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 June 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 July 31, 2001, there were 1,603,444,123 shares of Bank of America Corporation Common Stock outstanding.

1 Bank of America Corporation June 30, 2001 Form 10-Q

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2 Part I. Financial Information Item 1. Financial Statements

Bank of America Corporation and Subsidiaries Consolidated Statement of Income

(Dollars in millions, except per share information)	Three Months Ended June 30 2001	2000	Six Months Ended June 30 2001	2000
Interest income				
Interest and fees on loans and leases	$ 7,201	$ 7,915	$ 14,860	$ 15,310
Interest and dividends on securities	894	1,268	1,740	2,579
Federal funds sold and securities purchased under agreements to resell	405	595	840	1,170
Trading account assets	936	694	1,782	1,230
Other interest income	489	254	944	504
Total interest income	9,925	10,726	20,166	20,793
Interest expense				
Deposits	2,363	2,720	5,076	5,215
Short-term borrowings	1,221	1,990	2,598	3,792
Trading account liabilities	312	189	602	370
Long-term debt	999	1,210	2,221	2,294
Total interest expense	4,895	6,109	10,497	11,671
Net interest income	5,030	4,617	9,669	9,122
Noninterest income				
Consumer service charges	714	646	1,408	1,264
Corporate service charges	511	465	1,010	940
Total service charges	1,225	1,111	2,418	2,204
Consumer investment and brokerage services	399	387	778	751
Corporate investment and brokerage services	137	105	273	226
Total investment and brokerage services	536	492	1,051	977
Mortgage banking income	195	136	346	264
Investment banking income	455	373	801	770
Equity investment gains	171	134	318	697
Card income	601	556	1,174	1,040
Trading account profits/(1)/	376	485	1,075	1,228
Other income	182	227	338	399
Total noninterest income	3,741	3,514	7,521	7,579
Total revenue	8,771	8,131	17,190	16,701
Provision for credit losses	800	470	1,635	890
Gains (losses) on sales of securities	(7)	6	(15)	12
Other noninterest expense				
Personnel	2,534	2,311	4,935	4,845
Occupancy	428	411	861	829
Equipment	271	296	562	597
Marketing	174	132	351	251
Professional fees	141	93	267	198
Amortization of intangibles	223	218	446	435
Data processing	187	169	377	328
Telecommunications	128	133	247	264
Other general operating	574	505	1,119	1,020
General administrative and other	161	145	310	269
Total other noninterest expense	4,821	4,413	9,475	9,036
Income before income taxes	3,143	3,254	6,065	6,787
Income tax expense	1,120	1,191	2,172	2,484
Net income	$ 2,023	$ 2,063	$ 3,893	$ 4,303
Net income available to common shareholders	$ 2,022	$ 2,061	$ 3,891	$ 4,300
Per share information				
Earnings per common share	$ 1.26	$ 1.25	$ 2.42	$ 2.59
Diluted earnings per common share	$ 1.24	$ 1.23	$ 2.39	$ 2.56
Dividends per common share	$ .56	$ .50	$ 1.12	$ 1.00
Average common shares issued and outstanding (in thousands)	1,601,537	1,653,495	1,605,193	1,661,403

(1) Trading account profits for the six months ended June 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

(Dollars in millions)	June 30 2001	December 31 2000
Assets		
Cash and cash equivalents	$ 25,405	$

~~27,513 Time deposits placed and other short-term investments 4,452 5,448 Federal funds sold and securities purchased under agreements to resell (includes $28,290 and $24,622 pledged as collateral) 28,317 28,055 Trading account assets (includes $20,901 and $21,216 pledged as collateral) 50,740 43,041 Derivative assets 16,881 15,534 Securities: Available-for-sale (includes $36,346 and $40,674 pledged as collateral) 53,410 64,651 Held-to-maturity, at cost (market value - $1,108 and $1,133) 1,167 1,187~~

~~--- Total securities 54,577 65,838~~

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~~Loans and leases 380,425 392,193 Allowance for credit losses (6,911) (6,838)~~

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~~---- Loans and leases, net of allowance for credit losses 373,514 385,355 ------~~
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~~----- Premises and equipment, net 6,371 6,433~~

~~Customers' acceptance liability 2,111 1,972 Interest receivable 3,593 4,432 Mortgage banking assets 4,337 3,762 Goodwill 11,864 11,643 Core deposits and other intangibles 1,392 1,499 Other assets 41,971 41,666~~
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~~Total assets $625,525 $642,191 ----~~
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~~Liabilities Deposits in domestic offices: Noninterest-bearing $100,199 $ 98,722 Interest-bearing 213,036 211,978 Deposits in foreign offices: Noninterest-bearing 1,490 1,923 Interest-bearing 48,761 51,621 -------~~
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~~----- Total deposits 363,486 364,244 ------~~
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~~----- Federal funds purchased and securities sold under agreements to repurchase 52,189 49,411 Trading account liabilities 20,866 20,947 Derivative liabilities 13,078 22,402 Commercial paper 3,156 6,955 Other short-term borrowings 32,348 35,243 Acceptances outstanding 2,111 1,972 Accrued expenses and other liabilities 20,791 20,887 Long-term debt 63,243 67,547 Trust preferred securities 4,955 4,955 --~~
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~~--------- Total liabilities 576,223 594,563 ------~~
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~~Commitments and contingencies (Note Seven) Shareholders' equity Preferred~~

~~stock, $0.01 par value; authorized - 100,000,000 shares; issued and outstanding - 1,587,066 and 1,692,172 shares 68 72 Common stock, $0.01 par value; authorized - 5,000,000,000 shares; issued and outstanding - 1,601,126,336 and 1,613,632,036 shares 7,629 8,613 Retained earnings 41,912 39,815 Accumulated other comprehensive loss (262) (746) Other (45) (126) ----~~
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~~------ Total shareholders' equity 49,302 47,628 -------~~
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~~--- Total liabilities and shareholders' equity $625,525 $642,191 ----~~
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See accompanying notes to consolidated financial statements. 3 Bank of America Corporation and Subsidiaries Consolidated Statement of Changes in Shareholders' Equity

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Accumulated
Other

Preferred Common Stock 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 4,303 Other comprehensive income, net of tax: Net unrealized gains on available-for-sale and marketable equity securities 119 Net unrealized gains on foreign currency translation adjustments 2 Comprehensive income Cash dividends: Common (1,655) Preferred (3) Common stock issued under employee plans 2,185 34 Common stock repurchased (33,850) (1,623) Conversion of preferred stock (2) 92 2 Other 1 104 4 ------- --~~

~~Balance, June 30, 2000 $75 1,645,701 $10,188 $38,330 $(2,537) ------ ----------------------------~~

~~-- - Balance, December 31, 2000 $72 1,613,632 $8,613 $39,815 $ (746) Net income 3,893 Other comprehensive income, net of tax: Net unrealized gains on available-for-sale and marketable equity securities 201 Net gains on derivatives (2) 283 Comprehensive income Cash dividends: Common (1,797) Preferred (2) Common stock issued under employee plans 16,718 598 Common stock repurchased (29,400) (1,600) Conversion of preferred stock (4) 176 4 Other 14 3 --- -- ---- Balance, June 30, 2001 $68 1,601,126 $7,629 $41,912 $(262) -------- --~~

(1) Accumulated Other Comprehensive Income (Loss) consists of the after-tax valuation allowance for available-for-sale and marketable equity securities of $(359) and $(560) at June 30, 2001 and December 31, 2000, respectively; foreign currency translation adjustments of $(186) at both June 30, 2001 and December 31, 2000; and net gains on derivatives of $283 at June 30, 2001. (2) Net gains on derivatives for the six months ended June 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

(Dollars in millions)	Six Months Ended June 30 2001	2000
Operating activities		
Net income	$ 3,893	$ 4,303
Reconciliation of net income to net cash used in operating activities:		
Provision for credit losses	1,635	890
(Gains) losses on sales of securities	15	(12)
Depreciation and premises improvements amortization	429	472
Amortization of intangibles	446	435
Deferred income tax expense	313	1,067
Net increase in trading and hedging instruments	(18,378)	(8,289)
Net (increase) decrease in interest receivable	839	(306)
Net (increase) decrease in other assets	2,557	(3,388)
Net increase (decrease) in interest payable	(614)	100
Net increase (decrease) in accrued expenses and other liabilities	47	(124)
Other operating activities, net	(5,456)	(710)
Net cash used in operating activities	(14,274)	(5,562)
Investing activities		
Net decrease in time deposits placed and other short-term investments	996	444
Net increase in federal funds sold and securities purchased under agreements to resell	(262)	(4,532)
Proceeds from sales of available-for-sale securities	42,500	13,729
Proceeds from maturities of available-for-sale securities	3,049	2,781
Purchases of available-for-sale securities	(33,218)	(13,925)
Proceeds from maturities of held-to-maturity securities	-	128
Proceeds from sales and securitizations of loans and leases	7,705	2,734
Other changes in loans and leases, net	4,452	(32,302)
Purchases and originations of mortgage banking assets	(614)	(242)
Net purchases of premises and equipment	(367)	(273)
Proceeds from sales of foreclosed properties	142	145
Acquisition and divestiture of business activities, net	(417)	(24)
Net cash provided by (used in) investing activities	23,966	(31,337)
Financing activities		
Net increase (decrease) in deposits	(758)	9,391
Net increase in federal funds purchased and securities sold under agreements to repurchase	2,778	14,947
Net increase (decrease) in commercial paper and other short-term borrowings	(6,760)	2,355
Proceeds from issuance of long-term debt	7,906	19,681
Retirement of long-term debt	(12,159)	(6,728)
Proceeds from issuance of common stock	635	140
Common stock repurchased	(1,600)	(1,623)
Cash dividends paid	(1,799)	(1,658)
Other financing activities, net	3	939
Net cash provided by (used in) financing activities	(11,754)	37,444
Effect of exchange rate changes on cash and cash equivalents	(46)	(41)
Net increase (decrease) in cash and cash equivalents	(2,108)	504
Cash and cash equivalents at January 1	27,513	26,989
Cash and cash equivalents at June 30	$ 25,405	$ 27,493

Loans held for sale transferred to loans and leases amounted to $2,932 and $241 for the six months ended June 30, 2001 and 2000, respectively. Loans transferred to foreclosed properties amounted to $250 and $188 for the six months ended June 30, 2001 and 2000, respectively. Loans securitized and retained in the available-for-sale securities portfolio amounted to $734 and $224 for the six months ended June 30, 2001 and 2000, respectively. See accompanying notes to consolidated financial 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 June 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. 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 is 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. 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. 6 Derivatives and Hedging Activities All derivatives are recognized on the balance sheet at fair value. Fair value is based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics. The Corporation designates a derivative as held for trading or hedging purposes when it enters into a derivative contract. Derivatives designated as held for trading activities are included in the Corporation's trading portfolio with changes in fair value reflected in trading account profits. The Corporation uses its derivatives designated for hedging activities as either fair value or cash flow hedges. The Corporation primarily manages interest rate and foreign currency exchange rate sensitivity through the use of derivatives. Fair value hedges are used to limit the Corporation's exposure to changes in the fair value of its interest-bearing assets or liabilities that are due to interest rate volatility. Cash flow hedges are used to minimize the variability in cash flows of interest-bearing assets or liabilities caused by interest rate fluctuations. Changes in the fair value of derivatives designated for hedging activities that are highly effective as hedges are recorded in earnings or other comprehensive income, depending on whether the hedging relationship satisfies the criteria for a fair value or cash flow hedge, respectively. A highly effective hedging relationship is one in which the Corporation achieves offsetting changes in fair value or cash flows for the risk being hedged. Hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed changes in the fair value of the hedged item) and gains and losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in current period earnings. SFAS 133 retains certain concepts under Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," (SFAS 52) for foreign exchange hedging. Consistent with SFAS 52, the Corporation records changes in the fair value of derivatives used as a hedge of a net investment in foreign operations as a component of other comprehensive income. The Corporation occasionally purchases or issues financial instruments containing embedded derivatives. The embedded derivative is separated from the host contract and carried at fair value if the economic characteristics of the derivative are not clearly and closely related to the economic characteristics of the host contract. To the extent that the Corporation cannot reliably identify and measure the embedded derivative, the entire contract is carried at fair value on the balance sheet. The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. Additionally, the Corporation formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of the hedged items. The Corporation discontinues hedge accounting when it is determined that a derivative is not or has ceased to be highly effective as a hedge. Mortgage Banking Assets Mortgage banking assets include servicing assets and Excess Spread Certificates ("Securities"). The servicing component represents the contractually specified servicing fees, and the Securities represent a retained financial interest in certain cash flows of the underlying mortgage loans. The Securities are carried at estimated fair value with the corresponding mark-to-market reported in trading account profits in the Consolidated Statement of Income. The Corporation seeks to offset changes in value of the Securities due to changes in prepayment rates by entering into derivative financial instruments such as purchased options and swaps. The derivative instruments are accounted for as trading instruments and are marked-to-market through trading account profits in the Consolidated Statement of Income. Mortgage banking income in the Consolidated Statement of Income includes servicing fees, originated mortgage servicing rights gains, ancillary servicing income and the income on the Securities. Note Two - Productivity and Investment Initiatives As part of its productivity and investment initiatives announced on July 28, 2000, the Corporation recorded a pre-tax restructuring charge of $550 million ($346 million after-tax) in the third quarter of 2000 which was included 7 in merger and restructuring charges in the Consolidated Statement of Income on page 62 of the Corporation's 2000 Annual Report on Form 10-K. As part of these initiatives and in order to reallocate resources, the Corporation announced that it would eliminate 9,000 to 10,000 positions, or six to seven percent of its workforce, over a twelve-month period. Of the $550 million restructuring charge, approximately $475 million will be used to cover severance and related costs and $75 million will be used for other costs related to process change and channel consolidation. Over half of the severance and related costs are related to management positions which were eliminated in a review of span of control and management structure. The restructuring charge includes severance and related payments for approximately 8,300 positions, which are company-wide and across all levels. The difference between the 8,300 positions and the 10,000 positions initially announced is due to normal attrition. Through June 30, 2001, there were approximately 8,300 employees who had entered severance status as part of these initiatives. Cash payments applied to the restructuring reserve through June 30, 2001 were approximately $388 million (of which $209 million were applied in 2000) primarily related to severance costs. Noncash reductions through June 30, 2001 were $73 million (of which $48 million were applied in 2000), primarily related to restricted stock vesting accelerations. The remaining restructuring reserve balance was $89 million at June 30, 2001 of which approximately $40 million is related to future payments for employees who have entered severance status and approximately $49 million is related to process change costs and channel consolidation. 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 six months ended June 30, 2001 included an $83 million transition adjustment net loss recorded as a result of the implementation of SFAS 133.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2001	2000	2001	2000
Trading account profits - as reported	$ 376	$ 485	$1,075	$1,228
Net interest income	391	267	739	483
Total trading-related revenue	$ 767	$ 752	$1,814	$1,711
Trading-related revenue by product				
Foreign exchange contracts	$ 133	$ 133	$ 280	$ 292
Interest rate contracts	220	184	367	520
Fixed income	126	80	472	247
Equities and equity derivatives	212	330	565	614
Commodities and other	76	25	130	38
Total trading-related revenue	$ 767	$ 752	$1,814	$1,711

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

	June 30	December 31
(Dollars in millions)	2001	2000
Trading account assets		
U.S. Government & Agency securities	$13,617	$10,545
Foreign sovereign debt	9,901	10,432
Corporate & other debt securities	12,480	7,841
Equity securities	6,303	6,363
Mortgage-backed securities	1,562	1,713
Other	6,877	6,147
Total	$50,740	$43,041
Trading account liabilities		
U.S. Government & Agency securities	$ 6,223	$10,906
Foreign sovereign debt	1,989	1,860
Corporate & other debt securities	1,251	2,215
Equity securities	6,867	5,712
Mortgage-backed securities	36	37
Other	4,500	217
Total	$20,866	$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 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. 9 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 June 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	June 30, 2001		December 31, 2000/(1)/	
(Dollars in millions)	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Interest rate contracts				
Swaps	$4,431,467	$ 5,779	$3,256,992	$ 3,236
Futures and forwards	1,517,862	88	1,227,537	57
Written options	621,671	-	664,108	-
Purchased options	650,861	741	601,828	145
Foreign exchange contracts				
Swaps	112,304	2,105	61,035	1,424
Spot, futures and forwards	751,275	2,994	682,665	3,215
Written options	54,038	-	35,161	-
Purchased options	52,605	432	32,639	380
Equity contracts				
Swaps	16,832	490	17,482	637
Futures and forwards	55,757	161	61,004	353
Written options	23,731	-	30,976	-
Purchased options	26,459	2,656	36,304	3,670
Commodity and other contracts				
Swaps	8,104	1,110	9,126	1,902
Futures and forwards	2,645	11	2,098	81
Written options	11,002	-	12,603	-
Purchased options	9,843	147	10,515	228
Credit derivatives	44,940	167	40,638	206
Net replacement cost		$16,881		$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. The table above includes both long and short derivative positions. The average fair value of derivative assets for the six months ended June 30, 2001 and 2000 was $17.4 billion and $19.4 billion, respectively. The average fair value of derivative liabilities for the six months ended June 30, 2001 and 2000 was $18.9 billion and $19.3 billion, respectively. The fair value of derivative assets at June 30, 2001 and December 31, 2000 was $16.9 billion and $15.5 billion, respectively. The fair value of derivative liabilities at June 30, 2001 and December 31, 2000 was $13.1 billion and $22.4 billion, respectively. During the six months ended June 30, 2001 and 2000, there were no material credit losses associated with derivative contracts. At June 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 June 30, 2001 and December 31, 2000 consisted of credit default swaps and total return swaps. 10 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. For the six months ended June 30, 2001, there were no material gains or losses recognized which represented the ineffective portion and excluded component in assessing hedge effectiveness of fair value hedges. 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 six months ended June 30, 2001, the Corporation recognized in the Consolidated Statement of Income a net gain of $4 million (included in other income) and a net loss of $7 million (included in net interest 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 $102 million included in accumulated other comprehensive income at June 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. 11 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 six months ended June 30, 2001, net gains of $96 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 June 30, 2001 and December 31, 2000 were:

	June 30, 2001		December 31, 2000	
(Dollars in millions)	Amount	Percent	Amount	Percent
Commercial - domestic	$133,928	35.2%	$146,040	37.2%
Commercial - foreign	25,670	6.7	31,066	7.9
Commercial real estate - domestic	25,443	6.7	26,154	6.7
Commercial real estate - foreign	372	.1	282	.1
Total commercial	185,413	48.7	203,542	51.9
Residential mortgage	85,900	22.6	84,394	21.5
Home equity lines	21,992	5.8	21,598	5.5
Direct/Indirect consumer	40,562	10.7	40,457	10.3
Consumer finance	27,529	7.2	25,800	6.6
Bankcard	16,799	4.4	14,094	3.6
Foreign consumer	2,230	.6	2,308	.6
Total consumer	195,012	51.3	188,651	48.1
Total loans and leases	$380,425	100.0%	$392,193	100.0%

The table below summarizes the changes in the allowance for credit losses for the three months and six months ended June 30, 2001 and 2000:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2001	2000	2001	2000
Balance, beginning of period	$6,900	$6,827	$ 6,838	$ 6,828
Loans and leases charged off	(950)	(620)	(1,868)	(1,190)
Recoveries of loans and leases previously charged off	163	150	308	300
Net charge-offs	(787)	(470)	(1,560)	(890)
Provision for credit losses	800	470	1,635	890
Other, net	(2)	(12)	(2)	(13)
Balance, June 30	$6,911	$6,815	$ 6,911	$ 6,815

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. 12 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 June 30, 2001 and December 31, 2000:

	June 30	December 31
(Dollars in millions)	2001	2000
Commercial - domestic	$3,208	$2,891
Commercial - foreign	536	521
Commercial real estate - domestic	373	412
Commercial real estate - foreign	3	2
Total impaired loans	$4,120	$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 June 30, 2001 and December 31, 2000, nonperforming loans, including certain loans which were considered impaired, totaled $5.8 billion and $5.2 billion, respectively. Included in other assets was $120 million and $124 million of loans which would have been classified as nonperforming had they been included in loans at June 30, 2001 and December 31, 2000, respectively. Foreclosed properties amounted to $346 million and $249 million at June 30, 2001 and December 31, 2000, respectively. Note Six - Short-Term Borrowings and Long-Term Debt Through June 30, 2001, Bank of America Corporation issued $6.3 billion in senior and subordinated long-term debt, domestically and internationally, with maturities ranging from 2004 to 2031. Of the $6.3 billion issued, $4.4 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 $1.9 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 June 30, 2001, Bank of America Corporation had the authority to issue approximately $11.9 billion of additional corporate debt and other securities under its existing shelf registration statements. Subsequent to June 30, 2001, Bank of America Corporation filed a $3.4 billion shelf registration statement to be used exclusively for "retail targeted" offerings of InterNotes(SM) in the United States. 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 $9.9 billion at June 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 $10.3 billion at June 30, 2001 compared to $17.6 billion at December 31, 2000. During the first two quarters of 2001, Bank of America, N.A. issued $378 million in senior long-term bank notes maturing in 2002. The $378 million bears interest at fixed rates ranging from 4.00 percent to 4.88 percent. Bank of America Corporation and Bank of America, N.A. maintain a joint Euro medium-term note program to offer up to $20.0 billion of senior, or in the case of Bank of America Corporation, subordinated notes exclusively to 13 non-United States residents. The notes bear interest at fised 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 June 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 June 30, 2001 and December 31, 2000. Of the $20.0 billion authorized at June 30, 2001, Bank of America Corporation and Bank of America, N.A. had remaining authority to issue approximately $3.9 billion and $8.6 billion, respectively. At June 30, 2001 and December 31, 2000, $2.2 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. Subsequent to June 30, 2001, Bank of America Corporation and Bank of America N.A. increased the borrowing capacity of their joint Euro medium-term note program to $25.0 billion. At June 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 the joint Euro medium-term note program mentioned above 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 June 30, 2001. At December 31, 2000, the Corporation had no notes outstanding under these programs. At June 30, 2001, Bank of America Oregon, N.A. maintained approximately $6 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. 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 June 30, 2001 and December 31, 2000:

(Dollars in millions)	June 30 2001	December 31 2000
Credit card commitments	$ 77,250	$ 72,058
Other loan commitments	232,439	243,124
Standby letters of credit and financial guarantees	34,464	33,420
Commercial letters of credit	3,807	3,327

When-Issued Securities At June 30, 2001, the Corporation had commitments to purchase and sell when- issued securities of $42.2 billion and $37.1 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 14 classes of claimants. In certain of these actions and proceedings, substantial money damages are asserted against theCorporation 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, and discovery is underway. Claims against certain director-defendants were dismissed with leave to replead. The court has preliminarily ordered the parties to be ready for trial in January 2002. A former NationsBank stockholder who opted out of the federal class action has commenced an action asserting claims substantially similar to the claims relating to D.E. Shaw set forth in the consolidated action. That action is proceeding with the federal class action in the Missouri federal court. Similar class actions (including one limited to California residents raising the claim that the proxy statement-prospectus of August 4, 1998, falsely stated that the merger would be one of equals) were filed in California state court, alleging violations of the California Corporations Code and other state laws. The action on behalf of California residents was certified as a class. A motion to decertify the class is pending. A lower court order dismissing that action was reversed on appeal and discovery has commenced. The remaining California actions have been consolidated, but have not been certified as class actions. The Missouri federal court has enjoined prosecution of those consolidated class actions as a class action. The plaintiffs who were enjoined have appealed that injunction to the United States Court of Appeals for the Eighth Circuit. The Corporation believes the actions lack merit and will defend them vigorously. The amount of any ultimate exposure cannot be determined with certainty 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. 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 June 30, 2001, the remaining buyback authority for common stock under the 2000 program totaled $5.2 billion, or 55 million shares. During the six months ended June 30, 2001, the Corporation repurchased approximately 29 million shares of its common stock in open market repurchases at an average per-share price of $54.42, which reduced shareholders' equity by $1.6 billion. During the six months ended June 30, 2000, the Corporation repurchased approximately 34 million shares of its common stock in open market repurchases at an average per-share price of $47.88, which reduced shareholders' equity by $1.6 billion. In September 1999, the Corporation began selling put options on it 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 June 30, 2001, there were two million put options outstanding with exercise prices ranging from $51.38 per share to $56.36 per share which expire from 15 September 2001 to October 2001. 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. The calculation of earnings per common share and diluted earnings per common share for the three months and six months ended June 30, 2001 and 2000 is presented below:

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended June 30 2001	Three Months Ended June 30 2000	Six Months Ended June 30 2001	Six Months Ended June 30 2000
Earnings per common share				
Net income	$ 2,023	$ 2,063	$ 3,893	$ 4,303
Preferred stock dividends	(1)	(2)	(2)	(3)
Net income available to common shareholders	$ 2,022	$ 2,061	$ 3,891	$ 4,300
Average common shares issued and outstanding	1,601,537	1,653,495	1,605,193	1,661,403
Earnings per common share	$ 1.26	$ 1.25	$ 2.42	$ 2.59

Diluted earnings per common share				
Net income available to common shareholders	$ 2,022	$ 2,061	$ 3,891	$ 4,300
Preferred stock dividends	1	2	2	3
Net income available to common shareholders and assumed conversions	$ 2,023	$ 2,063	$ 3,893	$ 4,303
Average common shares issued and outstanding	1,601,537	1,653,495	1,605,193	1,661,403
Incremental shares from assumed conversions:				
Convertible preferred stock	2,708	2,914	2,746	2,987
Stock options	28,719	19,680	23,953	17,240
Dilutive potential common shares	31,427	22,594	26,699	20,227
Total diluted average common shares issued and outstanding	1,632,964	1,676,089	1,631,892	1,681,630
Diluted earnings per common share	$ 1.24	$ 1.23	$ 2.39	$ 2.56

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. In the first quarter of 2001, the thirty-year mortgage portfolio was moved from Consumer and Commercial Banking to the Corporate Other 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 16 direct and indirect equity investments in a wide variety of transactions. Equity Investments also includes the Corporation's strategic technology and alliances investment portfolio. The Corporate Other segment consists primarily of the functions associated with managing the interest rate risk of the Corporation. 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. TheCorporation acquired the first 50 percent in 1999. Marsico is a Denver-based investment management firm specializing in large capitalization growth stocks. The following tables include total revenue, net income and average total assets for the three months and six months ended June 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 June 30 Consumer and Total Corporation Commercial Banking/(1)/ Asset Management/(1)/ --- (Dollars in millions) 2001 2000 2001 2000 2001 2000 --- ~~Net interest income/(2)/ $ 5,117 $ 4,695 $ 3,506 $ 3,358 $ 171 $ 151 Noninterest income 3,741 3,514 2,009 1,853 428 421 -- Total revenue 8,858 8,209 5,515 5,211 599 572 Provision for credit losses 800 470 471 304 63 (1) Gains (losses) on sales of securities (7) 6 1 - - - Amortization of intangibles 223 218 170 172 12 6 Other noninterest expense 4,598 4,195 2,785 2,683 344 309 -- Income before income taxes 3,230 3,332 2,090 2,052 180 258 Income tax expense 1,207 1,269 816 804 64 99 -- Net income $ 2,023 $ 2,063 $ 1,274 $ 1,248 $ 116 $ 159~~

~~Average total assets $655,557 $672,588 $294,354 $289,120 $25,987 $ 23,269~~

(1) There were no material intersegment revenues among the segments. (2) Net interest income is presented on a taxable-equivalent basis. 17 Business Segments --- For the six months ended June 30 Consumer and Total Corporation Commercial Banking/(1)/ Asset Management/(1)/ -- (Dollars in millions) 2001 2000 2001 2000 2001 2000 --- ~~Net interest income/(2)/ $ 9,838 $ 9,271 $ 6,827 $ 6,645 $ 331 $ 296 Noninterest income/(3)/ 7,521 7,579 4,002 3,528 844 824 -- Total revenue 17,359 16,850 10,829 10,173 1,175 1,120 Provision for credit losses 1,635 890 988 727 71 9 Gains (losses) on sales of securities (15) 12 1 - - - Amortization of intangibles 446 435 340 345 25 12 Other noninterest expense 9,029 8,601 5,504 5,410 690 605 -- Income before income taxes 6,234 6,936 3,998 3,691 389 494 Income tax expense 2,341 2,633 1,563 1,442 143 189 -- Net income $ 3,893 $ 4,303 $ 2,435 $ 2,249 $ 246 $ 305~~

~~Average total assets $652,147 $661,804 $291,728 $287,033 $25,922 $ 22,831~~

/(1)/ There were no material intersegment revenues among the segments. /(2)/ Net interest income is presented on a taxable-equivalent basis. /(3)/ Noninterest income includes the $83 million SFAS 133 transition adjustment net loss which is included in trading account profits. The components of the transition adjustment by segment are 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. A reconciliation of the segments' net income (excluding Corporate Other) to consolidated net income follows:

-- Three Months Ended Six Months Ended June 30 June 30 -- (Dollars in millions) 2001 2000 2001 2000 -- ~~Segments' net income $1,858 $1,925 $3,721 $4,051 Adjustments, net of taxes: Earnings associated with unassigned capital 84 52 152 99 30-year mortgage portfolio net revenue 65 82 132 176 SFAS 133 transition adjustment - - (68) - Provision for credit losses in excess of net charge-offs (8) - (49) - Gains on sales of securities 3 4 3 6 Other 21 - 2 (29) -- Consolidated net income $2,023 $2,063 $3,893 $4,303~~

18 -- 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 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 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 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. 19 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 both domestically and internationally through four major business segments: Consumer and Commercial Banking, Asset Management, Global Corporate and Investment Banking, and Equity Investments. At June 30, 2001, the Corporation had $626 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 2 through 18. Refer to Table One for selected financial data for the three months and six months ended June 30, 2001 and 2000 and Table Seventeen for the two most recent quarters. Key performance highlights for the six months ended June 30, 2001 compared to the same period in 2000: . Net income totaled $3.9 billion, or $2.39 per common share (diluted), compared to $4.3 billion, or $2.56 per common share (diluted). . Shareholder value added (SVA) declined $494 million to $1.5 billion primarily related to lower market-related revenues, higher credit costs and increased other noninterest expense, partially offset by increases in net interest income and consumer-based fee income. . The return on average common shareholders' equity was 16.27 percent. . Total revenue includes net interest income on a taxable-equivalent basis and noninterest income. Total revenue was $17.4 billion, an increase of $509 million. . Net interest income increased $567 million to $9.8 billion. The increase was primarily due to a favorable shift in loan mix, higher levels of core funding, changes in interest rates, the effect of portfolio repositioning and an increased trading-related contribution. These factors were partially offset by deterioration in auto lease residual values, the impact of the deposit pricing initiative and mortgage whole loan sales. Average managed loans and leases were $406.5 billion, a $13.6 billion increase, primarily due to an eight percent increase in consumer loans and leases, partially offset by a one percent decrease in commercial loans and leases. Average core deposits grew to $301.5 billion, a $10.7 billion increase. The net interest yield was 3.50 percent, a 25 basis point increase. The increase was primarily due to the effect of changes in interest rates, portfolio repositioning and higher levels of core funding sources. . Noninterest income was $7.5 billion, a $58 million decrease. Increases in service charges, card income, mortgage banking income, investment and brokerage services and investment banking income were offset by declines in equity investment gains, trading account profits and other income. Trading account profits included the Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities, (SFAS 133) transition

adjustment net loss of $83 million. Consumer and Commercial Banking experienced a $180 million, or 11 percent, increase in service charges driven by higher business volumes. A $134 million, or 13 percent, increase in card income to $1.2 billion 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 54 percent with higher originations as customers took advantage of falling interest rates. Income from investment and brokerage services increased $11 million to $772 million 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. Although the noninterest income component of trading-related revenue within Global Corporate and Investment Banking remained flat at $1.2 billion, revenues from fixed income and commodities increased as a result of more liquidity and market volatility, offset by decreases in most of the other trading accounts. Investment banking income increased $31 million to $801 million, led by increased fixed income 20 originations. Equity Investments had equity investment gains of $275 million, reflecting a decrease of $387 million, and 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. . The provision for credit losses was $1.6 billion, a $745 million increase. Net charge-offs were $1.6 billion, or 0.82 percent of average loans and leases, an increase of 35 basis points. Provision expense exceeded net charge-offs by $75 million as the Corporation increased the reserve for credit losses given the deterioration in credit quality and uncertainty surrounding the current economic environment. The increase in net charge-offs of $670 million was centered in the commercial - domestic portfolio and also reflected increases in consumer finance and bankcard charge-offs. Nonperforming assets were $6.2 billion, or 1.63 percent of loans, leases and foreclosed properties at June 30, 2001, a $738 million, or 24 basis point increase from December 31, 2000. The increase was primarily centered in the commercial - domestic loan portfolio, resulting from credit deterioration as companies were affected by the weakening economic environment. The allowance for credit losses totaled $6.9 billion and $6.8 billion at June 30, 2001 and December 31, 2000, respectively. . Other noninterest expense was $9.5 billion, a $439 million increase, primarily driven by higher revenue-related incentive compensation, marketing and professional fees expense. Employee-Related Matters Productivity and Investment Initiatives As part of its productivity and investment initiatives announced on July 28, 2000, the Corporation recorded a pre-tax restructuring charge of $550 million ($346 million after-tax) in the third quarter of 2000 which was included in merger and restructuring charges in the Consolidated Statement of Income on page 62 of the Corporation's 2000 Annual Report on Form 10-K. As part of these initiatives and in order to reallocate resources, the Corporation announced that it would eliminate 9,000 to 10,000 positions, or six to seven percent of its workforce, over a twelve-month period. Of the $550 million restructuring charge, approximately $475 million will be used to cover severance and related costs and $75 million will be used for other costs related to process change and channel consolidation. Over half of the severance and related costs are related to management positions which were eliminated in a review of span of control and management structure. The restructuring charge includes severance and related payments for approximately 8,300 positions, which are company-wide and across all levels. The difference between the 8,300 positions and the 10,000 positions initially announced is due to normal attrition. Through June 30, 2001, there were approximately 8,300 employees who had entered severance status as part of these initiatives. The remaining restructuring reserve balance was $89 million at June 30, 2001, of which approximately $40 million is related to future payments for employees who have entered severance status and approximately $49 million is related to process change costs and channel consolidation. See Note Two of the consolidated financial statements for additional restructuring charge information. Processes continue to be reviewed across the Corporation to ensure that it is organized around its customers and their needs. Significant process changes and productivity improvements, primarily in the infrastructure of the operations, are taking place in consumer real estate, payments processing, imaging, commercial loan processing and branch support. The savings that are identified are targeted for reinvestment in areas that the Corporation believes provide the best growth opportunities. Among these areas are e-commerce, Asset Management, card and payment businesses and the investment banking platform. 21

Table One Selected Financial Data ------- ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ -------

Three Months Six Months Ended June 30 Ended June 30 ---- ------------ ------------ ------------ ------------ ------

(Dollars in millions, except per share information)

2001 2000 2001 2000 - ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------

~~Income statement Interest income $ 9,925 $ 10,726 $ 20,166 $ 20,793 Interest expense~~

~~4,895 6,109 10,497 11,671 Net interest income 5,030 4,617 9,669 9,122 Net interest income (taxable-equivalent basis) 5,117 4,695 9,838 9,271 Noninterest income 3,741 3,514 7,521 7,579 Total revenue 8,771 8,131 17,190 16,701 Total revenue (taxable-equivalent basis) 8,858 8,209 17,359 16,850 Provision for credit losses 800 470 1,635 890 Gains (losses) on sales of securities (7) 6 (15) 12 Other noninterest expense 4,821 4,413 9,475 9,036 Income before income taxes 3,143 3,254 6,065 6,787 Income tax expense 1,120 1,191 2,172 2,484 Net income 2,023 2,063 3,893 4,303 Net income available to common shareholders 2,022 2,061 3,891 4,300 Average common shares issued and outstanding (in thousands) 1,601,537 1,653,495 1,605,193 1,661,403 Average diluted common shares issued and outstanding~~

~~(in 1,632,964 1,676,089 1,631,892 1,681,630 thousands)~~ --

~~Performance ratios Return on average assets 1.24 % 1.23 % 1.20 % 1.31 % Return on average common shareholders' equity 16.67 17.63 16.27 18.60 Total equity to total assets (period-end) 7.88 6.75 7.88 6.75 Total average equity to total average assets 7.43 7.00 7.40 7.04 Efficiency ratio 54.44 53.77 54.58 53.63 Dividend payout ratio 44.35 39.94 46.17 38.49 Shareholder value added \$ 791 \$ 878 \$ 1,470 \$ 1,964~~ --

~~Per common share data Earnings \$ 1.26 \$ 1.25 \$ 2.42 \$ 2.59 Diluted earnings 1.24 1.23 2.39 2.56 Cash dividends paid .56 .50 1.12 1.00 Book value~~ 30.75 27.82

~~30.75 27.82~~
~~30.75 27.82~~
~~--~~
~~Cash basis financial data/(1)/ Earnings $ 2,246 $ 2,281 $ 4,339 $ 4,738 Earnings per common share 1.40 1.38 2.70 2.85 Diluted earnings per common share 1.38 1.36 2.66 2.82 Return on average assets 1.37 % 1.36 % 1.34 % 1.44 % Return on average common shareholders' equity 18.52 19.49 18.14 20.49 Efficiency ratio 51.92 51.12 52.01 51.04~~
~~--~~
~~Balance sheet (period-end) Total loans and leases $ 380,425 $ 400,817 $ 380,425 $ 400,817 Total assets 625,525 679,538 625,525 679,538 Total deposits 363,486 356,664 363,486 356,664 Long-term debt 63,243 69,245 63,243 69,245~~

~~69,245 Trust preferred securities 4,955 4,955 4,955 4,955 Common shareholders' equity 49,234 45,786 49,234 45,786 Total shareholders' equity 49,302 45,861 49,302 45,861~~

~~Risk-based capital ratios (period-end) Tier 1 capital 7.90 % 7.40 % 7.90 % 7.40 % Total capital 12.09 11.03 12.09 11.03 Leverage ratio 6.50 6.11 6.50 6.11~~

~~Market price per share of common stock Closing $ 60.03 $ 43.00 $ 60.03 $ 43.00 High 62.18 61.00 62.18 61.00 Low 48.65 42.98 45.00 42.31~~

(1) Cash basis calculations exclude goodwill and other intangible amortization expense. 22 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. 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 39. Certain prior period amounts have been reclassified between segments and their components (presented after Table Two) to conform to the current period presentation. 23

Table Two Business Segment Summary -- For the three months ended June 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)/ $ 3,506 $ 3,358 $ 171 $ 151 $ 1,130 $ 922 $ (33) $ (33) Noninterest income 2,009 1,853 428 421 1,232 1,162 110 119 -- Total revenue 5,515 5,211 599 572 2,362 2,084 77 86 Net income 1,274 1,248 116 159 450 482 18 36 Cash basis earnings 1,444 1,420 128 165 489 519 20 39 Shareholder value added 790 741 68 122 131 121 (52) (16) Net interest yield 5.86 % 6.04 % 2.76 % 2.67 % 2.31 % 1.97 % n/m n/m Return on average equity 23.4 22.0 22.9 44.4 15.1 14.5 3.1 % 7.9 % Cash basis return on equity 26.5 25.1 25.4 46.1 16.4 15.6 3.5 8.5 Efficiency ratio 53.6 54.8 59.6 54.9 59.2 57.7 63.9 34.0 Cash basis efficiency ratio 50.5 51.5 57.5 53.9 57.6 55.9 60.4 30.9 Average: Total loans and leases $218,880 $207,750 $23,758 $21,771 $ 85,541 $ 94,372 $ 491 $ 418 Total deposits 264,684 258,090 11,995 11,652 67,439 68,155 15 13 Total assets 294,354 289,120 25,987 23,269 235,369 228,169 6,524 5,119~~

~~For the six months ended June 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)/ $ 6,827 $ 6,645 $ 331 $ 296 $ 2,131 $ 1,820 $ (75) $ (61) Noninterest income/(3)/ 4,002 3,528 844 824 2,638 2,604 257 670 -- Total revenue 10,829 10,173 1,175 1,120 4,769 4,424 182 609 Net income 2,435 2,249 246 305 985 1,160 55 337 Cash basis earnings 2,775 2,594 271 317 1,061 1,233 60 342 Shareholder value added 1,466 1,235 151 231 338 442 (79) 236 Net interest yield 5.79 % 6.06 % 2.70 % 2.69 % 2.19 % 1.98 % n/m n/m Return on average equity 22.3 19.9 24.6 42.6 16.4 17.6 4.8 38.1 Cash basis return on equity 25.4 22.9 27.1 44.2 17.6 18.7 5.2 38.7 Efficiency ratio 54.0 56.6 60.8 55.1 57.1 56.5 53.0 9.4 Cash basis efficiency ratio 50.8 53.2 58.7 54.1 55.5 54.8 50.1 8.5 Average: Total loans and leases $217,288 $205,117 $23,645 $21,246 $ 88,769 $ 93,302 $ 497 $ 417 Total deposits 262,253 256,405 11,902 11,248 66,687 66,635 26 10 Total assets 291,728 287,033 25,922 22,831 234,236 223,410 6,627 4,931~~

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 includes the $83 million SFAS 133 transition adjustment net loss which is included in trading account profits. The components of the transition adjustment by business segment are 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 Corporation's market share in the consumer and commercial businesses is significant across some of the fastest growing regions of the United States. The Corporation continues its strategy of focusing on the customer in terms of sales and service. The results for the six months ended June 30, 2001 also reflect the Corporation's continued focus on Card Services as a growth area as end of period managed consumer card outstandings increased 22 percent, merchant processing volume increased 16 percent and total card services purchase volume increased 12 percent compared to the same period in 2000. 24 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. 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 Six Months Ended June 30 June 30 --- (Dollars in millions) 2001 2000 2001 2000 -- ~~Net interest income $3,506~~

~~$3,358 $ 6,827 $ 6,645 Noninterest income 2,009 1,853 4,002 3,528 -----~~
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~~Total revenue 5,515 5,211 10,829 10,173 Cash basis earnings 1,444 1,420 2,775 2,594 Shareholder value added 790 741 1,466 1,235 Cash basis efficiency ratio 50.5 % 51.5 % 50.8 % 53.2 % ----~~
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. Total revenue increased six percent for the six months ended June 30, 2001 compared to the same period in 2000. Total revenue included charges related to the deterioration of auto lease residual values of $227 million and $85 million for the six months ended June 30, 2001 and 2000, respectively. . Net interest income increased three percent as a favorable shift in loan mix and overall loan and deposit growth were partially offset by the impact of the money market savings pricing initiative and higher auto lease residual charges. . Noninterest income increased 13 percent. Strong card income growth of 13 percent, an 11 percent increase in service charges and improved mortgage banking results for the six months ended June 30, 2001 were partially offset by $35 million in auto lease residual charges related to the closing of the Corporation's Price Auto Outlet business. . Cash basis earnings for the six months ended June 30, 2001 rose seven 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. . The provision for credit losses increased 36 percent reflecting higher charge-offs in the commercial - domestic, bankcard and consumer finance loan portfolios. . Shareholder value added increased $231 million over the prior year as a result of the increase in cash basis earnings, driven by higher fee revenue. The major components of Consumer and Commercial Banking are Banking Regions, Consumer Products and Commercial Banking. 25 Banking Regions Banking Regions serves consumer households in 21 states and the District of Columbia and overseas through its extensive 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, and credit products such as home equity, mortgage, personal auto loans and auto leasing. Banking Regions also includes small business banking providing treasury management, credit services, community investment, debit card, e-commerce and brokerage services to over two million small business relationships across the franchise.

Banking Regions ---

-- Three Months Ended Six Months Ended June 30 June 30

(Dollars in millions)	2001	2000	2001	2000
Net interest income	$2,101	$2,091	$4,116	$4,157
Noninterest income	959	876	1,901	1,703
Total revenue	3,060	2,967	6,017	5,860
Cash basis earnings	779	761	1,510	1,440
Shareholder value added	445	418	844	753
Cash basis efficiency ratio	58.1 %	57.9 %	58.6 %	59.4 %

. Total revenue for the six months ended June 30, 2001 increased 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 savings pricing initiative. . Noninterest income increased 12 percent primarily due to a 23 percent increase in debit card income, driven by a higher number of active debit cards and a higher number of debit card transactions per account, and an increase in consumer service charges of 10 percent throughout all Banking Regions. . Cash basis earnings increased five percent for the six months ended June 30, 2001, primarily attributable to the increase in revenue discussed above offset by a slight increase in noninterest expense. . Shareholder value added rose $91 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 auto loans, retail finance programs to dealerships and lease financing of new and used cars. 26

Consumer Products --

----- Three Months Ended Six

Months Ended June 30 June 30

(Dollars in millions)
2001 2000 2001 2000

Net interest income $ 893 $ 762 $1,697 $1,443
Noninterest income 818 752 1,640 1,380

Total revenue 1,711 1,514 3,337 2,823
Cash basis earnings 485 454 934 733
Shareholder value added 271 230 503 288
Cash basis efficiency ratio 38.4 % 40.5 % 38.7 % 43.3 %

. Total revenue increased 18 percent due to increases in both net interest income and noninterest income. . Net interest income increased 18 percent due primarily to an increase in bankcard receivables. . Noninterest income increased 19 percent primarily due to increased credit card income and improved mortgage banking results. Credit card income grew 10 percent due to new consumer card account growth and an increase in purchase volume. Mortgage banking results have increased due to higher origination activity and servicing levels and the net mark-to-market adjustments related to the mortgage banking assets and related hedging instruments. These increases were partially offset by $35 million in auto lease residual charges related to the closing of the Corporation's Price Auto Outlet business in the first quarter of 2001. . The 27 percent increase in cash basis earnings for the six months ended June 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. . The provision for credit losses increased 23 percent to $587 million primarily due to higher net charge-offs in the bankcard and consumer finance loan portfolios. The increase in bankcard charge-offs was driven by portfolio growth and an increase in personal bankruptcy filings. The increase in consumer finance charge-offs was driven by growth in the portfolio and a weakened economic environment. . Shareholder value added increased $215 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 Six Months Ended June 30 June 30 --- (Dollars in millions) 2001 2000 2001 2000 --- -- Net interest income $ 512 $ 505 $1,014 $1,045 Noninterest income 232 225 461 445 -- Total revenue 744 730 1,475 1,490 Cash basis earnings 180 205 331 421 Shareholder value added 74 93 119 194 Cash basis

~~efficiency ratio 47.2 % 48.2 % 46.7 % 47.6 %~~ ---- ---

27 . Noninterest income increased four percent and was offset by a three percent decrease in net interest income. Total revenue for the six months ended June 30, 2001 decreased one percent. . The increase in noninterest income was attributable to higher corporate service charges driven by increases in deposit account service charges, non-deposit service charges and fees, and bankers' acceptances and letters of credit fees. . Net interest income decreased primarily due to lower commercial loan volumes and liquidation of the 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 21 percent decline in cash basis earnings for the six months ended June 30, 2001. . Noninterest expense decreased three percent to $716 million, primarily due to lower personnel expense resulting from the productivity and growth initiatives begun in the second half of 2000 and liquidation of the commercial finance businesses. . The provision for credit losses increased $151 million to $267 million as a result of credit deterioration in the commercial loan portfolio. . Shareholder value added decreased $75 million as cash basis earnings experienced a decline. 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. The five percent growth in assets under management since December 31, 2000 and increases in commercial and residential mortgage loans contributed to the five percent growth in revenue for the six months ended June 30, 2001. Assets under management rose $28 billion to $290 billion at June 30, 2001 compared to June 30, 2000. Assets of the Nations Funds family of mutual funds reached $119 billion at June 30, 2001 compared to $91 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, a Denver-based investment management firm specializing in large capitalization growth stocks, manages $13 billion in assets. 28 Asset Management - -- Three Months Ended Six Months Ended June 30 June 30 -- (Dollars in millions) 2001 2000 2001 2000 -- Net interest income $ 171 $ 151 $ 331 $ 296 Noninterest income 428 421 844 824 -- Total revenue 599 572 1,175 1,120 Cash basis earnings 128 165 271 317 Shareholder value added 68 122 151 231 Cash basis efficiency ratio 57.5 % 53.9 % 58.7 % 54.1 % --- . Total revenue increased five percent for the six months ended June 30, 2001. The increase was attributable to increases in both net interest income and noninterest income. . Net interest income increased 12 percent due to strong growth in the commercial and residential mortgage loan portfolios. . Noninterest income increased two percent reflecting 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 14 percent for the six months ended June 30, 2001, as revenue growth was offset by higher provision expense related to one loan that was charged off in the second quarter of 2001 and increased noninterest expense. . Noninterest expense increased 16 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 $80 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. 29

Global Corporate and Investment Banking				
	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2001	2000	2001	2000
Net interest income	$1,130	$ 922	$2,131	$1,820
Noninterest income	1,232	1,162	2,638	2,604
Total revenue	2,362	2,084	4,769	4,424
Cash basis earnings	489	519	1,061	1,233
Shareholder value added	131	121	338	442
Cash basis efficiency ratio	57.6 %	55.9 %	55.5 %	54.8 %

. For the six months ended June 30, 2001, total revenue increased eight percent primarily due to 15 percent growth in trading-related revenue. . Net interest income increased 17 percent as a result of higher trading- related activities and lower funding costs. . Noninterest income increased one percent as increases in investment and brokerage services, investment banking income and corporate service charges were partially offset by a decrease in other income. . Cash basis earnings decreased 14 percent for the six months ended June 30, 2001 as revenue growth was more than offset by higher credit-related costs and noninterest expense. . The provision for credit losses increased $344 million due to credit quality deterioration in the commercial - domestic loan portfolio of Global Credit Products. . A nine percent increase in noninterest expense was primarily due to higher revenue-related incentive compensation and the build-out of the investment banking platform. . Shareholder value added declined $104 million as a result of higher credit costs, partially offset by a lower charge for the use of capital. 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. 30

Global Investment Banking

(Dollars in millions)	Three Months Ended June 30 2001	Three Months Ended June 30 2000	Six Months Ended June 30 2001	Six Months Ended June 30 2000
Net interest income	$ 417	$ 283	$ 770	$ 522
Noninterest income	897	794	1,957	1,890
Total revenue	1,314	1,077	2,727	2,412
Cash basis earnings	220	208	550	527
Shareholder value added	108	97	332	313
Cash basis efficiency ratio	73.8 %	70.6 %	68.5 %	67.2 %

. Total revenue grew 13 percent for the six months ended June 30, 2001 primarily due to higher trading-related revenue. . Net interest income grew 47 percent as a result of higher trading-related activities. . Higher investment and brokerage services income, investment banking income and trading account profits drove noninterest income growth of four percent. Trading account profits by product category were mixed with increases in fixed income and commodities and other contracts, offset by declines in interest rate, equities and equity derivatives and foreign exchange contracts. Investment banking income increased as a result of strong fixed income originations, offset by weaker demand in syndications, equity underwriting and advisory services. . Cash basis earnings increased four percent for the six months ended June 30, 2001, as revenue growth was partially offset by a $249 million, or 15 percent, increase in noninterest expense. . The increase in noninterest expense was primarily due to higher revenue- related incentive compensation and the build-out of the investment banking platform. . Shareholder value added increased six percent, or $19 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

(Dollars in millions)	Three Months Ended June 30 2001	Three Months Ended June 30 2000	Six Months Ended June 30 2001	Six Months Ended June 30 2000
Net interest income	$ 542	$ 489	$1,039	$1,011
Noninterest income	134	175	281	330
Total revenue	676	664	1,320	1,341
Cash basis earnings	197	264	377	585
Shareholder value added	(33)	(7)	(95)	39
Cash basis efficiency ratio	20.1 %	22.4 %	20.3 %	21.8 %

31 . Total revenue declined two percent for the six months ended June 30, 2001. . Net interest income increased three percent compared to the prior year as result of lower funding costs. . Noninterest income declined 15 percent primarily due to lower gains in the leasing portfolio. . Cash basis earnings declined 36 percent primarily due to a $340 million increase in the provision for credit losses driven by credit quality deterioration in the commercial - domestic loan portfolio. . Shareholder value added decreased $134 million as a result of the increase in the provision for credit losses, partially offset by a lower charge for the use of capital, reflecting the continued efforts to reduce corporate loan levels and exit less profitable relationships. 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 Six Months Ended June 30 June 30 -- (Dollars in millions) 2001 2000 2001 2000 -- Net interest income $ 171 $ 150 $ 322 $ 287 Noninterest income 201 193 400 384 -- Total revenue 372 343 722 671 Cash basis earnings 72 47 134 121 Shareholder value added 56 31 101 90 Cash basis efficiency ratio 68.6 % 74.6 % 70.7 % 76.2 %

. Revenue increased eight percent led by increases in both net interest income and noninterest income for the six months ended June 30, 2001. . Net interest income increased 12 percent primarily due to lower funding costs. . Noninterest income increased four percent due to an increase in corporate service charges driven by an increase in non-deposit and deposit account service charges. . Cash basis earnings increased 11 percent for the six months ended June 30, 2001, driven primarily by the growth in revenue. . Shareholder value added increased $11 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 32 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. Equity Investments -- Three Months Ended Six Months Ended June 30 June 30 -- (Dollars in millions) 2001 2000 2001 2000 -- Net interest income $ (33) $ (33) $ (75) $ (61) Noninterest income 110 119 257 670 -- Total revenue 77 86 182 609 Cash basis earnings 20 39 60 342 Shareholder value added (52) (16) (79) 236 Cash basis efficiency ratio 60.4 % 30.9 % 50.1 % 8.5 % . For the six months ended June 30, 2001, both revenue and cash basis earnings decreased substantially due primarily to lower equity investment gains. . Net interest income consists primarily of the funding cost associated with the carrying value of investments. . Equity investment gains decreased $387 million to $275 million, with $100 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. . Shareholder value added declined $315 million reflecting the decline in cash basis earnings. Corporate Other The Corporate Other segment consists primarily of certain residential mortgages originated by the mortgage group (not from retail branch originations) as these instruments are used for balance sheet and interest rate risk management. This unit 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 six months ended June 30, 2001 included a pre-tax $106 million transition adjustment loss related to the implementation of SFAS 133. See Note Nine of the consolidated financial statements for additional information on the Corporate Other segment. 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 six months ended June 30, 2001 and 2000 are presented in Tables Four and Five, respectively. As reported, net interest income on a taxable-equivalent basis increased $422 million to $5.1 billion for the three months ended June 30, 2001 compared to the same period in 2000. For the six months ended June 30, 2001 and 2000, net interest income on a taxable-equivalent basis was $9.8 billion and $9.3 billion, respectively. 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. For purposes of internal analysis, management combines trading-related net interest income with trading account profits, as discussed in the "Noninterest Income" 33 section on page 39, 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 residential mortgage 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 six months ended June 30, 2001 and 2000, respectively:

Table Three Net Interest Income -- Three Months Ended Six Months Ended June 30 June 30 ---------------------- Increase/ -------------------- Increase/ (Dollars in millions) 2001 2000 (Decrease) 2001 2000 (Decrease) -- Net interest income As reported/(1)/ $ 5,117 $ 4,695 9.0 % $ 9,838 $ 9,271 6.1 % Less: Trading-related net interest income (391) (267) (739) (483) Add: Impact of securitizations, asset sales and divestitures 52 2 93 2 -- Core net interest income $ 4,778 $ 4,430 7.9 % $ 9,192 $ 8,790 4.6 % -- Average earning assets As reported $ 567,628 $ 582,490 (2.6) % $ 564,544 $ 572,830 (1.4) % Less: Trading-related earning assets (125,555) (115,984) (122,729) (112,566) Add: Earning assets securitized, sold and divested 15,248 968 14,754 615 -- Core average earning assets $ 457,321 $ 467,474 (2.2) % $ 456,569 $ 460,879 (0.9) % -- Net interest yield on earning assets/(1,2)/ As reported 3.61 % 3.23 % 38 bp 3.50 % 3.25 % 25 bp Add: Impact of trading-related activities 0.64 0.57 7 0.61 0.58 3 Impact of securitizations, asset sales and divestitures (0.07) - (7) (0.07) - (7) -- Core net interest yield on earning assets 4.18 % 3.80 % 38 bp 4.04 % 3.83 % 21 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 $4.8 billion and $9.2 billion for the three months and six months ended June 30, 2001, respectively, an increase of $348 million and $402 million over the corresponding periods in 2000. The increase in net interest income was driven by a favorable change in loan mix, higher levels of core funding, changes in interest rates and the effect of portfolio repositioning, partially offset by the impact of deposit pricing initiatives and deterioration in auto lease residual values. The higher levels of core funding reflected a $10.7 billion increase in average core deposits and a $1.7 billion increase in average shareholders' equity. Core average earning assets were $457.3 billion and $456.6 billion for the three months and six months ended June 30, 2001, respectively, a decrease of $10.2 billion and $4.3 billion over the same periods in 2000, primarily reflecting reduced securities levels, partially offset by growth in managed loans. 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 nine percent and eight percent for the three months and six months ended June 30, 2001, led by growth in residential mortgages, bankcard receivables and home equity lines. Managed commercial loans decreased four percent and one percent for the three months and six months ended June 30, 2001, reflecting continuing efforts to reduce corporate loan levels and exit less profitable relationships. Loan growth is dependent on economic conditions, as well as various discretionary factors, and the management of borrower, industry, product and geographic concentrations. 34 The core net interest yield increased 38 basis points to 4.18 percent and 21 basis points to 4.04 percent for the three months and six months ended June 30, 2001, respectively, mainly due to the effects of changes in interest rates, portfolio repositioning and higher levels of core funding sources. 35 Table Four Quarterly Average Balances and Interest Rates - Taxable-Equivalent Basis

---------- Second Quarter 2001 First Quarter 2001 ---------- Interest Interest Average Income/ Yield/ Average Income/ Yield/ (Dollars in millions) Balance Expense Rate Balance Expense Rate ---

---------- Earning assets Time deposits placed and other short-term investments $ 7,085 $ 81 4.58 % $ 6,675 $ 102 6.17 % Federal funds sold and securities purchased under agreements to resell 33,859 405 4.79 31,903 435 5.48 Trading account assets 67,311 944 5.62 62,491 852 5.49 Securities/(1)/ 55,719 909 6.53 55,221 860 6.26 Loans and leases/(2)/: Commercial - domestic 139,096 2,585 7.45 144,404 2,813 7.90 Commercial - foreign 27,449 421 6.14 29,540 515 7.06 Commercial real estate - domestic 25,293 459 7.28 25,989 530 8.27 Commercial real estate - foreign 352 5 6.64 300 6 7.82 ----------

---------- Total commercial 192,190 3,470 7.24 200,233 3,864 7.82 ----------

---------- Residential mortgage 84,346 1,546 7.34 82,710 1,532 7.43 Home equity lines 21,958 424 7.75 21,744 467 8.71 Direct/Indirect consumer 40,117 736 7.35 40,461 784 7.86 Consumer finance 26,843 608 9.06 25,947 589 9.08 Bankcard 15,755 445 11.32 14,464 443 12.41 Foreign consumer 2,291 35 6.20 2,330 43 7.54 ----------

------ Total consumer 191,310 3,794 7.94 187,656 3,858 8.29 ----------

--- Total loans and leases 383,500 7,264 7.59 387,889 7,722 8.05 ----------

------ Other earning assets 20,154 409 8.11 17,248 352 8.28 ----------

- Total earning assets/(3)/ 567,628 10,012 7.07 561,427 10,323 7.42 ----------

--------- Cash and cash equivalents 23,232 23,020 Other assets, less allowance for credit losses 64,697 64,251 ----------

---------- Total assets $655,557 $648,698

Interest-bearing liabilities Domestic interest-bearing deposits: Savings $ 20,222 57 1.14 $ 20,406 61 1.21 NOW and money market deposit accounts 113,031 676 2.40 107,015 808 3.06 Consumer CDs and IRAs 74,777 969 5.20 77,772 1,068 5.57 Negotiable CDs, public funds and other time deposits 6,005 81 5.37 7,137 108 6.16 ----------

---------- Total domestic interest-bearing deposits 214,035 1,783 3.34 212,330 2,045 3.91 ----------

---------- Foreign interest-bearing deposits/(4)/: Banks located in foreign countries 24,395 294 4.82 24,358 332 5.53 Governments and official institutions 3,983 45 4.53 3,993 52 5.27 Time, savings and other 23,545 241 4.13 22,506 284 5.11 ----------

---------- Total foreign interest-bearing deposits 51,923 580 4.49 50,857 668 5.32 ----------

---------- Total interest-bearing deposits 265,958 2,363 3.57 263,187 2,713 4.18

---------- Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings 98,898 1,221 4.95 94,792 1,377 5.89 Trading account liabilities 30,710 312 4.07 28,407 290 4.14 Long-term debt/(5)/ 69,416 999 5.76 73,752 1,222 6.63 ---------- Total interest-bearing liabilities/(6)/ 464,982 4,895 4.22 460,138 5,602 4.92 ---------- Noninterest-bearing sources: Noninterest-bearing deposits 97,390 92,431 Other liabilities 44,476 48,263 Shareholders' equity 48,709 47,866 ----------

---------- Total liabilities and shareholders' equity $655,557 $648,698

Net interest spread 2.85 2.50 Impact of noninterest-bearing sources .76 .89 ----------

---------- Net interest income/yield on earning assets $5,117 3.61 % $4,721 3.39 %

(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 $87 and $82 in the second and first quarters of 2001 and $94, $79 and $78 in the fourth, third, and second 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 $194 and $27 in the second and first quarters of 2001 and $(31), $(13) and$(11) in the fourth, third and second 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 $49 and $23 in the second and first quarters of 2001 and $(7), $(16) and $(5) in the fourth, third and second quarters of 2000, respectively. 36

---------- Fourth Quarter 2000 Third Quarter 2000 Second Quarter 2000 ---------- Interest Interest Interest Average Income/ Yield/ Average Income/ Yield/ Average Income/ Yield/ Balance Expense Rate Balance Expense Rate Balance Expense Rate ----------

---------- $ 5,663 $ 99 6.96 % $ 4,700 $ 83 6.97 % $ 4,578 $ 79 7.02 % 37,936 551 5.79 40,763 633 6.20 43,983 595 5.43 53,251 758 5.68 53,793 749 5.55 48,874 702 5.77 79,501 1,205 6.05 83,728 1,276 6.08 85,460 1,293 6.06 147,336 3,034 8.19 151,903 3,151 8.26 148,034 3,016 8.19 30,408 560 7.32 29,845 555 7.39 29,068 515 7.12 27,220 622 9.09 26,113 597 9.09 25,497 563 8.88 264 6 8.44 235 5 8.30 376 8 9.15 ----------

---------- 205,228 4,222 8.18 208,096 4,308 8.24 202,975 4,102 8.13 ----------

---------- 92,679 1,733 7.47 94,380 1,759 7.45 91,825 1,696 7.40 21,117 483 9.11 20,185 466 9.18 19,067 422 8.91 40,390 843 8.30 41,905 848 8.06 41,757 867 8.36 25,592 570 8.91 25,049 559 8.93 24,123 545 9.03 12,295 384 12.43 10,958 344 12.49 9,429 279 11.87 2,248 48 8.49 2,190 48 8.79 2,228 48 8.81 ----------

---------- 194,321 4,061 8.34 194,667 4,024 8.25 188,429 3,857 8.21 ----------

---------- 399,549 8,283 8.26 402,763 8,332 8.24 391,404 7,959 8.17 ----------

---------- 14,828 335 9.00 11,501 241 8.39 8,191 176 8.53 ----------

---------- 590,728 11,231 7.58 597,248 11,314 7.55 582,490 10,804 7.45 ----------

---------- 23,458 24,191 25,605 63,272 63,578 64,493 ----------

---------- $677,458 $685,017 $672,588

$ 22,454 80 1.42 $ 23,195 78 1.33 $ 23,936 78 1.32 101,376 788 3.09 99,710 740 2.96 100,186 734 2.94 78,298 1,105 5.62 77,864 1,083 5.53 77,384 1,034 5.38 7,570 127 6.68 8,598 140 6.46 7,361 111 6.09 ---------- 209,698 2,100 3.98 209,367 2,041 3.88 208,867 1,957 3.77 ---------- 26,223 424 6.43 18,845 286 6.03 15,823 232 5.92 5,884 61 4.14 11,182 177 6.30 9,885 151 6.12 24,064 339 5.62 25,972 364 5.58 27,697 380 5.51 ----------

---------- 56,171 824 5.84 55,999 827 5.87 53,405 763 5.74 ----------

---------- 265,869 2,924 4.38 265,366 2,868 4.30 262,272 2,720 4.17 ----------

---------- 122,680 1,942 6.30 136,007 2,223 6.51 135,817 1,990 5.89 27,548 285 4.13 24,233 237 3.88 20,532 189 3.70 73,041 1,322 7.24 74,022 1,344 7.26 69,779 1,210 6.94 ---------- 489,138 6,473 5.27 499,628 6,672 5.32 488,400 6,109 5.02 ---------- 91,685 91,368 91,154 48,996 46,286 45,922 47,639 47,735 47,112 ---------- $677,458 $685,017 $672,588

2.31 2.23 2.43 .90 .87 .80 ---------- $4,758 3.21 % $4,642 3.10 % $4,695 3.23 %

37 38 Table Five Average Balances and Interest Rates - Taxable-Equivalent Basis

-- Six Months Ended June 30 ------------------------------------ ---------------------------------- 2001 2000 --- Interest Interest Average Income/ Yield/ Average Income/ Yield/ (Dollars in millions) Balance Expense Rate Balance Expense Rate ---

Earning assets Time deposits placed and other short-term investments $ 6,881 $ 183 5.35 % $ 4,541 $ 154 6.84 % Federal funds sold and securities purchased under agreements to resell 32,886 840 5.13 44,721 1,170 5.25 Trading account assets 64,914 1,796 5.56 44,303 1,244 5.63 Securities/(1)/ 55,472 1,769 6.39 86,835 2,630 6.07 Loans and leases/(2)/: Commercial - domestic 141,735 5,398 7.68 146,698 5,840 8.00 Commercial - foreign 28,489 935 6.61 28,498 1,000 7.06 Commercial real estate - domestic 25,639 989 7.78 25,080 1,080 8.66 Commercial real estate - foreign 326 12 7.18 360 16 9.22 --- Total commercial 196,189 7,334 7.54 200,636 7,936 7.95 --- Residential mortgage 83,533 3,078 7.38 88,626 3,262 7.37 Home equity lines 21,852 891 8.22 18,320 799 8.77 Direct/Indirect consumer 40,289 1,519 7.60 41,808 1,754 8.44 Consumer finance 26,397 1,197 9.07 23,460 1,031 8.79 Bankcard 15,113 888 11.84 8,916 513 11.56 Foreign consumer 2,310 79 6.87 2,228 99 8.90 --- Total consumer 189,494 7,652 8.11 183,358 7,458 8.16 --- Total loans and leases 385,683 14,986 7.82 383,994 15,394 8.05 --- Other earning assets 18,708 761 8.19 8,436 350 8.31 --- Total earning assets/(3)/ 564,544 20,335 7.24 572,830 20,942 7.34 --- Cash and cash equivalents 23,127 25,718 Other assets, less allowance for credit losses 64,476 63,256 --- Total assets $652,147 $661,804

Interest-bearing liabilities Domestic interest-bearing deposits: Savings $ 20,314 118 1.18 $ 24,086 156 1.30 NOW and money market deposit accounts 110,038 1,484 2.72 99,306 1,413 2.86 Consumer CDs and IRAs 76,267 2,037 5.39 76,729 2,017 5.29 Negotiated CDs, public funds and other time deposits 6,568 189 5.80 7,163 214 6.01 --- Total domestic interest-bearing deposits 213,187 3,828 3.62 207,284 3,800 3.69 --- Foreign interest-bearing deposits/(4)/: Banks located in foreign countries 24,377 626 5.18 15,001 420 5.64 Governments and official institutions 3,988 97 4.90 9,315 275 5.93 Time, savings and other 23,028 525 4.61 27,040 720 5.35 --- Total foreign interest-bearing deposits 51,393 1,248 4.90 51,356 1,415 5.54 --- Total interest-bearing deposits 264,580 5,076 3.87 258,640 5,215 4.05 --- Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings 96,856 2,598 5.41 133,666 3,792 5.70 Trading account liabilities 29,565 602 4.10 21,773 370 3.42 Long-term debt/(5)/ 71,572 2,221 6.21 67,018 2,294 6.85 --- Total interest-bearing liabilities/(6)/ 462,573 10,497 4.57 481,097 11,671 4.87 --- Noninterest-bearing sources: Noninterest-bearing deposits 94,924 90,760 Other liabilities 46,360 43,376 Shareholders' equity 48,290 46,571 --- Total liabilities and shareholders' equity $652,147 $661,804

Net interest spread 2.67 2.47 Impact of noninterest-bearing sources .83 .78 --- Net interest income/yield on earning assets $ 9,838 3.50 % $ 9,271 3.25 %

---

(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 $169 and $149 for the six months ended June 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 $221 and $(4) for the six months ended June 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 $72 and $(13) in the six months ended June 30, 2001 and 2000, respectively. 38 Noninterest Income As presented in Table Six, noninterest income increased $227 million to $3.7 billion and decreased $58 million to $7.5 billion for the three months and six months ended June 30, 2001, respectively, from the comparable 2000 periods. The increase in noninterest income for the three months ended June 30, 2001 reflects increases in service charges, investment banking income, mortgage banking income, card income, investment and brokerage services, and equity investment gains. These increases were partially offset by declines in trading account profits and other income. The decrease in noninterest income for the six months ended June 30, 2001 reflects declines in equity investment gains, trading account profits and other income. These decreases were partially offset by increases in service charges, card income, mortgage banking income, investment and brokerage services and investment banking income. Table Six Noninterest Income

-------------------- -------------------- -------------------- -------------------- -------------------- -------------------- --------- Three Months Six Months Ended June 30 Increase/(Decrease) Ended June 30 Increase/(Decrease) -------------------- -------------------- -------------------- -------------------- (Dollars in millions) 2001 2000 Amount Percent 2001 2000 Amount Percent --- -------------------- -------------------- -------------------- -------------------- -------------------- -------------------- ------ Consumer service charges $ 714 $ 646 $ 68 10.5 % $ 1,408 $ 1,264 $144 11.4 % Corporate service charges 511 465 46 9.9 1,010 940 70

7.6 --- Total service charges 1,225 1,111 114 10.3 2,418 2,204 214 9.8 ---
Consumer investment and brokerage services 399 387 12 3.1 778 751 27 3.6 Corporate investment and brokerage services 137 105 32 30.5 273 226 47 20.8 -- Total investment and brokerage services 536 492 44 8.9 1,051 977 74 7.6 --- Mortgage banking income 195 136 59 43.4 346 264 82 31.1 Investment banking income 455 373 82 22.0 801 770 31 4.0 Equity investment gains 171 134 37 27.6 318 697 (379) (54.4) Card income 601 556 45 8.1 1,174 1,040 134 12.9 Trading account profits/(1)/ 376 485 (109) (22.5) 1,075 1,228 (153) (12.5) Other income 182 227 (45) (19.8) 338 399 (61) (15.5) -- Total $3,741 $3,514 $ 227 6.5 % $ 7,521 $ 7,579 $(58) (.8)% ---

(1) Trading account profits for the six months ended June 30, 2001 include the $83 million SFAS 133 transition adjustment net loss. The components of the transition adjustment by segment are 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 23. Consumer and Commercial Banking . Noninterest income for Consumer and Commercial Banking increased $474 million to $4.0 billion for the six months ended June 30, 2001 from the comparable 2000 period. Higher service charges, strong card income and improved mortgage banking results were partially offset by $35 million in losses related to the closing of the Corporation's Price Auto Outlet business in the first quarter of 2001. . Service charges include deposit account service charges, non-deposit service charges and fees and bankers' acceptances and letters of credit fees. Service charges increased $180 million to $1.8 billion for the six months ended June 30, 2001 due to an increase in both consumer and corporate service charges. Consumer service charges increased $141 million primarily due to higher business volumes. Corporate service charges increased $39 million primarily attributable to increased deposit account service charges. . Card income includes interchange income, credit and debit card fees and merchant discount fees. Card income increased $134 million to $1.2 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 $101 million and $88 million for the six months ended June 30, 2001 and 2000, respectively. This amount 39 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 six months ended June 30, 2001, primarily reflecting higher origination activity and servicing levels and the net mark-to-market adjustments on mortgage banking assets and the related instruments used to economically hedge mortgage banking assets. These mark-to-market adjustments are included in trading account profits. The average managed portfolio of mortgage loans serviced increased $13.5 billion to $337.1 billion for the six months ended June 30, 2001 compared to the same period in 2000. Total production of first mortgage loans originated through the Corporation increased $15.5 billion to $43.3 billion for the six months ended June 30, 2001, reflecting a significant increase in refinancings as a result of declining interest rates. First mortgage loan origination volume was composed of approximately $19.6 billion of retail loans and $23.7 billion of correspondent and wholesale loans for the six months ended June 30, 2001. 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 increased $20 million to $844 million for the six months ended June 30, 2001 compared to the same period in 2000. The increase was primarily attributable to increased income from investment and brokerage services. . Income from investment and brokerage services includes personal and institutional asset management fees and consumer brokerage income. Income from investment and brokerage services increased $11 million to $772 million for the six months ended June 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, partially offset by lower broker activity due to decreased trade volume as a result of significant market decline. Assets under management were $290 billion at June 30, 2001 compared to $261 billion one year ago. Global Corporate and Investment Banking . Noninterest income for Global Corporate and Investment Banking increased $34 million to $2.6 billion for the six months ended June 30, 2001 compared to the same period in 2000. The increase was primarily due to increases in corporate service charges and investment banking income, partially offset by a decline in other 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. Trading-related revenue increased $250 million to $1.9 billion for the six months ended June 30, 2001, due to a $256 million increase in the net interest margin, partially offset by a $6 million decline in trading account profits. Increases in the fixed income, commodities and other contracts, and interest rate contract categories were offset by decreases in equities and equity derivative contracts and foreign exchange contracts. Fixed income increased $165 million to $412 million primarily attributable to an increase in market liquidity from new issue activity as a result of lower interest rates. Commodities and other contracts increased $103 million to $133 million, attributable to market volatility. Revenue from interest rate contracts increased $15 million to $497 million. Income from equities and equity derivative contracts 40 decreased $21 million to $593 million, due to a slowdown in customer activity in the market. Foreign exchange revenue decreased $12 million to $280 million, due primarily to the prior year's Y2K activity, which was partially offset by strong sales activity in 2001. Trading account profits for the six months ended June 30, 2001 included a $19 million transition adjustment gain resulting from the adoption of SFAS 133.

(Dollars in millions)	Three Months Ended June 30 2001	2000	Six Months Ended June 30 2001	2000
Trading account profits - as reported	$447	$466	$1,176	$1,182
Net interest income	391	267	739	483
Total trading-related revenue	$838	$733	$1,915	$1,665
Trading-related revenue by product				
Foreign exchange contracts	$133	$133	$ 280	$ 292
Interest rate contracts	237	171	497	482
Fixed income	149	79	412	247
Equities and equity derivatives	240	330	593	614
Commodities and other	79	20	133	30
Total trading-related revenue	$838	$733	$1,915	$1,665

. Investment banking income increased $31 million to $801 million for the six months ended June 30, 2001. The increase was primarily attributable to an increase in fixed income origination which was partially offset by lower syndications, equity origination and advisory services. Securities underwriting fees increased $78 million to $407 million from growth in high grade and high yield origination, offset by lower equity underwriting fees. Syndication fees decreased $57 million to $197 million for the six months ended June 30, 2001. A sluggish market for advisory services drove a decline in fees of $26 million to $132 million for the six months ended June 30, 2001. Investment banking income by major activity follows:

(Dollars in millions)	Three Months Ended June 30 2001	2000	Six Months Ended June 30 2001	2000
Investment banking income				
Securities underwriting	$216	$150	$407	$329
Syndications	142	123	197	254
Advisory services	67	86	132	158
Other	30	14	65	29
Total	$455	$373	$801	$770

. Corporate service charges increased $33 million to $541 million for the six months ended June 30, 2001, primarily driven by an increase in non-deposit account service charges. Equity Investments . Noninterest income for Equity Investments decreased $413 million to $257 million for the six months ended June 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 $387 million to $275 million, with $100 million in Principal Investing and $175 million in the strategic investments portfolio. Equity investment gains in the strategic 41 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 The provision for credit losses totaled $800 million and $1.6 billion for the three months and six months ended June 30, 2001, respectively, compared to $470 million and $890 million for the same periods in 2000. The increase in the provision for credit losses from last year was due to an increase in net charge- offs as well as additional provision expense recorded to increase the allowance for credit losses given the deterioration in credit quality and uncertainty surrounding the current economic environment. Total net charge-offs were $787 million and $1.6 billion for the three months and six months ended June 30, 2001, respectively, compared to $470 million and $890 million for the same periods in 2000. The increase in net charge-offs from last year was primarily centered in the commercial-domestic portfolio and resulted from deterioration in credit quality stemming from the weak economic environment. Bankcard and consumer finance charge-offs also increased due to growth in the portfolios, an increase in personal bankruptcy filings and a weakened economic environment. 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 46. Other Noninterest Expense As presented in Table Seven, the Corporation's other noninterest expense increased $408 million to $4.8 billion and increased $439 million to $9.5 billion for the three months and six months ended June 30, 2001, respectively, compared to the same periods in 2000. Other noninterest expense increased for both periods due to the impact of productivity initiatives being offset by investments in growth businesses such as e-commerce, Asset Management, card and payment businesses and the investment banking platform. Table Seven Other Noninterest Expense

	Three Months Ended June 30		Increase/(Decrease)		Six Months Ended June 30		Increase/(Decrease)	
(Dollars in millions)	2001	2000	Amount	Percent	2001	2000	Amount	Percent
Personnel	$2,534	$2,311	$ 223	9.6 %	$4,935	$4,845	$ 90	1.9 %
Occupancy	428	411	17	4.1	861	829	32	3.9
Equipment	271	296	(25)	(8.4)	562	597	(35)	(5.9)
Marketing	174	132	42	31.8	351	251	100	39.8
Professional fees	141	93	48	51.6	267	198	69	34.8
Amortization of intangibles	223	218	5	2.3	446	435	11	2.5
Data processing	187	169	18	10.7	377	328	49	14.9
Telecommunications	128	133	(5)	(3.8)	247	264	(17)	(6.4)
Other general operating	574	505	69	13.7	1,119	1,020	99	9.7
General administrative and other	161	145	16	11.0	310	269	41	15.2
Total	$4,821	$4,413	$ 408	9.2 %	$9,475	$9,036	$439	4.9 %

. Personnel expense increased $223 million to $2.5 billion and $90 million to $4.9 billion for the three months and six months ended June 30, 2001, respectively, led by increased revenue-related incentive compensation in Global Corporate and Investment Banking and increased staffing in Asset Management, partially offset by the impact of the productivity initiatives. At June 30, 2001, the Corporation had approximately 144,000 full-time equivalent employees compared to approximately 151,000 at June 30, 2000. . Marketing expense increased $100 million to $351 million for the six months ended June 30, 2001, due to higher card marketing in Consumer and Commercial Banking and the Corporation's national brand-building campaign. 42 . Professional fees increased $69 million to $267 million for the six months ended June 30, 2001, primarily reflecting higher consulting and other professional fees. These increases were driven by the build-out of bankofamerica.com in Equity Investments and other initiatives of the Corporation. . Data processing expense increased $49 million to $377 million for the six months ended June 30, 2001, primarily due to higher outsourced processing expense as a result of the outsourcing of personnel services to Exult, Inc., higher item processing and check clearing expenses, and higher expense in the Technology and Operations Group. . Other general operating expense increased $99 million to $1.1 billion for the six months ended June 30, 2001, reflecting higher employee placement expenses and other miscellaneous expenses. . General administrative and other expense increased $41 million to $310 million for the six months ended June 30, 2001, primarily due to increased subscription services and travel expense in Global Corporate and Investment Banking. Income Taxes The Corporation's income tax expense for the three months and six months ended June 30, 2001 was $1.1 billion and $2.2 billion, respectively, for an effective tax rate of 35.6 percent and 35.8 percent, respectively. Income tax expense for the three and six months ended June 30, 2000 was $1.2 billion and $2.5 billion, respectively, for an effective tax rate of 36.6 percent. 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, keeping risk-weighted assets relatively flat while reductions in categories with lower returns were offset by underlying core growth. The discussion of average balances below compares the six months ended June 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, increased $1.7 billion to $385.7 billion for the six months ended June 30, 2001. Adjusting for securitizations, sales and divestitures, average managed loans and leases increased $13.6 billion to $406.5 billion for the six months ended June 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 eight percent in the six months ended June 30, 2001, reflecting increases in each of the consumer loan portfolios. Average managed residential mortgages increased $6.0 billion to $86.4 billion due to strong growth in branch-originated products as well as increases in mortgage company originations. Average managed bankcard loans increased $4.2 billion to $23.6 billion, resulting from increases in new business volume as well as deepening relationships with existing customers. Average managed home equity lines increased $3.5 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 $1.2 billion to $33.1 billion, and average managed direct/indirect consumer loans increased $1.1 billion to $40.9 billion. Average managed commercial loans decreased $2.5 billion to $198.4 billion for the six months ended June 30, 2001. The commercial - domestic portfolio decreased $3.6 billion to $143.9 billion primarily in the Global Corporate and Investment Banking business segment, reflecting continuing efforts to reduce corporate loan levels and exit less profitable relationships. Average managed commercial real estate - domestic loans increased $924 million to $25.6 billion. The average securities portfolio for the six months ended June 30, 2001 decreased $31.4 billion to $55.5 billion. As a percentage of total uses of funds, the average securities portfolio decreased by four percent to nine 43 percent for the six months ended June 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 $1.4 billion to $87.6 billion for the six months ended June 30, 2001. At June 30, 2001, cash and cash equivalents were $25.4 billion, a decrease of $2.1 billion from December 31, 2000. During the six months ended June 30, 2001, net cash used in operating activities was $14.3 billion, net cash provided by investing activities was $24.0 billion and net cash used in financing activities was $11.8 billion. For further information on cash flows, see the Consolidated Statement of Cash Flows of the consolidated financial statements. Average levels of customer-based deposits increased $10.7 billion to $301.5 billion for the six months ended June 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 last year. As a percentage of total sources of funds, average levels of customer- based deposits increased by two percent to 46 percent for the six months ended June 30, 2001. Average levels of market-based funds decreased $29.6 billion for the six months ended June 30, 2001 to $184.4 billion, primarily driven by the decline in securities sold under agreements to repurchase. In addition, average levels of long-term debt increased $4.6 billion to $71.6 billion for the six months ended June 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 June 30, 2001 consisted of available-for-sale securities totaling $53.4 billion compared to $64.7 billion at December 31, 2000. Held-to-maturity securities totaled $1.2 billion at both June 30, 2001 and December 31, 2000. The valuation allowance for available-for-sale and marketable equity securities is included in shareholders' equity. At June 30, 2001, the valuation allowance consisted of unrealized losses of $359 million, net of related income taxes of $223 million, primarily reflecting $620 million of pre-tax net unrealized losses on available-for-sale securities and $38 million pre-tax net unrealized gains 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 June 30, 2001 and December 31, 2000, the market value of the Corporation's held-to-maturity securities reflected pre-tax net unrealized losses of $59 million and $54 million, respectively. The estimated average duration of the available-for-sale securities portfolio was 4.70 years at June 30, 2001 compared to 4.13 years at December 31, 2000. Losses on sales of securities were $7 million and $15 million for the three months and six months ended June 30, 2001, respectively, compared to gains of $6 million and $12 million in the respective periods of 2000. 44 Capital Resources and Capital Management Shareholders' equity at June 30, 2001 was $49.3 billion compared to $47.6 billion at December 31, 2000, an increase of $1.7 billion. The increase was primarily due to net earnings (net income less dividends) of $2.1 billion, recognition of $201 million of after-tax net unrealized gains on available-for- sale and marketable equity securities, net gains on derivatives of $283 million, and $635 million in common stock issued under employee plans, partially offset by the repurchase of approximately 29 million shares of common stock for approximately $1.6 billion. 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 June 30, 2001, the remaining buyback authority for common stock under the 2000 program totaled $5.2 billion, or 55 million shares. During the six months ended June 30, 2001, the Corporation repurchased approximately 29 million shares of its common stock in open market repurchases at an average per-share price of $54.42, which reduced shareholders' equity by $1.6 billion and increased earnings per share by approximately $0.02 for the six months ended June 30, 2001. During the six months ended June 30, 2000, the Corporation repurchased approximately 34 million shares of its common stock in open market repurchases at an average per-share price of $47.88, which reduced shareholders' equity by $1.6 billion. Presented below are the regulatory risk-based capital ratios and capital amounts for the Corporation and Bank of America, N.A. at June 30, 2001 and December 31, 2000. The Corporation and Bank of America, N.A. were considered "well-capitalized" at June 30, 2001:

	June 30, 2001		December 31, 2000	
(Dollars in millions)	Ratio	Amount	Ratio	Amount
Tier 1 Capital				
Bank of America Corporation	7.90 %	$41,794	7.50 %	$40,667
Bank of America, N.A.	8.34	40,533	7.72	39,178
Total Capital				
Bank of America Corporation	12.09	63,967	11.04	59,826
Bank of America, N.A.	11.53	56,020	10.81	54,871
Leverage				
Bank of America Corporation	6.50	41,794	6.12	40,667
Bank of America, N.A.	7.16	40,533	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 June 30, 2001, the Corporation had no subordinated debt that qualified as Tier 3 Capital. At June 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. 45 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 $380.4 billion and $392.2 billion at June 30, 2001 and December 31, 2000, respectively. 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. Table Eight presents loans and leases, nonperforming assets and net charge-offs by category. Additional information on the Corporation's real estate, industry and foreign exposure can be found in the Concentrations of Credit Risk section beginning on page 53. 46

Table Eight Loans and Leases, Nonperforming Assets and Net Charge-offs

(Dollars in millions)	Loans and Leases June 30 2001 Amount	Percent	Loans and Leases December 31 2000 Amount	Percent	Nonperforming Assets/(1)/ June 30 2001 Amount	Nonperforming Assets/(1)/ December 31 2000 Amount
Commercial - domestic	$133,928	35.2 %	$146,040	37.2 %	$3,209	$2,777
Commercial - foreign	25,670	6.7	31,066	7.9	562	486
Commercial real estate - domestic	25,443	6.7	26,154	6.7	201	236
Commercial real estate - foreign	372	.1	282	.1	3	3
Total commercial	185,413	48.7	203,542	51.9	3,975	3,502
Residential mortgage	85,900	22.6	84,394	21.5	573	551
Home equity lines	21,992	5.8	21,598	5.5	42	32
Direct/Indirect consumer	40,562	10.7	40,457	10.3	17	19
Consumer finance	27,529	7.2	25,800	6.6	1,234	1,095
Bankcard	16,799	4.4	14,094	3.6	-	-
Foreign consumer	2,230	.6	2,308	.6	8	9
Total consumer	195,012	51.3	188,651	48.1	1,874	1,706
Total nonperforming loans					5,849	5,208
Foreclosed properties					346	249
Total	$380,425	100.0 %	$392,193	100.0 %	$6,195	$5,457
Nonperforming assets as a percentage of:						
Total assets					.99 %	.85 %
Loans, leases and foreclosed properties					1.63	1.39
Loans past due 90 days or more and not classified as nonperforming					$ 608	$ 495

Net Charge-offs/(2)/ (Dollars in millions)	Three Months Ended June 30 2001 Amount	Percent	Three Months Ended June 30 2000 Amount	Percent	Six Months Ended June 30 2001 Amount	Percent	Six Months Ended June 30 2000 Amount	Percent
Commercial - domestic	$408	1.18 %	$226	.62 %	$ 823	1.17 %	$398	.55 %
Commercial - foreign	57	.84	24	.33	91	.64	29	.21
Commercial real estate - domestic	12	.18	6	.09	18	.14	12	.09
Commercial real estate - foreign	-	-	-	-	-	-	(2)	n/m
Total commercial	477	1.00	256	.51	932	.96	437	.44
Residential mortgage	7	.03	4	.02	13	.03	8	.02
Home equity lines	4	.07	3	.05	10	.09	6	.06
Direct/Indirect consumer	65	.65	61	.58	140	.70	152	.73
Consumer finance	67	1.00	59	.97	160	1.22	116	.99
Bankcard	158	4.01	77	3.30	283	3.77	158	3.56
Other consumer - domestic	8	n/m	10	n/m	20	n/m	12	n/m
Foreign consumer	1	.24	-	-	2	.22	1	.11
Total consumer	310	.65	214	.46	628	.67	453	.50
Total net charge-offs	$787	.82 %	$470	.48 %	$1,560	.82 %	$890	.47 %
Managed bankcard net charge-offs and ratios/(3)/	$297	4.94 %	$237	4.84 %	$ 545	4.66 %	$494	5.13 %

n/m = not meaningful (1) Balances do not include $120 million and $124 million of loans held for sale, included in other assets at June 30, 2001 and December 31, 2000, respectively, which would have been classified as nonperforming had they been included in loans. The Corporation had approximately $219 million and $390 million of troubled debt restructured loans at June 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 oustanding loans and leases during the period for each loan category. (3) Includes both on-balance sheet and securitized loans. 47 Commercial Portfolio At June 30, 2001 and December 31, 2000, total commercial loans outstanding totaled $185.4 billion and $203.5 billion, respectively, or 49 percent and 52 percent of total loans and leases, respectively. Domestic commercial loans accounted for 86 percent and 85 percent of total commercial loans at June 30, 2001 and December 31, 2000, respectively. Commercial - domestic loans outstanding totaled $133.9 billion and $146.0 billion at June 30, 2001 and December 31, 2000, respectively, or 35 percent and 37 percent, respectively, of total loans and leases. The Corporation had commercial - domestic loan net charge-offs of $823 million, or 1.17 percent of average commercial - domestic loans, for the six months ended June 30, 2001, compared to $398 million, or 0.55 percent, for the six months ended June 30, 2000. Net charge-offs increased primarily due to a deterioration in credit quality stemming from the weak economic environment. Nonperforming commercial - domestic loans were $3.2 billion, or 2.40 percent of commercial - domestic loans, at June 30, 2001, compared to $2.8 billion, or 1.90 percent, at December 31, 2000. The increase in nonperformers was driven 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 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 in the apparel industry and the computer services industry. Commercial-domestic loans past due 90 days or more and still accruing interest were $154 million at June 30, 2001, compared to $141 million at December 31, 2000, or 0.12 percent and 0.10 percent of commercial - domestic loans, respectively. Commercial - foreign loans outstanding totaled $25.7 billion and $31.1 billion at June 30, 2001 and December 31, 2000, respectively, or seven percent and eight percent, respectively, of total loans and leases. The Corporation had commercial - foreign loan net charge-offs for the six months ended June 30, 2001 of $91 million, or 0.64 percent of average commercial - foreign loans, compared to $29 million, or 0.21 percent of average commercial - foreign loans, for the six months ended June 30, 2000. Nonperforming commercial - foreign loans were $562 million, or 2.19 percent of commercial - foreign loans, at June 30, 2001, compared to $486 million, or 1.56 percent, at December 31, 2000. Commercial - foreign loans past due 90 days or more and still accruing interest were $95 million at June 30, 2001, compared to $37 million at December 31, 2000, or 0.37 percent and 0.12 percent of commercial - foreign loans, respectively. For additional information, see the International Exposure discussion beginning on page 55. Commercial real estate - domestic loans totaled $25.4 billion and $26.2 billion at June 30, 2001 and December 31, 2000, respectively, and remained stable at seven percent of total loans and leases. Net charge-offs remained negligible at $18 million, or 0.14 percent of average commercial real estate - domestic loans, for the six months ended June 30, 2001. Nonperforming commercial real estate - domestic loans were $201 million, or 0.79 percent of commercial real estate - domestic loans, at June 30, 2001, compared to $236 million, or 0.90 percent, at December 31, 2000. At June 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 June 30, 2001 and December 31, 2000, total consumer loans outstanding totaled $195.0 billion and $188.7 billion, respectively, or 51 percent and 48 percent of total loans and leases, respectively. Approximately 70 percent of these loans were secured by first and second mortgages on residential real estate at both June 30, 2001 and December 31, 2000. Additional information on components of and changes in the Corporation's consumer loan portfolio can be found in the average earning asset discussion within the "Net Interest Income" section on page 33 and the "Balance Sheet Review and Liquidity Risk Management" section on page 43. 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. The Corporation implemented the 48 Policy in the fourth quarter of 2000, which resulted in accelerated charge-offs in that quarter of $104 million across several product types in the consumer loan portfolio. Residential mortgage loans increased to $85.9 billion at June 30, 2001, compared to $84.4 billion at December 31, 2000 or 23 percent and 22 percent of total loans and leases, respectively. Net charge-offs on residential mortgage loans remained negligible at $13 million, or 0.03 percent of average residential mortgage loans, for the six months ended June 30, 2001. Nonperforming residential mortgage loans increased $22 million to $573 million at June 30, 2001 compared to $551 million at December 31, 2000. Home equity loans increased to $22.0 billion at June 30, 2001 compared to $21.6 billion at December 31, 2000 or six percent of total loans and leases at both points in time. Net charge-offs on home equity loans remained negligible at $10 million, or 0.09 percent of average home equity loans, for the six months ended June 30, 2001. Nonperforming home equity loans increased by $10 million to $42 million at June 30, 2001 compared to $32 million at December 31, 2000. Consumer finance loans outstanding totaled $27.5 billion and $25.8 billion at June 30, 2001 and December 31, 2000, respectively, and remained stable at seven percent of total loans and leases. Approximately 83 percent and 80 percent, respectively, of these loans were secured by residential real estate, virtually all first lien, at June 30, 2001 and December 31, 2000. The Corporation had consumer finance net charge-offs of $160 million, or 1.22 percent of average consumer finance loans, for the six months ended June 30, 2001, compared to $116 million, or 0.99 percent, for the six months ended June 30, 2000. These increases reflect the growth of the portfolio and a weakened economic environment as well as the effect of the FFIEC charge-off policy adopted in the fourth quarter of 2000. Consumer finance nonperforming loans increased $139 million to $1.2 billion at June 30, 2001 from $1.1 billion at December 31, 2000. Bankcard receivables increased to $16.8 billion at June 30, 2001, compared to $14.1 billion at December 31, 2000. Net charge-offs on bankcard receivables for the six months ended June 30, 2001 were $283 million, or 3.77 percent of average bankcard receivables, compared to $158 million, or 3.56 percent, for the six months ended June 30, 2000. The increase in charge-offs was primarily a result of growth in the portfolio outstandings and an increase in personal bankruptcy filings. Bankcard loans past due 90 days or more and still accruing interest were $246 million, or 1.46 percent of bankcard receivables, at June 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 $42.8 billion at both June 30, 2001 and December 31, 2000. Direct and indirect consumer loan net charge-offs were $140 million, or 0.70 percent of average direct and indirect consumer loans outstanding, for the six months ended June 30, 2001, compared to $152 million, or 0.73 percent of the average balance outstanding, for the comparable period in 2000. Foreign consumer loan net charge-offs were $2 million and $1 million, or 0.22 percent and 0.11 percent of average foreign consumer loans, for the six months ended June 30, 2001 and 2000, respectively. Excluding bankcard, total consumer loans past due 90 days or more and still accruing interest were $105 million, or 0.05 percent of total consumer loans, at June 30, 2001, compared to $110 million, or 0.06 percent, at December 31, 2000. Nonperforming Assets As presented in Table Eight, nonperforming assets increased to $6.2 billion, or 1.63 percent of loans, leases and foreclosed properties, at June 30, 2001 from $5.5 billion, or 1.39 percent, at December 31, 2000. Nonperforming loans increased to $5.8 billion at June 30, 2001 from $5.2 billion at December 31, 2000, primarily due to increases in nonperforming loans in the commercial - domestic portfolio as discussed above. Credit deterioration in loans continued as companies were affected by the weakening economic environment. Foreclosed properties increased to $346 million at June 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. 49

Table Nine Nonperforming Assets -- Second First Fourth Third Second Quarter Quarter Quarter Quarter Quarter (Dollars in millions) 2001 2001 2000 2000 2000 -- Balance, beginning of period $5,897 $5,457 $4,403 $3,886 $3,481 -- Commercial Additions to nonperforming assets: New nonaccrual loans and foreclosed properties 1,376 1,315 1,954 913 760 Advances on loans 33 26 28 19 38 -- Total commercial additions 1,409 1,341 1,982 932 798 -- Reductions in nonperforming assets: Paydowns, payoffs and sales (732) (398) (288) (179) (164) Returns to performing status (19) (126) (73) (72) (69) Charge-offs/(1)/ (525) (467) (774) (243) (294) Transfers to assets held for sale - - - (63) - -- Total commercial reductions (1,276) (991) (1,135) (557) (527) -- Total commercial net additions to nonperforming assets 133 350 847 375 271 -- Consumer Additions to nonperforming assets: New nonaccrual loans and foreclosed properties 836 819 834 722 647 -- Total consumer additions 836 819 834 722 647 -- Reductions in nonperforming assets: Paydowns, payoffs and sales (159) (135) (95) (110) (109) Returns to performing status (440) (483) (391) (402) (352) Charge-offs/(1)/ (69) (101) (135) (64) (51) Transfers to assets held for sale (3) (10) (6) (4) (1) -- Total consumer reductions (671) (729) (627) (580) (513) -- Total consumer net additions to nonperforming assets 165 90 207 142 134 -- Total net additions to nonperforming assets 298 440 1,054 517 405 -- Balance, end of period $6,195 $5,897 $5,457 $4,403 $3,886

/(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. 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 first half of 2001, the Corporation sold approximately $800 million of nonperforming and poorly performing 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 June 30, 2001 and December 31, 2000. The Corporation's investment in specific loans that were considered to be impaired at June 30, 2001 was $4.1 billion, compared to $3.8 billion at December 31, 2000. Commercial - domestic impaired loans increased $318 million to $3.2 billion at June 30, 2001 compared to December 31, 2000. Commercial - foreign impaired loans increased $15 million to $536 million at June 30, 2001 compared to December 31, 2000. Commercial real estate - domestic impaired loans decreased $39 million to $373 million at June 30, 2001 compared to December 31, 2000. 50 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 reflects 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 reflects management's best estimate of incurred credit losses as of the balance sheet date. The provision for credit losses increased $745 million to $1.6 billion for the six months ended June 30, 2001, compared to the same period in 2000. The increase in the provision was primarily driven by increased credit deterioration as the overall economic environment continued to weaken. The provision for credit losses for the six months ended June 30, 2001 was $75 million in excess of net charge-offs of $1.6 billion as the Corporation increased its allowance for credit losses in response to continued economic uncertainty. 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 June 30, 2001. Table Ten provides the changes in the allowance for credit losses for the three months and six months ended June 30, 2001 and 2000. 51

Table Ten Allowance for Credit Losses -- Three Months Six Months Ended June 30 Ended June 30 -- (Dollars in millions) 2001 2000 2001 2000 ----------------------

----

Balance,
beginning of
period $
6,900 $
6,827 $
6,838 $
6,828 -------

Loans and
leases
charged off
Commercial -
domestic
(457) (255)
(904) (457)
Commercial -
foreign (69)
(35) (108)
(47)
Commercial
real estate -
domestic (14)
(14) (22) (22)

---- Total
commercial
(540) (304)
(1,034) (526)

Residential
mortgage (11)
(7) (20) (14)
Home equity
lines (7) (5)
(15) (10)
Direct/Indirect
consumer
(113) (109)
(229) (255)
Consumer
finance (86)
(89) (215)
(182)
Bankcard
(178) (91)
(321) (185)
Other
consumer -
domestic (14)
(14) (32) (16)

Foreign
consumer (1)
(1) (2) (2) ---

- Total
consumer
(410) (316)
(834) (664) -

--- Total
loans and
leases
charged off
(950) (620)
(1,868)
(1,190) ------

Recoveries of
loans and
leases
previously
charged off
Commercial -
domestic 49
29 81 59
Commercial -
foreign 12 11
17 18
Commercial
real estate -
domestic 2 8
4 10
Commercial
real estate -
foreign - - - 2

------ Total
commercial
63 48 102 89

Residential
mortgage 4 3
7 6 Home

~~equity lines 3 2 5 4~~
~~Direct/Indirect consumer 48 48 89 103~~
~~Consumer finance 19 30 55 66~~
~~Bankcard 20 14 38 27~~
~~Other consumer - domestic 6 4 12 4~~
~~Foreign consumer - 1 - 1~~
~~--~~
~~Total consumer 100 102 206 211~~
~~--~~
~~Total recoveries of loans and leases previously charged off 163 150 308 300~~
~~---~~
~~Net charge-offs (787) (470) (1,560) (890)~~
~~---~~
~~Provisions for credit losses 800 470 1,635 890~~
~~Other, net (2) (12) (2) (13)~~
~~---~~
~~Balance, June~~

~~Balance, June 30 $ 6,911 $ 6,815 $ 6,911 $ 6,815 -- Loans and leases outstanding at June 30 $380,425 $400,817 $380,425 $400,817 Allowance for credit losses as a percentage of loans and leases outstanding at June 30 1.82 % 1.70 % 1.82 % 1.70 % Average loans and leases outstanding during the period $383,500 $391,404 $385,683 $383,994 Annualized net charge-offs as a percentage of average outstanding loans and leases during the period .82 % .48 % .82 % .47 % Allowance for credit losses as a percentage of nonperforming loans at end of period 118.16 184.66 118.16 184.66~~

52 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 49 percent of total loans and leases at June 30, 2001. The largest concentration is in commercial real estate, which represents seven percent of total loans and leases at June 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. 53

Table Eleven Commercial Real Estate Loans, Foreclosed Properties and Other Real Estate Credit Exposures --- --- June 30, 2001 Other Loans Foreclosed Credit -- (Dollars in millions) Outstanding Nonperforming Properties (1) Exposures (2) -- ~~By Geographic Region/(3)/ California $ 5,663 $ 4 $ 1 $ 720 Southwest 3,433 11 - 725 Florida 2,648 24 2 181 Northwest 2,635 22 33 149 Geographically diversified 2,620 17 - 303 Midwest 1,933 16 - 402 Mid-Atlantic 1,566 20 - 362 Carolinas 1,565 9 - 72 Midsouth 1,368 20 - 132 Northeast 1,263 5 - 665 Other states 749 53 41 35 Non-US 372 3 - 9 -- Total $ 25,815 $ 204 $ 77 $ 3,755~~

~~By Property Type Office buildings $ 5,200 $ 15 $ 1 $ 410 Apartments 4,257 20 - 772 Residential 3,651 29 - 37 Shopping centers/retail 3,235 7 17 849 Industrial/warehouse 2,582 8 8 117 Land and land development 1,511 3 7 120 Hotels/motels 1,032 13 21 216 Multiple use 783 1 - 59 Miscellaneous commercial 400 1 - 20 Unsecured 243 - - 680 Other 2,549 104 23 466 Non-US 372 3 - 9 -- Total $ 25,815 $ 204 $ 77 $ 3,755~~

---

(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 June 30, 2001 and the respective balances at December 31, 2000. Total commercial loans outstanding, excluding commercial real estate loans, comprised 42 percent and 45 percent of total loans and leases at June 30, 2001 and December 31, 2000, respectively. No commercial industry concentration is greater than three percent of total loans and leases. 54

Table Twelve Significant Industry Loans and Leases/(1)/ -- ------- June 30, 2001 December 31, 2000 --- - Percent of Total Percent of Total (Dollars in millions) Outstanding Loans and Leases Outstanding Loans and Leases -- ------- ~~Transportation $10,571 2.8% $ 11,704 3.0% Business services 8,460 2.2 8,883 2.3 Media 8,020 2.1 9,322 2.4 Equipment and general manufacturing 7,627 2.0 8,982 2.3 Telecommunications 6,843 1.8 6,801 1.7 Agribusiness 6,617 1.7 7,672 2.0 Autos 6,247 1.6 6,741 1.7 Healthcare 5,601 1.5 7,201 1.8 Retail 5,438 1.4 7,049 1.8 Utilities 4,604 1.2 4,648 1.2 ----- -- -------~~

(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 certain Asian countries as well as countries within Latin America and Europe that have experienced currency and other economic problems. 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 June 30, 2001. The countries selected represent those that are sometimes considered as having higher credit and foreign exchange risk. At June 30, 2001, the Corporation's total exposure to these select countries was $25.7 billion, a decrease of $4.7 billion from December 31, 2000,

primarily due to reductions in exposure to Japan and certain other countries in Asia and Latin America. Table Thirteen is based on the FFIEC's instructions for periodic reporting of foreign exposure. 55

Table Thirteen Selected Regional Foreign Exposure

Region/Country (Dollars in millions)	Loans and Loan Commitments	Other Financing/(1)/	Derivatives Positive Mark-to-Market	Securities/Other Investments	Total Cross-border Exposure/(2)/	Gross Local Country Exposure/(3)/	Total Binding Exposure June 30, 2001	Increase/(Decrease) from December 31, 2000
Asia								
China	$ 77	$ 33	$ 5	$ 70	$ 185	$ 117	$ 302	$ (18)
Hong Kong	191	50	11	96	348	3,913	4,261	(303)
India	675	79	45	54	853	1,132	1,985	(224)
Indonesia	241	23	13	34	311	11	322	(73)
Japan	596	47	390	3,510	4,543	831	5,374	(1,720)
Korea (South)	288	854	52	36	1,230	604	1,834	(386)
Malaysia	74	8	1	6	89	352	441	(81)
Pakistan	17	6	-	-	23	-	23	5
Philippines	180	19	2	42	243	130	373	(18)
Singapore	306	8	44	18	376	908	1,284	(190)
Taiwan	291	57	34	-	382	505	887	(242)
Thailand	41	11	64	33	149	286	435	28
Other	1	16	-	-	17	101	118	(14)
Total	$ 2,978	$ 1,211	$ 661	$ 3,899	$ 8,749	$ 8,890	$ 17,639	$ (3,236)
Central and Eastern Europe								
Russian Federation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (2)
Turkey	98	39	1	32	170	-	170	(162)
Other	102	14	15	50	181	91	272	28
Total	$ 200	$ 53	$ 16	$ 82	$ 351	$ 91	$ 442	$ (136)
Latin America								
Argentina	$ 384	$ 111	$ 28	$ 62	$ 585	$ 377	$ 962	$ (112)
Brazil	931	326	60	195	1,512	423	1,935	(329)
Chile	472	9	26	-	507	165	672	(308)
Colombia	134	22	8	4	168	8	176	(110)
Mexico	1,260	359	123	1,245	2,987	117	3,104	(332)
Venezuela	133	22	-	218	373	23	396	(83)
Other	148	74	3	120	345	-	345	(17)
Total	$ 3,462	$ 923	$ 248	$ 1,844	$ 6,477	$ 1,113	$ 7,590	$ (1,291)
Total	$ 6,640	$ 2,187	$ 925	$ 5,825	$ 15,577	$ 10,094	$ 25,671	$ (4,663)

(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. 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 56 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 are in line with 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. 57 [GRAPHIC] Histogram of Daily Market Risk-Related Revenue Twelve Months Ended June 30, 2001

Daily Market Risk-Related Revenue (Dollars in millions)	Number of Days
Less than $(10)	3
$(5) to $(10)	2
&(5) to $0	15
$0 to $5	33
$5 to $10	54
$10 to $15	54
$15 to $20	36
$20 to $25	23
$25 to $30	21
$30 to $35	3
$35 to $40	4
$40 to $45	1
Greater than $45	2

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 June 30, 2001, the Corporation recorded positive daily market risk-related revenue for 231 of 251 trading days. Furthermore, of the 20 days that showed negative revenue, only three 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 June 30, 2001, actual market risk-related revenue exceeded VAR measures three days out of 251 total trading days. Given the 99 percent confidence interval captured by VAR, this would be expected to occur approximately once every 100 trading days, or two to three times each year. 58 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 June 30, 2001. During the period, the daily market risk-related revenue ranged from $(33) million to $51 million. Over the same period, VAR ranged from $25 million to $70 million. In the fourth quarter of 2000, a change in methodology was used to calculate VAR for the equities portfolio. 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. VAR for the first quarter of 2001 has been restated to reflect the addition of mortgage banking assets to the VAR calculation. This resulted in an approximate $20 million increase in VAR for the real estate/mortgage portfolio in the first quarter of 2001. 59 The following table summarizes the VAR in the Corporation's trading portfolios for the twelve months ended June 30, 2001 and 2000:

Table Fourteen
Trading Activities
Market Risk

	Twelve Months Ended June 30					
	2001			2000		
(US Dollar equivalents in millions)	Average VAR/(1)/	High VAR/(2)/	Low VAR/(2)/	Average VAR/(1)/	High VAR/(2)/	Low VAR/(2)/
Interest rate	$31.3	$46.2	$16.3	$22.4	$33.6	$15.8
Foreign exchange	9.0	15.5	5.0	11.4	21.7	5.4
Commodities	2.4	5.7	0.5	1.8	5.8	.5
Equities	19.3	41.5	5.5	24.2	39.8	10.0
Credit products	8.0	16.9	3.0	13.9	18.1	8.8
Real estate/mortgage	23.7	55.5	8.3	6.4	9.8	2.5
Total trading portfolio	48.1	69.9	25.1	37.2	52.0	23.5

/(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. Total trading portfolio VAR increased during the twelve months ended June 30, 2001 relative to the twelve months ended June 30, 2000. This increase was largely driven by increased activity in the real estate/mortgage and interest rate businesses. The following table summarizes the quarterly VAR in the Corporation's trading portfolios for the most recent four quarters:

Table Fifteen

Table Fifteen Quarterly Trading Activities Market Risk -- -- ---- Second Quarter 2001 First Quarter 2001 Fourth Quarter 2000 - -- - Average High Low Average High Low Average High Low (US Dollar equivalents in millions) VAR/(1)/ VAR/(2)/ VAR/(2)/ VAR/(1)/ VAR/(2)/ VAR/(2)/ VAR/(1)/ VAR/(2)/ VAR/(2)/ ----- -- - ~~Interest rate $ 38.8 $ 43.5 $ 32.6 $32.1 $46.2 $26.9 $25.2 $42.2 $16.3 Foreign exchange 8.0 11.0 5.5 8.2 12.8 5.0 10.6 15.5 5.7 Commodities 2.7 5.7 1.3 1.8 3.8 .9 2.8 4.8 1.5 Equities 18.1 25.1 13.5 13.1 22.5 8.9 10.4 21.6 5.5 Credit products 10.7 16.9 6.6 6.2 8.0 3.0 6.3 8.5 3.2 Real estate/mortgage 41.2 55.5 28.6 33.7 43.4 8.8 9.6 11.1 8.3 Total trading portfolio 61.3 69.9 55.2 50.0 59.6 42.4 32.0 45.5 25.1 -----~~

/(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. 60 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. At June 30, 2001, the interest rate risk position of the Corporation was relatively neutral as the impact of a gradual parallel 100 basis point rise or fall in interest rates over the next twelve months was estimated to be less than one percent of net interest income. Available-for-sale securities had a net unrealized loss of $620 million at June 30, 2001, compared to a net unrealized loss of $991 million at December 31, 2000. The expected maturities, unrealized gains and losses and weighted average effective yield and rate associated with the Corporation's other significant non-trading on-balance sheet financial instruments at June 30, 2001 were not significantly different from those at December 31, 2000. For a discussion of other non-trading on-balance sheet financial instruments, see page 50 and Table Twenty-One on page 51 of the "Market Risk Management" section of the Corporation's 2000 Annual Report on Form 10-K. 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 61 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. 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 June 30, 2001 was $81.1 billion and $31.2 billion, respectively. The receive fixed interest rate swaps are primarily converting variable rate commercial loans to fixed rate. The net receive fixed position at June 30, 2001 was $49.9 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 June 30, 2001 and December 31, 2000, respectively, linked primarily to loans and long-term debt. At June 30, 2001, the notional amount of option products being used in the Corporation's ALM process netted to zero, consisting of $2.0 billion long option positions and $2.0 billion short option positions, compared to $22.5 billion notional of option products at December 31, 2000. The Corporation had $2.7 billion notional and $24.8 billion notional of futures and forward rate contracts at June 30, 2001 and December 31, 2000, respectively. In addition, open foreign exchange contracts at June 30, 2001 had a notional amount of $26.7 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 June 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 June 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 $382 million and $364 million at June 30, 2001 and December 31, 2000, respectively. The ALM option products had a net unrealized loss of $7 million and $157 million at June 30, 2001 and December 31, 2000, respectively. At June 30, 2001 and December 31, 2000, open foreign exchange contracts had a net unrealized loss of $508 million and $387 million, respectively. The amount of unamortized net realized deferred gains associated with closed ALM swaps was $282 million and $25 million at June 30, 2001 and December 31, 2000, respectively. The amount of unamortized net realized deferred gains associated with closed ALM options was $30 million and $95 million at June 30, 2001 and December 31, 2000, respectively. The amount of unamortized net realized deferred losses associated with closed ALM futures and forward contracts was $52 million and $15 million at June 30, 2001 and December 31, 2000, respectively. There were no unamortized net realized deferred gains or losses associated with closed foreign exchange contracts at June 30, 2001 and December 31, 2000. Of these unamortized net realized deferred gains, $240 million was included in accumulated other comprehensive income at June 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. 62
Table Sixteen Asset and Liability Management Interest Rate and Foreign Exchange Contracts --
------------------------------------ June 30, 2001 Expected Maturity --- (Dollars in millions, average Fair estimated duration in years) Value Total 2001 2002 2003 2004 --
------- Open interest rate contracts Total receive fixed swaps $ 636 Notional value $81,076 $ 786 $1,727 $11,158 $13,312 Weighted average receive rate 6.04 % 6.19 % 7.03 % 5.48 % 6.08 % Total pay fixed swaps (256) Notional value $31,192 $ 22 $ 19 $23,549 $ 118 Weighted average pay rate 5.31 % 7.46 % 6.37 % 4.82 % 6.14 % Basis swaps 2 Notional value $15,700 $ - $ - $ - $ 9,000 ---------- Total swaps 382 --
-------------------------------- Option products (7) Notional amount $ - $ - $ - $ - $ - Futures and forward rate contracts 10 Notional amount $ 2,674 $ (4,326) $7,000 $ - $ - -- Total open interest rate contracts 385 ---
--- Closed interest rate contracts/(1)/ 260 --------------------
--- Net interest rate contract position 645 ---------------------------------------
--- Open foreign exchange contracts (508) Notional amount $26,693 $ 228 $3,156 $ 3,485 $ 4,819 --- Total ALM contracts $ 137

-- December 31, 2000 Expected Maturity ----------

-- (Dollars in millions, average Fair estimated duration in years) Value Total 2001 2002 2003 -------------------

-- ~~Open interest rate contracts Total receive fixed swaps $ 900 Notional amount $62,485 $ 4,001 $7,011 $9,787 Weighted average receive rate 6.39 % 6.28 % 6.71 % 5.53 % Total pay fixed swaps (529) Notional amount $13,640 $ 1,878 $1,064 $ 114 Weighted average pay rate 6.72 % 5.86 % 6.39 % 7.14 % Basis swaps (7) Notional amount $14,739 $ 576 $1,669 $ 442 ---------- Total swaps 364 -- Option products (157) Notional amount $22,477 $ 2,087 $ 868 $1,575 Futures and forward rate contracts (52) Notional amount $24,818 $19,068 $5,750 $ - -- Total open interest rate contracts 155 ------------ -- Closed interest rate contracts/(1)/ 105 ---------------------- -- Net interest rate contract position 260 ---------------------------------- -- Open foreign exchange contracts (387) Notional amount $18,958 $ 1,059 $2,179 $3,472 -- Total ALM contracts $(127)~~

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(1) Represents the unamortized net realized deferred gains associated with closed contracts. As a result, no notional amount is reflected for expected maturity. 63 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 $24.8 billion at June 30, 2001 with associated net unrealized gains of $30 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. 64

Table Seventeen Selected Quarterly Financial Data ------- -- ------- 2001 Quarters --- -------------------------- ---------- (Dollars in millions, except per share information) Second First --- - ~~Income statement Interest income $ 9,925 $ 10,241 Interest expense 4,895 5,602 Net interest income 5,030 4,639 Net interest income (taxable-equivalent basis) 5,117 4,721 Noninterest income 3,741 3,780 Total revenue 8,771 8,419 Total revenue (taxable-~~

~~equivalent basis) 8,858 8,501 Provision for credit losses 800 835 Losses on sales of securities (7) (8) Other noninterest expense 4,821 4,654 Income before income taxes 3,143 2,922 Income tax expense 1,120 1,052 Net income 2,023 1,870 Net income available to common shareholders 2,022 1,869 Average common shares issued and outstanding (in thousands) 1,601,537 1,608,890 Average diluted common shares issued and outstanding (in thousands) 1,632,964 1,631,099 - ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ Performance ratios Return on average assets 1.24% 1.17% Return on average common shareholders' equity 16.67 15.86 Total equity to total assets (period-end) 7.88 8.02 Total average equity to total average assets 7.43 7.38 Efficiency ratio 54.44~~

~~54.73 Dividend payout ratio 44.35 48.14 Shareholder value added $ 791 $ 679 ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ - Per common share data Earnings $ 1.26 $ 1.16 Diluted earnings 1.24 1.15~~

~~Cash dividends paid .56 .56 Book value 30.75 30.47 ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ - Cash basis financial data/(1)/ Earnings $ 2,246 $ 2,093 Earnings per common share 1.40 1.30 Diluted earnings per common share 1.38 1.28 Return on average assets 1.37% 1.31% Return on average common shareholders' equity 18.52 17.75 Efficiency ratio 51.92 52.11 ------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ ------------ -------- Balance sheet (period-end) Total loans and leases $~~

~~380,425 $ 382,677 Total assets 625,525 609,755 Total deposits 363,486 352,460 Long-term debt 63,243 67,044 Trust preferred securities 4,955 4,955 Common shareholders' equity 49,234 48,815 Total shareholders' equity 49,302 48,886 -- Risk-based capital ratios (period-end) Tier 1 capital 7.90% 7.65% Total capital 12.09 11.84 Leverage ratio 6.50 6.41 -- Market price per share of common stock Closing $ 60.03 $ 54.75 High 62.18 55.94 Low 48.65 45.00 --~~

(1) Cash basis calculations exclude goodwill and other intangible amortization expense. 65 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 56 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, and discovery is underway. Claims against certain director-defendants were dismissed with leave to replead. The court has preliminarily ordered the parties to be ready for trial in January 2002. A former NationsBank stockholder who opted out of the federal class action has commenced an action asserting claims substantially similar to the claims relating to D.E. Shaw set forth in the consolidated action. That action is proceeding with the federal class action in the Missouri federal court. Similar class actions (including one limited to California residents raising the claim that the proxy statement-prospectus of August 4, 1998, falsely stated that the merger would be one of equals) were filed in California state court, alleging violations of the California Corporations Code and other state laws. The action on behalf of California residents was certified as a class. A motion to decertify the class is pending. A lower court order dismissing that action was reversed on appeal and discovery has commenced. The remaining California actions have been consolidated, but have not been certified as class actions. The Missouri federal court has enjoined prosecution of those consolidated class actions as a class action. The plaintiffs who were enjoined have appealed that injunction to the United States Court of Appeals for the Eighth Circuit. The Corporation believes the actions lack merit and will defend them vigorously. The amount of any ultimate exposure cannot be determined with certainty 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 66 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 Securities and Use second quarter of 2001, the Corporation sold put of Proceeds options to purchase an aggregate of one million shares of Common Stock. These put options were sold to an independent third party for an aggregate purchase price of $6 million. The put options have an exercise price of $56.36 per share and expiration dates in October 2001. The put option contracts allow the Corporation to determine the method of settlement (cash or stock). Each of these transactions was exempt from registration under Section 4(2) of the Securities Act of 1933, as amended. At June 30, 2001, the Corporation had two million put options outstanding with exercise prices ranging from $51.38 per share to $56.36 per share and expiration dates ranging from September 2001 to October 2001. Item 4. Submission a. The Annual Meeting of Stockholders was held on of Matters to a Vote April 25, 2001. of Security Holders b. The following are the voting results on each matter submitted to the stockholders: 1. To elect 17 directors

Against or For Withheld ----- -------- ------ ----- ~~John R. Belk 1,302,648,189 45,060,979~~
~~Charles W. Coker 1,308,645,751 39,063,417~~
~~Frank Dowd, IV 1,302,704,012 45,005,156~~
~~Kathleen F. Feldstein 1,310,337,864 37,371,304~~
~~Paul Fulton 1,302,678,856 45,030,312~~
~~Donald E. Guinn 1,308,065,189 39,643,979~~
~~James H. Hance, Jr. 1,309,823,030 37,886,138~~
~~C. Ray Holman 1,309,909,042 37,800,126~~
~~Kenneth D. Lewis 1,310,027,888 37,681,280~~
~~Walter E. Massey 1,308,065,778 39,643,390~~
~~C. Steven McMillan 1,310,223,544 37,485,624~~
~~Patricia E. Mitchell 1,307,411,007 40,298,161~~
~~O. Temple Sloan, Jr. 1,269,984,575 77,724,593~~
~~Meredith R. Spangler 1,304,300,403 43,408,765~~
~~Ronald Townsend 1,307,862,809 39,846,359~~
~~Jackie M. Ward 1,307,015,545 40,693,623~~
~~Virgil R. Williams 1,274,823,017 72,886,151~~

67 2. To ratify the action of the Board of Directors in selecting PricewaterhouseCoopers LLP as independent public accountants to audit the books of the Corporation and its subsidiaries for the current year Against or For Withheld Abstentions ------------- ----------- ----------- 1,328,454,453 10,588,881 8,665,834 3. To consider a stockholder proposal regarding contributions to political movements and entities Against or Broker For Withheld Abstentions Nonvotes ------------- ----------- ----------- ----------- 112,916,938 961,886,983 45,507,394 227,397,853 4. To consider a stockholder proposal regarding the rotation of the annual meeting location Against or Broker For Withheld Abstentions Nonvotes ------------- ------------- ----------- ----------- 54,857,212 1,043,310,996 22,143,107 227,397,853 5. To consider a stockholder proposal regarding performance- based options Against or Broker For Withheld Abstentions Nonvotes ------------- ----------- ----------- ----------- 380,809,133 719,366,344 20,135,838 227,397,853 6. To consider a stockholder proposal regarding future severance agreements Against or Broker For Withheld Abstentions Nonvotes ------------- ----------- ----------- ----------- 440,773,887 642,556,123 36,981,305 227,397,853 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 June

30, 2001: Current Report on Form 8-K dated and filed April 16, 2001, Items 5, 7 and 9. 68 Current Report on Form 8-K dated June 5, 2001 and filed June 14, 2001, Items 5 and 7. Current Report on Form 8-K dated and filed June 22, 2001, Item 5. Current Report on Form 8-K dated June 27, 2001 and filed June 28, 2001, Items 5 and 7. 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: August 13, 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