusively to non-United States residents. The notes bear interest at fixed or floating rates and may be denominated in U.S. dollars or foreign currencies. Bank of America Corporation uses foreign currency contracts to convert certain foreign-denominated debt into U.S. dollars. Bank of America Corporation's notes outstanding under this program totaled $6.1 billion at September 30, 2001 compared to $5.2 billion at December 31, 2000. Bank of America, N.A.'s notes outstanding under this program totaled $1.4 billion at September 30, 2001 and December 31, 2000. Of the $25.0 billion authorized at September 30, 2001, Bank of America Corporation and Bank of America, N.A. had remaining authority to issue approximately $8.9 billion and $8.5 billion, respectively. At September 30, 2001 and December 31, 2000, $1.7 billion and $2.7 billion, respectively, was outstanding under the former BankAmerica Corporation (BankAmerica) Euro medium-term note program. No additional debt securities will be offered under that program. At September 30, 2001, Bank of America Oregon, N.A. maintained approximately $6.0 billion in Federal Home Loan borrowings from the Home Loan Bank in Seattle, Washington. During 2001, Bank of America Oregon, N.A. accepted $463 million in Federal Home Loan Bank, Seattle advances with maturities ranging from 2004 to 2031. Of the $463 million accepted, $450 million was converted from fixed rates ranging from 5.72 percent to 5.89 percent to floating rates through interest rate swaps at a spread of 11 basis points below three-month LIBOR. The remaining $13 million bears interest at fixed rates ranging from 5.44 percent to 6.44 percent. During the third quarter of 2001, Bank of America Georgia, N.A. accepted $2.3 billion in advances from the Federal Home Loan Bank in Atlanta, Georgia. All of the $2.3 billion matures in 2006 and bears interest at floating rates ranging from 33 basis points below to 8 basis points below three-month LIBOR. 13 Subsequent to September 30, 2001, Bank of America Corporation issued $3.0 billion of long-term senior and subordinated debt with maturities ranging from 2004 to 2026. During the same time period, Bank of America, N.A. issued $2.7 billion of bank notes with maturities ranging from 2001 to 2007. Note Seven - Commitments and Contingencies Credit Extension Commitments The Corporation enters into commitments to extend credit, standby letters of credit and commercial letters of credit to meet the financing needs of its customers. The commitments shown below have been reduced by amounts collateralized by cash and amounts participated to other financial institutions. The following table summarizes outstanding commitments to extend credit at September 30, 2001 and December 31, 2000: -- September 30 December 31 (Dollars in millions) 2001 2000 --- Credit card commitments $77,970 $72,058 Other loan commitments 228,387 243,124 Standby letters of credit and financial guarantees 42,469 33,420 Commercial letters of credit 8,071 3,327 ══ When-Issued Securities At September 30, 2001, the Corporation had commitments to purchase and sell when-issued securities of $50.8 billion and $34.1 billion, respectively. At December 31, 2000, the Corporation had commitments to purchase and sell when-issued securities of $26.4 billion and $20.6 billion, respectively. Litigation In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to a number of pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. In certain of these actions and proceedings, substantial money damages are asserted against the Corporation and its subsidiaries and certain of these actions and proceedings are based on alleged violations of consumer protection, securities, environmental, banking and other laws. The Corporation and certain present and former officers and directors have been named as defendants in a number of actions filed in several federal courts that have been consolidated for pretrial purposes before a Missouri federal court. The amended complaint in the consolidated actions alleges, among other things, that the defendants failed to disclose material facts about BankAmerica's losses relating to D.E. Shaw Securities Group, L.P. ("D.E. Shaw") and related entities until mid-October 1998, in violation of various provisions of federal and state laws. The amended complaint also alleges that the proxy statement-prospectus of August 4, 1998, falsely stated that the merger between NationsBank Corporation (NationsBank) and BankAmerica would be one of equals and alleges a scheme to have NationsBank gain control over the newly merged entity. The Missouri federal court has certified classes consisting generally of persons who were stockholders of NationsBank or BankAmerica on September 30, 1998, or were entitled to vote on the merger, or who purchased or acquired securities of the Corporation or its predecessors between August 4, 1998 and October 13, 1998. The amended complaint substantially survived a motion to dismiss. Discovery, for the most part, has been completed. Pretrial proceedings are scheduled to conclude by December 2001, and the court has ordered the parties to be ready for trial in March 2002. A former NationsBank stockholder who opted out of the federal class action has commenced an action asserting claims substantially similar to the claims related to D.E. Shaw set forth in the consolidated action. This action is now proceeding with the federal class action in the Missouri federal court, although that stockholder has requested that its case be tried separately. Similar class actions have been filed in California. Plaintiffs in one such class action, brought on behalf of California residents who owned BankAmerica stock, claim that the proxy statement-prospectus of August 4, 1998, falsely 14 stated that the merger would be one of equals. Plaintiffs in this matter have recently agreed to become included in the federal action rather than proceed in California state court. Other California state court class actions were consolidated, but not yet certified as class actions. The Missouri federal court has enjoined prosecution of those consolidated cases as a class action. The plaintiffs who were enjoined appealed to the United States Court of Appeals for the Eighth Circuit, which upheld the district court's injunction. Those plaintiffs are currently pursuing further relief with the United States Court of Appeals. The Corporation believes that the actions lack merit and will defend them vigorously. The amount of ultimate liability cannot be determined at this time. On July 30, 2001, the Securities and Exchange Commission issued a cease-and-desist order finding violations of Section 13(a) of the Securities Exchange Act of 1934 and Rules 13a-1, 13a-11, 13a-13 and 12b-20 promulgated thereunder, with respect to BankAmerica's accounting for, and the disclosures relating to, the D.E. Shaw relationship. The Corporation consented to the order without admitting or denying the findings. In the Matter of BankAmerica Corp., ---------------------------------- Exch. Act Rel. No. 44613, Acctg & Audit. Enf. Rel. No. 1249, Admin. Proc. No. 3-10541. Management believes that the actions and proceedings and the losses, if any, resulting from the final outcome thereof, will not be material in the aggregate to the Corporation's financial position or results of operations. Terrorist Attacks of September 11, 2001 The Corporation incurred certain costs and losses associated with the terrorist attacks of September 11, 2001, such as property losses and costs to re-establish business operations. Management believes that these costs and losses will not be material to the Corporation's financial position or results of operations. Note Eight - Shareholders' Equity and Earnings Per Common Share During 2000, the Corporation completed its 1999 stock repurchase plan. On July 26, 2000, the Corporation's Board of Directors (the Board) authorized a new stock repurchase program of up to 100 million shares of the Corporation's common stock at an aggregate cost of up to $7.5 billion. At September 30, 2001, the remaining buyback authority for common stock under the 2000 program totaled $3.8 billion, or 31 million shares. During the nine months ended September 30, 2001, the Corporation repurchased approximately 54 million shares of its common stock in open market repurchases at an average per-share price of $56.06, which reduced shareholders' equity by $3.0 billion. During the nine months ended September 30, 2000, the Corporation repurchased approximately 50 million shares of its common stock in open market repurchases at an average per-share price of $49.18, which reduced shareholders' equity by $2.4 billion. In September 1999, the Corporation began selling put options on its common stock to independent third parties. The put option program was designed to partially offset the cost of share repurchases. The put options give the holders the right to sell shares of the Corporation's common stock to the Corporation on certain dates at specified prices. The put option contracts allow the Corporation to determine the method of settlement, and the premiums received are reflected as a component of other shareholders' equity. At September 30, 2001, there were three million put options outstanding with exercise prices ranging from $56.36 per share to $61.84 per share which expire from October 2001 to September 2002. At December 31, 2000, there were three million put options outstanding with exercise prices ranging from $45.22 per share to $50.37 per share which expired from January 2001 to April 2001. Earnings per common share is computed by dividing net income available to common shareholders by the weighted average common shares issued and outstanding. For diluted earnings per common share, net income available to common shareholders can be affected by the conversion of the registrant's convertible preferred stock. Where the effect of this conversion would have been dilutive, net income available to common shareholders is adjusted by the associated preferred dividends. This adjusted net income is divided by the weighted average number of common shares issued and outstanding for each period plus amounts representing the dilutive effect of stock options outstanding and the dilution resulting from the conversion of the registrant's convertible preferred stock, if applicable. The effect of convertible preferred stock is excluded from the computation of diluted earnings per common share in periods in which the effect would be antidilutive. 15 The calculation of earnings per common share and diluted earnings per common share for the three months and nine months ended September 30, 2001 and 2000 is presented below:

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended September 30 2001	2000	Nine Months Ended September 30 2001	2000
Earnings per common share				
Net income	$841	$1,829	$4,734	$6,132
Preferred stock dividends	(2)	(1)	(4)	(4)
Net income available to common shareholders	$839	$1,828	$4,730	$6,128
Average common shares issued and outstanding	1,599,692	1,639,392	1,603,340	1,654,013
Earnings per common share	$ .52	$ 1.11	$ 2.95	$ 3.70
Diluted earnings per common share				
Net income available to common shareholders	$839	$1,828	$4,730	$6,128
Preferred stock dividends	2	1	4	4
Net income available to common shareholders and assumed conversions	$841	$1,829	$4,734	$6,132
Average common shares issued and outstanding	1,599,692	1,639,392	1,603,340	1,654,013
Incremental shares from assumed conversions:				
Convertible preferred stock	2,633	2,914	2,705	2,944
Stock options	31,738	18,725	26,883	17,791
Dilutive potential common shares	34,371	21,639	29,588	20,735
Total diluted average common shares issued and outstanding	1,634,063	1,661,031	1,632,928	1,674,748
Diluted earnings per common share	$ .51	$ 1.10	$ 2.90	$ 3.66

Note Nine - Business Segment Information The Corporation reports the results of its operations through four business segments: Consumer and Commercial Banking, Asset Management, Global Corporate and Investment Banking, and Equity Investments. Certain operating segments have been aggregated into a single business segment. Consumer and Commercial Banking provides a diversified range of products and services to individuals and small businesses through multiple delivery channels and commercial lending and treasury management services to middle market companies with annual revenue between $10 million and $500 million. Asset Management offers customized asset management and credit, financial advisory, fiduciary, trust and banking services, as well as both full-service and discount brokerage services. It provides management of equity, fixed income, cash and alternative investments to individuals, corporations and a wide array of institutional clients. Global Corporate and Investment Banking provides a diversified range of financial products such as investment banking, trade finance, treasury management, capital markets, leasing and financial advisory services to domestic and international corporations, financial institutions and government entities. Equity Investments includes Principal Investing which makes both direct and indirect equity investments in a wide variety of transactions. Equity Investments also includes the Corporation's strategic technology and alliances investment portfolio. Corporate Other consists primarily of the functions associated with managing the interest rate risk of the Corporation and Consumer Special Assets which includes certain consumer finance businesses being liquidated and certain residential mortgages originated by the mortgage group (not from retail branch originations). In the first quarter of 2001, the thirty-year mortgage portfolio was moved from Consumer and Commercial Banking to Corporate Other. In the third quarter of 2001, certain consumer finance businesses being liquidated were transferred from Consumer and Commercial Banking to Corporate Other. Effective January 2, 2001, the Corporation acquired the remaining 50 percent of Marsico Capital Management LLC (Marsico), which is part of the Asset Management segment, for a total investment of $1.1 billion. The Corporation acquired the first 50 percent in 1999. Marsico is a Denver-based investment management firm specializing in large capitalization growth stocks. 16 The following tables include total revenue, net income and average total assets for the three months and nine months ended September 30, 2001 and 2000 for each business segment. Certain prior period amounts have been reclassified between segments to conform to the current period presentation. Business Segments

For the three months ended September 30 (Dollars in millions)	Total Corporation 2001	2000	Consumer and Commercial Banking /(1)/ 2001	2000	Asset Management /(1)/ 2001	2000
Net interest income /(2)/	$ 5,290	$ 4,642	$ 3,347	$ 3,124	$ 185	$ 158
Noninterest income	3,429	3,675	2,022	1,954	424	445
Total revenue	8,719	8,317	5,369	5,078	609	603
Provision for credit losses	1,251	435	433	211	16	-
Gains (losses) on sales of securities	97	11	2	-	-	-
Amortization of intangibles	219	215	161	161	15	8
Other noninterest expense	5,692	4,745	2,726	2,630	348	343
Income before income taxes	1,654	2,933	2,051	2,076	230	252
Income tax expense	813	1,104	798	815	82	97
Net income	$ 841	$ 1,829	$ 1,253	$ 1,261	$ 148	$ 155
Average total assets	$642,184	$685,017	$291,078	$281,431	$27,070	$25,224

(1) There were no material intersegment revenues among the segments. (2) Net interest income is presented on a taxable-equivalent basis. (3) Corporate Other includes exit charges consisting of provision for credit losses of $395 million and noninterest expense of $1,305 million related to the exit of certain consumer finance businesses in the third quarter of 2001 and restructuring charges of $550 million in the third quarter of 2000. 17 Business Segments

For the nine months ended September 30 (Dollars in millions)	Total Corporation 2001	2000	Consummer and Commercial Banking/(1)/ 2001	2000	Asset Management/(1)/ 2001	2000
Net interest income/(2)/	$ 15,128	$ 13,913	$ 9,702	$ 9,264	$ 525	$ 477
Noninterest income/(3)/	10,950	11,254	5,973	5,452	1,317	1,355
Total revenue	26,078	25,167	15,675	14,716	1,842	1,832
Provision for credit losses	2,886	1,325	1,230	786	87	9
Gains (losses) on sales of securities	82	23	3	-	-	-
Amortization of intangibles	665	650	483	488	43	23
Other noninterest expense	14,721	13,346	8,055	7,860	1,101	1,043
Income before income taxes	7,888	9,869	5,910	5,582	611	757
Income tax expense	3,154	3,737	2,309	2,188	222	290
Net income	$ 4,734	$ 6,132	$ 3,601	$ 3,394	$ 389	$ 467
Average total assets	$648,789	$669,598	$288,174	$281,840	$26,839	$24,245

(1) There were no material intersegment revenues among the segments. (2) Net interest income is presented on a taxable-equivalent basis. (3) Noninterest income included the $83 million SFAS 133 transition adjustment net loss which was recorded in trading account profits. The components of the transition adjustment by segment were a gain of $4 million for Consumer and Commercial Banking, a gain of $19 million for Global Corporate and Investment Banking and a loss of $106 million for Corporate Other. (4) Corporate Other includes exit charges consisting of provision for credit losses of $395 million and noninterest expense of $1,305 million related to the exit of certain consumer finance businesses in the third quarter of 2001 and restructuring charges of $550 million in the third quarter of 2000. 18 A reconciliation of the segments' net income (excluding Corporate Other) to consolidated net income follows:

(Dollars in millions)	Three Months Ended September 30 2001	2000	Nine Months Ended September 30 2001	2000
Segments' net income	$1,819	$2,129	$5,455	$6,065
Adjustments, net of taxes:				
Earnings associated with unassigned capital	56	63	212	167
Consumer Special Assets activity	156	(33)	375	246
SFAS 133 transition adjustment loss	-	-	(68)	-
Provision for credit losses in excess of net charge-offs	-	-	(49)	-
Gains on sales of securities	67	12	71	18
Exit charges	(1,250)	-	(1,250)	-
Restructuring charges	-	(346)	-	(346)
Other	(7)	4	(12)	(18)
Consolidated net income	$841	$1,829	$4,734	$6,132

 ================ Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION ================ This report on Form 10-Q contains certain forward-looking statements that are subject to risks and uncertainties and include information about possible or assumed future results of operations. Many possible events or factors could affect the future financial results and performance of Bank of America Corporation (the Corporation). This could cause results or performance to differ materially from those expressed in our forward- looking statements. Words such as "expects", "anticipates", "believes", "estimates", variations of such words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers of the Corporation's Form 10-Q should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed throughout this report, as well as those discussed in the Corporation's 2000 Annual Report on Form 10-K. These statements are representative only on the date hereof, and the Corporation undertakes no obligation to update any forward-looking statements made. The possible events or factors include the following: the Corporation's loan growth is dependent on general economic conditions, as well as various discretionary factors, such as decisions to securitize, sell, or purchase certain loans or loan portfolios; syndications or participations of loans; retention of residential mortgage loans; and the management of borrower, industry, product and geographic concentrations and the mix of the loan portfolio. The level of nonperforming assets, charge-offs and provision expense can be affected by local, regional and international economic and market conditions, including the impact of the events of September 11, 2001 and the energy crisis, concentrations of borrowers, industries, products and geographic locations, the mix of the loan portfolio and management's judgments regarding the collectibility of loans. Liquidity requirements may change as a result of fluctuations in assets and liabilities and off-balance sheet exposures, which will impact the capital and debt financing needs of the Corporation and the mix of funding sources. Decisions to purchase, hold or sell securities are also dependent on liquidity requirements and market volatility, as well as on- and off-balance sheet positions. Factors that may impact interest rate risk include local, regional and international economic conditions, levels, mix, maturities, yields or rates of assets and liabilities, utilization and effectiveness of interest rate contracts and the wholesale and retail funding sources of the Corporation. The Corporation is also exposed to the potential of losses arising from adverse changes in market rates and prices which can adversely impact the value of financial products, including securities, loans, deposits, debt and derivative financial instruments, such as futures, forwards, swaps, options and other financial instruments with similar characteristics. In addition, the banking industry in general is subject to various monetary and fiscal policies and regulations, which include those determined by the Federal Reserve Board, the Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation, state regulators and the Office of Thrift Supervision, whose policies and regulations could affect the Corporation's results. Other factors that may cause actual results to differ from the forward-looking statements include the following: projected business increases following process changes and productivity and investment initiatives are lower than expected or do not pay for severance or other related costs as quickly as anticipated; competition with other local, regional and international banks, thrifts, credit unions and other nonbank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies and insurance companies, as well as other entities which offer financial services, located both within and outside the United States and through alternative delivery channels such as the Internet; interest rate, market and monetary fluctuations; inflation; market volatility; general economic conditions and economic conditions in the geographic regions and industries in which the Corporation operates, including the impact of the events of September 11, 2001 and the energy crisis; introduction and acceptance of new banking-related products, services and enhancements; fee pricing strategies, mergers and acquisitions and their integration into the Corporation; and management's ability to manage these and other risks. 20 Overview The Corporation is a Delaware corporation, a bank holding company and a financial holding company, and is headquartered in Charlotte, North Carolina. The Corporation operates in 21 states and the District of Columbia and has offices located in 38 countries. The Corporation provides a diversified range of banking and certain nonbanking financial services and products both domestically and internationally through four business segments: Consumer and Commercial Banking, Asset Management, Global Corporate and Investment Banking and Equity Investments. At September 30, 2001, the Corporation had $640 billion in assets and approximately 144,000 full-time equivalent employees. The remainder of management's discussion and analysis of the Corporation's results of operations and financial position should be read in conjunction with the consolidated financial statements and related notes presented on pages 6 through 19. Refer to Table One for selected financial data for the three months and nine months ended September 30, 2001 and 2000 and Table Seventeen for the three most recent quarters. Key performance highlights for the nine months ended September 30, 2001 compared to the same period in 2000: . Net income totaled $4.7 billion, or $2.90 per common share (diluted), compared to $6.1 billion, or $3.66 per common share (diluted). The return on average common shareholders' equity was 13.03 percent. . Operating earnings, which excluded charges related to the Corporation's strategic decision to exit certain consumer finance businesses in the third quarter of 2001 and related to restructuring in the third quarter of 2000, totaled $6.0 billion, or $3.66 per common share (diluted), compared to $6.5 billion, or $3.87 per common share (diluted). Excluding exit charges, the return on average common shareholders' equity was 16.48 percent. Shareholder value added (SVA), excluding exit and restructuring charges, declined $623 million to $2.3 billion. . Total revenue includes net interest income on a taxable-equivalent basis and noninterest income. Total revenue was $26.1 billion, an increase of $911 million. - Net interest income increased $1.2 billion to $15.1 billion. The increase was primarily due to changes in interest rates and investment portfolio repositioning, an increased trading-related contribution, higher deposit and equity levels and a favorable shift in loan mix. These factors were partially offset by the impact of the money market deposit pricing initiative and deterioration in auto lease residual values. Average managed loans and leases were $396.4 billion, a $3.5 billion increase, primarily due to a seven percent increase in consumer loans and leases, partially offset by a five percent decrease in commercial loans and leases. Average customer-based deposits grew to $303.3 billion, a $12.0 billion increase. The net interest yield was 3.59 percent, a 39 basis point increase. The increase in the net interest yield was primarily due to the effect of changes in interest rates and investment portfolio repositioning. - Noninterest income was $11.0 billion, a $304 million decrease. Increases in service charges, card income, investment and brokerage services and mortgage banking income were offset by a sharp decline in equity investment gains as well as declines in trading account profits and investment banking income. Consumer and Commercial Banking experienced a $241 million, or nine percent, increase in service charges driven by higher business volumes. A $158 million, or 10 percent, increase in card income was primarily due to new account growth in both credit and debit card and increased purchase volume on existing accounts. Revenue in the mortgage banking business increased 45 percent primarily reflecting higher origination activity and servicing levels, increased gains from higher loan sales to the secondary market and favorable mortgage banking asset hedge results, partially offset by increased paydowns as a result of the declining rate environment. Income from investment and brokerage services increased in the Asset Management segment largely due to new asset management business and the completed acquisition of Marsico Capital Management LLC (Marsico), partially offset by lower broker activity due to decreased trade volume as a result of significant market decline. The noninterest income component of trading-related revenue within Global Corporate and Investment Banking increased $52 million, as increased revenues from trading- 21 related activities in fixed income, interest rate contracts and commodities offset a decrease in equities and equity derivatives trading. Investment banking income decreased $40 million, as strong growth in fixed income origination was offset by weaker demand for syndications, equity underwriting and advisory services. Equity Investments had equity investment gains of $283 million, reflecting a decrease of $756 million. . On August 15, 2001, the Corporation announced that it was exiting its auto leasing and subprime real estate lending businesses. As a result of exiting these consumer finance businesses, the Corporation recorded pre-tax charges of $1.7 billion ($1.3 billion after-tax), consisting of provision for credit losses of $395 million and business exit costs, the noninterest expense component, of $1.3 billion. . Including the exit charge, the provision for credit losses was $2.9 billion. Excluding the exit charge, the provision for credit losses was $2.5 billion, an increase of $1.2 billion from the same period in 2000. Excluding exit-related charge-offs of $635 million, net charge-offs were $2.4 billion, or 0.86 percent of average loans and leases, an increase of 41 basis points from the same period in 2000. This increase in net charge-offs of $1.1 billion from the comparable period in 2000 was primarily due to credit quality deterioration in the commercial - domestic portfolio and an increase in bankcard charge-offs. . Nonperforming assets were $4.5 billion, or 1.33 percent of loans, leases and foreclosed properties at September 30, 2001, a $934 million, or six basis point decrease from December 31, 2000. The decrease was primarily a result of the transfer of $1.2 billion in nonperforming subprime real estate loans to loans held for sale as well as loan sales, partially offset by increases in the commercial - domestic loan portfolio that resulted from credit deterioration as companies were affected by the weakening economic environment. The allowance for credit losses totaled $6.7 billion or 1.97 percent of total loans and leases at September 30, 2001, a 23 basis point improvement from 1.74 percent of total loans and leases at December 31, 2000. . Noninterest expense excluding business exit costs and restructuring charges was $14.1 billion, a $635 million increase, primarily driven by higher marketing, professional fees and personnel expenses as well as costs associated with various international activities. The Corporation incurred certain costs and losses associated with the terrorist attacks of September 11, 2001, such as property losses and costs to re-establish business operations. Management believes that these costs and losses will not be material to the Corporation's financial position or results of operations. 22 Table One Selected Financial Data

-- Three Months Ended Nine Months Ended September 30 September 30 -- (Dollars in millions, except per share information) 2001 2000 2001 2000 -------------------------------- -- Operating Basis /(1)/ -------------------- Income statement Net interest income $ 5,204 $ 4,563 $ 14,873 $ 13,685 Net interest income (taxable-equivalent basis) 5,290 4,642 15,128 13,913 Noninterest income 3,429 3,675 10,950 11,254 Total revenue 8,633 8,238 25,823 24,939 Total revenue (taxable-equivalent basis) 8,719 8,317 26,078 25,167 Provision for credit losses 856 435 2,491 1,325 Gains on sales of securities 97 11 82 23 Other noninterest expense 4,606 4,410 14,081 13,446 Income before income taxes 3,268 3,404 9,333 10,191 Income tax expense 1,177 1,229 3,349 3,713 Net income 2,091 2,175 5,984 6,478 Average diluted common shares issued and outstanding (in thousands) 1,634,063 1,661,031 1,632,928 1,674,748 -- ----------------------- Performance ratios Return on average assets 1.29 % 1.26 % 1.23 % 1.29 % Return on average common shareholders' equity 16.87 18.15 16.48 18.45 Efficiency ratio 52.82 53.01 53.99 53.42 Net interest yield 3.78 3.10 3.59 3.20 Shareholder value added $ 824 $ 953 $ 2,293 $ 2,916 -- --- Per common share data Earnings $ 1.31 $ 1.33 $ 3.73 $ 3.91 Diluted earnings 1.28 1.31 3.66 3.87 -- --- Cash basis financial data /(2)/ Earnings $ 2,310 $ 2,390 $ 6,649 $ 7,128 Earnings per common share 1.44 1.46 4.14 4.31 Diluted earnings per common share 1.41 1.44 4.07 4.26 Return on average assets 1.43 % 1.39 % 1.37 % 1.42 % Return on average common shareholders' equity 18.64 19.94 18.31 20.30 Efficiency ratio 50.32 50.43 51.44 50.84

As Reported ---------- Income statement Net interest income $ 5,204 $ 4,563 $ 14,873 $ 13,685 Noninterest income 3,429 3,675 10,950 11,254 Total revenue 8,633 8,238 25,823 24,939 Provision for credit losses 1,251 435 2,886 1,325 Gains on sales of securities 97 11 82 23 Business exit costs 1,305 - 1,305 - Restructuring charges - 550 - 550 Other noninterest expense 4,606 4,410 14,081 13,446 Income before income taxes 1,568 2,854 7,633 9,641 Income tax expense 727 1,025 2,899 3,509 Net income 841 1,829 4,734 6,132 ---------------------------------- -- Performance ratios Return on average assets .52 % 1.06 % .98 % 1.22 % Return on average common shareholders' equity 6.78 15.25 13.03 17.46 Total equity to total assets (period-end) 7.83 6.98 7.83 6.98 Total average equity to total average assets 7.66 6.97 7.49 7.01 Dividend payout ratio 106.49 44.83 56.88 40.38 --- Per common share data Earnings $ .52 $ 1.11 $ 2.95 $ 3.70 Diluted earnings .51 1.10 2.90 3.66 Cash dividends paid .56 .50 1.68 1.50 Book value 31.66 28.69 31.66 28.69 -- -- Cash basis financial data /(2)/ Earnings $ 1,060 $ 2,044 $ 5,399 $ 6,782 Earnings per common share .66 1.25 3.37 4.10 Diluted earnings per common share .65 1.23 3.31 4.05 Return on average assets .65 % 1.18 % 1.11 % 1.35 % Return on average common shareholders' equity 8.55 17.01 14.87 19.31

Balance sheet (period-end) Total loans and leases $ 339,018 $ 402,592 $ 339,018 $ 402,592 Total assets 640,105 671,725 640,105 671,725 Total deposits 359,870 353,988 359,870 353,988 Long-term debt 61,213 69,412 61,213 69,412 Trust preferred securities 4,955 4,955 4,955 4,955 Common shareholders' equity 50,084 46,785 50,084 46,785 Total shareholders' equity 50,151 46,859 50,151 46,859 -- Risk-based capital ratios (period-end) Tier 1 capital 7.95 % 7.32 % 7.95 % 7.32 % Total capital 12.12 10.80 12.12 10.80 Leverage ratio 6.59 6.06 6.59 6.06 -- --- Market price per share of common stock Closing $ 58.40 $ 52.38 $ 58.40 $ 52.38 High 65.54 57.63 65.54 61.00 Low 50.25 43.63 45.00 42.31

(1) Operating basis excludes provision for credit losses of $395 million and noninterest expense of $1,305 million related to the exit of certain consumer finance businesses in the third quarter of 2001 and restructuring charges of $550 million in the third quarter of 2000. (2) Cash basis calculations exclude goodwill and other intangible amortization expense. 23 Business Segment Operations The Corporation provides a diversified range of banking and nonbanking financial services and products through its various subsidiaries. The Corporation reports the results of its operations through four business segments: Consumer and Commercial Banking, Asset Management, Global Corporate and Investment Banking and Equity Investments. Certain operating segments have been aggregated into a single business segment. In the first quarter of 2001, the thirty-year mortgage portfolio was moved from Consumer and Commercial Banking to the Corporate Other segment. In the third quarter of 2001, certain consumer finance businesses being liquidated were transferred from Consumer and Commercial Banking to Corporate Other. The business segments summarized in Table Two are primarily managed with a focus on various performance measures including total revenue, net income, shareholder value added (SVA), return on average equity and efficiency. These performance measures are also presented on a cash basis which excludes the impact of goodwill and other intangible amortization expense. Total revenue includes net interest income on a taxable-equivalent basis and noninterest income. The net interest yield of the business segments reflects the results of a funds transfer pricing process which derives net interest income by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. Equity is allocated to each business segment based on an assessment of its inherent risk. SVA is a performance measure that is aligned with the Corporation's growth strategy orientation and strengthens the Corporation's focus on generating shareholder value. SVA is defined as cash basis operating earnings less a charge for the use of capital. The capital charge is calculated by multiplying 12 percent (management's estimate of the shareholder's minimum required rate of return on capital invested) by average total common shareholders' equity (at the Corporation level) and by average allocated equity (at the business segment level). See Note Nine of the consolidated financial statements for additional business segment information and a reconciliation to consolidated amounts. Additional information on noninterest income can be found in the "Noninterest Income" section beginning on page 40. Certain prior period amounts have been reclassified between segments and their components (presented after Table Two) to conform to the current period presentation. 24

Table Two Business Segment Summary -- --- For the three months ended September 30 Consumer and Global Corporate and Commercial Banking (1) Asset Management (1) Investment Banking (1) Equity Investments

(1) ---------

-- (Dollars in millions)
2001 2000
2001 2000
2001 2000
2001 2000 -

Net interest income (2) $ 3,347 $ 3,124 $ 185 $ 158 $ 1,140 $ 900 $ (36) $ (37)
Noninterest income 2,022 1,954 424 445 1,068 1,075 (18) 383 ---
----

Total revenue 5,369 5,078 609 603 2,208 1,975 (54) 346
Net income 1,253 1,261 148 155 476 516 (58) 197
Cash basis earnings 1,414 1,422 163 163 512 550 (56) 200
Shareholder value added 828 831 96 113 169 151 (128) 141
Net interest yield 6.61 % 6.43 % 2.85 % 2.58 % 2.38 % 1.82 % n/m n/m
Return on average

~~equity 25.7~~
~~25.6 26.8~~
~~37.4 16.6~~
~~15.5 (9.4)~~
~~% 40.1 %~~
~~Cash basis~~
~~return on~~
~~equity 29.0~~
~~28.9 29.4~~
~~39.2 17.9~~
~~16.5 (8.9)~~
~~40.6~~
~~Efficiency~~
~~ratio 53.8~~
~~55.0 59.5~~
~~58.2 53.7~~
~~55.4 n/m 7.0~~
~~Cash basis~~
~~efficiency~~
~~ratio 50.8~~
~~51.8 57.2~~
~~57.0 52.0~~
~~53.7 n/m 6.3~~
~~Average:~~
~~Total loans~~
~~and leases $~~
~~182,792 $~~
~~175,608 $~~
~~24,631 $~~
~~23,221 $~~
~~76,643 $~~
~~97,298 $~~
~~468 $ 450~~
~~Total~~
~~deposits~~
~~266,351~~
~~256,725~~
~~11,837~~
~~11,444~~
~~68,472~~
~~71,861 - 18~~
~~Total assets~~
~~291,078~~
~~281,431~~
~~27,070~~
~~25,224~~
~~227,300~~
~~234,202~~
~~6,435 5,522~~
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For the nine months ended September 30
Consumer
and Global
Corporate
and
Commercial
Banking (1)
Asset
Management
(1)
Investment
Banking (1)
Equity
Investments
(1) ---------

------------------------- (Dollars in millions) 2001 2000 2001 2000 2001 2000 2001 2000 ---

~~Net interest income (2) $ 9,702 $ 9,264 $ 525 $ 477 $ 3,257 $ 2,694 $ (112) $ (98) Noninterest income (3) 5,973 5,452 1,317 1,355 3,659 3,593 239 1,053 --- Total revenue 15,675 14,716 1,842 1,832 6,916 6,287 127 955 Net income 3,601 3,394 389 467 1,467 1,670 (2) 534 Cash basis earnings 4,084 3,882 432 490 1,576 1,774 6 542 Shareholder value added 2,348 2,099 234 341 521 595 (206) 377 Net interest yield 6.45 % 6.55 % 2.75 % 2.73 % 2.25 % 1.91 % n/m n/m Return on average equity 24.9 22.8 23.5 37.7 16.7 17.0 (0.1) % 38.8 %~~

~~Cash basis return on equity 28.2 26.1 26.1 39.6 17.9 18.1 0.4 39.4 Efficiency ratio 54.5 56.7 62.1 58.2 55.5 55.5 106.7 8.5 Cash basis efficiency ratio 51.4 53.4 59.8 57.0 53.9 53.9 100.5 7.7 Average: Total loans and leases $ 181,567 $ 172,737 $ 24,328 $ 22,302 $ 84,336 $ 94,260 $ 487 $ 428 Total deposits 263,618 256,456 11,883 11,343 67,288 68,390 17 13 Total assets 288,174 281,840 26,839 24,245 231,364 226,436 6,562 5,129 --~~

n/m = not meaningful (1) There were no material intersegment revenues among the segments. (2) Net interest income is presented on a taxable-equivalent basis. (3) Noninterest income included the $83 million SFAS 133 transition adjustment net loss which was included in trading account profits. The components of the transition adjustment by business segment were a gain of $4 million for Consumer and Commercial Banking, a gain of $19 million for Global Corporate and Investment Banking and a loss of $106 million for Corporate Other (not included in the table above). Consumer and Commercial Banking Consumer and Commercial Banking provides a wide array of products and services to individuals, small businesses and middle market companies through multiple delivery channels. The results for the nine months ended September 30, 2001 reflect the Corporation's continued focus on Card Services as a growth area as end of period managed consumer card outstandings increased 21 percent, merchant processing volume increased 15 percent and total card services purchase volume increased 10 percent compared to the same period in 2000. The Corporation's mortgage banking results, which include mortgage banking income and the mark-to-market adjustments on mortgage banking assets and the related instruments used to economically hedge the mortgage banking assets, is included within the discussion of the results of operations in the Consumer and Commercial Banking segment. The mark-to-market adjustments are included in trading account profits in the Consumer and Commercial Banking segment. 25 In the second quarter of 2001, the Corporation's commercial real estate banking business was moved from Global Corporate and Investment Banking to Consumer and Commercial Banking. The credit and client management process and customer base of the business are better aligned with those of Consumer and Commercial Banking.

Consumer and Commercial Banking -- Three Months Ended Nine Months Ended September 30 September 30 -- ~~(Dollars in millions) 2001 2000 2001 2000 -- Net interest income $ 3,347 $ 3,124 $ 9,702 $ 9,264 Noninterest income 2,022 1,954 5,973 5,452 -- Total revenue 5,369 5,078 15,675 14,716 Cash basis earnings 1,414 1,422 4,084 3,882 Shareholder value added 828 831 2,348 2,099 Cash basis efficiency ratio 50.8 % 51.8 % 51.4 % 53.4 %~~

. Total revenue increased $959 million, or seven percent, for the nine months ended September 30, 2001 compared to the same period in 2000. - Net interest income increased $438 million, or five percent, as a favorable shift in loan mix and overall loan and deposit growth were partially offset by the impact of the money market deposit pricing initiative as the Corporation offered more competitive money market savings rates. - Noninterest income increased $521 million, or 10 percent, driven by a 10 percent increase in card income, a nine percent increase in service charges and improved mortgage banking results. . Cash basis earnings for the nine months ended September 30, 2001 rose $202 million, or five percent, due to the increases in net interest income and noninterest income discussed above, partially offset by an increase in the provision for credit losses and a two percent increase in noninterest expense. - The provision for credit losses increased

$444 million, or 56 percent, reflecting higher charge-offs in the commercial - domestic and bankcard loan portfolios. . Shareholder value added increased $249 million over the prior year as a result of the increase in cash basis earnings, driven by higher net interest income and fee revenue. The major components of Consumer and Commercial Banking are Banking Regions, Consumer Products and Commercial Banking. Banking Regions Banking Regions serves consumer households in 21 states and the District of Columbia and overseas through its network of approximately 4,300 banking centers, 13,000 ATMs, telephone and Internet channels on www.bankofamerica.com. Banking Regions provides a wide array of products and services, including deposit products such as checking, money market savings accounts, time deposits and IRAs, debit card products and credit products such as home equity, mortgage and personal auto loans. Banking Regions also includes small business banking providing treasury management, credit services, community investment, check card, e-commerce and brokerage services to over two million small business relationships across the franchise. 26

Banking Regions	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2001	2000	2001	2000
Net interest income	$ 2,149	$ 2,140	$ 6,266	$ 6,297
Noninterest income	1,009	913	2,908	2,615
Total revenue	3,158	3,053	9,174	8,912
Cash basis earnings	827	811	2,338	2,251
Shareholder value added	489	472	1,333	1,225
Cash basis efficiency ratio	56.9 %	56.3 %	58.0 %	58.3%

. Total revenue for the nine months ended September 30, 2001 increased $262 million, or three percent, as a rise in noninterest income was partially offset by a slight decrease in net interest income. - Loan growth, primarily in residential mortgages and home equity lending, and deposit growth had a positive effect on net interest income but were offset by the impact of the money market deposit pricing initiative. - Noninterest income increased $293 million, or 11 percent, primarily due to an increase in consumer service charges of $148 million, or eight percent, (throughout all Banking Regions) and an $89 million, or 24 percent, increase in debit card income, driven by a higher number of active debit cards and increases in transactions and purchase volume. . Cash basis earnings increased $87 million, or four percent, for the nine months ended September 30, 2001, primarily attributable to the increase in revenue discussed above offset by a slight increase in noninterest expense. . Shareholder value added rose $108 million as a result of the increase in cash basis earnings. Consumer Products Consumer Products provides specialized services such as the origination and servicing of residential mortgage loans, issuance and servicing of credit cards, direct banking via telephone and Internet, lending and investing to develop low- and moderate-income communities, student lending and certain insurance services. Consumer Products also provides retail finance and floorplan programs to marine, RV and auto dealerships.

Consumer Products	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2001	2000	2001	2000
Net interest income	$ 560	$ 348	$ 1,512	$ 986
Noninterest income	758	773	2,311	2,092
Total revenue	1,318	1,121	3,823	3,078
Cash basis earnings	344	328	1,036	780
Shareholder value added	234	222	712	457
Cash basis efficiency ratio	40.1 %	43.4 %	40.9 %	47.1 %

27 . Total revenue increased $745 million, or 24 percent, due to increases in both net interest income and noninterest income. - Net interest income increased $526 million, or 53 percent, due primarily to an increase in bankcard receivables. - Noninterest income increased $219 million, or 10 percent, primarily due to improved mortgage banking results and increased credit card income. Mortgage banking results have increased due to higher origination activity and servicing levels, increased gains from higher loan sales to the secondary market and the net mark-to-market adjustments related to the mortgage banking assets and related hedging instruments. These increases were partially offset by increased paydowns as a result of the declining rate environment. Credit card income grew $64 million, or five percent, due to new consumer card account growth and an increase in purchase volume. . The $256 million, or 33 percent, increase in cash basis earnings for the nine months ended September 30, 2001 was due to the increases in net interest income and noninterest income discussed above. These increases were partially offset by a rise in the provision for credit losses and higher expenses, primarily driven by higher card marketing. - The provision for credit losses increased 47 percent to $633 million primarily due to higher net charge-offs in the bankcard loan portfolio. The increase in bankcard charge-offs was driven by portfolio growth and an increase in personal bankruptcy filings. . Shareholder value added increased $255 million due to the increase in cash basis earnings. Commercial Banking Commercial Banking provides commercial lending and treasury management services to middle market companies with annual revenue between $10 million and $500 million. These services are available through relationship manager teams as well as through alternative channels such as the telephone via the commercial service center and the Internet by accessing Bank of America Direct.

Commercial Banking	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2001	2000	2001	2000
Net interest income	$ 638	$ 636	$ 1,924	$ 1,981
Noninterest income	255	268	754	745
Total revenue	893	904	2,678	2,726
Cash basis earnings	243	283	710	851
Shareholder value added	105	137	303	417
Cash basis efficiency ratio	44.9 %	47.0 %	43.7 %	44.4 %

. Noninterest income increased one percent and was offset by a three percent decrease in net interest income. Total revenue for the nine months ended September 30, 2001 decreased two percent. - The $9 million increase in noninterest income was primarily attributable to higher corporate service charges as customers opted to pay service charges rather than carry excess deposit balances in the lower rate environment, offset by the liquidation of certain commercial finance businesses. 28 - Net interest income decreased $57 million, primarily due to a reduction in commercial loans and the liquidation of certain commercial finance businesses. . Lower noninterest expense was more than offset by lower revenue and an increase in the provision for credit losses resulting in a $141 million, or 17 percent, decline in cash basis earnings for the nine months ended September 30, 2001. - Noninterest expense decreased $41 million, or three percent, to $1.2 billion, primarily due to lower personnel expense and the liquidation of certain commercial finance businesses. - The provision for credit losses increased $226 million to $392 million as a result of credit deterioration in the commercial loan portfolio. . Shareholder value added decreased $114 million as the decline in cash basis earnings was partially offset by a lower charge for the use of capital. Asset Management Asset Management includes the Private Bank, Banc of America Capital Management and Banc of America Investment Services, Inc. The Private Bank offers financial solutions to high-net-worth clients and foundations in the U.S. and internationally by providing customized asset management and credit, financial advisory, fiduciary, trust and banking services. Banc of America Capital Management offers management of equity, fixed income, cash, and alternative investments; manages the assets of individuals, corporations, municipalities, foundations and universities, and public and private institutions; and provides advisory services to the Corporation's affiliated family of mutual funds. Banc of America Investment Services, Inc. provides both full-service and discount brokerage services through investment professionals located throughout the franchise and a brokerage web site that provides customers a wide array of market analyses, investment research and self-help tools, account information and transaction capabilities. The Corporation's strategy is to focus on and grow the asset management business. Recent initiatives include the addition of two new investment platforms which broaden the Corporation's capabilities to maximize market opportunity for its clients. The Corporation continues to enhance the financial planning tools used to assist clients with their financial goals. Assets under management rose $5 billion to $280 billion at September 30, 2001 compared to September 30, 2000. Assets of the Nations Funds family of mutual funds reached $125 billion at September 30, 2001 compared to $98 billion one year ago. Effective January 2, 2001, the Corporation acquired the remaining 50 percent of Marsico for a total investment of $1.1 billion. The Corporation acquired the first 50 percent in 1999. Marsico is a Denver-based investment management firm specializing in large capitalization growth stocks.

Asset Management	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2001	2000	2001	2000
Net interest income	$ 185	$ 158	$ 525	$ 477
Noninterest income	424	445	1,317	1,355
Total revenue	609	603	1,842	1,832
Cash basis earnings	163	163	432	490
Shareholder value added	96	113	234	341
Cash basis efficiency ratio	57.2 %	57.0 %	59.8 %	57.0 %

29 . Total revenue increased $10 million, or one percent, for the nine months ended September 30, 2001, due largely to an increase in net interest income, partially offset by a decline in noninterest income. - Net interest income increased $48 million, or 10 percent, due to growth in the commercial and residential mortgage loan portfolios. - Noninterest income decreased $38 million, or three percent, as an increase in investment and brokerage services income was offset by a decline in trading account profits. The increase in investment and brokerage services income was due to new asset management business and the completed acquisition of Marsico, partially offset by lower broker activity due to decreased trade volume as the result of significant market decline. . Cash basis earnings decreased $58 million, or 12 percent, for the nine months ended September 30, 2001, as modest revenue growth was offset by a $78 million increase in provision expense largely related to one loan that was charged off in the second quarter of 2001 and increased noninterest expense. - Noninterest expense increased $78 million, or seven percent, reflecting investments in new private banking offices, the acquisition of Marsico, and in personnel supporting the revenue growth initiatives, partially offset by one-time business divestiture expenditures in 2000. . Shareholder value added declined $107 million due to the decline in cash basis earnings and the increased capital associated with building the business. Global Corporate and Investment Banking Global

Corporate and Investment Banking provides a broad array of financial services such as investment banking, trade finance, treasury management, lending, capital markets, leasing and financial advisory services to domestic and international corporations, financial institutions and government entities. Clients are supported through offices in 38 countries in four distinct geographic regions: U.S. and Canada; Asia; Europe, Middle East and Africa; and Latin America. Products and services provided include loan origination, merger and acquisition advisory, debt and equity underwriting and trading, cash management, derivatives, foreign exchange, leasing, leveraged finance, project finance, senior bank debt, structured finance and trade services.

Global Corporate and Investment Banking -- Three Months Ended Nine Months Ended September 30 September 30 -- (Dollars in millions) 2001 2000 2001 2000 -- Net interest income $ 1,140 $ 900 $ 3,257 $ 2,694 Noninterest income 1,068 1,075 3,659 3,593 -- ------ Total revenue 2,208 1,975 6,916 6,287 Cash basis earnings 512 550 1,576 1,774 Shareholder value added 169 151 521 595 Cash basis efficiency ratio 52.0 % 53.7 % 53.9 % 53.9 %

. For the nine months ended September 30, 2001, total revenue increased $629 million, or 10 percent, primarily due to 21 percent, or $469 million, growth in trading-related revenue. - Net interest income increased $563 million, or 21 percent, as a result of higher trading-related activities and lower funding costs, partially offset by lower commercial loan levels. 30 - Noninterest income increased $66 million, or two percent, as increases in investment and brokerage services, corporate service charges and trading account profits were partially offset by declines in other income, equity investment gains and investment banking income. . Cash basis earnings decreased $198 million, or 11 percent, for the nine months ended September 30, 2001 as revenue growth was more than offset by higher credit-related costs and noninterest expense. - The provision for credit losses increased $510 million to $780 million due to credit quality deterioration in the commercial - domestic loan portfolio of Global Credit Products. - A $348 million, or 10 percent, increase in noninterest expense was primarily due to higher personnel expense, costs associated with various international activities and the build-out of the investment banking platform. . Shareholder value added declined $74 million as a result of higher credit costs, partially offset by lower capital due to reductions in loan levels. Global Corporate and Investment Banking offers clients a comprehensive range of global capabilities through three components: Global Investment Banking, Global Credit Products and Global Treasury Services. Global Investment Banking Global Investment Banking includes the Corporation's investment banking activities and risk management products. Through a separate subsidiary, Banc of America Securities LLC, Global Investment Banking underwrites and makes markets in equity securities, high-grade and high-yield corporate debt securities, commercial paper, and mortgage-backed and asset-backed securities. Banc of America Securities LLC also provides correspondent clearing services for other securities broker/dealers, traditional brokerage services to high-net-worth individuals and prime- brokerage services. Debt and equity securities research, loan syndications, mergers and acquisitions advisory services, private placements and equity derivatives are also provided through Banc of America Securities LLC. In addition, Global Investment Banking provides risk management solutions for our global customer base using interest rate, credit and commodity derivatives, foreign exchange, fixed income and mortgage-related products. In support of these activities, the businesses will take positions in these products and capitalize on market-making activities. The Global Investment Banking business also takes an active role in the trading of fixed income securities in all of the regions in which Global Corporate and Investment Banking transacts business and is a primary dealer in the U.S., as well as in several international locations.

Global Investment Banking -- Three Months Ended Nine Months Ended September 30 September 30 -- (Dollars in millions) 2001 2000 2001 2000 -- Net interest income $ 420 $ 261 $ 1,177 $ 758 Noninterest income 642 714 2,533 2,501 -- Total revenue 1,062 975 3,710 3,259 Cash basis earnings 209 215 766 731 Shareholder value added 98 110 450 424 Cash basis efficiency ratio 69.7 % 67.8 % 67.8 % 66.7 %

. Total revenue grew $451 million, or 14 percent, for the nine months ended September 30, 2001 primarily due to higher trading-related revenue. - Net interest income grew $419 million, or 55 percent, as a result of higher trading-related activities. 31 - Higher investment and brokerage services income, trading account profits and service charges offset declines in equity investment gains and investment banking income, resulting in noninterest income growth of one percent. Three percent, or $52 million, growth in trading account profits was driven by increases in commodities and other contracts, foreign exchange, fixed income and interest rate contract categories, offset by a decline in equities and equity derivatives contracts. Investment banking income decreased $40 million as strong fixed income originations were offset by weaker demand in syndications, equity underwriting and advisory services. . Cash basis earnings increased $35 million, or five percent, for the nine months ended September 30, 2001, as revenue growth was partially offset by an increase in noninterest expense. - The $346 million, or 16 percent, increase in noninterest expense was primarily due to higher personnel expense, costs associated with international activities and the build-out of the investment banking platform. . Shareholder value added increased six percent, or $26 million, due to higher cash basis earnings. Global Credit Products Global Credit Products provides credit and lending services and includes the corporate industry-focused portfolio, leasing and project finance.

Global Credit Products -- Three Months Ended Nine Months Ended September 30 September 30 -- (Dollars in millions) 2001 2000 2001 2000 -- -- Net interest income $ 537 $ 485 $ 1,576 $ 1,495 Noninterest income 209 172 509 519 -- Total revenue 746 657 2,085 2,014 Cash basis earnings 208 268 580 855 Shareholder value added (8) (11) (109) 29 Cash basis efficiency ratio 20.6 % 21.2 % 21.5 % 22.1 %

. Total revenue increased three percent for the nine months ended September 30, 2001. - Net interest income increased $81 million, or five percent, compared to the prior year as lower funding costs offset the impact of lower commercial loan levels. - Noninterest income declined $10 million, or two percent, primarily due to lower gains in the leasing portfolio. . Cash basis earnings declined $275 million, or 32 percent, primarily due to a $497 million increase in the provision for credit losses driven by credit quality deterioration in the commercial - domestic loan portfolio. . Shareholder value added decreased $138 million as a result of the increase in the provision for credit losses which was partially offset by lower capital, reflecting the continued efforts to reduce corporate loan levels and exit less profitable relationships. 32 Global Treasury Services Global Treasury Services provides the technology, strategies and integrated solutions to help financial institutions, government agencies and public and private companies of all sizes manage their operations and cash flows on a local, regional, national and global level.

Global Treasury Services -- Three Months Ended Nine Months Ended September 30 September 30 -- (Dollars in millions) 2001 2000 2001 2000 -- Net interest income $ 183 $ 154 $ 504 $ 441 Noninterest income 217 189 617 573 -- ------ Total revenue 400 343 1,121 1,014 Cash basis earnings 95 67 230 188 Shareholder value added 79 52 180 142 Cash basis efficiency ratio 63.8 % 75.8 % 68.2 % 76.0 %

. Revenue increased $107 million, or 11 percent, with increases in both net interest income and noninterest income for the nine months ended September 30, 2001. - Net interest income increased $63 million, or 14 percent, primarily due to lower funding costs. - Noninterest income increased $44 million, or eight percent, due to an increase in corporate service charges as customers chose to pay service charges rather than maintain excess deposit balances in the lower rate environment. . Cash basis earnings increased $42 million, or 22 percent, for the nine months ended September 30, 2001, driven primarily by the growth in revenue. . Shareholder value added increased $38 million due to the increase in cash basis earnings. Equity Investments Equity Investments includes Principal Investing, which is comprised of a diversified portfolio of investments in companies at all stages of the business cycle, from start up to buyout. Investments are made on both a direct and indirect basis in the U.S. and overseas. Direct investing activity focuses on playing an active role in the strategic and financial direction of the portfolio company as well as providing broad business experience and access to the Corporation's global resources. Indirect investments represent passive limited partnership stakes in funds managed by experienced third party private equity investors who act as general partners. Equity Investments also includes the Corporation's strategic technology and alliances investment portfolio. 33

Equity Investments -- Three Months Ended Nine Months Ended September 30 September 30 -- (Dollars in millions) 2001 2000 2001 2000 ------------------- -- Net interest income $ (36) $ (37) $ (112) $ (98) Noninterest income (18) 383 239 1,053 -- Total revenue (54) 346 127 955 Cash basis earnings (56) 200 6 542 Shareholder value added (128) 141 (206) 377 Cash basis efficiency ratio n/m % 6.3 % 100.5 % 7.7 %

. For the nine months ended September 30, 2001, both revenue and cash basis earnings decreased substantially primarily due to lower equity investment gains. - Equity investment gains decreased

$756 million to $283 million, with $108 million in Principal Investing and $175 million in the strategic investments portfolio. Equity investment gains in the strategic investments portfolio included $140 million in the first quarter of 2001 related to the sale of an interest in the Star Systems ATM network. - Net interest income consists primarily of the funding cost associated with the carrying value of investments. . Shareholder value added declined $583 million reflecting the decline in cash basis earnings. Corporate Other Corporate Other consists primarily of the functions associated with managing the interest rate risk of the Corporation and Consumer Special Assets, which includes certain consumer finance businesses being liquidated and certain residential mortgages originated by the mortgage group (not from retail branch originations). Corporate Other also includes the earnings associated with unassigned capital, certain expenses that have not been allocated to any particular business segment and other corporate transactions. Corporate Other results for the nine months ended September 30, 2001 included charges of $1.7 billion ($1.3 billion after-tax) related to the exit of the auto leasing and subprime real estate lending businesses in the third quarter of 2001 and a pre-tax $106 million transition adjustment loss related to the implementation of SFAS 133 in the first quarter of 2001. Corporate Other results for the nine months ended September 30, 2000 included restructuring charges of $550 million ($346 million after-tax) resulting from the Corporation's productivity and investment initiatives. See Note Two of the consolidated financial statements for additional information on exit and restructuring charges. See Note Nine of the consolidated financial statements for additional information on Corporate Other. Results of Operations Net Interest Income An analysis of the Corporation's net interest income on a taxable-equivalent basis and average balance sheet for the most recent five quarters and for the nine months ended September 30, 2001 and 2000 are presented in Tables Four and Five, respectively. As reported, net interest income on a taxable-equivalent basis increased $648 million to $5.3 billion for the three months ended September 30, 2001 compared to the same period in 2000. Net interest income on a taxable- 34 equivalent basis increased $1.2 billion to $15.1 billion for the nine months ended September 30, 2001, compared to the same period in 2000. Management also reviews "core net interest income," which adjusts reported net interest income for the impact of trading-related activities, securitizations, asset sales and divestitures, excluding balance sheet portfolios used to manage interest rate risk. For purposes of internal analysis, management combines trading- related net interest income with trading account profits, as discussed in the "Noninterest Income" section on page 40, as trading strategies are typically evaluated based on total revenue. The determination of core net interest income also requires adjustment for the impact of securitizations (primarily home equity and credit card), asset sales (primarily commercial loans) and divestitures. Noninterest income, rather than net interest income, is recorded for assets that have been securitized as the Corporation takes on the role of servicer and records servicing income and gains on securitizations, where appropriate. Table Three below provides a reconciliation of net interest income on a taxable-equivalent basis presented in Tables Four and Five to core net interest income for the three months and nine months ended September 30, 2001 and 2000, respectively: Table Three Net Interest Income

(Dollars in millions)	Three Months Ended September 30 2001	2000	Increase/ (Decrease)	Nine Months Ended September 30 2001	2000	Increase/ (Decrease)
Net interest income						
As reported/(1)/	$ 5,290	$ 4,642	14.0 %	$ 15,128	$ 13,913	8.7 %
Less: Trading-related net interest income	(397)	(244)		(1,136)	(719)	
Add: Impact of securitizations, asset sales and divestitures	17	11		60	12	
Core net interest income	$ 4,910	$ 4,409	11.4 %	$ 14,052	$ 13,206	6.4 %
Average earning assets						
As reported	$ 557,108	$597,248	(6.7)%	$ 562,038	$581,029	(3.3)%
Less: Trading-related earning assets	(128,672)	(119,770)		(123,455)	(113,447)	
Add: Earning assets securitized, sold and divested	4,009	659		3,169	427	
Core average earning assets	$ 432,445	$478,137	(9.6)%	$ 441,752	$468,009	(5.6)%
Net interest yield on earning assets/(1,2)/						
As reported	3.78 %	3.10 %	68 bp	3.59 %	3.20 %	39 bp
Add: Impact of trading-related activities	0.75	0.58	17	0.66	0.57	9
Impact of securitizations, asset sales and divestitures	(0.01)	-	(1)	(0.01)	-	(1)
Core net interest yield on earning assets	4.52 %	3.68 %	84 bp	4.24 %	3.77 %	47 bp

(1) Net interest income is presented on a taxable-equivalent basis. (2) bp denotes basis points; 100 bp equals 1%. Core net interest income on a taxable-equivalent basis was $4.9 billion and $14.1 billion for the three months and nine months ended September 30, 2001, respectively, an increase of $501 million and $846 million over the corresponding periods in 2000. The increase in core net interest income for the nine months ended September 30, 2001, was driven by changes in interest rates and the effect of portfolio repositioning, higher levels of core funding and a favorable change in loan mix, partially offset by the impact of money market deposit pricing initiative and the deterioration in auto lease residual values. The higher levels of core funding reflected a $12.0 billion increase in average customer-based deposits and a $1.6 billion increase in average shareholders' equity. Core average earning assets were $432.4 billion and $441.8 billion for the three months and nine months ended September 30, 2001, respectively, a decrease of $45.7 billion and $26.3 billion over the same periods in 2000, primarily reflecting reduced securities levels and managed commercial loan balances partially offset by growth in managed consumer loan levels. Falling interest rates in 2001 allowed the Corporation to shed lower yielding assets and reposition its balance sheet to take advantage of a steepened yield curve. Managed consumer loans increased seven percent for the three months and nine months ended September 30, 2001, led by growth in bankcard receivables, residential mortgages and home equity lines. Managed commercial loans decreased 12 percent and five percent for the three months and nine months ended September 30, 2001, reflecting continuing efforts to reduce corporate loan levels and exit less profitable relationships. Loan growth is dependent on economic conditions, as 35 well as various discretionary factors, and the management of borrower, industry, product and geographic concentrations. The core net interest yield increased 84 basis points to 4.52 percent and 47 basis points to 4.24 percent for the three months and nine months ended September 30, 2001, respectively, mainly due to the effects of changes in interest rates and portfolio repositioning. 36 Table Four Quarterly Average Balances and Interest Rates - Taxable-Equivalent Basis

(Dollars in millions)	Third Quarter 2001 Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets			
Time deposits placed and other short-term investments	$5,881	$ 71	4.84 %
Federal funds sold and securities purchased under agreements to resell	36,133	321	3.54
Trading account assets	68,258	937	5.46
Securities/(1)/	58,930	902	6.12
Loans and leases/(2)/:			
Commercial - domestic	129,673	2,343	7.17
Commercial - foreign	25,267	353	5.54
Commercial real estate - domestic	24,132	395	6.50
Commercial real estate - foreign	366	5	5.78
Total commercial	179,438	3,096	6.85
Residential mortgage	80,526	1,457	7.22
Home equity lines	22,115	394	7.06
Direct/Indirect consumer	39,481	753	7.56
Consumer finance	16,358	359	8.77
Bankcard	17,632	493	11.11
Foreign consumer	2,176	28	5.28
Total consumer	178,288	3,484	7.78
Total loans and leases	357,726	6,580	7.31
Other earning assets	30,180	597	7.89
Total earning assets/(3)/	557,108	9,408	6.72
Cash and cash equivalents	20,753		
Other assets, less allowance for credit losses	64,323		
Total assets	$642,184		
Interest-bearing liabilities			
Domestic interest-bearing deposits:			
Savings	$20,076	53	1.04
NOW and money market deposit accounts	116,638	588	2.00
Consumer CDs and IRAs	73,465	918	4.95
Negotiable CDs, public funds and other time deposits	5,085	57	4.44
Total domestic interest-bearing deposits	215,264	1,616	2.98
Foreign interest-bearing deposits/(4)/:			
Banks located in foreign countries	24,097	257	4.22
Governments and official institutions	3,533	35	3.90
Time, savings and other	23,847	189	3.16
Total foreign interest-bearing deposits	51,477	481	3.71
Total interest-bearing deposits	266,741	2,097	3.12
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	89,042	869	3.87
Trading account liabilities	30,913	285	3.66
Long-term debt/(5)/	67,267	867	5.15
Total interest-bearing liabilities/(6)/	453,963	4,118	3.61
Noninterest-bearing sources:			
Noninterest-bearing deposits	96,587		
Other liabilities	42,432		
Shareholders' equity	49,202		
Total liabilities and shareholders' equity	$642,184		
Net interest spread			3.11
Impact of noninterest-bearing sources			.67
Net interest income/yield on earning assets		$5,290	3.78 %

(1) The average balance and yield on securities are based on the average of historical amortized cost balances. (2) Nonperforming loans are included in the respective average loan balances. Income on such nonperforming loans is recognized on a cash basis. (3) Interest income includes taxable-equivalent basis adjustments of $86, $87 and $82 in the third, second and first quarters of

2001 and $94 and $79 in the fourth and third quarters of 2000, respectively. Interest income also includes the impact of risk management interest rate contracts, which increased (decreased) interest income on the underlying assets $284, $194 and $27 in the third, second and first quarters of 2001 and $(31) and $(13) in the fourth and third quarters of 2000, respectively. (4) Primarily consists of time deposits in denominations of $100,000 or more. (5) Long-term debt includes trust preferred securities. (6) Interest expense includes the impact of risk management interest rate contracts, which (increased) decreased interest expense on the underlying liabilities $31, $49 and $23 in the third, second and first quarters of 2001 and $(7) and $(16) in the fourth and third quarters of 2000, respectively. 37

---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ----- First Quarter 2001 Fourth Quarter 2000 Third Quarter 2000 ---- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- - Interest Interest Interest Average Income/ Yield/ Average Income/ Yield/ Average Income/ Yield/ Balance Expense Rate Balance Expense Rate Balance Expense Rate ---- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- - ~~$6,675 $ 102 6.17 % $ 5,663 $ 99 6.96 % $ 4,700 $~~

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~~%~~
~~31,903~~
~~435 5.48~~
~~37,936~~
~~551 5.79~~
~~40,763~~
~~633 6.20~~
~~62,491~~
~~852 5.49~~
~~53,251~~
~~758 5.68~~
~~53,793~~
~~749 5.55~~
~~55,221~~
~~860 6.26~~
~~79,501~~
~~1,205~~
~~6.05~~
~~83,728~~
~~1,276~~
~~6.08~~
~~144,404~~
~~2,813~~
~~7.90~~
~~147,336~~
~~3,034~~
~~8.19~~
~~151,903~~
~~3,151~~
~~8.26~~
~~29,540~~
~~515 7.06~~
~~30,408~~
~~560 7.32~~
~~29,845~~
~~555 7.39~~
~~25,989~~
~~530 8.27~~
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~~205,228~~
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~~21,744~~
~~467 8.71~~
~~21,117~~
~~483 9.11~~
~~20,185~~
~~466 9.18~~
~~40,461~~
~~784 7.86~~
~~40,390~~
~~843 8.30~~
~~41,905~~
~~848 8.06~~
~~25,947~~
~~589 9.08~~
~~25,592~~
~~570 8.91~~
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~~559 8.93~~
~~14,464~~
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~~12.41~~
~~12,295~~
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~~10,958~~
~~344~~
~~12.49~~
~~2,330 43~~
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~~2,248 48~~
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~~2,190 48~~
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~~187,656~~
~~3,858~~
~~8.29~~
~~194,321~~
~~4,061~~
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~~387,889~~
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~~399,549~~
~~8,283~~
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~~402,763~~
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~~-17,248~~
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~~14,828~~
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~~11,501~~
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~~561,427~~
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~~590,728~~
~~11,231~~
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~~597,248~~
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~~1,377~~
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~~122,680~~
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~~2,223~~
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~~28,407~~
~~290 4.14~~
~~27,548~~
~~285 4.13~~
~~24,233~~
~~237 3.88~~
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~~$4,721~~
~~3.39 %~~
~~$4,758~~
~~3.21 %~~
~~$4,642~~
~~3.10 % -~~

----
38 Table Five Average Balances and Interest Rates - Taxable-Equivalent Basis
----

Nine Months
Ended
September 30

2001 --------

------ Interest
Average
Income/
Yield/
(Dollars in
millions)

Balance
Expense Rate

~~Earning assets~~
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~~Time deposits placed and other short-term investments $ 6,544 $254 5.20 % ------~~
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~~Federal funds sold and securities purchased under agreements to resell 33,980 1,161 4.56 Trading account assets 66,041 2,733 5.52 Securities/(1)/ 56,637 2,671 6.29 Loans and leases /(2)/: Commercial - domestic 137,670 7,741 7.52 Commercial - foreign 27,403 1,287 6.28 Commercial real estate - domestic 25,131 1,384 7.36 Commercial real estate - foreign 339 17 6.67 -----~~
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~~Total commercial 190,543~~

190,543

~~10,429 7.32 - -- Residential mortgage 82,519 4,535 7.33 Home equity lines 21,940 1,285 7.83 Direct/Indirect consumer 40,017 2,272 7.59 Consumer finance 23,014 1,556 9.01 Bankcard 15,962 1,381 11.57 Foreign consumer 2,266 108 6.36 -- Total consumer 185,718 11,137 8.01 - -- Total loans and leases 376,261 21,566 7.66 - -- Other earning assets 22,575 1,358 8.04 -- -- Total earning assets /(3)/ 562,038 29,743 7.07 - --------------------------~~

~~-- Cash and cash equivalents 22,327 -- Other assets, less allowance for credit losses 64,424 -- Total assets $648,789 -- Interest-bearing liabilities Domestic interest-bearing deposits: Savings $20,233 171 1.13 NOW and money market deposit accounts 112,263 2,072 2.47 Consumer CDs and IRAs 75,322 2,955 5.24 Negotiated CDs, public funds and other time deposits 6,068 246 5.42 -- Total domestic interest-bearing deposits 213,886~~

215,886
5,444 3.40 --

Foreign interest-bearing deposits /(4)/:

Banks located in foreign countries 24,283 882 4.86
Governments and official institutions 3,835 132 4.59 ---------
----

----- Time, savings and other 23,304 715 4.11 ----

Total foreign interest-bearing deposits 51,422 1,729 4.50 ---------
----

----- Total interest-bearing deposits 265,308 7,173 3.61 --

Federal funds

~~purchased, securities sold under agreements to repurchase and other short-term borrowings 94,223 3,467 4.92 Trading account liabilities 30,019 887 3.95 Long-term debt /(5)/ 70,121 3,088 5.87~~

~~---~~

~~Total interest-bearing liabilities /(6)/ 459,671 14,615 4.25~~

~~---~~

~~Noninterest-bearing sources: Noninterest-bearing deposits 95,485 Other liabilities 45,036 Shareholders' equity 48,597~~

~~---~~

~~Total liabilities and shareholders' equity $648,789~~

~~---~~

~~Net interest spread 2.82 Impact of noninterest-bearing sources .77~~

~~---~~

~~Net interest income/yield on earning assets $15,128 3.59 %~~

------- Nine Months Ended September 30

------- 2000

------- Interest Average Income/ Yield/ (Dollars in millions) Balance Expense Rate

------ ~~Earning assets~~

~~Time deposits placed and other short-term investments $ 4,594 $237 6.88 %~~

~~--~~

~~Federal funds sold and securities purchased under agreements to resell 43,392 1,803 5.54~~
~~Trading account assets 47,490 1,993 5.60~~
~~Securities/(1)/ 85,792 3,906 6.07~~
~~Loans and leases /(2)/:~~
~~Commercial - domestic 148,446 8,991 8.09~~
~~Commercial - foreign 28,950 1,556 7.17~~
~~Commercial real estate - domestic 25,427 1,677 8.81~~
~~Commercial real estate - foreign 318 21 8.99~~

~~---~~

~~- Total commercial 203,141 12,245 8.05~~

~~---~~

~~Residential mortgage 90,558 5,021 7.40~~
~~Home equity lines 18,946 1,265 8.92~~
~~Direct/Indirect consumer 41,840 2,602 8.31~~
~~Consumer finance 23,994 1,590 8.84~~
~~Bankcard 9,602 857 11.92~~
~~Foreign consumer 2,215 146 8.86~~

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~~Total consumer 187,155 11,481 8.19 -~~
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~~----- Total loans and leases 390,296 23,726 8.12 -~~
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~~----- Other earning assets 9,465 591 8.34 ---------~~
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~~Total earning assets /(3)/ 581,029 32,256 7.41 -~~
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~~----- Cash and cash equivalents 25,205 ------~~
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~~Other assets, less allowance for credit losses 63,364~~
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~~------ Total assets $669,598 ---~~
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~~--- Interest-bearing liabilities~~

~~Domestic interest-bearing deposits:~~

~~Savings $23,787 234 1.31~~

~~NOW and money market deposit accounts 99,442 2,153 2.89~~

~~Consumer CDs and IRAs 77,110 3,100 5.37~~

~~Negotiated CDs, public funds and other time deposits 7,645 354 6.18~~

~~Total domestic interest-bearing deposits 207,984 5,841 3.75~~

~~---- Foreign interest-bearing deposits /(4)/:~~

~~------ Banks located in foreign countries 16,292 706 5.79~~

~~Governments and official institutions 9,942 452 6.07~~

~~Time, savings and other 26,681 1,084 5.42~~

~~Total foreign interest-bearing deposits 52,915 2,242 5.66~~

~~Total interest-bearing deposits 260,899 8,083 4.14~~

~~Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings 134,451 6,015 5.98~~

~~Trading account liabilities 22,599 607 3.59~~

~~Long-term debt /(5)/ 69,370 3,638 6.99~~

~~Total interest-bearing liabilities /(6)/ 487,319 18,343 5.03~~

~~-------------- ----- Noninterest-bearing sources: Noninterest-bearing deposits 90,964 Other liabilities 44,353 Shareholders' equity 46,962 -------------- -------------- -------------- -------------- -------------- -------------- -------------- ------ Total liabilities and shareholders' equity $669,598 --- -------------- -------------- -------------- -------------- -------------- -------------- -------------- --- Net interest spread 2.38 Impact of noninterest-bearing sources .82 -- -------------- -------------- -------------- -------------- -------------- -------------- -------------- ---- Net interest income/yield on earning assets $13,913 3.20 % ----------- -------------- -------------- -------------- -------------- -------------- -------------- ---------~~

(1) The average balance and yield on securities are based on the average of historical amortized cost balances. (2) Nonperforming loans are included in the respective average loan balances. Income on such nonperforming loans is recognized on a cash basis. (3) Interest income includes taxable-equivalent basis adjustments of $255 and $228 for the nine months ended September 30, 2001 and 2000, respectively. Interest income also includes the impact of risk management interest rate contracts, which increased (decreased) interest income on the underlying assets $505 and $(17) for the nine months ended September 30, 2001 and 2000, respectively. (4) Primarily consists of time deposits in denominations of $100,000 or more. (5) Long-term debt includes trust preferred securities. (6) Interest expense includes the impact of risk management interest rate contracts, which (increased) decreased interest expense on the underlying liabilities $103 and $(29) in the nine months ended September 30, 2001 and 2000, respectively. 39 Noninterest Income As presented in Table Six, noninterest income decreased $246 million to $3.4 billion and decreased $304 million to $11.0 billion for the three months and nine months ended September 30, 2001, respectively, from the comparable 2000 periods. The decrease in noninterest income for the three months ended September 30, 2001 reflects the increases in service charges, investment and brokerage services, other income, trading account profits and card income being offset by a sharp decline in equity investment gains as well as declines in investment banking income and mortgage banking income. The decrease in noninterest income for the nine months ended September 30, 2001 reflects the increases in service charges, card income, investment and brokerage services and mortgage banking income being offset by a sharp decline in equity investment gains as well as declines in trading account profits and investment banking income. Table Six Noninterest Income

	Three Months Ended September 30				Nine Months Ended September 30			
			Increase/(Decrease)				Increase/(Decrease)	
(Dollars in millions)	2001	2000	Amount	Percent	2001	2000	Amount	Percent
Consumer service charges	$ 712	$ 684	$ 28	4.1 %	$ 2,120	$ 1,948	$ 172	8.8 %
Corporate service charges	528	474	54	11.4	1,538	1,413	125	8.8
Total service charges	1,240	1,158	82	7.2	3,658	3,361	297	8.8
Consumer investment and brokerage services	386	357	29	8.1	1,164	1,108	56	5.1
Corporate investment and brokerage services	142	114	28	24.6	415	340	75	22.1
Total investment and brokerage services	528	471	57	12.1	1,579	1,448	131	9.0
Mortgage banking income	109	121	(12)	(9.9)	426	366	60	16.4
Investment banking income	305	376	(71)	(18.9)	1,106	1,146	(40)	(3.5)
Equity investment gains	22	422	(400)	(94.8)	340	1,119	(779)	(69.6)
Card income	618	594	24	4.1	1,792	1,634	158	9.7
Trading account profits/(1)/	433	402	31	7.7	1,508	1,630	(122)	(7.5)
Other income	174	131	43	32.8	541	550	(9)	(1.6)
Total	$3,429	$3,675	$(246)	(6.7)%	$10,950	$11,254	$(304)	(2.7)%

(1) Trading account profits for the nine months ended September 30, 2001 included the $83 million SFAS 133 transition adjustment net loss. The components of the transition adjustment by segment were a gain of $4 million for Consumer and Commercial Banking, a gain of $19 million for Global Corporate and Investment Banking and a loss of $106 million for Corporate Other. The following section discusses the noninterest income results of the Corporation's four business segments. For additional business segment information, see "Business Segment Operations" beginning on page 24. Consumer and Commercial Banking . Noninterest income for Consumer and Commercial Banking increased $521 million to $6.0 billion for the nine months ended September 30, 2001 from the comparable 2000 period, driven by higher service charges, strong card income and improved mortgage banking results. - Service charges include deposit account service charges, non-deposit service charges and fees and bankers' acceptances and letters of credit fees. Service charges increased $241 million to $2.8 billion for the nine months ended September 30, 2001 due to an increase in both consumer and corporate service charges. Consumer service charges increased $168 million primarily due to higher business volumes. Corporate service charges increased $73 million as corporate customers chose to pay higher fees rather than maintain excess deposit balances in the lower rate environment. - Card income includes interchange income, credit and debit card fees and merchant discount fees. Card income increased $158 million to $1.8 billion primarily due to new account growth in both credit and debit card and increased purchase volume on existing accounts. Growth in income for the core portfolio is being generated through traditional marketing channels, expanding relationships with existing customers and leveraging the franchise network. Card income includes activity from the securitized portfolio of $139 40 million and $158 million for the nine months ended September 30, 2001 and 2000, respectively. This amount represents excess servicing income which consists of revenues from the securitized credit card portfolio offset by charge-offs and interest expense paid to the bondholders. - Mortgage banking results improved for the nine months ended September 30, 2001, primarily reflecting higher origination activity and servicing levels, increased gains from higher loan sales to the secondary market and the net mark-to-market adjustments on mortgage banking assets and the related instruments used to economically hedge mortgage banking assets. These increases were partially offset by increased paydowns as a result of the declining rate environment. The mark-to-market adjustments are included in trading account profits. The average managed portfolio of mortgage loans serviced increased $11.0 billion to $337.5 billion for the nine months ended September 30, 2001 compared to the same period in 2000. Total production of first mortgage loans originated through the Corporation increased $18.5 billion to $59.0 billion for the nine months ended September 30, 2001, reflecting a significant increase in refinancings as a result of declining interest rates. First mortgage loan origination volume was composed of approximately $31.6 billion of retail loans and $27.4 billion of correspondent and wholesale loans for the nine months ended September 30, 2001. Retail first mortgage origination volume increased to 53 percent of total volume for the nine months ended September 30, 2001 from 40 percent in the comparable 2000 period. The Corporation made a strategic decision to exit the correspondent loan origination channel during the second quarter of 2001. The Corporation's decision to exit the correspondent business is based upon its overall strategy to focus on businesses with higher returns and potential to deepen and expand customer relationships. Asset Management . Noninterest income for Asset Management decreased $38 million to $1.3 billion for the nine months ended September 30, 2001 compared to the same period in 2000. The decrease was primarily attributable to increased income from investment and brokerage services, offset by a decline in trading account profits. - Income from investment and brokerage services includes personal and institutional asset management fees and consumer brokerage income. Income from investment and brokerage services increased $25 million to $1.2 billion for the nine months ended September 30, 2001 compared to the same period in 2000. This increase was largely due to new asset management business and the completed acquisition of Marsico being offset by lower broker activity due to decreased trade volume as a result of significant market decline. Assets under management were $280 billion at September 30, 2001 compared to $275 billion one year ago. Global Corporate and Investment Banking . Noninterest income for Global Corporate and Investment Banking increased $66 million to $3.7 billion for the nine months ended September 30, 2001 compared to the same period in 2000. The increase was primarily due to increases in investment and brokerage services, corporate service charges and trading account profits, partially offset by declines in other income, equity investment gains and investment banking income. - Trading account profits represent the net amount earned from the Corporation's trading positions, which include trading account assets and liabilities as well as derivative positions. These transactions include positions to meet customer demand as well as for the Corporation's own trading account. Trading positions are taken in a diverse range of financial instruments and markets. The profitability of these trading positions is largely dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements. Trading account profits, as reported in the Consolidated Statement of Income, does not include the net interest income recognized on interest-earning and interest-bearing trading positions or the related funding charge or benefit. Trading account profits as well as trading-related net interest income ("trading-related revenue") are presented in the following table as they are both considered in evaluating the overall profitability of the Corporation's trading positions. 41 Trading-related revenue increased $469 million to $2.7 billion for the nine months ended September 30, 2001, due to a $417 million increase in the net interest margin and a $52 million increase in trading account profits. Increases in the fixed income, interest rate, commodities and other contracts, and foreign exchange contract categories were partially offset by a decrease in equities and equity derivatives contracts. Fixed income increased $249 million to $621 million primarily attributable to an increase in market liquidity and widening credit spreads. Revenue from interest rate contracts increased $143 million to $711 million as the Corporation adjusted for the volatile rate environment in the third quarter of 2001. Commodities and other contracts increased $118 million to $155 million, attributable to market volatility and increased customer flow. Foreign exchange revenue increased $19 million to $419 million. Income from equities and equity derivatives contracts decreased $60 million to $771 million, due to a slowdown in customer activity in the market. Trading account profits for the nine months ended September 30, 2001 included a $19 million transition adjustment gain resulting from the adoption of SFAS 133.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2001	2000	2001	2000
Trading account profits - as reported	$398	$349	$1,541	$1,489
Net interest income	397	244	1,136	719
Total trading-related revenue	$795	$593	$2,677	$2,208
Trading-related revenue by product				
Foreign exchange contracts	$138	$114	$419	$400
Interest rate contracts	212	87	711	568
Fixed income	206	120	621	372
Equities and equity derivatives	214	268	771	831
Commodities and other	25	4	155	37
Total trading-related revenue	$795	$593	$2,677	$2,208

- Investment banking income decreased $40 million to $1.1 billion for the nine months ended September 30, 2001. Increases in underwriting and other investment banking income were offset by declines in loan syndications and advisory fees. Securities underwriting fees increased $76 million to $565 million from strong growth in high grade and high yield origination which was offset by lower equity underwriting fees. Syndication fees decreased $104 million to $280 million for the nine months ended September 30, 2001 as a result of fewer deals in the marketplace. A sluggish market for advisory services drove a decline in fees of $55 million to $172 million for the nine months ended September 30, 2001. Investment banking income by major activity follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2001	2000	2001	2000
Investment banking income				
Securities underwriting	$158	$160	$565	$489
Syndications	83	130	280	384
Advisory services	40	69	172	227
Other	24	17	89	46
Total	$305	$376	$1,106	$1,146

- Corporate service charges increased $53 million to $816 million for the nine months ended September 30, 2001, primarily driven by corporate customers opting to pay service charges rather than maintain excess deposit balances in the lower rate environment. 42 Equity Investments . Noninterest income for Equity Investments decreased $814 million to $239 million for the nine months ended September 30, 2001 compared to the same period in 2000. This decrease was driven by a sharp decline in equity investment gains driven by weaker equity markets. - Equity investment gains decreased $756 million to $283 million, with $108 million in Principal Investing and $175 million in the strategic investments portfolio. Equity investment gains in the strategic investments portfolio included a gain of $140 million in the first quarter of 2001 related to the sale of an interest in the Star Systems ATM network. Provision for Credit Losses Excluding the impact of charges related to the exit of the subprime real estate lending business, the provision for credit losses totaled $856 million and $2.5 billion for the three months and nine months ended September 30, 2001, respectively, compared to $435 million and $1.3 billion for the same periods in 2000. The increase in the provision for credit losses from last year was primarily due to an increase in net charge-offs. Additional provision expense was also recorded in 2001 to increase the allowance for credit losses as a result of deterioration in credit quality due to the current economic environment. Total net charge-offs, excluding the impact of exit-related charges, were $856 million and $2.4 billion for the three months and nine months ended September 30, 2001, respectively, compared to $435 million and $1.3 billion for the same periods in 2000. This increase was due to higher charge-offs in the commercial - domestic portfolio due to deterioration in credit quality stemming from the weak economic environment. Bankcard charge-offs also increased due to growth in the portfolio and an increase in personal bankruptcy filings. An exit-related provision for credit losses of $395 million, combined with an existing allowance for credit losses of $240 million, was used to write down the subprime real estate loan portfolio to estimated market value. This resulted in charge-offs of $635 million in the consumer finance loan portfolio. Including the exit impact, the provision for credit losses totaled $1.3 billion and $2.9 billion for the three months and nine months ended September 30, 2001, respectively, and total net charge-offs were $1.5 billion and $3.1 billion for the three months and nine months ended September 30, 2001, respectively. For additional information on the allowance for credit losses, certain credit quality ratios and credit quality information on specific loan categories, see the "Credit Risk Management and Credit Portfolio Review" section beginning on page 47. Noninterest Expense As presented in Table Seven, the Corporation's noninterest expense increased $951 million to $5.9 billion and increased $1.4 billion to $15.4 billion for the three months and nine months ended September 30, 2001, respectively, compared to the same periods in 2000. These increases in noninterest expense were driven by business exit costs, higher marketing costs related to the Corporation's national brand-building campaign, increases in professional fees, costs associated with various international activities and investments in growth businesses such as e-commerce, Asset Management, card and payment businesses and the investment banking platform. 43 Table Seven Noninterest Expense

(Dollars in millions)	Three Months Ended September 30		Increase/(Decrease)		Nine Months Ended September 30		Increase/(Decrease)	
	2001	2000	Amount	Percent	2001	2000	Amount	Percent
Personnel	$2,304	$2,298	$ 6	.3 %	$7,239	$7,143	$96	1.3 %
Occupancy	448	419	29	7.0	1,309	1,248	61	4.9
Equipment	273	285	(12)	(4.0)	835	882	(47)	(5.3)
Marketing	165	147	18	11.8	516	398	118	29.6
Professional fees	144	100	44	44.1	411	298	113	37.9
Amortization of intangibles	219	215	4	1.7	665	650	15	2.3
Data processing	175	167	8	4.8	552	495	57	11.5
Telecommunications	121	127	(6)	(4.7)	368	391	(23)	(5.9)
Other general operating	613	509	104	20.4	1,732	1,529	203	13.3
General administrative and other	144	143	1	.6	454	412	42	10.2
Business exit costs	1,305	-	1,305	n/m	1,305	-	1,305	n/m
Restructuring charges	-	550	(550)	n/m	-	550	(550)	n/m
Total	$5,911	$4,960	$951	19.2 %	$15,386	$13,996	$1,390	9.9 %

. Personnel expense increased $96 million, or one percent, to $7.2 billion for the nine months ended September 30, 2001, as an increase in revenue-related incentive compensation as well as increased salaries expense in Global Corporate and Investment Banking and Asset Management were partially offset by a lower number of associates. At September 30, 2001, the Corporation had approximately 144,000 full-time equivalent employees compared to approximately 146,000 at September 30, 2000. . Marketing expense increased $118 million to $516 million for the nine months ended September 30, 2001, due to the Corporation's national brand-building campaign and higher card marketing in Consumer and Commercial Banking. . Professional fees increased $113 million to $411 million for the nine months ended September 30, 2001, primarily reflecting higher consulting and other professional fees due to an increase in initiatives related to the Corporation's strategy to improve customer satisfaction. . Data processing expense increased $57 million to $552 million for the nine months ended September 30, 2001, primarily due to higher outsourced processing expense as a result of the outsourcing of personnel services and higher item processing and check clearing expenses. . Other general operating expense increased $104 million to $613 million and $203 million to $1.7 billion for the three months and nine months ended September 30, 2001, respectively, reflecting higher employee placement expenses, costs associated with various international activities, foreclosed properties expense in Corporate Other and other miscellaneous expenses throughout the Corporation. . General administrative and other expense increased $42 million to $454 million for the nine months ended September 30, 2001, primarily due to increased subscription services in Global Corporate and Investment Banking. . On August 15, 2001, the Corporation announced that it was exiting its auto leasing and subprime real estate lending businesses. As a result of this strategic decision, the Corporation recorded pre-tax business exit costs in the third quarter of 2001 of $1.3 billion in noninterest expense. Business exit costs consisted of goodwill writeoffs of $685 million, auto lease residual charges of $400 million, real estate servicing asset charges of $145 million and other transaction costs of $75 million. . As part of its productivity and investment initiatives announced on July 28, 2000, the Corporation recorded a pre-tax charge of $550 million ($346 million after-tax) in the third quarter of 2000. Of the $550 million restructuring charge, approximately $475 million was used to cover severance and related costs and approximately $75 million was used for other costs related to process change and channel consolidation. At September 30, 2001, the reserve had been substantially utilized. 44 Income Taxes The Corporation's income tax expense for the three months and nine months ended September 30, 2001 was $727 million and $2.9 billion, respectively, for an effective tax rate of 46.4 percent and 38.0 percent, respectively. Excluding charges related to the exit of certain consumer finance businesses, the effective tax rate for the three months and nine months ended September 30, 2001 was 36.0 percent and 35.9 percent, respectively. Income tax expense for the three and nine months ended September 30, 2000 was $1.0 billion and $3.5 billion, respectively, for an effective tax rate of 35.9 percent and 36.4 percent, respectively. The increase in the effective tax rate for the three months ended September 30, 2001 is due primarily to the portion of goodwill write-offs included in business exit costs recorded during the third quarter of 2001 that is not deductible for federal or state income tax purposes. Balance Sheet Review and Liquidity Risk Management The Corporation utilizes an integrated approach in managing its balance sheet that includes management of interest rate sensitivity, credit risk, liquidity risk and its capital position. The Corporation restructured its balance sheet over the last year, reducing risk-weighted assets as declines in categories with lower returns were offset by underlying core growth. The discussion of average balances below compares the nine months ended September 30, 2001 to the same period in 2000. With the exception of average managed loans, the average balances discussed below can be derived from Table Five. Average loans and leases, the Corporation's primary use of funds, decreased $14.0 billion to $376.3 billion for the nine months ended September 30, 2001. Adjusting for securitizations, sales and divestitures, average managed loans and leases increased $3.5 billion to $396.4 billion for the nine months ended September 30, 2001. This increase was primarily due to growth in average managed consumer loans, partially offset by a decline in average managed commercial loans. Average managed consumer loans increased seven percent in the nine months ended September 30, 2001, reflecting increases in each of the consumer loan portfolios. Average managed bankcard loans increased $4.4 billion to $24.2 billion due to an increase in new business volume and slower balance paydowns. Average managed residential mortgages increased $4.0 billion to $85.2 billion due to strong growth in branch-originated products. Average managed home equity lines increased $3.0 billion to $21.9 billion, reflecting growth in all Banking Regions due to the impact of new marketing programs implemented in mid 2000. Average managed consumer finance loans increased $960 million to $29.5 billion, and average managed direct/indirect consumer loans increased $760 million to $40.6 billion. Average managed commercial loans decreased $9.7 billion to $192.7 billion for the nine months ended September 30, 2001. The commercial - domestic portfolio decreased $8.6 billion to $139.9 billion, reflecting paydowns and continuing efforts to reduce corporate loan levels and exit less profitable relationships. The commercial - foreign portfolio declined $1.2 billion to $27.4 billion primarily due to paydowns on customer balances. The average securities portfolio for the nine months ended September 30, 2001 decreased $29.2 billion to $56.6 billion. As a percentage of total uses of funds, the average securities portfolio decreased by four percent to nine percent for the nine months ended September 30, 2001. See the following "Securities" section for additional information on the securities portfolio. Average other assets and cash and cash equivalents remained relatively stable as it decreased $1.8 billion to $86.8 billion for the nine months ended September 30, 2001. At September 30, 2001, cash and cash equivalents were $23.3 billion, a decrease of $4.2 billion from December 31, 2000. During the nine months ended September 30, 2001, net cash used in operating activities was $2.0 billion, net cash provided by investing activities was $23.2 billion and net cash used in financing activities was $25.4 billion. For further information on cash flows, see the Consolidated Statement of Cash Flows of the consolidated financial statements. 45 Average levels of customer-based deposits increased $12.0 billion to $303.3 billion for the nine months ended September 30, 2001, primarily due to increases in consumer money market savings accounts. These increases are due to new customer accounts as well as existing customers shifting from other deposit sources, reflecting the success of the new deposit pricing strategy implemented in 2000. As a percentage of total sources of funds, average levels of customer-based deposits increased by three percent to 47 percent for the nine months ended September 30, 2001. Average levels of market-based funds decreased $35.9 billion for the nine months ended September 30, 2001 to $181.7 billion, primarily driven by the decline in securities sold under agreements to repurchase. In addition, average levels of long-term debt increased $751 million to $70.1 billion for the nine months ended September 30, 2001, mainly as a result of borrowings to fund business development opportunities, build liquidity, repay maturing debt and fund share repurchases. In conjunction with its funding activities, the Corporation carefully monitors its liquidity position - the ability to fulfill its cash requirements. The Corporation assesses its liquidity requirements and modifies its assets and liabilities accordingly. This process, coupled with the Corporation's ability to raise capital and debt financing, is designed to cover the liquidity needs of the Corporation. The Corporation also takes into consideration the ability of its subsidiary banks to pay dividends to the Corporation. For additional information on the dividend capabilities of subsidiary banks, see Note Fourteen of the Corporation's 2000 Annual Report on Form 10-K. Management believes that the Corporation's sources of liquidity are more than adequate to meet its cash requirements. Securities The securities portfolio at September 30, 2001 consisted of available-for-sale securities totaling $74.8 billion compared to $64.7 billion at December 31, 2000. Held-to-maturity securities totaled $1.1 billion and $1.2 billion at September 30, 2001 and December 31, 2000, respectively. During 2001, $9.2 billion of residential mortgage loans were securitized, of which $8.5 billion occurred in the third quarter of 2001. At September 30, 2001, $7.8 billion of these securitized loans remained in the available-for-sale securities portfolio. The valuation allowance for available-for-sale and marketable equity securities is included in shareholders' equity. At September 30, 2001, the valuation allowance consisted of unrealized gains of $469 million, net of related income taxes of $240 million, primarily reflecting $876 million of pre-tax net unrealized gains on available-for-sale securities and $167 million pre-tax net unrealized losses on marketable equity securities. At December 31, 2000, the valuation allowance consisted of unrealized losses of $560 million, net of related income taxes of $330 million, primarily reflecting $991 million of pre-tax net unrealized losses on available-for-sale securities and $101 million of pre-tax net unrealized gains on marketable equity securities. At September 30, 2001 and December 31, 2000, the market value of the Corporation's held-to-maturity securities reflected pre-tax net unrealized losses of $55 million and $54 million, respectively. The estimated average duration of the available-for-sale securities portfolio was 3.53 years at September 30, 2001 compared to 4.13 years at December 31, 2000. Gains on sales of securities were $97 million and $82 million for the three months and nine months ended September 30, 2001, respectively, compared to gains of $11 million and $23 million in the respective periods of 2000. The Corporation realized these gains on sales of securities as a result of the repositioning of its investment portfolio. Capital Resources and Capital Management Shareholders' equity at September 30, 2001 was $50.2 billion compared to $47.6 billion at December 31, 2000, an increase of $2.6 billion. The increase was primarily due to net earnings (net income less dividends) of $2.0 billion, recognition of $1.0 billion of after-tax net unrealized gains on available-for-sale and marketable equity securities, net gains on derivatives of $1.5 billion, and $903 million in common stock issued under employee plans, partially offset by the repurchase of approximately 54 million shares of common stock for approximately

$3.0 billion. 46 During 2000, the Corporation completed its 1999 stock repurchase plan, and on July 26, 2000, the Corporation's Board of Directors (the Board) authorized a new stock repurchase program of up to 100 million shares of the Corporation's common stock at an aggregate cost of up to $7.5 billion. At September 30, 2001, the remaining buyback authority for common stock under the 2000 program totaled $3.8 billion, or 31 million shares. During the nine months ended September 30, 2001, the Corporation repurchased approximately 54 million shares of its common stock in open market repurchases at an average per-share price of $56.06, which reduced shareholders' equity by $3.0 billion and increased earnings per share by approximately $0.03 for the nine months ended September 30, 2001. During the nine months ended September 30, 2000, the Corporation repurchased approximately 50 million shares of its common stock in open market repurchases at an average per-share price of $49.18, which reduced shareholders' equity by $2.4 billion. Presented below are the regulatory risk-based capital ratios and capital amounts for the Corporation and Bank of America, N.A. at September 30, 2001 and December 31, 2000. The Corporation and Bank of America, N.A. were considered "well-capitalized" at September 30, 2001:

	September 30, 2001		December 31, 2000	
(Dollars in millions)	Ratio	Amount	Ratio	Amount
~~Tier 1 Capital~~				
~~Bank of America Corporation~~	~~7.95 %~~	~~$41,517~~	~~7.50 %~~	~~$40,667~~
~~Bank of America, N.A.~~	~~8.39~~	~~40,589~~	~~7.72~~	~~39,178~~
~~Total Capital~~				
~~Bank of America Corporation~~	~~12.12~~	~~63,311~~	~~11.04~~	~~59,826~~
~~Bank of America, N.A.~~	~~11.57~~	~~55,970~~	~~10.81~~	~~54,871~~
~~Leverage~~				
~~Bank of America Corporation~~	~~6.59~~	~~41,517~~	~~6.12~~	~~40,667~~
~~Bank of~~				

~~America, N.A. 7.35 40,589 6.59 39,178~~ ---- ----------- ----------- ----------- ----------- ----------- ----------- ----------- -----------

The regulatory capital guidelines measure capital in relation to the credit and market risks of both on- and off- balance sheet items using various risk weights. Under the regulatory capital guidelines, Total Capital consists of three tiers of capital. Tier 1 Capital includes common shareholders' equity and qualifying preferred stock, less goodwill and other adjustments. Tier 2 Capital consists of preferred stock not qualifying as Tier 1 Capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt and the allowance for credit losses up to 1.25 percent of risk-weighted assets. Tier 3 Capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve Board and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank's risk-based capital ratio to fall or remain below the required minimum. At September 30, 2001, the Corporation had no subordinated debt that qualified as Tier 3 Capital. At September 30, 2001, the regulatory risk-based capital ratios of the Corporation and Bank of America, N.A. exceeded the regulatory minimums of four percent for Tier 1 risk-based capital ratio, eight percent for total risk- based capital ratio and the leverage guidelines of 100 to 200 basis points above the minimum ratio of three percent. On October 24, 2001, the Board approved a $0.04 per share, or seven percent, increase in the quarterly common dividend. This increase brings the common dividend to $0.60 per share for the fourth quarter of 2001 and $2.28 per share for the year ended December 31, 2001. Credit Risk Management and Credit Portfolio Review The following section discusses credit risk in the loan portfolio. The Corporation's primary credit exposure is focused in its loans and leases portfolio, which totaled $339.0 billion and $392.2 billion at September 30, 2001 and December 31, 2000, respectively. Table Eight presents loans and leases, nonperforming assets and net charge-offs by category. Additional information on components of and changes in the Corporation's consumer and commercial 47 loan portfolios can be found in the average earning asset discussion within the "Net Interest Income" section on page 34 and the "Balance Sheet Review and Liquidity Risk Management" section on page 45. As a result of the exit of the auto leasing and subprime real estate lending businesses, the Corporation immediately ceased originations of auto leases and subprime real estate loans. The Corporation intends to allow its auto lease portfolio to run off over its remaining term of three to four years. The Corporation intends to liquidate the subprime real estate loan portfolio through securitizations and sales. Accordingly, the portfolio was transferred to loans held for sale in other assets. Additional information on the exit of these consumer finance businesses can be found in the Consumer Portfolio section on page 50. 48 Table Eight Loans and Leases, Nonperforming Assets and Net Charge-offs

-- Loans and Leases Nonperforming Assets/(1)/ -- September 30 December 31 September 30 December 31 2001 2000 2001 2000 -- (Dollars in millions) Amount Percent Amount Percent Amount Amount --

------------------------------ ~~Commercial - domestic $126,410 37.2 % $146,040 37.2 % $2,705 $2,777 Commercial - foreign 25,357 7.5 31,066 7.9 566 486 Commercial real estate - domestic 23,607 7.0 26,154 6.7 257 236 Commercial real estate - foreign 366 .1 282 .1 2 3 ------------------------------ Total commercial 175,740 51.8 203,542 51.9 3,530 3,502 ------------------------------ Residential mortgage 76,962 22.7 84,394 21.5 491 551 Home equity lines 22,288 6.6 21,598 5.5 61 32 Direct/Indirect consumer 38,513 11.4 40,457 10.3 20 19 Consumer finance 5,352 1.6 25,800 6.6 9 1,095 Bankcard 18,040 5.3 14,094 3.6 - - Foreign consumer 2,123 .6 2,308 .6 8 9 ------------------------------ Total consumer 163,278 48.2 188,651 48.1 589 1,706 ------------------------------ Total nonperforming loans 4,119 5,208 ------------------------------ Foreclosed properties 404 249 ------------------------------~~

~~Total $339,018 100.0 % $392,193 100.0 % $4,523 $5,457~~

~~Nonperforming assets as a percentage of: Total assets .71 % .85 % Loans, leases and foreclosed properties 1.33 1.39 Nonperforming loans as a percentage of loans and leases 1.22 1.33 Loans past due 90 days or more and not classified as nonperforming $691 $495~~

n/m = not meaningful (1) Balances do not include $1.3 billion and $124 million of loans held for sale, included in other assets at September 30, 2001 and December 31, 2000, respectively, which would have been classified as nonperforming had they been included in loans. In the third quarter of 2001, $1.2 billion of nonperforming loans were transferred to loans held for sale as a result of the exit of the subprime real estate lending business. The Corporation had approximately $206 million and $390 million of troubled debt restructured loans at September 30, 2001 and December 31, 2000, respectively, which were accruing interest and were not included in nonperforming assets. (2) Percentage amounts are calculated as annualized net charge-offs divided by average outstanding loans and leases during the period for each loan category. (3) Includes $635 million related to the exit of the subprime real estate lending business in the third quarter of 2001. (4) Includes both on-balance sheet and securitized loans. 49 Commercial Portfolio At September 30, 2001 and December 31, 2000, total commercial loans outstanding totaled $175.7 billion and $203.5 billion, respectively, or 52 percent of total loans and leases at both points in time. Domestic commercial loans, including commercial real estate, accounted for 85 percent of total commercial loans at both September 30, 2001 and December 31, 2000. Commercial - domestic loans outstanding totaled $126.4 billion and $146.0 billion at September 30, 2001 and December 31, 2000, respectively, or 37 percent of total loans and leases at both points in time. The Corporation had commercial - domestic loan net charge-offs of $1.2 billion, or 1.20 percent of average commercial - domestic loans, for the nine months ended September 30, 2001, compared to $583 million, or 0.52 percent, for the nine months ended September 30, 2000. Net charge-offs increased primarily due to deterioration in credit quality stemming from the weak economic environment and the sale of distressed loans in 2001. Nonperforming commercial - domestic loans were $2.7 billion, or 2.14 percent of commercial - domestic loans, at September 30, 2001, compared to $2.8 billion, or 1.90 percent, at December 31, 2000. The decline in nonperformers was primarily driven by sales of nonperforming loans in 2001, partially offset by the addition of four large credits as well as smaller credits across various industries and business segments. Two of the four large credits occurred in the first quarter of 2001 when a client in the utilities industry and a client in the chemical and plastics industry filed for bankruptcy. The other two credits occurred in the second quarter of 2001 in the apparel industry and the computer services industry. Commercial - domestic loans past due 90 days or more and still accruing interest were $133 million at September 30, 2001, compared to $141 million at December 31, 2000, or 0.10 percent of commercial - domestic loans at both points in time. Commercial - foreign loans outstanding totaled $25.4 billion and $31.1 billion at September 30, 2001 and December 31, 2000, respectively, or eight percent of total loans and leases at both points in time. The Corporation had commercial - foreign loan net charge-offs for the nine months ended September 30, 2001 of $148 million, or 0.72 percent of average commercial - foreign loans, compared to $52 million, or 0.24 percent of average commercial - foreign loans, for the nine months ended September 30, 2000. Nonperforming commercial - foreign loans were $566 million, or 2.23 percent of commercial - foreign loans, at September 30, 2001, compared to $486 million, or 1.56 percent, at December 31, 2000. The inflows for 2001 included one large credit in the steel industry during the third quarter. Commercial - foreign loans past due 90 days or more and still accruing interest were $142 million at September 30, 2001, compared to $37 million at December 31, 2000, or 0.56 percent and 0.12 percent of commercial - foreign loans, respectively. For additional information, see the International Exposure discussion beginning on page 57. Commercial real estate - domestic loans totaled $23.6 billion and $26.2 billion at September 30, 2001 and December 31, 2000, respectively, and remained stable at seven percent of total loans and leases. Net charge-offs remained negligible at $22 million, or 0.12 percent of average commercial real estate - domestic loans, for the nine months ended September 30, 2001. Nonperforming commercial real estate - domestic loans were $257 million, or 1.09 percent of commercial real estate - domestic loans, at September 30, 2001, compared to $236 million, or 0.90 percent, at December 31, 2000. At September 30, 2001, commercial real estate - domestic loans past due 90 days or more and still accruing interest were $8 million, or 0.03 percent of total commercial real estate - domestic loans, compared to $16 million, or 0.06 percent, at December 31, 2000. Table Eleven displays commercial real estate loans by geographic region and property type, including the portion of such loans which are nonperforming, and other real estate credit exposures. Table Twelve presents aggregate commercial loan and lease exposures by certain significant industries. Consumer Portfolio At September 30, 2001 and December 31, 2000, total consumer loans outstanding totaled $163.3 billion and $188.7 billion, respectively, or 48 percent of total loans and leases at both points in time. Approximately 65 percent and 70 percent of these loans were secured by first and second mortgages on residential real estate at September 30, 2001 and December 31, 2000, respectively. 50 In 1999, the Federal Financial Institutions Examination Council (FFIEC) issued the Uniform Classification and Account Management Policy (the Policy) which provides guidance for and promotes consistency among banks on the charge- off treatment of delinquent and bankruptcy-related consumer loans. Residential mortgage loans decreased to $77.0 billion at September 30, 2001, compared to $84.4 billion at December 31, 2000, or 23 percent and 22 percent of total loans and leases, respectively. This decrease was primarily due to an $8.5 billion securitization in the third quarter of 2001. Net charge-offs on residential mortgage loans remained negligible at $20 million, or 0.03 percent of average residential mortgage loans, for the nine months ended September 30, 2001. Nonperforming residential mortgage loans decreased $60 million to $491 million at September 30, 2001. The decline in nonperformers was driven by the sale of approximately $200 million of nonperforming loans in the third quarter of 2001. Home equity loans increased to $22.3 billion at September 30, 2001 compared to $21.6 billion at December 31, 2000 or seven percent and six percent of total loans and leases, respectively. Net charge-offs on home equity loans remained negligible at $14 million, or 0.08 percent of average home equity loans, for the nine months ended September 30, 2001. Nonperforming home equity loans increased by $29 million to $61 million at September 30, 2001 compared to $32 million at December 31, 2000. Consumer finance loans outstanding totaled $5.4 billion and $25.8 billion at September 30, 2001 and December 31, 2000, respectively, or two percent and seven percent of total loans and leases, respectively. Consumer finance nonperforming loans decreased $1.1 billion to $9 million at September 30, 2001. These decreases were due to the transfer of approximately $21.4 billion of subprime real estate loans, of which $1.2 billion were nonperforming, to loans held for sale related to the exit of the subprime real estate lending business in the third quarter of 2001. The Corporation had consumer finance net charge-offs of $880 million, or 5.11 percent of average consumer finance loans, for the nine months ended September 30, 2001, compared to $184 million, or 1.02 percent, for the nine months ended September 30, 2000. The increase in charge-offs primarily reflected exit-related charge- offs of $635 million that were used to write down the subprime real estate loan portfolio to estimated market value in the third quarter of 2001. In addition, a weakened economic environment as well as the effect of the FFIEC charge- off policy adopted in the fourth quarter of 2000 contributed to the net charge-off increase. Bankcard receivables increased to $18.0 billion at September 30, 2001, compared to $14.1 billion at December 31, 2000. Net charge-offs on bankcard receivables for the nine months ended September 30, 2001 were $464 million, or 3.89 percent of average bankcard receivables, compared to $237 million, or 3.30 percent, for the nine months ended September 30, 2000. The increase in charge-offs was primarily a result of growth in the portfolio outstandings and an increase in personal bankruptcy filings. Managed bankcard net charge-offs increased $142 million to $852 million, while the managed net charge-off ratio decreased 8 basis points to 4.71 percent for the nine months ended September 30, 2001. Bankcard loans past due 90 days or more and still accruing interest were $280 million, or 1.55 percent of bankcard receivables, at September 30, 2001, compared to $191 million, or 1.36 percent, at December 31, 2000. Other consumer loans, which include direct and indirect consumer and foreign consumer loans, were $40.6 and $42.8 billion at September 30, 2001 and December 31, 2000, respectively. Direct and indirect consumer loan net charge-offs were $234 million, or 0.78 percent of average direct and indirect consumer loans outstanding, for the nine months ended September 30, 2001, compared to $213 million, or 0.68 percent of the average balance outstanding, for the comparable period in 2000. Foreign consumer loan net charge-offs were $3 million and $2 million, or 0.21 percent and 0.14 percent of average foreign consumer loans, for the nine months ended September 30, 2001 and 2000, respectively. Excluding bankcard, total consumer loans past due 90 days or more and still accruing interest were $128 million, or 0.08 percent of total consumer loans, at September 30, 2001, compared to $110 million, or 0.06 percent, at December 31, 2000. Nonperforming Assets As presented in Table Eight, nonperforming assets decreased to $4.5 billion, or 1.33 percent of loans, leases and foreclosed properties, at September 30, 2001 from $5.5 billion, or 1.39 percent, at December 31, 2000. 51 Nonperforming loans decreased to $4.1 billion at September 30, 2001 from $5.2 billion at December 31, 2000, primarily due to the transfer of $1.2 billion of nonperforming subprime real estate loans from the loans and leases portfolio to loans held for sale included in other assets related to the decision to exit the subprime real estate lending business and due to sales of nonperforming commercial - domestic and residential mortgage loans in 2001. These decreases were partially offset by nonperforming inflows in the commercial - domestic, commercial - foreign, residential mortgage and home equity lines portfolios. Credit deterioration in loans continued as companies and individuals were affected by the weakening economic environment. Foreclosed properties increased to $404 million at September 30, 2001, compared to $249 million at December 31, 2000. Table Nine presents the additions to and reductions in nonperforming assets in the consumer and commercial portfolios during the most recent five quarters. Table Nine Nonperforming Assets

(Dollars in millions)	Third Quarter 2001	Second Quarter 2001	First Quarter 2001	Fourth Quarter 2000	Third Quarter 2000
Balance, beginning of period	$6,195	$5,897	$5,457	$4,403	$3,886
Commercial					
Additions to nonperforming assets:					
New nonaccrual loans and foreclosed properties	761	1,376	1,315	1,954	913
Advances on loans	32	33	26	28	19
Total commercial additions	793	1,409	1,341	1,982	932
Reductions in nonperforming assets:					
Paydowns, payoffs and sales	(635)	(732)	(398)	(288)	(179)
Returns to performing status	(86)	(19)	(126)	(73)	(72)
Charge-offs/(1)/	(513)	(525)	(467)	(774)	(243)
Transfers to assets held for sale	-	-	-	-	(63)
Total commercial reductions	(1,234)	(1,276)	(991)	(1,135)	(557)
Total commercial net additions (reductions) to nonperforming assets	(441)	133	350	847	375
Consumer					
Additions to nonperforming assets:					
New nonaccrual loans and foreclosed properties	694	836	819	834	722
Total consumer additions	694	836	819	834	722
Reductions in nonperforming assets:					
Paydowns, payoffs and sales	(413)	(159)	(135)	(95)	(110)
Returns to performing status	(256)	(440)	(483)	(391)	(402)
Charge-offs/(1)/	(69)	(69)	(101)	(135)	(64)
Transfers to assets held for sale/(2)/	(1,187)	(3)	(10)	(6)	(4)
Total consumer reductions	(1,925)	(671)	(729)	(627)	(580)
Total consumer net additions (reductions) to nonperforming assets	(1,231)	165	90	207	142
Total net additions (reductions) to nonperforming assets	(1,672)	298	440	1,054	517
Balance, end of period	$4,523	$6,195	$5,897	$5,457	$4,403

(1) Certain loan products, including commercial bankcard, consumer bankcard and other unsecured loans, are not classified as nonperforming; therefore, the charge-offs on these loans are not included above. (2) Primarily related to the exit of the subprime real estate lending business in the third quarter of 2001. In order to respond when deterioration of a credit occurs, internal loan workout units are devoted to providing specialized expertise and full-time management and/or collection of certain nonperforming assets as well as certain performing loans. Management believes focused collection strategies and a proactive approach to managing overall problem assets expedites the disposition, collection and renegotiation of nonperforming and other lower-quality assets. As part of this process, management routinely evaluates all reasonable alternatives, including the sale of assets individually or in groups, and selects what it believes to be the optimal strategy. During the nine months ended September 30, 2001, the Corporation sold approximately $1.7 billion of nonperforming and poorly performing commercial and consumer loans. The Corporation expects to continue to aggressively manage credit risk and exit problem credits where practical. Note Five of the consolidated financial statements provides the reported investment in specific loans considered to be impaired at September 30, 2001 and December 31, 2000. The Corporation's investment in specific loans that were considered to be impaired at September 30, 2001 was $3.6 billion, compared to $3.8 billion at 52 December 31, 2000. Commercial - domestic impaired loans decreased $261 million to $2.6 billion at September 30, 2001 compared to December 31, 2000. Commercial - foreign impaired loans increased $61 million to $582 million. Commercial real estate - domestic impaired loans decreased $21 million to $391 million. Allowance for Credit Losses The Corporation performs periodic and systematic detailed reviews of its loan and lease portfolios to identify inherent risks and to assess the overall collectibility of those portfolios. The allowance on certain homogeneous loan portfolios, which generally consist of consumer loans, is based on aggregated portfolio segment evaluations generally by loan type. Loss forecast models are utilized for these segments which consider a variety of factors including, but not limited to, anticipated defaults or foreclosures based on portfolio trends, delinquencies and credit scores, and expected loss factors by loan type. The remaining portfolios are reviewed on an individual loan basis. Loans subject to individual reviews are analyzed and segregated by risk according to the Corporation's 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 (including individual valuations on nonperforming loans in accordance with Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan") result in the estimation of specific allowances for credit losses. The Corporation has procedures in place to monitor differences between estimated and actual incurred credit losses. These procedures include detailed periodic assessments by senior management of both individual loans and credit portfolios and the models used to estimate incurred credit losses in those portfolios. Portions of the allowance for credit losses are assigned to cover the estimated probable incurred credit losses in each loan and lease category based on the results of the Corporation's detail review process described above. The assigned portion continues to be weighted toward the commercial loan portfolio, which reflected a higher level of nonperforming loans and the potential for higher individual losses. The remaining or unassigned portion of the allowance for credit losses, determined separately from the procedures outlined above, addresses certain industry and geographic concentrations, including global economic conditions. This procedure helps to minimize the risk related to the margin of imprecision inherent in the estimation of the assigned allowances for credit losses. Due to the subjectivity involved in the determination of the unassigned portion of the allowance for credit losses, the relationship of the unassigned component to the total allowance for credit losses may fluctuate from period to period. Management evaluates the adequacy of the allowance for credit losses based on the combined total of the assigned and unassigned components and believes that the allowance for credit losses reflected management's best estimate of incurred credit losses as of the balance sheet date. The provision for credit losses increased $1.6 billion to $2.9 billion for the nine months ended September 30, 2001, compared to the same period in 2000. The increase in the provision was primarily driven by increased credit deterioration related to a slowing economy as well as a provision for credit losses of $395 million in the consumer finance portfolio related to the Corporation's strategic decision to exit the subprime real estate lending business. The $395 million provision was combined with an existing allowance for credit losses of $240 million and used to write down the subprime real estate loan portfolio to estimated market value. The nature of the process by which the Corporation determines the appropriate allowance for credit losses requires the exercise of considerable judgment. After review of all relevant matters affecting loan collectibility, management believes that the allowance for credit losses is appropriate given its analysis of estimated incurred credit losses at September 30, 2001. Table Ten provides the changes in the allowance for credit losses for the three months and nine months ended September 30, 2001 and 2000. 53 Table Ten Allowance for Credit Losses

(Dollars in millions)	Three Months Ended September 30 2001	Three Months Ended September 30 2000	Nine Months Ended September 30 2001	Nine Months Ended September 30 2000
Balance, beginning of period	$ 6,911	$ 6,815	$ 6,838	$ 6,828
Loans and leases charged off				
Commercial - domestic	(471)	(214)	(1,376)	(671)
Commercial - foreign	(71)	(33)	(179)	(80)
Commercial real estate - domestic	(5)	(3)	(27)	(25)
Commercial real estate - foreign	-	(1)	-	(1)
Total commercial	(547)	(251)	(1,582)	(777)
Residential mortgage	(11)	(8)	(30)	(22)
Home equity lines	(8)	(4)	(23)	(14)
Direct/Indirect consumer	(133)	(102)	(364)	(357)
Consumer finance /(1)/	(734)	(112)	(948)	(294)
Bankcard	(204)	(92)	(524)	(277)
Other consumer - domestic	(16)	(16)	(48)	(32)
Foreign consumer	(1)	(1)	(4)	(3)
Total consumer	(1,107)	(335)	(1,941)	(999)
Total loans and leases charged off	(1,654)	(586)	(3,523)	(1,776)
Recoveries of loans and leases previously charged off				
Commercial - domestic	59	29	141	88
Commercial - foreign	14	10	31	28
Commercial real estate - domestic	1	5	5	15
Commercial real estate - foreign	-	1	-	3
Total commercial	74	45	177	134
Residential mortgage	4	2	10	8
Home equity lines	4	2	9	6
Direct/Indirect consumer	39	41	130	144
Consumer finance	14	44	68	110
Bankcard	23	13	60	40
Other consumer - domestic	5	4	18	8
Foreign consumer	-	-	1	1
Total consumer	89	106	296	317
Total recoveries of loans and leases previously charged off	163	151	473	451
Net charge-offs	(1,491)	(435)	(3,050)	(1,325)
Provision for credit losses /(2)/	1,251	435	2,886	1,325
Other, net	(6)	(76)	(9)	(89)
Balance, September 30	$ 6,665	$ 6,739	$ 6,665	$ 6,739
Loans and leases outstanding at September 30	$339,018	$402,592	$339,018	$402,592
Allowance for credit losses as a percentage of loans and leases outstanding at September 30	1.97 %	1.67 %	1.97 %	1.67 %
Average loans and leases outstanding during the period	$357,726	$402,763	$376,261	$390,296
Annualized net charge-offs as a percentage of average outstanding loans and leases during the period	1.65 %	.43 %	1.08 %	.45 %
Allowance for credit losses as a percentage of nonperforming loans at end of period	161.81	161.32	161.81	161.32

(1) Includes $635 million related to the exit of the subprime real estate lending business in the third quarter of 2001. (2) Includes $395 million related to the exit of the subprime real estate lending business in the third quarter of 2001. 54 Concentrations of Credit Risk In an effort to minimize the adverse impact of any single event or set of events, the Corporation strives to maintain a diverse credit portfolio as outlined in Tables Eleven, Twelve and Thirteen. The Corporation maintains a diverse commercial loan portfolio, representing 52 percent of total loans and leases at September 30, 2001. The largest concentration is in commercial real estate, which represents seven percent of total loans and leases at September 30, 2001. The exposures presented in Table Eleven represent credit extensions for real estate-related purposes to borrowers or counterparties who are primarily in the real estate development or investment business and for which the ultimate repayment of the credit is dependent on the sale, lease, rental or refinancing of the real estate. The exposures included in the table do not include credit extensions which were made on the general creditworthiness of the borrower, for which real estate was obtained as security and for which the ultimate repayment of the credit is not dependent on the sale, lease, rental or refinancing of the real estate. Accordingly, the exposures presented do not include commercial loans secured by owner-occupied real estate, except where the borrower is a real estate developer. 55 Table Eleven Commercial Real Estate Loans, Foreclosed Properties and Other Real Estate Credit Exposures

(Dollars in millions)	September 30, 2001 Loans Outstanding	Nonperforming	Foreclosed Properties /(1)/	Other Credit Exposures /(2)/
By Geographic Region /(3)/				
California	$5,361	$ 33	$2	$ 1,163
Southwest	3,349	28	1	927
Northwest	2,523	24	2	189
Florida	2,494	25	-	503
Geographically diversified	2,377	-	-	333
Midwest	1,822	26	26	704
Mid-Atlantic	1,542	22	-	471
Carolinas	1,447	7	-	181
Midsouth	1,340	4	-	380
Northeast	701	50	-	790
Other states	651	38	47	289
Non-US	366	2	-	9
Total	$23,973	$259	$78	$5,939
By Property Type				
Office buildings	$4,619	$19	$ -	$ 619
Apartments	4,163	22	-	1,534
Residential	3,368	30	-	213
Shopping centers/retail	3,165	10	17	1,010
Industrial/warehouse	2,359	33	16	226
Land and land development	1,476	1	7	193
Hotels/motels	1,206	34	15	428
Multiple use	790	1	-	67
Miscellaneous commercial	417	1	-	26
Unsecured	168	-	-	391
Other	1,876	106	23	1,223
Non-US	366	2	-	9
Total	$23,973	$259	$78	$5,939

(1) Foreclosed properties include commercial real estate loans only. (2) Other credit exposures include letters of credit and loans held for sale. (3) Distribution based on geographic location of collateral. Table Twelve presents the ten largest industries included in the commercial loan and lease portfolio at September 30, 2001 and the respective balances at December 31, 2000. Total commercial loans outstanding, excluding commercial real estate loans, comprised 45 percent of total loans and leases at both September 30, 2001 and December 31, 2000, respectively. No commercial industry concentration is greater than 3.2 percent of total loans and leases. 56 Table Twelve Significant Industry Loans and Leases (1)

(Dollars in millions)	September 30, 2001 Outstanding	Percent of Total Loans and Leases	December 31, 2000 Outstanding	Percent of Total Loans and Leases
Transportation	$10,801	3.2 %	$11,704	3.0 %
Business services	7,855	2.3	8,883	2.3
Media	7,362	2.2	9,322	2.4
Equipment and general manufacturing	7,039	2.1	8,982	2.3
Agribusiness	6,169	1.8	7,672	2.0
Healthcare	6,000	1.8	7,201	1.8
Telecommunications	5,918	1.7	6,801	1.7
Autos	5,848	1.7	6,741	1.7
Retail	5,180	1.5	7,049	1.8
Oil and gas	4,733	1.4	5,299	1.4

(1) Includes only non-real estate commercial loans and leases. International Exposure Through its credit and market risk management activities, the Corporation has been devoting particular attention to those countries that have been negatively impacted by global economic pressure. These include most countries in the three regions where the Corporation has exposure: Asia, Europe, and Latin America. In connection with its efforts to maintain a diversified portfolio, the Corporation limits its exposure to any one geographic region or country and monitors this exposure on a continuous basis. Table Thirteen sets forth selected regional foreign exposure at September 30, 2001. The countries selected represent those that are sometimes considered as having higher credit and foreign exchange risk. At September 30, 2001, the Corporation's total exposure to these select countries was $23.6 billion, a decrease of $6.7 billion from December 31, 2000, primarily due to reductions in exposure to Japan and to most other countries in Asia, Europe and Latin America, with the exception of Brazil. Table Thirteen is based on the FFIEC's instructions for periodic reporting of foreign exposure. As part of the Corporation's ongoing, normal risk management process, the Corporation has significantly reduced its credit exposure to Argentina. The Corporation has $726 million of credit exposure in Argentina, a country experiencing considerable economic difficulties. The current risk of default is expected to be with Argentine government bonds. At September 30, 2001, the Corporation's credit exposure related to Argentine government bonds was approximately $70 million. The Corporation continues to assess its credit exposure to Argentina. 57 Table Thirteen Selected Regional Foreign Exposure

-- Derivatives Total Increase/ (Net Total Gross Binding (Decrease) Loans Positive Securities/ Cross- Local Exposure from and Loan Other Mark-to- Other border Country September 30, December 31, (Dollars in millions) Commitments Financing/(1)/ Market) Investments Exposure/(2)/ Exposure/(3)/ 2001 2000 --

~~Region/Country Asia China $ 92 $ 64 $ 23 $ 80 $ 259 $ 90 $ 349 $ 29 Hong Kong 169 50 27 111 357 3,643 4,000 (564) India 667 67 60 35 829 1,007 1,836 (373) Indonesia 231 8 19 14 272 22 294 (101) Japan 741 66 276 2,934 4,017 339 4,356 (2,738) Korea (South) 230 463 37 16 746 795 1,541 (679) Malaysia 54 9 1 - 64 259 323 (199) Pakistan 15 6 - 2 23 - 23 5 Philippines 181 14 15 43 253 93 346 (45) Singapore 187 9 54 6 256 928 1,184 (290) Taiwan 262 61 21 - 344 519 863 (266) Thailand 41 11 27 29 108 331 439 32 Other 2 15 - - 17 98 115 (17) -- Total $ 2,872 $ 843 $ 560 $ 3,270 $ 7,545 $ 8,124 $ 15,669 $ (5,206) -- Central and Eastern Europe Russian Federation $ - $ 1 $ - $ 3 $ 4 $ - $ 4 $ 2 Turkey 51 28 1 34 114 - 114 (218) Other 70 18 14 183 285 57 342 98 -- Total $ 121 $ 47 $ 15 $ 220 $ 403 $ 57 $ 460 $ (118) -- Latin America Argentina $ 363 $ 87 $ 35 $ 138 $ 623 $ 103 $ 726 $ (348) Brazil 975 337 34 193 1,539 855 2,394 130 Chile 354 13 32 3 402 143 545 (435) Colombia 125 16 14 6 161 - 161 (125) Mexico 1,134 295 117 1,312 2,858 121 2,979 (457) Venezuela 128 16 7 214 365 8 373 (106) Other 153 63 11 98 325 - 325 (37) -- Total $ 3,232 $ 827 $ 250 $ 1,964 $ 6,273 $ 1,230 $ 7,503 $ (1,378) -- Total $ 6,225 $ 1,717 $ 825 $ 5,454 $ 14,221 $ 9,411 $ 23,632 $ (6,702)~~

(1) Includes acceptances, standby letters of credit, commercial letters of credit, and formal guarantees. (2) Cross-border exposure includes amounts payable to the Corporation by residents of countries 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. (3) Gross local country exposure includes amounts payable to the Corporation by residents of countries in which the credit is booked, regardless of the currency in which the claim is denominated. Management does not net local funding or liabilities against local exposures as allowed by the FFIEC. 58 Market Risk Management Overview The Corporation is exposed to market risk as a consequence of the normal course of conducting its business activities. Examples of these business activities include market making, underwriting, proprietary trading, and asset/liability management in interest rate, foreign exchange, equity, commodity and credit markets, along with any associated derivative products. Market risk is the potential of loss arising from adverse changes in market rates, prices and liquidity. Financial products that expose the Corporation to market risk include securities, loans, deposits, debt and derivative financial instruments such as futures, forwards, swaps, options and other financial instruments with similar characteristics. Liquidity risk arises from the possibility that the Corporation may not be able to satisfy current or future financial commitments or that the Corporation may be more reliant on alternative funding sources such as long-term debt. Trading Portfolio The Corporation's Board of Directors (the Board) delegates responsibility of the day-to-day management of market risk to the Finance Committee. The Finance Committee has structured a system of independent checks, balances and reporting in order to ensure that the Board's disposition toward market risk is not compromised. The objective of the Corporation's Risk Management group (Risk Management) is to provide senior management with independent, timely assessments of the bottom line impacts of all market risks facing the Corporation and to monitor those impacts against trading limits. Risk Management monitors the changing aggregate position of the Corporation and projects the profit and loss levels that would result from both normal and extreme market moves. In addition, Risk Management is responsible for ensuring that reasonable policies and procedures that conform to the Board's risk preferences are in place and enforced. These policies and procedures encompass the limit process, risk reporting, new product review and model review. 59 Histogram of Daily Market Risk-Related Revenue Twelve Months Ended September 30, 2001 [GRAPHIC] Daily Market Risk-Related Revenue Number (Dollars in millions) of Days -- Less than $(10) 6 $(5) to $(10) 1 $(5) to $0 14 $0 to $5 22 $5 to $10 55 $10 to $15 40 $15 to $20 45 $20 to $25 30 $25 to $30 24 $30 to $35 4 $35 to $40 3 $40 to $45 1 Greater than $45 5 Market risk-related revenue includes trading revenue and trading-related net interest income, which encompass both proprietary trading and customer-related activities. During 2001, the Corporation has continued its efforts to build on its client franchise and reduce the proportion of proprietary trading revenue to total revenue. The success of these efforts can be seen in the histogram above. During the twelve months ended September 30, 2001, the Corporation recorded positive daily market risk-related revenue for 229 of 250 trading days. Furthermore, of the 21 days that showed negative revenue, only six days were greater than $10 million. Value at Risk Value at Risk (VAR) is the key measure of market risk for the Corporation. VAR represents the maximum amount that the Corporation has placed at risk of loss, with a 99 percent degree of confidence, in the course of its risk taking activities. Its purpose is to describe the amount of capital required to absorb potential losses from adverse market movements. As the following graph shows, during the twelve months ended September 30, 2001, actual market risk-related revenue exceeded VAR measures three days out of 250 total trading days. During the same period, actual market risk-related losses exceeded VAR measures one day out of 250 total trading days. This occurred immediately following the events of September 11, 2001, due to extreme market conditions. Given the 99 percent confidence interval captured by VAR, market risk-related revenue or losses would be expected to exceed VAR measures approximately once every 100 trading days, or two to three times each year. 60 Trading Risk and Return Daily VAR and Market Risk-Related Revenue [GRAPHIC] Line graph representation of Daily Market Risk-Related Revenue and VAR for the twelve months ended September 30, 2001. During the period, the daily market risk-related revenue ranged from $(56) million to $49 million. Over the same period. VAR ranged from $25 million to $70 million. 61 The following table summarizes the VAR in the Corporation's trading portfolios for the twelve months ended September 30, 2001 and 2000: Table Fourteen Trading Activities Market Risk

Twelve Months Ended September 30

(US Dollar equivalents in millions)	2001 Average VAR /(1)/	2001 High VAR /(2)/	2001 Low VAR /(2)/	2000 Average VAR /(1)/	2000 High VAR /(2)/	2000 Low VAR /(2)/
Interest rate	$ 32.6	$ 47.0	$ 16.3	$ 24.9	$ 35.5	$ 17.8
Foreign exchange	8.6	15.5	5.0	10.6	21.7	5.4
Commodities	3.0	8.2	.1	1.9	5.8	.5
Equities	14.6	28.0	5.5	29.5	41.5	16.5
Credit products	9.1	16.9	3.0	12.6	18.1	6.1
Real estate/mortgage	29.5	55.5	8.3	7.0	11.3	2.5
Total trading portfolio	49.2	69.9	25.1	42.1	53.0	30.7

(1) The average VAR for the total portfolio is less than the sum of the VARs of the individual portfolios due to risk offsets arising from the diversification of the portfolio. (2) The high and low for the total portfolio may not equal the sum of the individual components as the highs or lows of the the individual portfolios may have occurred on different trading days. Total trading portfolio VAR increased during the twelve months ended September 30, 2001 relative to the twelve months ended September 30, 2000. This increase was due to increased activity in the interest rate business and the addition of mortgage banking assets to the VAR calculation for the real estate/mortgage portfolio in the first quarter of 2001. These increases were partially offset by a decrease in the equities business. In the fourth quarter of 2000, the methodology used to calculate VAR for the equities portfolio was changed. The net effect of the change was an approximate $20 million reduction in

reported VAR for equities. VAR was not restated for previous quarters for this change. The following table summarizes the quarterly VAR in the Corporation's trading portfolios for the most recent four quarters: Table Fifteen Quarterly Trading Activities Market Risk

(US Dollar equivalents in millions)	Third Quarter 2001			Second Quarter 2001		
	Average VAR /(1)/	High VAR /(2)/	Low VAR /(2)/	Average VAR /(1)/	High VAR /(2)/	Low VAR /(2)/
Interest rate	$ 34.4	$ 47.0	$ 23.0	$ 38.8	$ 43.5	$ 32.6
Foreign exchange	7.6	11.2	5.2	8.0	11.0	5.5
Commodities	4.8	8.2	1.5	2.7	5.7	1.3
Equities	16.2	19.1	12.7	18.1	25.1	13.5
Credit products	13.0	15.8	10.3	10.7	16.9	6.6
Real estate/mortgage	32.9	41.5	23.2	41.2	55.5	28.6
Total trading portfolio	53.1	63.3	45.4	61.3	69.9	55.2

(1) The average VAR for the total portfolio is less than the sum of the VARs of the individual portfolios due to risk offsets arising from the diversification of the portfolio. (2) 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. VAR modeling on trading is subject to numerous limitations. In addition, the Corporation recognizes that there are numerous assumptions and estimates associated with modeling and actual results could differ from these assumptions and estimates. The Corporation mitigates these uncertainties through close monitoring and by examining and updating assumptions on an ongoing basis. The continual trading risk management process considers the impact of unanticipated risk exposure and updates assumptions to reduce loss exposure. 62 Stress Testing In order to determine the sensitivity of the Corporation's capital to the impact of historically large market moves with low probability, stress scenarios are run against the trading portfolios. This stress testing should verify that, even under extreme market moves, the Corporation will preserve its capital. The scenarios for each product are large standard deviation moves in the relevant markets that are based on significant historical events. These results are calculated daily and reported as part of the regular reporting process. In addition, specific stress scenarios are run regularly which represent extreme, but plausible, events that would be of concern given the Corporation's current portfolio. The results of these specific scenarios are presented to the Corporation's Trading Risk Committee as part of its regular meetings. Examples of these specific stress scenarios include calculating the effects on the overall portfolio of an extreme Federal Reserve Board tightening or easing of interest rates, a severe credit deterioration in the U.S., and a recession in Japan and the corresponding ripple effects throughout Asia. Asset and Liability Management Activities Non-Trading Portfolio The Corporation's Asset and Liability Management

(ALM) process, managed through the Asset and Liability Committee of the Finance Committee, is used to manage interest rate risk through the structuring of balance sheet portfolios and identifying and linking derivative positions to specific hedged assets and liabilities. Interest rate risk represents the only material market risk exposure to the Corporation's non-trading financial instruments. To effectively measure and manage interest rate risk, the Corporation uses sophisticated computer simulations that determine the impact on net interest income of numerous interest rate scenarios, balance sheet trends and strategies. These simulations cover the following financial instruments: short-term financial instruments, securities, loans, deposits, borrowings and derivative instruments. 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. Simulations are run under various interest rate scenarios to determine the impact on net income and capital. From these scenarios, interest rate risk is quantified and appropriate strategies are developed and implemented. The overall interest rate risk position and strategies are reviewed on an ongoing basis by senior management. Additionally, duration and market value sensitivity measures are selectively utilized where they provide added value to the overall interest rate risk management process. The Corporation specifically reviews the impact on net interest income of parallel and non-parallel shifts in the yield curve over different time horizons. At September 30, 2001, the interest rate risk position of the Corporation was relatively neutral to parallel shifts in the yield curve as the impact on net interest income of a 100 basis point parallel shift, up or down, over either two months (rapid) or twelve months (gradual) would be less than one and one-half percent. A non-parallel shift in interest rates has been more prevalent during 2001. Given a steepening or flattening in the yield curve of 50 basis points, the Corporation's position at September 30, 2001 was also neutral as the impact of such a change on net interest income would be less than one-half percent. Interest Rate and Foreign Exchange Contracts Risk management interest rate contracts and foreign exchange contracts are utilized in the Corporation's ALM process. The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant unplanned 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 adversely affect net interest income. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation. Interest income and interest expense on hedged variable-rate assets and liabilities, respectively, increases or decreases as a result of interest rate fluctuations. Gains and losses on the derivative instruments that are linked to these hedged assets and liabilities are expected to substantially offset this variability in earnings. See Note Four of the consolidated financial statements for additional information on the Corporation's hedging activities. 63 Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards, allow the Corporation to effectively manage its interest rate risk position. In addition, the Corporation uses foreign currency contracts to manage the foreign exchange risk associated with foreign-denominated assets and liabilities, as well as the Corporation's equity investments in foreign subsidiaries. As reflected in Table Sixteen, the notional amount of the Corporation's receive fixed and pay fixed interest rate swaps at September 30, 2001 was $70.5 billion and $25.9 billion, respectively. The receive fixed interest rate swaps are primarily converting variable rate commercial loans to fixed rate. The net receive fixed position at September 30, 2001 was $44.6 billion notional compared to $48.8 billion notional at December 31, 2000. The Corporation had $15.7 billion notional and $14.7 billion notional of basis swaps at September 30, 2001 and December 31, 2000, respectively, linked primarily to loans and long-term debt. At September 30, 2001, the notional amount of option products being used in the Corporation's ALM process netted to zero, consisting of a $3.5 billion long position and a $3.5 billion short position, compared to $22.5 billion notional of option products at December 31, 2000. The Corporation had $7.1 billion notional and $24.8 billion notional of futures and forward rate contracts at September 30, 2001 and December 31, 2000, respectively. In addition, open foreign exchange contracts at September 30, 2001 had a notional amount of $22.7 billion compared to $19.0 billion at December 31, 2000. Table Sixteen also summarizes the expected maturity and the average estimated duration, weighted average receive and pay rates and the net unrealized gains and losses at September 30, 2001 and December 31, 2000 of the Corporation's open ALM interest rate swaps, as well as the expected maturity and net unrealized gains and losses at September 30, 2001 and December 31, 2000 of the Corporation's open ALM basis swaps, options, futures and forward rate and foreign exchange contracts. Unrealized gains and losses are based on the last repricing and will change in the future primarily based on movements in one-, three- and six-month LIBOR rates. The ALM swap portfolio had a net unrealized gain of $2.6 billion and $364 million at September 30, 2001 and December 31, 2000, respectively. The ALM option products had a net unrealized loss of $3 million and $157 million at September 30, 2001 and December 31, 2000, respectively. The ALM futures and forward rate contracts had a net unrealized loss of $24 million and $52 million at September 30, 2001 and December 31, 2000, respectively. At September 30, 2001 and December 31, 2000, open foreign exchange contracts had a net unrealized loss of $222 million and $387 million, respectively. The amount of unamortized net realized deferred gains associated with closed ALM swaps was $525 million and $25 million at September 30, 2001 and December 31, 2000, respectively. The amount of unamortized net realized deferred gains associated with closed ALM options was $13 million and $95 million at September 30, 2001 and December 31, 2000, respectively. The amount of unamortized net realized deferred losses associated with closed ALM futures and forward contracts was $34 million and $15 million at September 30, 2001 and December 31, 2000, respectively. There were no unamortized net realized deferred gains or losses associated with closed foreign exchange contracts at September 30, 2001 and December 31, 2000. Of these unamortized net realized deferred gains, $457 million was included in accumulated other comprehensive income at September 30, 2001. Management believes the fair value of the ALM interest rate and foreign exchange portfolios should be viewed in the context of the overall balance sheet, and the value of any single component of the balance sheet positions should not be viewed in isolation. 64 Table Sixteen Asset and Liability Management Interest Rate and Foreign Exchange Contracts

---------- September 30, 2001 Expected Maturity ---------- Average (Dollars in millions, average Fair After Estimated estimated duration in years) Value Total 2001 2002 2003 2004 2005 2005 Duration ---

~~Open interest rate contracts Total receive fixed swaps $ 3,486 3.93 Notional value $ 70,483 $ 205 $ 5,609 $ 8,661 $ 8,202 $ 9,898 $ 37,908 Weighted average receive rate 5.72% 6.67% 4.52% 4.96% 5.87% 6.65% 5.79% Total pay fixed swaps (895) 4.40 Notional value $ 25,901 $ 18 $ 828 $ 6,730 $ 4,348 $ 2,679 $ 11,298 Weighted average pay rate 5.37% 7.49% 6.96% 4.72% 4.32% 6.77% 5.71% Basis swaps 9 Notional value $ 15,700 $ - $ - $ - $ 9,000 $ 500 $ 6,200 ------ Total swaps 2,600 ---- Option products (3) Notional amount $ - Futures and forward rate contracts (24) Notional amount $ 7,100 $ 7,100 ---------- Total open interest rate contracts 2,573 ---------- Closed interest rate contracts/(1)/ 504 ---------- Net interest rate contract position 3,077 ---------- Open foreign exchange contracts (222) Notional amount $ 22,709 $ 797 $ 2,214 $ 3,560 $ 4,835 $ 6,644 $ 4,659 ---------- Total ALM contracts $ 2,855~~

(1) Represents the unamortized net realized deferred gains associated with closed contracts. As a result, no notional amount is reflected for expected maturity. 65 In conducting its mortgage production activities, the Corporation is exposed to interest rate risk for the periods between the loan commitment date and the loan funding date. To manage this risk, the Corporation enters into various financial instruments including forward delivery contracts, Euro dollar futures and option contracts. The notional amount of such contracts was $18.4 billion at September 30, 2001 with associated net unrealized losses of $82 million. At December 31, 2000, the notional amount of such contracts was $9.7 billion with associated net unrealized losses of $53 million. These contracts have an average expected maturity of less than 90 days. 66 Table Seventeen Selected Quarterly Financial Data

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2001 Quarters ---

(Dollars in millions, except per share information)

Third Second First --

~~Operating Basis/(1)/ ---------------- Income statement Net interest income $ 5,204 $ 5,030 $ 4,639 Net interest income (taxable-equivalent basis) 5,290 5,117 4,721 Noninterest income 3,429 3,741 3,780 Total revenue 8,633 8,771 8,419 Total revenue (taxable-equivalent basis) 8,719 8,858 8,501 Provision for credit losses 856 800 835 Gains (losses) on sales of securities 97 (7) (8) Other noninterest expense 4,606 4,821 4,654 Income before income taxes 3,268 3,143 2,922 Income tax expense 1,177 1,120 1,052 Net income 2,091 2,023 1,870 Average diluted common shares issued and outstanding (in thousands) 1,634,063 1,632,964 1,631,099 ---~~

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~~Performance ratios Return on average assets 1.29% 1.24 % 1.17 % Return on average common shareholders' equity 16.87 16.67 15.86 Efficiency ratio 52.82 54.44 54.73 Net interest yield 3.78 3.61 3.39 Shareholder value added $ 824 $ 791 $ 679~~

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~~Per common share data Earnings $ 1.31 $ 1.26 $ 1.16 Diluted earnings 1.28 1.24 1.15~~

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~~Cash basis financial data /(2)/ Earnings $ 2,310 $ 2,246 $ 2,093 Earnings per common share 1.44 1.40 1.30 Diluted earnings per common share 1.41 1.38 1.28 Return on average assets 1.43% 1.37 % 1.31 % Return on~~

~~Return on average common shareholders' equity 18.64 18.52 17.75 Efficiency ratio 50.32 51.92 52.11 -- As Reported ----------- Income statement Net interest income $ 5,204 $ 5,030 $ 4,639 Noninterest income 3,429 3,741 3,780 Total revenue 8,633 8,771 8,419 Provision for credit losses 1,251 800 835 Gains (losses) on sales of securities 97 (7) (8) Business exit costs 1,305 -- -- Other noninterest expense 4,606 4,821 4,654 Income before income taxes 1,568 3,143 2,922 Income tax expense 727 1,120 1,052 Net income 841 2,023 1,870 --- Performance ratios Return on average assets .52 % 1.24 % 1.17 % Return on average common shareholders'~~

~~shareholders' equity 6.78 16.67 15.86 Total equity to total assets (period-end) 7.83 7.88 8.02 Total average equity to total average assets 7.66 7.43 7.38 Dividend payout ratio 106.49 44.35 48.14~~

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~~Per common share data Earnings $ .52 $ 1.26 $ 1.16 Diluted earnings .51 1.24 1.15 Cash dividends paid .56 .56 .56 Book value 31.66 30.75 30.47~~

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~~Cash basis financial data /(2)/ Earnings $ 1,060 $ 2,246 $ 2,093 Earnings per common share .66 1.40 1.30 Diluted earnings per common share .65 1.38 1.28 Return on average assets .65 % 1.37 % 1.31 % Return on average common shareholders' equity 8.55 18.52 17.75~~

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~~-- Balance sheet (period-end) Total loans and leases $339,018 $380,425 $382,677 Total assets 640,105 625,525 609,755 Total deposits 359,870 363,486 352,460 Long-term debt 61,213 63,243 67,044 Trust preferred securities 4,955 4,955 4,955 Common shareholders' equity 50,084 49,234 48,815 Total shareholders' equity 50,151 49,302 48,886 -- Risk-based capital ratios (period-end) Tier 1 capital 7.95 % 7.90 % 7.65 % Total capital 12.12 12.09 11.84 Leverage ratio 6.59 6.50 6.41 -- Market price per share of common~~

~~stock Closing $ 58.40 $ 60.03 $ 54.75 High 65.54 62.18 55.94 Low 50.25 48.65 45.00 ------ --~~

(1) Operating basis excludes provision for credit losses of $395 million and noninterest expense of $1,305 million related to the exit of certain consumer finance businesses in the third quarter of 2001. (2) Cash basis calculations exclude goodwill and other intangible amortization expense. 67 Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK -- See "Management's Discussion and Analysis of Results of Operations and Financial Condition - Market Risk Management" on page 59 and the sections referenced therein for Quantitative and Qualitative Disclosures about Market Risk. --- Part II. Other Information --- Item 1. Legal Litigation Proceedings In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to a number of pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. In certain of these actions and proceedings, substantial money damages are asserted against the Corporation and its subsidiaries and certain of these actions and proceedings are based on alleged violations of consumer protection, securities, environmental, banking and other laws. The Corporation and certain present and former officers and directors have been named as defendants in a number of actions filed in several federal courts that have been consolidated for pretrial purposes before a Missouri federal court. The amended complaint in the consolidated actions alleges, among other things, that the defendants failed to disclose material facts about BankAmerica's losses relating to D.E. Shaw Securities Group, L.P. ("D.E. Shaw") and related entities until mid-October 1998, in violation of various provisions of federal and state laws. The amended complaint also alleges that the proxy statement-prospectus of August 4, 1998, falsely stated that the merger between NationsBank Corporation (NationsBank) and BankAmerica would be one of equals and alleges a scheme to have NationsBank gain control over the newly merged entity. The Missouri federal court has certified classes consisting generally of persons who were stockholders of NationsBank or BankAmerica on September 30, 1998, or were entitled to vote on the merger, or who purchased or acquired securities of the Corporation or its predecessors between August 4, 1998 and October 13, 1998. The amended complaint substantially survived a motion to dismiss. Discovery, for the most part, has been completed. Pretrial proceedings are scheduled to conclude by December 2001, and the court has ordered the parties to be ready for trial in March 2002. A former NationsBank stockholder who opted out of the federal class action has commenced an action asserting claims substantially similar to the claims related to D.E. Shaw set forth in the consolidated action. This action is now proceeding with the federal class action in the Missouri federal court, although that stockholder has requested that its case be tried separately. Similar class actions have been filed in California. Plaintiffs in one such class action, brought on behalf of California residents who owned BankAmerica stock, claim that the proxy statement-prospectus of August 4, 1998, falsely stated that the merger would be one of equals. Plaintiffs in this matter have recently agreed to become included in the federal action rather than proceed in California state court. Other California state court class actions were consolidated, but not yet certified as class actions. The Missouri federal court has enjoined prosecution of those consolidated cases as a class action. The plaintiffs who were enjoined appealed to the United States Court of Appeals for the Eighth Circuit, which upheld the district court's injunction. Those plaintiffs are currently pursuing further relief with the United States Court of Appeals. The Corporation believes that the actions lack merit and will defend them vigorously. The amount of ultimate liability cannot be determined at this time. On July 30, 2001, the Securities and Exchange Commission issued a cease-and-desist order finding violations of Section 13(a) of the Securities Exchange Act of 1934 and Rules 13a-1, 13a-11, 13a-13 and 12b-20 promulgated thereunder, with respect to 68 BankAmerica's accounting for, and the disclosures relating to, the D.E. Shaw relationship. The Corporation consented to the order without admitting or denying the findings. In the Matter of BankAmerica Corp., Exch. Act ----------------------------------- Rel. No. 44613, Acctg & Audit. Enf. Rel. No. 1249, Admin. Proc. No. 3-10541. Management believes that the actions and proceedings and the losses, if any, resulting from the final outcome thereof, will not be material in the aggregate to the Corporation's financial position or results of operations. Item 2. Changes in As part of its share repurchase program, during the third Securities and Use quarter of 2001, the Corporation sold put options to of Proceeds purchase an aggregate of two million shares of Common Stock. These put options were sold to an independent third party for an aggregate purchase price of $14 million. The put options have exercise prices ranging from $61.82 per share to $61.84 per share and expiration dates in September 2002. The put option contracts allow the Corporation to determine the method of settlement. Each of these transactions was exempt from registration under Section 4(2) of the Securities Act of 1933, as amended. At September 30, 2001, the Corporation had three million put options outstanding with exercise prices ranging from $56.36 per share to $61.84 per share and expiration dates ranging from October 2001 to September 2002. Item 6. Exhibits a) Exhibits and Reports on -------- Form 8-K Exhibit 11 - Earnings Per Share Computation - included in Note Eight of the consolidated financial statements Exhibit 12(a) - Ratio of Earnings to Fixed Charges Exhibit 12(b) - Ratio of Earnings to Fixed Charges and Preferred Dividends b) Reports on Form 8-K ------------------- The following reports on Form 8-K were filed by the Corporation during the quarter ended September 30, 2001: Current Report on Form 8-K dated and filed July 16, 2001, Items 5, 7 and 9. Current Report on Form 8-K dated and filed August 15, 2001, Items 5, 7 and 9. 69 --- 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 Date: November 14, 2001 /s/ Marc D. Oken ----------------- --------------------------------- MARC D. OKEN Executive Vice President and Principal Financial Executive (Duly Authorized Officer and Chief Accounting Officer) 70 Bank of America Corporation Form 10-Q Index to Exhibits --- Exhibit Description ------- ----------- 11 Earnings Per Share Computation - included in Note Eight of the consolidated financial statements 12(a) Ratio of Earnings to Fixed Charges 12(b) Ratio of Earnings to Fixed Charges and Preferred Dividends 71