

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS AMENDED

For the quarterly period ended June 30, 1994  
-----

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS AMENDED

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-6523  
-----

NationsBank Corporation

-----  
(Exact name of registrant as specified in its charter)

North Carolina 56-0906609  
-----

(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) Identification No.)

NationsBank Corporate Center, Charlotte, North Carolina 28255  
-----

(Address of principal executive offices and zip code)

(704) 386-5000  
-----

(Registrant's telephone number, including area code)

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, as amended, 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 ☒ No ☐  
-----

At July 31, 1994, there were 276,591,985 shares of NationsBank Corporation  
Common Stock outstanding.

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NationsBank Corporation

June 30, 1994 Form 10-Q

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## Part I. Financial Information

## Item 1. Financial Statements

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NationsBank Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in Millions Except Per-Share Information)

|  | Three Months<br>Ended June 30 |          | Six Months<br>Ended June 30 |          |
|--|-------------------------------|----------|-----------------------------|----------|
|  | 1994                          | 1993     | 1994                        | 1993     |
| <S>  | <C>                           | <C>      | <C>                         | <C>      |
| Income from Earning Assets   |                               |          |                             |          |
| Interest and fees on loans.....  | \$ 1,826                      | \$ 1,484 | \$ 3,583                    | \$ 2,916 |
| Lease financing income.....  | 32                            | 25       | 62                          | 50       |
| Interest and dividends on securities   |                               |          |                             |          |
| Held for investment.....   | 167                           | 343      | 318                         | 693      |
| Held for sale.....   | 185                           | 1        | 364                         | 7        |
| Interest and fees on loans held for sale.....  | 6                             | 11       | 17                          | 22       |
| Time deposits placed and other short-term investments.....   | 15                            | 20       | 29                          | 41       |
| Federal funds sold.....  | 8                             | 5        | 14                          | 8        |
| Securities purchased under agreements to resell.....   | 100                           | 29       | 181                         | 56       |
| Trading account assets.....  | 173                           | 14       | 342                         | 35       |
| Total income from earning assets.....  | 2,512                         | 1,932    | 4,910                       | 3,828    |
| Interest Expense   |                               |          |                             |          |
| Deposits.....  | 546                           | 537      | 1,065                       | 1,098    |
| Borrowed funds and trading liabilities.....  | 514                           | 200      | 968                         | 381      |
| Long-term debt and capital leases.....   | 135                           | 84       | 272                         | 163      |
| Total interest expense.....  | 1,195                         | 821      | 2,305                       | 1,642    |
| Net interest income.....   | 1,317                         | 1,111    | 2,605                       | 2,186    |
| Provision for credit losses.....   | 70                            | 110      | 170                         | 230      |
| Net credit income.....   | 1,247                         | 1,001    | 2,435                       | 1,956    |
| Gains on sales of securities.....  | 5                             | 22       | 19                          | 34       |
| Noninterest income.....  | 629                           | 481      | 1,309                       | 962      |
| Other real estate owned expense.....   | (3)                           | 21       | 2                           | 45       |
| Noninterest expense.....   | 1,228                         | 1,019    | 2,447                       | 2,017    |
| Income before income taxes and effect of change in method of<br>accounting for income taxes.....                 | 656                           | 464      | 1,314                       | 890      |
| Income tax expense.....  | 219                           | 158      | 460                         | 303      |
| Income before effect of change in method of accounting for<br>income taxes.....                                  | 437                           | 306      | 854                         | 587      |
| Effect of change in method of accounting for income taxes.....   | -                             | -        | -                           | 200      |
| Net income.....  | \$ 437                        | \$ 306   | \$ 854                      | \$ 787   |
| Net income available to common shareholders.....   | \$ 435                        | \$ 304   | \$ 849                      | \$ 783   |
| Per-share information  |                               |          |                             |          |
| Earnings per common share before effect of change in method of<br>accounting for income taxes.....               | \$ 1.58                       | \$ 1.20  | \$ 3.10                     | \$ 2.30  |
| Effect of change in method of accounting for income taxes.....   | -                             | -        | -                           | 0.79     |
| Earnings per common share.....   | \$ 1.58                       | \$ 1.20  | \$ 3.10                     | \$ 3.09  |
| Fully diluted earnings per common share before effect of change in<br>method of accounting for income taxes..... | \$ 1.57                       | \$ 1.19  | \$ 3.07                     | \$ 2.28  |
| Effect of change in method of accounting for income taxes.....   | -                             | -        | -                           | 0.77     |
| Fully diluted earnings per common share.....   | \$ 1.57                       | \$ 1.19  | \$ 3.07                     | \$ 3.05  |
| Dividends per common share.....  | \$ 0.46                       | \$ 0.40  | \$ 0.92                     | \$ 0.80  |
| Average common shares (in thousands).....  | 275,020                       | 254,002  | 273,492                     | 253,673  |

See accompanying notes to consolidated financial statements.

&lt;/TABLE&gt;

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&lt;CAPTION&gt;

NationsBank Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in Millions)

|  | June 30<br>1994 | December 31<br>1993 | June 30<br>1993 |
|--|-----------------|---------------------|-----------------|
| <S>  | <C>             | <C>                 | <C>             |
| Assets   |                 |                     |                 |
| Cash and cash equivalents.....                             | \$ 7,706        | \$ 7,649            | \$ 6,319        |
| Time deposits placed and other short-term investments..... | 1,648           | 1,479               | 2,319           |
| Securities   |                 |                     |                 |

|  |           |           |           |
|--|-----------|-----------|-----------|
| Held for investment, at cost (market value - \$13,629; \$13,604 and \$22,964)... | 14,026    | 13,584    | 22,659    |
| Held for sale, at market; June 30, 1993, at cost (market value - \$1,721)....    | 14,376    | 15,470    | 1,703     |
| Total securities.....  | 28,402    | 29,054    | 24,362    |
| Loans held for sale.....   | 300       | 1,697     | 1,280     |
| Trading account assets.....  | 8,940     | 10,610    | 1,790     |
| Federal funds sold.....  | 2,058     | 691       | 865       |
| Securities purchased under agreements to resell.....                             | 10,998    | 6,353     | 3,288     |
| Loans, net of unearned income of \$537; \$553 and \$271.....                     | 92,287    | 89,024    | 75,175    |
| Leases, net of unearned income of \$884; \$702 and \$531.....                    | 2,335     | 1,982     | 1,645     |
| Factored accounts receivable.....  | 1,056     | 1,001     | 1,017     |
| Loans, leases and factored accounts receivable, net of unearned income.....      | 95,678    | 92,007    | 77,837    |
| Allowance for credit losses.....   | (2,196)   | (2,169)   | (1,583)   |
| Premises, equipment and lease rights, net.....                                   | 2,371     | 2,259     | 2,136     |
| Customers' acceptance liability.....   | 716       | 708       | 667       |
| Interest receivable.....   | 1,113     | 1,117     | 868       |
| Goodwill.....  | 819       | 812       | 505       |
| Core deposit and other intangibles.....  | 588       | 555       | 457       |
| Other assets.....  | 5,257     | 4,864     | 2,674     |
|  | \$164,398 | \$157,686 | \$123,784 |
| =====  |           |           |           |
| Liabilities  |           |           |           |
| Deposits   |           |           |           |
| Noninterest-bearing.....   | \$ 20,447 | \$ 20,723 | \$ 16,602 |
| Savings.....   | 9,199     | 8,784     | 6,273     |
| NOW and money market deposit accounts.....                                       | 29,157    | 30,881    | 27,586    |
| Time.....  | 25,965    | 26,691    | 26,899    |
| Foreign time.....  | 7,476     | 4,034     | 2,668     |
| Total deposits.....  | 92,244    | 91,113    | 80,028    |
| Borrowed funds and trading liabilities   |           |           |           |
| Federal funds purchased.....   | 5,015     | 7,135     | 6,083     |
| Securities sold under agreements to repurchase.....                              | 25,202    | 21,236    | 12,394    |
| Commercial paper.....  | 2,309     | 2,056     | 1,285     |
| Other short-term borrowings and trading liabilities.....                         | 16,006    | 13,821    | 8,754     |
| Total borrowed funds and trading liabilities.....                                | 48,532    | 44,248    | 28,516    |
| Liability to factoring clients.....  | 572       | 534       | 556       |
| Acceptances outstanding.....   | 716       | 708       | 667       |
| Accrued expenses and other liabilities.....                                      | 4,201     | 2,752     | 1,401     |
| Long-term debt and capital leases.....   | 7,660     | 8,352     | 4,157     |
| Total liabilities.....   | 153,925   | 147,707   | 115,325   |
| Shareholders' Equity   |           |           |           |
| Preferred stock: authorized - 45,000,000 shares                                  |           |           |           |
| ESOP Convertible, Series C: issued - 2,644,526; 2,703,440                        |           |           |           |
| and 2,753,385 shares.....  | 112       | 115       | 117       |
| Series CC: issued - none; 752,600 shares and none.....                           | -         | 38        | -         |
| Series DD: issued - none; 1,107,600 shares and none.....                         | -         | 55        | -         |
| Common stock: authorized - 800,000,000; 500,000,000 and 500,000,000 shares;      |           |           |           |
| issued - 276,516,942; 270,904,656 and 254,515,760 shares.....                    | 4,747     | 4,594     | 3,769     |
| Retained earnings.....   | 5,884     | 5,247     | 4,759     |
| Other.....   | (270)     | (70)      | (186)     |
| Total shareholders' equity.....  | 10,473    | 9,979     | 8,459     |
|  | \$164,398 | \$157,686 | \$123,784 |
| =====  |           |           |           |

See accompanying notes to consolidated financial statements.

</TABLE>

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<TABLE>

<CAPTION>

NationsBank Corporation and Subsidiaries  
Consolidated Statement of Cash Flows  
(Dollars in Millions)

|   | Six Months<br>Ended June 30 |        |
|---|-----------------------------|--------|
|   | 1994                        | 1993   |
| -----   |                             |        |
| <S>   | <C>                         | <C>    |
| Operating Activities  |                             |        |
| Net income.....   | \$ 854                      | \$ 787 |
| Reconciliation of net income to net cash provided by operating activities |                             |        |
| Provision for credit losses.....  | 170                         | 230    |
| Gains on sales of securities.....   | (19)                        | (34)   |
| Depreciation and premise improvements amortization.....                   | 130                         | 118    |
| Amortization of intangibles.....  | 68                          | 51     |
| Deferred income tax expense.....  | 70                          | 115    |
| Effect of change in method of accounting for income taxes.....            | -                           | (200)  |
| Net change in trading instruments.....                                    | 3,474                       | (265)  |
| Net decrease in interest receivable.....                                  | 8                           | 16     |
| Net decrease in interest payable.....                                     | (57)                        | (5)    |
| Net decrease (increase) in loans held for sale.....                       | 1,397                       | (44)   |

|   | Preferred<br>Stock | Common Stock |         | Retained<br>Earnings | Loan to<br>ESOP Trust | Other    | Total<br>Share-<br>holders'<br>Equity |
|---|--------------------|--------------|---------|----------------------|-----------------------|----------|---------------------------------------|
|   |                    | Shares       | Amount  |                      |                       |          |                                       |
| <S>   | <C>                | <C>          | <C>     | <C>                  | <C>                   | <C>      | <C>                                   |
| Balance on December 31, 1992.....   | \$119              | 252,990      | \$3,702 | \$4,179              | \$ (98)               | \$ (88)  | \$ 7,814                              |
| Net income.....   |                    |              |         | 787                  |                       |          | 787                                   |
| Cash dividends  |                    |              |         |                      |                       |          |                                       |
| Common.....   |                    |              |         | (203)                |                       |          | (203)                                 |
| Preferred.....  |                    |              |         | (4)                  |                       |          | (4)                                   |
| Common stock issued under dividend<br>reinvestment and employee plans.....            |                    | 1,475        | 65      |                      |                       | (3)      | 62                                    |
| Other.....  | (2)                | 51           | 2       |                      | 5                     | (2)      | 3                                     |
| Balance on June 30, 1993.....   | \$117              | 254,516      | \$3,769 | \$4,759              | \$ (93)               | \$ (93)  | \$ 8,459                              |
| Balance on December 31, 1993.....   | \$208              | 270,905      | \$4,594 | \$5,247              | \$ (88)               | \$ 18    | \$ 9,979                              |
| Net income.....   |                    |              |         | 854                  |                       |          | 854                                   |
| Cash dividends  |                    |              |         |                      |                       |          |                                       |
| Common.....   |                    |              |         | (253)                |                       |          | (253)                                 |
| Preferred.....  |                    |              |         | (5)                  |                       |          | (5)                                   |
| Preferred stock repurchased and redeemed.....   | (93)               |              | (1)     |                      |                       |          | (94)                                  |
| Common stock issued under dividend<br>reinvestment and employee plans.....            |                    | 2,932        | 130     |                      |                       |          | 130                                   |
| Acquisition of Corpus Christi National Bank...  |                    | 2,629        | 21      | 41                   |                       |          | 62                                    |
| Valuation reserve for securities held<br>for sale and marketable equity securities... |                    |              |         |                      |                       | (207)    | (207)                                 |
| Other.....  | (3)                | 51           | 3       |                      | 6                     | 1        | 7                                     |
| Balance on June 30, 1994.....   | \$112              | 276,517      | \$4,747 | \$5,884              | \$ (82)               | \$ (188) | \$10,473                              |

See accompanying notes to consolidated financial statements.  
</TABLE>

NationsBank Corporation and Subsidiaries  
Notes to Consolidated Financial Statements

Note 1 - Accounting Policies

The consolidated financial statements include the accounts of NationsBank Corporation and its subsidiaries (the Corporation). Significant intercompany accounts and transactions have been eliminated in consolidation.

The information contained in the financial statements is unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods 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 62 and 63 of the 1993 Annual Report to Shareholders.

Note 2 - Acquisition Activity

On August 4, 1994, the Corporation completed the acquisition of 43 banking centers in Florida and one banking center in Georgia, including their deposits, from California Federal Savings Bank at a purchase price of approximately \$160 million. At June 30, 1994, the assets to be acquired and the liabilities to be assumed were approximately \$3.9 billion.

On July 8, 1994, the Corporation entered into an agreement and plan of merger with RHNB Corporation (RHNB) to acquire South Carolina-based RHNB, the parent company of Rock Hill National Bank, in exchange for approximately 1,050,000 shares of NationsBank common stock, using an exchange ratio of .35 share of NationsBank common stock for each share of common stock of RHNB outstanding on the effective date of the acquisition. At June 30, 1994, RHNB had assets of approximately \$258 million. The merger is subject to approval by RHNB shareholders and various regulatory agencies and to other customary conditions and is expected to be completed by year end.

Note 3 - Debt

On May 6 and June 30, 1994, the Corporation redeemed, at par, \$75 million and \$150 million, respectively, of its outstanding floating rate subordinated notes due 1997.

On May 26, 1994, the Corporation's banking subsidiaries in North Carolina, Georgia and Texas increased the maximum aggregate issuance amount of their short-term bank notes program by \$3 billion to a total of \$6 billion. As of July 31, 1994, short-term bank notes outstanding equaled \$3.9 billion.

On August 8, 1994, the Corporation issued \$300 million of 7 3/4 percent subordinated notes, due August 15, 2004, and received proceeds of \$299 million. After the issuance of these notes, the Corporation has approximately \$1.9 billion of corporate debt securities and preferred and common stock available for issuance under its \$4 billion shelf registration filed in 1993.

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Note 4 - Securities

The book and market values of securities held for investment at June 30, 1994, were (dollars in millions):

<TABLE>

<CAPTION>

|   | Book<br>Value | Gross<br>Unreal-<br>ized<br>Gains | Gross<br>Unreal-<br>ized<br>Losses | Market<br>Value |
|---|---------------|-----------------------------------|------------------------------------|-----------------|
| <S>   | <C>           | <C>                               | <C>                                | <C>             |
| U.S. Treasury securities and agency debentures... | \$13,775      | \$ 2                              | \$398                              | \$13,379        |
| Other taxable securities.....                     | 223           | 1                                 | 3                                  | 221             |
| Total taxable securities.....                     | 13,998        | 3                                 | 401                                | 13,600          |
| Tax-exempt securities.....                        | 28            | 1                                 | -                                  | 29              |
|   | \$14,026      | \$ 4                              | \$401                              | \$13,629        |
|   | =====         |                                   |                                    | =====           |

</TABLE>

Securities held for sale on June 30, 1994, were (dollars in millions):

<TABLE>

<CAPTION>

|   | Cost     | Gross<br>Unreal-<br>ized<br>Gains | Gross<br>Unreal-<br>ized<br>Losses | Market<br>Value |
|---|----------|-----------------------------------|------------------------------------|-----------------|
| <S>   | <C>      | <C>                               | <C>                                | <C>             |
| U.S. Treasury securities and agency debentures... | \$14,022 | \$ 4                              | \$211                              | \$13,815        |
| Other taxable securities.....                     | 200      | -                                 | -                                  | 200             |
| Total taxable securities.....                     | 14,222   | 4                                 | 211                                | 14,015          |
| Tax-exempt securities.....                        | 343      | 18                                | -                                  | 361             |
|   | \$14,565 | \$22                              | \$211                              | \$14,376        |
|   | =====    |                                   |                                    | =====           |

</TABLE>

## Note 5 - Commitments and Contingencies

The Corporation's commitments to extend credit at June 30, 1994, were \$68.6 billion as compared to \$48.4 billion at June 30, 1993. Standby letters of credit (SBLCs) represent commitments by the Corporation to meet the obligations of the account party if called upon. Outstanding SBLCs and guarantees as of June 30, 1994, were \$7.0 billion as compared to \$5.3 billion at June 30, 1993. These amounts have been reduced for SBLCs collateralized by cash and SBLCs participated to other financial institutions.

See Tables 8, 9 and 18 and the accompanying discussion in Item 2. regarding the Corporation's derivatives activities.

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### Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.

Analysis of the results of operations and financial condition of NationsBank Corporation (the Corporation) for the second quarter and the first six months of 1994 is impacted by certain acquisitions completed in 1993 and 1994.

In the third quarter of 1993, the Corporation acquired substantially all of the assets and certain of the liabilities of Chicago Research & Trading Group Ltd. (CRT). The options market-making and trading portion became known as NationsBanc-CRT and the primary government securities dealer portion became a part of the Corporation's Capital Markets group. Effective October 1, 1993, the Corporation completed its acquisition of MNC Financial Inc. (MNC). Also in the fourth quarter of 1993, the Corporation acquired a substantial amount of the assets and the ongoing business of U S WEST Financial Services Inc. These acquisitions are reflected in the Corporation's financial data from their dates of acquisition.

During the first quarter of 1994, the Corporation acquired Corpus Christi National Bank (CCNB) of Corpus Christi, Texas. This acquisition is reflected in the Corporation's financial data beginning January 1, 1994.

## Analysis of Results of Operations

- - - - -

### Earnings Review

A comparison of selected operating results for the three- and six-month periods ended June 30, 1994 and 1993, is presented in Table 1.

Net income for the second quarter of 1994 was \$437 million, an increase of \$131 million, or 43 percent, over the second quarter of 1993. Earnings per common share were \$1.58 and \$1.20 for the second quarters of 1994 and 1993, respectively.

Net income of \$854 million for the first six months of 1994 represented an increase of \$267 million, or 45 percent, over earnings of \$587 million during the same period in 1993 excluding the impact of adopting a new income tax accounting standard. Earnings per common share were \$3.10 and \$2.30 for the first six months 1994 and 1993, respectively. Including the \$200-million, or \$.79-per share, tax benefit of the new accounting standard, net income in the first six months of 1993 was \$787 million, or \$3.09 per common share.

Several factors contributed to the increase in net income in the first six months of 1994. Taxable-equivalent net interest income of \$2.6 billion increased by 19 percent compared to the first six months of 1993. Reflecting the continued positive trends in credit quality, provision expense declined \$60 million and OREO expense declined \$43 million. Noninterest income rose 36 percent to \$1.3 billion due to acquisitions and strong fee income. Partially offsetting these improvements to net income was an increase of \$430 million in noninterest expense primarily due to acquisitions.

The return on average common shareholders' equity was 16.93 percent and 14.48 percent for the first six months of 1994 and 1993, respectively, excluding the tax benefit in the first six months of 1993. The return was 19.45 percent in the first six months of 1993 including the benefit. The efficiency ratio, which measures the relationship of noninterest expense to total revenue, improved to 61.80 percent in the first six months of 1994, compared to 63.21 percent in the same period in 1993.

### Customer Group Review

As shown on Table 2, the Corporation is comprised of three major internal management units, or Customer Groups, managed with a focus on numerous performance objectives including return on equity, operating efficiency and net income.

The net income of the customer groups reflects a funds transfer pricing system which derives net interest income by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. Equity capital is allocated to each customer group based on an assessment of its inherent risk.

The General Bank includes the Corporation's retail banking network known as the Banking Group; Financial Products, which provides specialized services such as bank card, residential mortgages and indirect lending on a national basis; and Trust and Private Banking.

The General Bank's return on equity of 19.48 percent for the second quarter of 1994 exceeded the 17.40 percent earned in the first quarter of 1994 due to an increase in net interest income and continued improvements in credit quality. The increase in net interest income reflected efforts to contain deposit costs as well as annualized loan growth of 10 percent. Growth in residential mortgage and commercial loans was partially offset by a reduction in real estate commercial loans.

In the second quarter, the Banking Group contributed 62 percent of the General Bank's earnings with a return on equity of 18.09 percent. The Financial

Products group contributed 28 percent of the General Bank's earnings with a return on equity of 28.70 percent.

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The Institutional Group includes Corporate and Investment Banking activities, Real Estate Finance, Specialized Lending and the Capital Markets group, which includes customer-related derivatives, foreign exchange, securities trading and debt underwriting activities. Housed in this unit are NationsBanc-CRT and NationsBanc Capital Markets Inc.

The Institutional Group's return on equity of 17.16 percent in the second quarter of 1994 rose slightly from the first quarter as continued improvements in credit quality and resulting lower credit costs were offset by lower capital markets trading income which declined from the high first quarter levels.

In the second quarter, the Corporate Bank contributed 34 percent of the Institutional Group's earnings with a return on equity of 15.81 percent. The Real Estate group results, driven by improved credit quality, contributed 46 percent of the Institutional Group's earnings with a return on equity of 21.99 percent.

Financial Services, consisting primarily of NationsCredit and Nations Financial Capital Corporation, contributed \$23 million in earnings with a return on equity of 11.82 percent. The return on equity reflected a higher equity to asset ratio necessary to posture this unit for raising funds in the capital markets.

The Other category in Table 2 includes gains on the sales of securities and earnings on unallocated equity.

#### Net Interest Income

Taxable-equivalent net interest income increased \$208 million to \$1.3 billion in the second quarter of 1994 compared to the same period of 1993. The increase was primarily due to higher earning asset levels, particularly average loan and lease levels which increased \$17.3 billion, and reflected solid internal growth as well as acquisitions. The reported net interest yield declined 47 basis points to 3.70 percent in the second quarter of 1994 compared to 1993. The decline was due to the addition of the previously mentioned primary government securities dealer which contributed \$15.7 billion to average earning assets yet added minimally to net interest income. While the Corporation's primary government securities dealer assets are earning assets, its principal revenues are dealer trading revenues which are recorded as noninterest income. Excluding the impact of the primary government securities dealer, the net interest yield in the second quarter of 1994 totaled 4.15 percent, compared to the 4.17-percent yield in the same period in 1993.

Tables 3 and 4 present an analysis of the Corporation's taxable-equivalent net interest income and average balance sheet levels for the last five quarters. Table 5 analyzes changes in net interest income between the second quarter of 1994 and the first quarter of 1994 and the second quarter of 1993.

Tables 6 and 7 present an analysis of net interest income and average balance sheet levels for the six-month periods ended June 30, 1994 and 1993. Taxable-equivalent net interest income increased \$420 million to \$2.6 billion in the first six months of 1994, compared to \$2.2 billion in the first six months of 1993. The increase was primarily due to higher earning asset levels, again reflecting acquisitions as well as internal growth.

The net interest yield declined 47 basis points to 3.69 percent in the first six months of 1994, compared to 4.16 percent in the same period in 1993. Excluding the impact of the primary government securities dealer, the net interest yield in the first six months of 1994 totaled 4.15 percent, compared to the 4.16-percent yield in the same period in 1993. The steady yield reflected the Corporation's management of its interest rate position during the first half of 1994, including deposit pricing actions which, when combined with the increased intermediate and long term interest rates and increases in the prime rate, largely offset the impact of Federal Reserve rate increases occurring during the first six months of 1994.

The yield on average earning assets declined 32 basis points to 6.91 percent from 7.23 percent between the two six-month periods, while the rate on average interest-bearing liabilities increased 16 basis points to 3.68 percent from 3.52 percent. Excluding the impact of the trading assets of the Corporation's securities dealer, the yield on average earning assets declined 11 basis points and the rate paid on average interest-bearing liabilities declined 5 basis points in the first six months of 1994. The lower yields and rates on interest-earning assets and interest-bearing liabilities, respectively, in the first six months of 1994 compared to the same period in 1993 reflect the declining rate environment experienced in 1993, partially offset by the rise in interest rates which occurred in the first half of 1994. The yield on earning assets increased 19 basis points and the rate on interest-bearing liabilities increased 23 basis points during the second quarter of 1994 compared to the first quarter of 1994, reflecting this increasing rate environment.

Acquisitions contributed approximately \$10 billion to average loans in the first six months of 1994 compared to the first six months of 1993. Excluding the impact of acquisitions and the fourth-quarter 1993 \$1.3-billion bank card securitization, average loan levels increased \$9.2 billion, or 12 percent, compared to the first six months of 1993.

Average interest-bearing liabilities increased \$32.1 billion in the first six months of 1994 compared to the first six months of 1993. Borrowed funds and trading liabilities, which include federal funds purchased, securities sold

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under agreements to repurchase and short sales, increased \$22.2 billion resulting, in a large part, from the financing of the primary government securities dealer inventory and trading activities. Long-term debt increased \$4.2 billion principally due to debt acquired in the MNC acquisition and debt securities issued in connection with financing Financial Services. Interest-

bearing deposits increased \$5.7 billion, again principally due to the MNC acquisition. Excluding MNC, average interest-bearing deposits declined \$1.2 billion in the first six months of 1994 compared to the same six months in 1993 primarily in consumer CDs and money market savings accounts, partially offset by increases in consumer savings and foreign time deposits. The decline in interest-bearing deposits was reflective of industry trends and customers seeking higher yielding investment alternatives as rates paid on interest-bearing deposits declined 37 basis points between the two six-month periods.

The Corporation periodically securitizes bank card receivables which changes the involvement of the Corporation from that of a lender to that of a loan servicer. During the first six months of 1994, the Corporation managed an average bank card portfolio of \$5.1 billion, including \$1.3 billion which had been securitized. For the portion of the bank card portfolio securitized, net interest income after credit losses is reported as a servicing fee in noninterest income.

The Corporation's asset and liability management process manages the structure of the balance sheet and off-balance sheet portfolios to maximize net interest income while maintaining acceptable levels of risk to changes in market interest rates.

Interest rate swaps are one of the tools used for interest rate risk management. Utilizing these instruments, the Corporation can adjust its interest rate risk position without exposing itself to principal risk and funding requirements as swaps do not involve the exchange of notional amounts, just net interest payments. The Corporation uses non-leveraged generic, index amortizing and collateralized mortgage obligation (CMO) swaps. Generic swaps involve the exchange of fixed and variable interest rates based on the contractual underlying notional amounts. Index amortizing and CMO swaps involve the exchange of fixed and variable interest rates, however, their notional amounts decline and maturities vary based on certain interest rate indices in the case of index amortizing swaps or mortgage prepayment rates in the case of CMO swaps. Net interest receipts of \$94 million and \$41 million for the six months ended June 30, 1994 and 1993, respectively, and \$38 million and \$27 million for the second quarters of 1994 and 1993, respectively, have been included with interest income on the underlying instruments.

As reflected in Table 8, the notional amount of the asset and liability interest rate swap program on June 30, 1994, was \$18.2 billion with the Corporation receiving fixed on \$17.8 billion of notional amount converting variable rate commercial loans to fixed rate and receiving variable on \$.4 billion converting variable rate liabilities to fixed rate. As reflected in Table 9, the weighted average interest rate received was 4.79 percent and paid was 4.34 percent as of June 30, 1994. Deferred gains and losses relating to any terminated contracts are insignificant.

As more fully disclosed in connection with dealer activities on page 38, credit risk associated with derivatives positions, including interest rate swaps, represents the cost to replace a derivative contract in a gain position. To limit credit risk exposure, the Corporation enters into contracts with investment grade counterparties, makes use of master netting agreements and requires collateral and third party guarantees in some instances. As of June 30, 1994, the amount of credit exposure associated with the asset and liability management interest rate swaps was not material.

The estimated unrealized market value of the Corporation's asset and liability management interest rate swaps on June 30, 1994, was a negative \$611 million compared to a negative \$375 million on March 31, 1994, and approximately zero on December 31, 1993. This decline is consistent with the recent rise in interest rates. The unrealized depreciation in estimated value of the swap portfolio should be viewed in the context of the overall balance sheet. The value of any single component of the balance sheet or off-balance sheet position should not be viewed in isolation. As interest rates rose, the value of core deposits and other fixed rate longer-term liabilities increased to offset the decline in swaps and other fixed rate assets. Management continuously measures the impact of interest rate changes on the estimated value of its assets, liabilities and off-balance sheet instruments. The overall impact of interest rate changes during the second quarter of 1994 on these values is estimated to be insignificant.

Management also measures the impact of actual and potential interest rate changes on the earnings of the Corporation. On December 31, 1993, before the Federal Reserve tightening, the impact of a gradual 100-basis-point rise in rates was estimated to be three percent of net income when compared to stable rates assuming no discretionary management action. As previously mentioned, due to the increases in interest rates, management took deposit pricing actions which, when combined with the increased intermediate and long term interest rates and increase in the prime rate, largely offset the impact of such interest rate increases. On June 30, 1994, assuming no discretionary management action, the impact of a gradual 100-basis-point rise in rates over a one-year period was estimated to be two to three percent of net income when compared to stable rates, again assuming no discretionary management action.

Table 10 represents the Corporation's interest-rate gap position on June

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30, 1994. This is a one-day position which is continually changing and is not necessarily indicative of the Corporation's position at any other time. Additionally, this table indicates only the contractual or anticipated repricing of assets and liabilities and does not consider the many factors that accompany interest rate movements. The Corporation's negative cumulative interest rate gap position in the near term reflects its strong customer-deposit gathering franchise which provides a relatively stable core deposit base. These available funds have been deployed in longer-term interest-earning assets including certain loans and securities.

#### Provision for Credit Losses

The provision for credit losses was \$70 million in the second quarter of 1994, compared to \$110 million in the same period of 1993. For the first six



months of 1994, the provision for credit losses was \$170 million, compared to \$230 million in the same period of 1993. Excluding the impact of acquisitions, nonperforming assets and net charge-offs have declined since the first six months of 1993, indicating continued improvement in credit quality.

#### Nonperforming Assets

On June 30, 1994, nonperforming assets, presented in Table 11, were \$1.4 billion, or 1.48 percent of net loans, leases, factored accounts receivable and other real estate owned, compared to \$1.8 billion, or 1.92 percent, on December 31, 1993, and \$1.7 billion, or 2.15 percent, on June 30, 1993. Excluding the impact of late 1993 acquisitions, nonperforming assets totaled \$1.0 billion on June 30, 1994, a decline of \$634 million from the same period of 1993. On June 30, 1993, prior to its acquisition by the Corporation, MNC nonperforming assets totaled \$710 million, compared to \$302 million on June 30, 1994.

Nonperforming loans were \$936 million at the end of the second quarter of 1994, compared to \$1.1 billion at the end of the same quarter in the previous year. The decline was centered in commercial nonperforming loans which declined \$130 million, or 23 percent, and in real estate commercial and construction nonperforming loans which declined \$68 million, or 17 percent. The reduction in nonperforming loans primarily reflected increased payments and the improved financial condition of borrowers, partially offset by acquisitions.

Other real estate owned, which represents real estate acquired through foreclosure and in-substance foreclosures, totaled \$485 million on June 30, 1994, a decline of \$176 million, or 27 percent, from December 31, 1993, and \$59 million, or 11 percent, from June 30, 1993. Excluding late 1993 acquisitions, other real estate owned declined \$74 million compared to December 31, 1993, and \$201 million compared to June 30, 1993.

The Corporation continues efforts to expedite disposition, collection and renegotiation of nonperforming and other lower quality assets. As a part of this process, the Corporation routinely evaluates all reasonable alternatives, including the sale of assets individually or in groups. The final decision to proceed with any alternative is evaluated in the context of the overall credit-risk profile of the Corporation.

The amount of loans past due 90 days or more that were not classified as nonperforming loans totaled \$90 million on June 30, 1994, compared to \$167 million on December 31, 1993, and \$164 million on June 30, 1993.

#### Allowance for Credit Losses

On June 30, 1994, the allowance for credit losses was \$2.2 billion, or 2.30 percent of loans, leases and factored accounts receivable, compared to \$1.6 billion, or 2.03 percent, on June 30, 1993. Table 12 provides an analysis of the changes in the allowance for credit losses for the three months ended June 30, 1994 and 1993, and the first six months of 1994 and 1993.

Net charge-offs for the first six months of 1994 were \$154 million, or .33 percent of average loans, leases and factored accounts receivable, versus \$177 million, or .47 percent, in the comparable six-month period in 1993. Excluding acquisitions, net charge-offs declined \$45 million when comparing the two six-month periods.

#### Securities Gains

Gains from the sales of securities were \$19 million in the first six months of 1994 compared to \$34 million in the same period of 1993. Gains of \$5 million in the second quarter of 1994 represented a decline of \$17 million compared to the second quarter of 1993.

#### Noninterest Income

Table 13 compares the major categories of noninterest income for the three and six months ended June 30, 1994 and 1993.

Noninterest income totaled \$629 million in the second quarter of 1994, an increase of \$148 million, or 31 percent, from \$481 million in the same quarter of 1993. After adjusting for acquisitions, noninterest income increased \$34 million, or seven percent, in the second quarter of 1994. In the first six months of 1994, noninterest income totaled \$1.3 billion, an increase of \$347 million, or 36 percent, from the \$962 million earned in the same period in

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1992. Again, after adjusting for acquisitions, noninterest income increased approximately nine percent between the periods.

General Bank trust fees and deposit account fees both benefited from the acquisition of MNC. Investment banking income reflected the Institutional Group's strong syndication activity. The increase in bank card income was principally due to the effect of the fourth-quarter 1993 securitization, while the increase in trading account profits and fees was largely attributable to the impact of the CRT acquisition and related capital markets trading activities.

#### Other Real Estate Owned Expense

OREO expense declined \$24 million in the second quarter of 1994 and \$43 million in the first six months of 1994, compared to the same periods in 1993. The declines were consistent with the improvement in asset quality as previously discussed and were due to improved real estate markets and the resulting lower write-downs and increased net gains on sales of OREO properties, compared to the same periods last year.

#### Noninterest Expense

The Corporation's noninterest expense as shown in Table 14 increased \$209 million, or 21 percent, in the second quarter of 1994 compared to the same

quarter in 1993, to a total of \$1.2 billion. Noninterest expense in the second quarter of 1994 increased less than two percent excluding the impact of acquisitions. For the first six months of 1994, noninterest expense increased \$430 million, or 21 percent, compared to the first six months of 1993, to a total of \$2.4 billion. Excluding acquisitions, the year-over-year increase was less than three percent.

Personnel expense, which accounts for 46 percent of noninterest expense, increased \$113 million in the second quarter of 1994 compared to the same quarter in 1993 and \$233 million in the first six months of 1994 compared to the same period of 1993. Excluding acquisitions, personnel expense increased only \$21 million, or five percent, between the two quarters and \$48 million, or five percent, between the two year-to-date periods.

Occupancy expense increased \$15 million in the second quarter of 1994 compared to the second quarter of 1993 and \$37 million in the first six months of 1994 compared to the first six months of 1993. Excluding acquisitions, occupancy expense declined \$2 million between the quarters and increased \$3 million, or one percent, from the first six months of 1993 to the same period in 1994.

The increase in processing expense between the second quarter of 1993 and the second quarter of 1994 and the first six months of 1993 and the first six months of 1994 was primarily due to increased fees resulting from additional outsourcing and acquisitions.

Other general operating expense totaled \$100 million for the second quarter of 1994, a \$15-million increase from the \$85 million recorded in the same period in 1993. For the six months ended June 30, 1994, other general operating expense totaled \$207 million, a \$30-million increase over the same period in the previous year. Excluding acquisitions, other general operating expense declined \$1 million, or one percent, between the quarters and increased \$2 million, or one percent, year-to-date compared to year-to-date.

The efficiency ratio, a key financial management ratio, which measures the relationship of noninterest expense to total revenue, improved to 61.80 percent in the first six months of 1994, compared to 63.21 percent in the same period in 1993. The Corporation places significant emphasis on the management of expense levels.

#### Income Taxes

The Corporation's income tax expense was \$460 million, for an effective rate of 35 percent of pretax income, in the first six months of 1994, compared to \$303 million, for an effective tax rate of 34 percent, in the same period in 1993. A 35-percent rate reflects the Corporation's expectation as to the effective rate for the 1994 year. Income tax expense for the second quarter of 1994 was \$219 million, for an effective rate of 33 percent of pretax income. Tax expense in the same quarter of 1993 was \$158 million, for an effective rate of 34 percent.

#### Analysis of Financial Condition

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Period-end assets were \$164.4 billion and \$123.8 billion on June 30, 1994 and 1993, respectively. Average total assets were \$161.6 billion for the first six months of 1994 compared to \$121.6 billion for the first six months of 1993. The following discussion analyzes the major components of the period-end and average balance sheets.

Cash and cash equivalents increased \$57 million from December 31, 1993, to June 30, 1994, due to increases of \$6.6 billion in cash provided by operating activities and \$2.3 billion in cash provided by financing activities, offset by an \$8.8 billion decrease in cash used by investing activities.

Net cash provided by financing activities totaled \$2.3 billion primarily

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as a result of increases of \$1.7 billion in federal funds purchased and securities sold under agreements to repurchase, \$607 million in deposits and \$817 million in other borrowed funds, partially offset by \$675 million in retirement of long-term debt.

Net cash used by investing activities represented a \$5.4-billion increase in federal funds sold and securities purchased under agreements to resell and \$5.4 billion in net originations of loans and leases.

Table 15 presents an analysis of the major sources and uses of funds for the two six-month periods based on average levels. Customer-based funds increased 10 percent to an average of \$83.5 billion for the first six months of 1994 from \$76.1 billion in the same period of 1993. Customer-based funds represented 51.7 percent of total sources of funds in 1994 down from 62.6 percent in 1993. The Corporation's ratio of average loans to customer-based funds was 110 percent for the first six months of 1994 compared to 98 percent for the first six months of 1993. Market-based funds increased 79 percent to \$54.5 billion in the first six months of 1994 from \$30.4 billion in the same six months of 1993. The change in the composition of sources and uses of funds was driven principally by the Institutional Group's primary securities dealer inventories and trading liabilities and the funding of Financial Services principally through long-term debt.

#### Securities

The securities portfolio on June 30, 1994, consisted of securities held for investment totaling \$14.0 billion and securities held for sale totaling \$14.4 billion.

The estimated average maturity of the combined securities portfolios was 2.25 years, 1.63 years and 1.71 years on June 30, 1994, December 31, 1993, and June 30, 1993, respectively.

The securities portfolio serves a primary role in the overall context of balance sheet management by the Corporation. The portfolio generates substantial interest income and serves as a necessary reservoir of liquidity.

The decision to purchase securities is based upon the current assessment of economic and financial conditions, including the interest rate environment and other on- and off-balance sheet positions.

On June 30, 1994, the Corporation's portfolio of securities held for investment reflected unrealized net depreciation of \$397 million compared to unrealized net appreciation of \$20 million on December 31, 1993, and \$305 million on June 30, 1993.

The valuation reserve for securities held for sale and marketable equity securities included in shareholders' equity was \$103 million on June 30, 1994, reflecting a \$162-million pretax depreciation. The valuation amount increased shareholders' equity by \$104 million on December 31, 1993.

#### Loans

The Corporation's average loan and lease portfolio increased 24 percent to \$92.1 billion in the first six months of 1994, compared to \$74.4 billion in the same period of 1993. Commercial loans increased \$7.3 billion, or 22 percent, to \$40.4 billion in the first six months of 1994. Acquisitions added \$2.7 billion to average real estate commercial and construction loans in the first six months of 1994. Excluding acquisitions, average levels of such loans declined \$398 million between the first six months of 1993 and the same period of 1994.

Residential mortgage loans averaged \$13.8 billion, a \$3.9-billion increase from the first six months in 1993. The increase reflected more originations, a higher retention of adjustable rate mortgages and a slight impact from acquisitions. Other consumer loans increased \$3.5 billion to \$16.9 billion in the first six months of 1994 compared to \$13.4 billion in the same period in 1993. Acquisitions contributed \$1.9 billion, or 55 percent, of the increase in other consumer loans.

Tables 16 and 17 summarize the geographic and property-type distribution of real estate commercial and construction loans and OREO as of June 30, 1994. These real estate loans totaled \$10.8 billion, or 11 percent of total loans, leases and factored accounts receivable on that date. Of these loans, \$338 million were nonperforming. During the first six months of 1994, the Corporation recorded real estate commercial and construction net charge-offs of \$1 million, compared to \$28 million in the same period in 1993.

#### Capital

Shareholders' equity on June 30, 1994, was \$10.473 billion compared to \$9.979 billion on December 31, 1993, and \$8.459 billion on June 30, 1993. During the first quarter of 1994, the Corporation repurchased and redeemed its Series CC and Series DD preferred stock, reducing shareholders' equity approximately \$94 million. The acquisition of CCNB included the issuance of 2.6 million shares of common stock and an increase of \$62 million in shareholders' equity in the first six months of 1994. As previously mentioned, the valuation reserve for securities held for sale and marketable equity securities reduced shareholders' equity \$207 million between December 31, 1993, and June 30, 1994.

On July 27, 1994, the Board of Directors authorized the Corporation during the next 12 months to purchase from time to time in the open market

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(i) up to 10 million shares of its common stock representing the number of shares of common stock it intends to issue for its Dividend Reinvestment and Stock Purchase Plan and its various employee benefit plans and (ii) up to 1.05 million shares of common stock to be issued in connection with its acquisition of RHNB Corporation.

The Corporation's Tier 1 ratio was 7.63 percent on June 30, 1994 and 1993. The total risk-based capital ratio was 11.57 percent compared to 11.75 percent in 1993. Both of these measures compare favorably with the regulatory minimums of four percent for Tier 1 and eight percent for total risk-based capital. The Tier 1 leverage ratio standard states a minimum ratio of three percent, although most banking organizations are expected to maintain ratios of at least 100 to 200 basis points above the three-percent minimum. The Corporation's leverage ratio was 6.38 percent on June 30, 1994, compared to 6.34 percent on June 30, 1993.

#### Derivatives - Dealer Positions

The Corporation offers a number of products to its customers to help them manage the interest rate, currency and price-risk sensitivity of their assets and liabilities. The Corporation also enters into similar transactions for its own account as part of its trading activity. Table 18 summarizes the notional principal amounts of such derivative dealer positions on June 30, 1994, and December 31, 1993.

The contract amounts reflected in Table 18 indicate the notional principal amount of such transactions. These figures do not reflect the actual dollar amount of the Corporation's market or credit risk associated with these instruments, which is significantly lower than the notional principal amount. Market risk arises due to fluctuations in interest rates and market prices that may result in changes in the value of derivatives instruments. The Corporation manages its exposure to market risk by imposing limits on the specific and aggregate risk positions traders may take. Position limits are set by senior management and positions are monitored on a daily basis. Additionally, the Corporation manages market risk by adjusting its portfolio of customer and corporate derivative dealer positions when necessary, including entering into offsetting positions when appropriate.

Credit risk represents the replacement cost the Corporation could incur should 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 to the Corporation. Such aggregate amounts measured by the Corporation as the gross positive replacement cost on June 30 and March 31, 1994, and December 31, 1993,

were \$1.8 billion, \$1.3 billion and \$956 million, respectively. Included in such aggregate amounts were \$551 million, \$477 million and \$343 million on June 30 and March 31, 1994, and December 31, 1993, respectively, related to exchange traded instruments for which the credit risk to the Corporation is minimal. To reduce credit risk, counterparties are subject to the credit approval and credit monitoring policies and procedures of the Corporation. Certain instruments require the Corporation or the counterparty to maintain collateral for all or part of the exposure. Generally, such collateral is in the form of cash or other highly liquid instruments. Limits for exposure to any particular counterparty are established and monitored. In certain jurisdictions, counterparty risk may also be reduced through the use of master netting arrangements which allow the Corporation to close out and settle positions with the same counterparty on a net basis.

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<TABLE>

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Table 1

Selected Operating Results

(Dollars in Millions Except Per-Share Information)

|   | Three Months<br>Ended June 30 |          | Six Months<br>Ended June 30 |         |
|---|-------------------------------|----------|-----------------------------|---------|
|   | 1994                          | 1993     | 1994                        | 1993    |
| <S>   | <C>                           | <C>      | <C>                         | <C>     |
| Income from earning assets.....   | \$2,512                       | \$1,932  | \$4,910                     | \$3,828 |
| Interest expense.....   | 1,195                         | 821      | 2,305                       | 1,642   |
| Net interest income (taxable-equivalent).....   | 1,339                         | 1,131    | 2,649                       | 2,229   |
| Net interest income.....  | 1,317                         | 1,111    | 2,605                       | 2,186   |
| Provision for credit losses.....  | 70                            | 110      | 170                         | 230     |
| Gains on sales of securities.....   | 5                             | 22       | 19                          | 34      |
| Noninterest income.....   | 629                           | 481      | 1,309                       | 962     |
| Other real estate owned expense.....  | (3)                           | 21       | 2                           | 45      |
| Noninterest expense.....  | 1,228                         | 1,019    | 2,447                       | 2,017   |
| Income before income taxes and effect of change in method of<br>accounting for income taxes.....                            | 656                           | 464      | 1,314                       | 890     |
| Income tax expense.....   | 219                           | 158      | 460                         | 303     |
| Income before effect of change in method of accounting for income taxes...  | 437                           | 306      | 854                         | 587     |
| Effect of change in method of accounting for income taxes.....  | -                             | -        | -                           | 200     |
| Net income.....   | 437                           | 306      | 854                         | 787     |
| Earnings per common share before effect of change in method of<br>accounting for income taxes.....                          | 1.58                          | 1.20     | 3.10                        | 2.30    |
| Earnings per common share.....  | 1.58                          | 1.20     | 3.10                        | 3.09    |
| Yield on average earning assets.....  | 7.00 %                        | 7.09 %   | 6.91 %                      | 7.16 %  |
| Rate on average interest-bearing liabilities.....   | 3.80                          | 3.35     | 3.68                        | 3.42    |
| Net interest spread.....  | 3.20                          | 3.74     | 3.23                        | 3.74    |
| Net interest yield.....   | 3.70                          | 4.17     | 3.69                        | 4.16    |
| Return on average common shareholders' equity before effect of change<br>in method of accounting for income taxes <F1>..... | 17.04                         | 14.65    | 16.93                       | 14.48   |
| Return on average common shareholders' equity <F1>.....   | 17.04                         | 14.65    | 16.93                       | 19.45   |
| Market price per share of common stock  |                               |          |                             |         |
| High for the period.....  | \$57 3/8                      | \$57 7/8 | \$57 3/8                    | \$58    |
| Low for the period.....   | 44 1/2                        | 45       | 44 3/8                      | 45      |
| Closing price.....  | 51 3/8                        | 49 5/8   | 51 3/8                      | 49 5/8  |
| Risk-based capital ratios   |                               |          |                             |         |
| Tier 1.....   | 7.63 %                        | 7.63 %   |                             |         |
| Total.....  | 11.57                         | 11.75    |                             |         |

<FN>

<F1>Average common shareholders' equity does not include the effect of fair value adjustments to securities held for sale and marketable equity securities.

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Table 2

Customer Group Summary

1994

(Dollars in Millions)

|   | General<br>Bank   |                  | Institutional<br>Group |                  | Financial<br>Services |                  | Other             |                  |
|---|-------------------|------------------|------------------------|------------------|-----------------------|------------------|-------------------|------------------|
|   | Second<br>Quarter | First<br>Quarter | Second<br>Quarter      | First<br>Quarter | Second<br>Quarter     | First<br>Quarter | Second<br>Quarter | First<br>Quarter |
| <S>   | <C>               | <C>              | <C>                    | <C>              | <C>                   | <C>              | <C>               | <C>              |
| Net interest income (taxable-equivalent)... | \$ 934            | \$ 916           | \$ 297                 | \$ 296           | \$ 101                | \$ 93            | \$ 7              | \$ 5             |
| Noninterest income.....                     | 429               | 423              | 185                    | 239              | 15                    | 18               | -                 | -                |
| Total revenue.....                          | 1,363             | 1,339            | 482                    | 535              | 116                   | 111              | 7                 | 5                |
| Provision for credit losses.....            | 75                | 78               | (30)                   | 7                | 25                    | 15               | -                 | -                |
| Gains on sales of securities.....           | -                 | -                | -                      | -                | -                     | -                | 5                 | 14               |
| Other real estate owned expense.....        | -                 | 4                | (4)                    | -                | 2                     | 1                | -                 | -                |
| Noninterest expense.....                    | 907               | 901              | 268                    | 266              | 51                    | 53               | -                 | -                |
| Income before taxes.....                    | 381               | 356              | 248                    | 262              | 38                    | 42               | 12                | 19               |
| Income tax expense.....                     | 135               | 137              | 87                     | 101              | 15                    | 17               | 5                 | 7                |

|                 |        |        |        |        |       |       |      |      |
|-----------------|--------|--------|--------|--------|-------|-------|------|------|
| Net income..... | \$ 246 | \$ 219 | \$ 161 | \$ 161 | \$ 23 | \$ 25 | \$ 7 | \$12 |
|-----------------|--------|--------|--------|--------|-------|-------|------|------|

|                         |         |         |            |            |         |         |
|-------------------------|---------|---------|------------|------------|---------|---------|
| Net interest yield..... | 4.85 %  | 4.77 %  | 2.79 %<F1> | 2.83 %<F1> | 7.51 %  | 7.31 %  |
| Efficiency ratio.....   | 66.57 % | 67.30 % | 55.59 %    | 49.63 %    | 44.37 % | 47.67 % |
| Return on equity.....   | 19.48   | 17.40   | 17.16      | 16.95      | 11.82   | 13.55   |

Average <F2>

|   |          |          |          |          |         |         |
|---|----------|----------|----------|----------|---------|---------|
| Total loans and leases, net of unearned income..... | \$57,319 | \$55,857 | \$30,147 | \$30,839 | \$5,369 | \$5,131 |
| Total deposits.....                                 | 76,589   | 77,017   | 10,411   | 9,697    | -       | -       |
| Total assets.....                                   | 82,241   | 82,859   | 65,193   | 65,393   | 5,906   | 5,728   |

Period end <F2>

|   |        |        |        |        |       |       |
|---|--------|--------|--------|--------|-------|-------|
| Total loans and leases, net of unearned income..... | 58,483 | 56,532 | 30,526 | 30,587 | 5,477 | 5,283 |
| Total deposits.....                                 | 76,165 | 77,819 | 11,276 | 9,069  | -     | -     |

<FN>

<F1>Institutional Group's net interest yield excludes the impact of the primary government securities dealer. Including the primary

government securities dealer, the net interest yield was 2.04 percent for both periods.

<F2>The sums of balance sheet amounts will differ from consolidated amounts due to intercompany balances.

</TABLE>

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Table 3  
Quarterly Taxable-Equivalent Data  
(Dollars in Millions)

|   | Second Quarter 1994         |              |                  | First Quarter 1994          |              |                  | Fourth Quarter 1993         |              |                  |
|---|-----------------------------|--------------|------------------|-----------------------------|--------------|------------------|-----------------------------|--------------|------------------|
|   | Average<br>Balance<br>Sheet | Income<br>or | Yields/<br>Rates | Average<br>Balance<br>Sheet | Income<br>or | Yields/<br>Rates | Average<br>Balance<br>Sheet | Income<br>or | Yields/<br>Rates |
|   | Amounts                     | Expense      |                  | Amounts                     | Expense      |                  | Amounts                     | Expense      |                  |
|   | <C>                         | <C>          | <C>              | <C>                         | <C>          | <C>              | <C>                         | <C>          | <C>              |
| <b>Earning assets</b>   |                             |              |                  |                             |              |                  |                             |              |                  |
| Loans and leases, net of unearned income <F1>                               |                             |              |                  |                             |              |                  |                             |              |                  |
| Commercial <F2>.....  | \$ 40,339                   | \$ 765       | 7.61 %           | \$ 40,421                   | \$ 722       | 7.24 %           | \$ 39,233                   | \$ 702       | 7.10             |
| %   |                             |              |                  |                             |              |                  |                             |              |                  |
| Real estate commercial.....   | 7,955                       | 157          | 7.92             | 8,419                       | 158          | 7.61             | 7,915                       | 150          | 7.51             |
| Real estate construction.....   | 3,226                       | 68           | 8.42             | 3,253                       | 62           | 7.73             | 3,260                       | 64           | 7.77             |
| Total commercial.....   | 51,520                      | 990          | 7.71             | 52,093                      | 942          | 7.33             | 50,408                      | 916          | 7.21             |
| Residential mortgage.....   | 14,329                      | 270          | 7.53             | 13,340                      | 254          | 7.63             | 12,663                      | 249          | 7.85             |
| Home equity.....  | 2,480                       | 46           | 7.41             | 2,547                       | 45           | 7.11             | 2,586                       | 47           | 7.24             |
| Bank card.....  | 3,783                       | 115          | 12.27            | 3,673                       | 121          | 13.32            | 4,593                       | 150          | 12.97            |
| Other consumer.....   | 17,060                      | 397          | 9.33             | 16,806                      | 390          | 9.41             | 16,072                      | 378          | 9.33             |
| Total consumer.....   | 37,652                      | 828          | 8.82             | 36,366                      | 810          | 8.99             | 35,914                      | 824          | 9.12             |
| Foreign.....  | 1,287                       | 18           | 5.73             | 1,157                       | 15           | 5.15             | 931                         | 13           | 5.82             |
| Lease financing.....  | 2,146                       | 38           | 7.10             | 1,992                       | 36           | 7.29             | 1,894                       | 35           | 7.41             |
| Total loans and leases, net.....  | 92,605                      | 1,874        | 8.12             | 91,608                      | 1,803        | 7.96             | 89,147                      | 1,788        | 7.97             |
| <b>Securities</b>   |                             |              |                  |                             |              |                  |                             |              |                  |
| Held for investment.....  | 14,009                      | 167          | 4.79             | 12,714                      | 152          | 4.82             | 27,273                      | 354          | 5.16             |
| Held for sale <F3>.....   | 14,829                      | 191          | 5.16             | 14,545                      | 184          | 5.12             | 2,211                       | 26           | 4.69             |
| Total securities.....   | 28,838                      | 358          | 4.98             | 27,259                      | 336          | 4.98             | 29,484                      | 380          | 5.13             |
| Loans held for sale.....  | 392                         | 6            | 6.49             | 681                         | 11           | 6.46             | 961                         | 16           | 6.54             |
| Federal funds sold and securities purchased under agreements to resell..... | 11,780                      | 108          | 3.64             | 12,073                      | 87           | 2.95             | 8,237                       | 64           | 3.08             |
| Time deposits placed and other short-term investments.....                  | 1,211                       | 15           | 4.96             | 1,375                       | 14           | 4.12             | 2,238                       | 20           | 3.71             |
| Trading account assets.....   | 10,265                      | 173          | 6.75             | 10,738                      | 169          | 6.39             | 9,590                       | 150          | 6.19             |
| Total earning assets.....   | 145,091                     | 2,534        | 7.00             | 143,734                     | 2,420        | 6.81             | 139,657                     | 2,418        | 6.88             |
| Cash and cash equivalents.....  | 8,051                       |              |                  | 7,976                       |              |                  | 8,318                       |              |                  |
| Factored accounts receivable.....   | 1,599                       |              |                  | 1,016                       |              |                  | 1,207                       |              |                  |
| Other assets, less allowance for credit losses.....                         | 7,248                       |              |                  | 8,568                       |              |                  | 8,608                       |              |                  |
| Total assets.....   | \$161,989                   |              |                  | \$161,294                   |              |                  | \$157,790                   |              |                  |
| <b>Interest-bearing liabilities</b>   |                             |              |                  |                             |              |                  |                             |              |                  |
| Savings.....  | \$ 9,181                    | 53           | 2.30             | \$ 8,879                    | 51           | 2.33             | \$ 8,542                    | 52           | 2.45             |
| NOW and money market deposit accounts.....                                  | 29,816                      | 166          | 2.24             | 30,140                      | 161          | 2.17             | 30,383                      | 168          | 2.20             |
| Consumer CDs and IRAs.....  | 22,855                      | 231          | 4.02             | 23,295                      | 234          | 4.09             | 23,813                      | 246          | 4.10             |
| Negotiated CDs, public funds and other time deposits.....                   | 3,574                       | 33           | 3.80             | 3,664                       | 31           | 3.44             | 3,717                       | 32           | 3.36             |
| Foreign time deposits.....  | 5,691                       | 63           | 4.49             | 4,385                       | 42           | 3.86             | 4,031                       | 39           | 3.80             |
| Borrowed funds and trading liabilities.....                                 | 47,122                      | 514          | 4.38             | 47,336                      | 454          | 3.89             | 44,188                      | 421          | 3.74             |

|  |           |       |      |           |       |      |           |       |      |
|--|-----------|-------|------|-----------|-------|------|-----------|-------|------|
| Long-term debt and capital leases.....           | 7,952     | 135   | 6.75 | 8,308     | 137   | 6.61 | 8,233     | 134   | 6.52 |
| Total interest-bearing liabilities.....          | 126,191   | 1,195 | 3.80 | 126,007   | 1,110 | 3.57 | 122,907   | 1,092 | 3.53 |
| Noninterest-bearing sources                      |           |       |      |           |       |      |           |       |      |
| Noninterest-bearing deposits.....                | 20,241    |       |      | 19,897    |       |      | 19,852    |       |      |
| Other liabilities.....                           | 5,285     |       |      | 5,310     |       |      | 5,362     |       |      |
| Shareholders' equity.....                        | 10,272    |       |      | 10,080    |       |      | 9,669     |       |      |
| Total liabilities and shareholders' equity..     | \$161,989 |       |      | \$161,294 |       |      | \$157,790 |       |      |
| Net interest spread.....                         |           |       | 3.20 |           |       | 3.24 |           |       | 3.35 |
| Impact of noninterest-bearing sources.....       |           |       | 0.50 |           |       | 0.45 |           |       | 0.42 |
| Net interest income/yield on earning assets..... | \$1,339   |       | 3.70 | \$1,310   |       | 3.69 | \$1,326   |       | 3.77 |

<FN>

<F1>Nonperforming loans are included in the respective average loan balances. Income on such nonperforming loans is recognized on a cash basis.

<F2>Commercial loan interest income includes net interest rate swap revenues related to the asset and liability management interest

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rate swap program. Such amounts were \$38 and \$56 in the second and first quarters of 1994, respectively and \$42, \$37 and \$27 in

the fourth, third and second quarters of 1993, respectively.

<F3>The average balance sheet amounts and yields on securities held for sale are based on the average of historical amortized cost

balances not on the average of fair value balances reported in the financial statements.

</TABLE>

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Table 3  
Quarterly Taxable-Equivalent Data  
(Dollars in Millions)

|  | Third Quarter 1993                     |                         |                  | Second Quarter 1993                    |                         |                  |
|--|--|-------------------------|------------------|--|-------------------------|------------------|
|  | Average<br>Balance<br>Sheet<br>Amounts | Income<br>or<br>Expense | Yields/<br>Rates | Average<br>Balance<br>Sheet<br>Amounts | Income<br>or<br>Expense | Yields/<br>Rates |
| <S>  | <C>                                    | <C>                     | <C>              | <C>                                    | <C>                     | <C>              |
| Earning assets   |  |                         |                  |  |                         |                  |
| Loans and leases, net of unearned income <F1>                                  |  |                         |                  |  |                         |                  |
| Commercial <F2>.....   | \$ 34,674                              | \$ 613                  | 7.02 %           | \$ 33,320                              | \$ 570                  | 6.86 %           |
| Real estate commercial.....  | 6,065                                  | 115                     | 7.54             | 6,278                                  | 122                     | 7.74             |
| Real estate construction.....  | 2,663                                  | 53                      | 7.86             | 2,729                                  | 50                      | 7.38             |
| Total commercial.....  | 43,402                                 | 781                     | 7.14             | 42,327                                 | 742                     | 7.02             |
| Residential mortgage.....  | 11,054                                 | 226                     | 8.17             | 10,391                                 | 220                     | 8.47             |
| Home equity.....   | 2,004                                  | 36                      | 7.20             | 2,045                                  | 36                      | 7.17             |
| Bank card.....   | 4,435                                  | 153                     | 13.65            | 4,309                                  | 148                     | 13.82            |
| Other consumer.....  | 14,237                                 | 337                     | 9.41             | 13,691                                 | 333                     | 9.75             |
| Total consumer.....  | 31,730                                 | 752                     | 9.43             | 30,436                                 | 737                     | 9.72             |
| Foreign.....   | 1,015                                  | 13                      | 5.07             | 972                                    | 13                      | 5.34             |
| Lease financing.....   | 1,656                                  | 38                      | 8.95             | 1,586                                  | 30                      | 7.64             |
| Total loans and leases, net.....   | 77,803                                 | 1,584                   | 8.09             | 75,321                                 | 1,522                   | 8.10             |
| Securities   |  |                         |                  |  |                         |                  |
| Held for investment.....   | 23,167                                 | 313                     | 5.36             | 24,848                                 | 351                     | 5.66             |
| Held for sale <F3>.....  | 1,308                                  | 16                      | 4.93             | 52                                     | 1                       | 5.57             |
| Total securities.....  | 24,475                                 | 329                     | 5.34             | 24,900                                 | 352                     | 5.65             |
| Loans held for sale.....   | 905                                    | 15                      | 6.94             | 642                                    | 11                      | 6.68             |
| Federal funds sold and securities purchased<br>under agreements to resell..... | 7,513                                  | 66                      | 3.46             | 4,559                                  | 33                      | 2.96             |
| Time deposits placed and other short-term<br>investments.....                  | 1,888                                  | 18                      | 3.74             | 2,029                                  | 20                      | 3.91             |
| Trading account assets.....  | 8,563                                  | 112                     | 5.22             | 1,430                                  | 14                      | 4.01             |
| Total earning assets.....  | 121,147                                | 2,124                   | 6.96             | 108,881                                | 1,952                   | 7.19             |
| Cash and cash equivalents.....   | 7,008                                  |                         |                  | 6,886                                  |                         |                  |
| Factored accounts receivable.....  | 1,115                                  |                         |                  | 1,035                                  |                         |                  |
| Other assets, less allowance for credit losses.....                            | 6,925                                  |                         |                  | 6,008                                  |                         |                  |
| Total assets.....  | \$136,195                              |                         |                  | \$122,810                              |                         |                  |
| Interest-bearing liabilities   |  |                         |                  |  |                         |                  |
| Savings.....   | \$ 6,411                               | 39                      | 2.37             | \$ 6,180                               | 36                      | 2.34             |
| NOW and money market deposit accounts.....                                     | 27,873                                 | 156                     | 2.22             | 28,137                                 | 157                     | 2.24             |
| Consumer CDs and IRAs.....   | 22,512                                 | 253                     | 4.44             | 23,353                                 | 272                     | 4.68             |
| Negotiated CDs, public funds and other<br>time deposits.....                   | 3,863                                  | 36                      | 3.85             | 4,480                                  | 45                      | 4.00             |
| Foreign time deposits.....   | 2,994                                  | 30                      | 4.05             | 2,531                                  | 27                      | 4.20             |
| Borrowed funds and trading liabilities.....                                    | 38,662                                 | 347                     | 3.57             | 26,069                                 | 200                     | 3.07             |

|  |           |     |      |           |     |      |
|--|-----------|-----|------|-----------|-----|------|
| Long-term debt and capital leases.....           | 4,850     | 95  | 7.81 | 4,154     | 84  | 8.10 |
| Total interest-bearing liabilities.....          | 107,165   | 956 | 3.54 | 94,904    | 821 | 3.47 |
| Noninterest-bearing sources                      |           |     |      |           |     |      |
| Noninterest-bearing deposits.....                | 16,751    |     |      | 16,583    |     |      |
| Other liabilities.....                           | 3,637     |     |      | 2,979     |     |      |
| Shareholders' equity.....                        | 8,642     |     |      | 8,344     |     |      |
| Total liabilities and shareholders' equity..     | \$136,195 |     |      | \$122,810 |     |      |
| Net interest spread.....                         |           |     | 3.42 |           |     | 3.72 |
| Impact of noninterest-bearing sources.....       |           |     | 0.41 |           |     | 0.45 |
| Net interest income/yield on earning assets..... | \$1,168   |     | 3.83 | \$1,131   |     | 4.17 |

<FN>

<F1>Nonperforming loans are included in the respective average loan balances. Income on such nonperforming loans is recognized on a cash basis.

<F2>Commercial loan interest income includes net interest rate swap revenues related to the asset and liability management interest

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rate swap program. Such amounts were \$38 and \$56 in the second and first quarters of 1994, respectively and \$42, \$37 and \$27 in the fourth, third and second quarters of 1993, respectively.

<F3>The average balance sheet amounts and yields on securities held for sale are based on the average of historical amortized cost

balances not on the average of fair value balances reported in the financial statements.

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Table 4  
Quarterly Taxable-Equivalent Adjustment  
(Dollars in Millions)

|  | 1994           |               |                | 1993          |                |
|--|----------------|---------------|----------------|---------------|----------------|
|  | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter |
| <S>  | <C>            | <C>           | <C>            | <C>           | <C>            |
| Interest income--book basis.....                 | \$2,512        | \$2,398       | \$2,395        | \$2,104       | \$1,932        |
| Add taxable-equivalent adjustment.....           | 22             | 22            | 23             | 20            | 20             |
| Interest income--taxable-equivalent basis.....   | 2,534          | 2,420         | 2,418          | 2,124         | 1,952          |
| Interest expense.....                            | 1,195          | 1,110         | 1,092          | 956           | 821            |
| Net interest income--taxable-equivalent basis... | \$1,339        | \$1,310       | \$1,326        | \$1,168       | \$1,131        |

</TABLE>

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Table 5  
Changes in Taxable-Equivalent Net Interest Income  
(Dollars in Millions)

|  | From First Quarter 1994<br>to Second Quarter 1994            |              |                                      |       | From Second Quarter 1993<br>to Second Quarter 1994           |              |                                      |        |
|--|--|--------------|--------------------------------------|-------|--|--------------|--------------------------------------|--------|
|  | Increase (Decrease)<br>in Income/Expense<br>Due to Change in |              |                                      |       | Increase (Decrease)<br>in Income/Expense<br>Due to Change in |              |                                      |        |
|  | Average Levels   | Yields/Rates | Percentage Increase (Decrease) Total |       | Average Levels   | Yields/Rates | Percentage Increase (Decrease) Total |        |
| <S>                                      | <C>  | <C>          | <C>                                  | <C>   | <C>  | <C>          | <C>                                  | <C>    |
| Income from earning assets               |  |              |                                      |       |  |              |                                      |        |
| Loans and leases, net of unearned income |  |              |                                      |       |  |              |                                      |        |
| Commercial.....                          | \$ (1)   | \$ 44        | \$ 43                                | 6.0 % | \$ 129   | \$ 66        | \$ 195                               | 34.2 % |
| Real estate commercial.....              | (9)  | 8            | (1)                                  | (0.6) | 33   | 2            | 35                                   | 28.7   |
| Real estate construction.....            | (1)  | 7            | 6                                    | 9.7   | 10   | 8            | 18                                   | 36.0   |
| Total commercial.....                    | (10)   | 58           | 48                                   | 5.1   | 172  | 76           | 248                                  | 33.4   |
| Residential mortgage.....                | 19   | (3)          | 16                                   | 6.3   | 76   | (26)         | 50                                   | 22.7   |
| Home equity.....                         | (1)  | 2            | 1                                    | 2.2   | 8  | 2            | 10                                   | 27.8   |
| Bank card.....                           | 4  | (10)         | (6)                                  | (5.0) | (17)   | (16)         | (33)                                 | (22.3) |
| Other consumer.....                      | 6  | 1            | 7                                    | 1.8   | 79   | (15)         | 64                                   | 19.2   |
| Total consumer.....                      | 28   | (10)         | 18                                   | 2.2   | 163  | (72)         | 91                                   | 12.3   |
| Foreign.....                             | 2  | 1            | 3                                    | 20.0  | 4  | 1            | 5                                    | 38.5   |
| Lease financing.....                     | 3  | (1)          | 2                                    | 5.6   | 10   | (2)          | 8                                    | 26.7   |
| Total loans and leases, net.....         | 20   | 51           | 71                                   | 3.9   | 350  | 2            | 352                                  | 23.1   |
| Securities                               |  |              |                                      |       |  |              |                                      |        |
| Held for investment.....                 | 15   | -            | 15                                   | 9.9   | (136)  | (48)         | (184)                                | (52.4) |
| Held for sale.....                       | 4  | 3            | 7                                    | 3.8   | 190  | -            | 190                                  | n/m    |

|  |     |     |       |        |     |       |        |        |
|--|-----|-----|-------|--------|-----|-------|--------|--------|
| Total securities.....  | 22  | -   | 22    | 6.5    | 52  | (46)  | 6      | 1.7    |
| Loans held for sale.....   | (5) | -   | (5)   | (45.5) | (4) | (1)   | (5)    | (45.5) |
| Federal funds sold and securities purchased<br>under agreements to resell..... | (2) | 23  | 21    | 24.1   | 64  | 11    | 75     | 227.3  |
| Time deposits placed and other short-term<br>investments.....                  | (2) | 3   | 1     | 7.1    | (9) | 4     | (5)    | (25.0) |
| Trading account assets.....  | (8) | 12  | 4     | 2.4    | 142 | 17    | 159    | n/m    |
| Total interest income.....   | 23  | 91  | 114   | 4.7    | 634 | (52)  | 582    | 29.8   |
| Interest expense   |     |     |       |        |     |       |        |        |
| Savings.....   | 2   | -   | 2     | 3.9    | 17  | -     | 17     | 47.2   |
| NOW and money market deposit accounts.....                                     | (2) | 7   | 5     | 3.1    | 9   | -     | 9      | 5.7    |
| Consumer CDs and IRAs.....   | (2) | (1) | (3)   | (1.3)  | (6) | (35)  | (41)   | (15.1) |
| Negotiated CDs, public funds and other<br>time deposits.....                   | (1) | 3   | 2     | 6.5    | (9) | (3)   | (12)   | (26.7) |
| Foreign time deposits.....   | 14  | 7   | 21    | 50.0   | 35  | 1     | 36     | 133.3  |
| Borrowed funds and trading liabilities.....                                    | (2) | 62  | 60    | 13.2   | 206 | 108   | 314    | 157.0  |
| Long-term debt and capital leases.....   | (6) | 4   | (2)   | (1.5)  | 66  | (15)  | 51     | 60.7   |
| Total interest expense.....  | 2   | 83  | 85    | 7.7    | 291 | 83    | 374    | 45.6   |
| Net interest income.....   | 12  | 17  | \$ 29 | 2.2    | 345 | (137) | \$ 208 | 18.4   |

n/m - not meaningful.

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Table 6

Six Month Taxable-Equivalent Data

(Dollars in Millions)

| Six Months Ended June 30   |                         |                  |        |  |                         |                  |  |
|--|-------------------------|------------------|--------|--|-------------------------|------------------|--|
| 1994   |                         |                  |        | 1993                                   |                         |                  |  |
| Average<br>Balance<br>Sheet<br>Amounts   | Income<br>or<br>Expense | Yields/<br>Rates |        | Average<br>Balance<br>Sheet<br>Amounts | Income<br>or<br>Expense | Yields/<br>Rates |  |
| <C>  | <C>                     | <C>              |        | <C>                                    | <C>                     | <C>              |  |
| Earning assets   |                         |                  |        |  |                         |                  |  |
| Loans and leases, net of unearned income <F1>                                  |                         |                  |        |  |                         |                  |  |
| Commercial <F2>.....   | \$ 40,380               | \$1,487          | 7.43 % | \$ 33,114                              | \$1,123                 | 6.84 %           |  |
| Real estate commercial.....  | 8,186                   | 315              | 7.76   | 6,338                                  | 241                     | 7.66             |  |
| Real estate construction.....  | 3,239                   | 130              | 8.07   | 2,825                                  | 100                     | 7.16             |  |
| Total commercial.....  | 51,805                  | 1,932            | 7.52   | 42,277                                 | 1,464                   | 6.98             |  |
| Residential mortgage.....  | 13,837                  | 524              | 7.57   | 9,933                                  | 427                     | 8.60             |  |
| Home equity.....   | 2,514                   | 91               | 7.26   | 2,049                                  | 72                      | 7.06             |  |
| Bank card.....   | 3,728                   | 236              | 12.79  | 4,237                                  | 293                     | 13.93            |  |
| Other consumer.....  | 16,934                  | 787              | 9.37   | 13,410                                 | 651                     | 9.78             |  |
| Total consumer.....  | 37,013                  | 1,638            | 8.90   | 29,629                                 | 1,443                   | 9.79             |  |
| Foreign.....   | 1,222                   | 33               | 5.46   | 949                                    | 26                      | 5.56             |  |
| Lease financing.....   | 2,069                   | 74               | 7.19   | 1,563                                  | 60                      | 7.77             |  |
| Total loans and leases, net.....   | 92,109                  | 3,677            | 8.04   | 74,418                                 | 2,993                   | 8.10             |  |
| Securities   |                         |                  |        |  |                         |                  |  |
| Held for investment.....   | 13,365                  | 319              | 4.80   | 24,420                                 | 708                     | 5.85             |  |
| Held for sale <F3>.....  | 14,688                  | 375              | 5.14   | 263                                    | 7                       | 5.14             |  |
| Total securities.....  | 28,053                  | 694              | 4.98   | 24,683                                 | 715                     | 5.83             |  |
| Loans held for sale.....   | 536                     | 17               | 6.48   | 645                                    | 22                      | 6.75             |  |
| Federal funds sold and securities purchased<br>under agreements to resell..... | 11,925                  | 195              | 3.29   | 4,194                                  | 64                      | 3.08             |  |
| Time deposits placed and other short-term investments...                       | 1,293                   | 29               | 4.52   | 2,011                                  | 41                      | 4.09             |  |
| Trading account securities.....  | 10,500                  | 342              | 6.56   | 1,829                                  | 36                      | 3.95             |  |
| Total earning assets.....  | 144,416                 | 4,954            | 6.91   | 107,780                                | 3,871                   | 7.23             |  |
| Cash and cash equivalents.....   | 8,014                   |                  |        | 6,880                                  |                         |                  |  |
| Factored accounts receivable.....  | 1,309                   |                  |        | 985                                    |                         |                  |  |
| Other assets, less allowance for credit losses.....                            | 7,904                   |                  |        | 5,954                                  |                         |                  |  |
| Total assets.....  | \$161,643               |                  |        | \$121,599                              |                         |                  |  |
| Interest-bearing liabilities   |                         |                  |        |  |                         |                  |  |
| Savings.....   | \$ 9,031                | 104              | 2.31   | \$ 6,061                               | 70                      | 2.34             |  |
| NOW and money market deposit accounts.....                                     | 29,977                  | 327              | 2.20   | 28,146                                 | 317                     | 2.27             |  |
| Consumer CDs and IRAs.....   | 23,074                  | 464              | 4.05   | 23,615                                 | 558                     | 4.77             |  |
| Negotiable CDs, public funds and other time deposits....                       | 3,618                   | 65               | 3.62   | 4,639                                  | 99                      | 4.26             |  |
| Foreign time deposits.....   | 5,041                   | 105              | 4.22   | 2,546                                  | 54                      | 4.25             |  |
| Borrowed funds and trading liabilities.....                                    | 47,228                  | 968              | 4.13   | 25,027                                 | 381                     | 3.07             |  |



|  |           |       |      |           |       |      |
|--|-----------|-------|------|-----------|-------|------|
| Long-term debt and capital leases.....           | 8,129     | 272   | 6.68 | 3,973     | 163   | 8.20 |
|  | -----     | ----- |      | -----     | ----- |      |
| Total interest-bearing liabilities.....          | 126,098   | 2,305 | 3.68 | 94,007    | 1,642 | 3.52 |
| Noninterest-bearing sources                      |           |       |      |           |       |      |
| Demand deposits.....                             | 20,070    |       |      | 16,534    |       |      |
| Other liabilities.....                           | 5,298     |       |      | 2,920     |       |      |
| Shareholders' equity.....                        | 10,177    |       |      | 8,138     |       |      |
|  | -----     |       |      | -----     |       |      |
| Total liabilities and shareholders' equity.....  | \$161,643 |       |      | \$121,599 |       |      |
|  | =====     |       |      | =====     |       |      |
| Net interest spread.....                         |           |       | 3.23 |           |       | 3.71 |
| Impact of noninterest-bearing sources.....       |           |       | 0.46 |           |       | 0.45 |
|  | -----     |       |      | -----     |       |      |
| Net interest income/yield on earning assets..... | \$2,649   | 3.69  |      | \$2,229   | 4.16  |      |
|  | =====     |       |      | =====     |       |      |

<FN>

<F1>Nonperforming loans are included in the respective average loan balances. Income on such nonperforming loans is recognized on a cash basis.

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<F2>Commercial loan interest income includes net interest rate swap revenues related to the asset and liability management interest

rate swap program. Such amounts were \$94 and \$41 in 1994 and 1993, respectively.

<F3>The average balance sheet amounts and yields on securities held for sale are based on the average of historical amortized cost

balances not on the average of fair value balances reported in the financial statements.

n/m - not meaningful.

</TABLE>

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<TABLE><CAPTION>

Table 6  
Six Month Taxable-Equivalent Data  
(Dollars in Millions)

|  | Increase (Decrease) |              |        |         |                               |         |
|--|---------------------|--------------|--------|---------|-------------------------------|---------|
|  | Income or Expense   |              |        |         | Average Balance Sheet Amounts |         |
|  | Due to change in    |              |        |         | Amounts                       |         |
|  | Average Levels      | Yields/Rates | Total  | Percent | Amount                        | Percent |
|  | <C>                 | <C>          | <C>    | <C>     | <C>                           | <C>     |
| Earning assets   |                     |              |        |         |                               |         |
| Loans and leases, net of unearned income <F1>            |                     |              |        |         |                               |         |
| Commercial <F2>.....                                     | \$ 262              | \$ 102       | \$ 364 | 32.4 %  | \$ 7,266                      | 21.9 %  |
| Real estate commercial.....                              | 71                  | 3            | 74     | 30.7    | 1,848                         | 29.2    |
| Real estate construction.....                            | 16                  | 14           | 30     | 30.0    | 414                           | 14.7    |
|  |                     |              | -----  |         | -----                         |         |
| Total commercial.....                                    | 349                 | 119          | 468    | 32.0    | 9,528                         | 22.5    |
|  |                     |              | -----  |         | -----                         |         |
| Residential mortgage.....                                | 152                 | (55)         | 97     | 22.7    | 3,904                         | 39.3    |
| Home equity.....   | 17                  | 2            | 19     | 26.4    | 465                           | 22.7    |
| Bank card.....   | (33)                | (24)         | (57)   | (19.5)  | (509)                         | (12.0)  |
| Other consumer.....                                      | 165                 | (29)         | 136    | 20.9    | 3,524                         | 26.3    |
|  |                     |              | -----  |         | -----                         |         |
| Total consumer.....                                      | 336                 | (141)        | 195    | 13.5    | 7,384                         | 24.9    |
|  |                     |              | -----  |         | -----                         |         |
| Foreign.....   | 7                   | -            | 7      | 26.9    | 273                           | 28.8    |
| Lease financing.....                                     | 18                  | (4)          | 14     | 23.3    | 506                           | 32.4    |
|  |                     |              | -----  |         | -----                         |         |
| Total loans and leases, net.....                         | 706                 | (22)         | 684    | 22.9    | 17,691                        | 23.8    |
|  |                     |              | -----  |         | -----                         |         |
| Securities   |                     |              |        |         |                               |         |
| Held for investment.....                                 | (280)               | (109)        | (389)  | (54.9)  | (11,055)                      | (45.3)  |
| Held for sale <F3>.....                                  | 368                 | -            | 368    | n/m     | 14,425                        | n/m     |
|  |                     |              | -----  |         | -----                         |         |
| Total securities.....                                    | 91                  | (112)        | (21)   | (2.9)   | 3,370                         | 13.7    |
|  |                     |              | -----  |         | -----                         |         |
| Loans held for sale.....                                 | (4)                 | (1)          | (5)    | (22.7)  | (109)                         | (16.9)  |
| Federal funds sold and securities purchased              |                     |              |        |         |                               |         |
| under agreements to resell.....                          | 126                 | 5            | 131    | 204.7   | 7,731                         | 184.3   |
| Time deposits placed and other short-term investments... | (16)                | 4            | (12)   | (29.3)  | (718)                         | (35.7)  |
| Trading account securities.....                          | 269                 | 37           | 306    | n/m     | 8,671                         | 474.1   |
|  |                     |              | -----  |         | -----                         |         |
| Total earning assets.....                                | 1,264               | (181)        | 1,083  | 28.0    | 36,636                        | 34.0    |
|  |                     |              | -----  |         | -----                         |         |
| Cash and cash equivalents.....                           |                     |              |        |         | 1,134                         | 16.5    |
| Factored accounts receivable.....                        |                     |              |        |         | 324                           | 32.9    |
| Other assets, less allowance for credit losses.....      |                     |              |        |         | 1,950                         | 32.8    |
|  |                     |              |        |         | -----                         |         |
| Total assets.....  |                     |              |        |         | \$ 40,044                     | 32.9    |
|  |                     |              |        |         | =====                         |         |
| Interest-bearing liabilities                             |                     |              |        |         |                               |         |
| Savings.....   | 34                  | -            | 34     | 48.6    | \$ 2,970                      | 49.0    |
| NOW and money market deposit accounts.....               | 20                  | (10)         | 10     | 3.2     | 1,831                         | 6.5     |
| Consumer CDs and IRAs.....                               | (13)                | (81)         | (94)   | (16.8)  | (541)                         | (2.3)   |
| Negotiable CDs, public funds and other time deposits.... | (20)                | (14)         | (34)   | (34.3)  | (1,021)                       | (22.0)  |
| Foreign time deposits.....                               | 52                  | (1)          | 51     | 94.4    | 2,495                         | 98.0    |

|  |     |       |        |       |           |       |
|--|-----|-------|--------|-------|-----------|-------|
| Borrowed funds and trading liabilities.....      | 422 | 165   | 587    | 154.1 | 22,201    | 88.7  |
| Long-term debt and capital leases.....           | 144 | (35)  | 109    | 66.9  | 4,156     | 104.6 |
|  |     |       | -----  |       | -----     |       |
| Total interest-bearing liabilities.....          | 583 | 80    | 663    | 40.4  | 32,091    | 34.1  |
| Noninterest-bearing sources                      |     |       |        |       |           |       |
| Demand deposits.....                             |     |       |        |       | 3,536     | 21.4  |
| Other liabilities.....                           |     |       |        |       | 2,378     | 81.4  |
| Shareholders' equity.....                        |     |       |        |       | 2,039     | 25.1  |
|  |     |       |        |       | -----     |       |
| Total liabilities and shareholders' equity.....  |     |       |        |       | \$ 40,044 | 32.9  |
|  |     |       |        |       | =====     |       |
| Net interest spread.....                         |     |       |        |       |           |       |
| Impact of noninterest-bearing sources.....       |     |       |        |       |           |       |
|  |     |       | -----  |       |           |       |
| Net interest income/yield on earning assets..... | 693 | (273) | \$ 420 | 18.8  |           |       |
|  |     |       | -----  |       |           |       |

| <S>                                | <C>      | <C>      | <C>    | <C>      | <C>      | <C>      | <C>     | <C>    | <C>  |
|------------------------------------|----------|----------|--------|----------|----------|----------|---------|--------|------|
| Asset Conversion Swaps             |          |          |        |          |          |          |         |        |      |
| -----                              |          |          |        |          |          |          |         |        |      |
| Receive fixed generic.....         | \$ (148) |          |        |          |          |          |         |        | 1.47 |
| Notional value.....                |          | \$ 6,591 | \$ 193 | \$ 3,123 | \$ 2,700 | \$ 575   | \$ -    | \$ -   |      |
| Weighted average receive rate...   |          | 4.48     | % 4.30 | % 4.26   | % 4.62   | % 5.08   | % -     | % -    |      |
| Weighted average pay rate.....     |          | 4.25     |        |          |          |          |         |        |      |
| Receive fixed amortizing.....      | (403)    |          |        |          |          |          |         |        | 1.85 |
| Notional value.....                |          | \$ 8,450 | \$ 139 | \$ 3,619 | \$ 2,664 | \$ 1,480 | \$ 548  | \$ -   |      |
| Weighted average receive rate...   |          | 4.91     | % 5.85 | % 4.91   | % 4.89   | % 4.85   | % 4.99  | % -    |      |
| Weighted average pay rate.....     |          | 4.39     |        |          |          |          |         |        |      |
| Receive fixed CMO.....             | (101)    |          |        |          |          |          |         |        | 2.21 |
| -----                              |          |          |        |          |          |          |         |        |      |
| Notional value.....                |          | \$ 2,753 | \$ 391 | \$ 763   | \$ 497   | \$ 330   | \$ 404  | \$ 368 |      |
| Weighted average receive rate...   |          | 5.11     | % 5.11 | % 5.09   | % 5.10   | % 5.11   | % 5.08  | % 5.21 |      |
| Weighted average pay rate.....     |          | 4.33     |        |          |          |          |         |        |      |
| Total asset conversion swaps.....  | \$ (652) |          |        |          |          |          |         |        | 1.76 |
| =====                              |          |          |        |          |          |          |         |        |      |
| Notional value.....                |          | \$17,794 | \$ 723 | \$7,505  | \$5,861  | \$2,385  | \$ 952  | \$ 368 |      |
| Weighted average receive rate...   |          | 4.78     | % 5.04 | % 4.66   | % 4.79   | % 4.94   | % 5.03  | % 5.21 |      |
| Weighted average pay rate.....     |          | 4.33     |        |          |          |          |         |        |      |
| Liability Conversion Swaps         |          |          |        |          |          |          |         |        |      |
| -----                              |          |          |        |          |          |          |         |        |      |
| Pay fixed generic.....             | \$ 36    |          |        |          |          |          |         |        | 4.16 |
| Notional value.....                |          | \$ 312   | \$ 12  | \$ -     | \$ 1     | \$ 125   | \$ 100  | \$ 74  |      |
| Weighted average pay rate.....     |          | 5.01     | % 4.81 | % -      | % 4.34   | % 4.64   | % 5.19  | % 5.44 |      |
| Weighted average receive rate...   |          | 5.02     |        |          |          |          |         |        |      |
| Pay fixed CMO.....                 | 5        |          |        |          |          |          |         |        | 2.06 |
| -----                              |          |          |        |          |          |          |         |        |      |
| Notional value.....                |          | \$ 114   | \$ 18  | \$ 28    | \$ 20    | \$ 14    | \$ 34   | \$ -   |      |
| Weighted average pay rate.....     |          | 4.45     | % 4.45 | % 4.45   | % 4.45   | % 4.45   | % 4.45  | % -    |      |
| Weighted average receive rate...   |          | 4.31     |        |          |          |          |         |        |      |
| Total liability conversion swaps.. | \$ 41    |          |        |          |          |          |         |        | 3.60 |
| =====                              |          |          |        |          |          |          |         |        |      |
| Notional value.....                |          | \$ 426   | \$ 30  | \$ 28    | \$ 21    | \$ 139   | \$ 134  | \$ 74  |      |
| Weighted average pay rate.....     |          | 4.86     | % 4.59 | % 4.45   | % 4.44   | % 4.62   | % 5.00  | % 5.44 |      |
| Weighted average receive rate...   |          | 4.83     |        |          |          |          |         |        |      |
| Total.....                         | \$ (611) |          |        |          |          |          |         |        |      |
| =====                              |          |          |        |          |          |          |         |        |      |
| Notional value.....                |          | \$18,220 | \$ 753 | \$7,533  | \$5,882  | \$2,524  | \$1,086 | \$ 442 |      |
| Weighted average receive rate...   |          | 4.79     | %      |          |          |          |         |        |      |
| Weighted average pay rate.....     |          | 4.34     |        |          |          |          |         |        |      |

Floating rates represent the last repricing and will change in the future based on movements in one, three or six month LIBOR rates.

Maturities assume interest rates remain constant at current levels and may differ from actual maturities, depending on future interest rate movements and resultant prepayment patterns.

</TABLE>

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<TABLE>  
<CAPTION>  
Table 10  
Interest Rate Gap Analysis  
June 30, 1994  
(Dollars in Millions)

| <S>  | Interest-Sensitive |          |          |          |           | Over 12 Months and Noninterest-Sensitive |           |
|--|--------------------|----------|----------|----------|-----------|--|-----------|
|  | 30-Day             | 3-Month  | 6-Month  | 12-Month | Total     | Sensitive                                | Total     |
| -----  |                    |          |          |          |           |  |           |
| <S>  | <C>                | <C>      | <C>      | <C>      | <C>       | <C>                                      | <C>       |
| Earning assets   |                    |          |          |          |           |  |           |
| Loans and leases, net of unearned income.....              | \$ 43,252          | \$ 8,484 | \$ 3,511 | \$ 5,830 | \$ 61,077 | \$33,545                                 | \$ 94,622 |
| Securities held for investment.....                        | 73                 | 135      | 149      | 312      | 669       | 13,357                                   | 14,026    |
| Securities held for sale.....                              | 1,565              | 1,607    | 361      | 3,199    | 6,732     | 7,644                                    | 14,376    |
| Loans held for sale.....                                   | 300                | -        | -        | -        | 300       | -  | 300       |
| Time deposits placed and other short-term investments..... | 822                | 534      | 288      | 2        | 1,646     | 2  | 1,648     |
| Other earning assets.....                                  | 21,996             | -        | -        | -        | 21,996    | -  | 21,996    |
| -----  |                    |          |          |          |           |  |           |
| Total.....   | 68,008             | 10,760   | 4,309    | 9,343    | 92,420    | 54,548                                   | \$146,968 |
| -----  |                    |          |          |          |           |  |           |
| Interest-bearing liabilities                               |                    |          |          |          |           |  |           |
| Savings.....   | -                  | -        | -        | -        | -         | 9,199                                    | \$ 9,199  |
| NOW and money market deposit accounts.....                 | 21,675             | -        | -        | -        | 21,675    | 7,482                                    | 29,157    |
| Consumer CDs and IRAs.....                                 | 3,098              | 3,368    | 4,365    | 4,590    | 15,421    | 7,296                                    | 22,717    |
| Negotiated CDs, public funds and other time deposits.....  | 992                | 816      | 745      | 288      | 2,841     | 407                                      | 3,248     |
| Foreign time deposits.....                                 | 3,182              | 998      | 527      | 2,769    | 7,476     | -  | 7,476     |
| Borrowed funds and trading liabilities.....                | 43,226             | 3,005    | 421      | 1,880    | 48,532    | -  | 48,532    |

|   |             |             |             |             |             |          |           |
|---|-------------|-------------|-------------|-------------|-------------|----------|-----------|
| Long-term debt and capital leases.....  | 834         | 712         | 2           | 102         | 1,650       | 6,010    | 7,660     |
| Total.....  | 73,007      | 8,899       | 6,060       | 9,629       | 97,595      | 30,394   | 127,989   |
| Noninterest-bearing, net.....   | -           | -           | -           | -           | -           | 18,979   | 18,979    |
| Total.....  | 73,007      | 8,899       | 6,060       | 9,629       | 97,595      | 49,373   | \$146,968 |
| Interest rate gap.....  | (4,999)     | 1,861       | (1,751)     | (286)       | (5,175)     | 5,175    |           |
| Effect of asset and liability<br>management interest rate swaps,<br>futures and other off-balance<br>sheet items..... | (7,603)     | (7,364)     | (2,997)     | 3,178       | (14,786)    | 14,786   |           |
| Adjusted interest rate gap.....   | \$ (12,602) | \$ (5,503)  | \$ (4,748)  | \$ 2,892    | \$ (19,961) | \$19,961 |           |
| Cumulative adjusted interest rate gap...  | \$ (12,602) | \$ (18,105) | \$ (22,853) | \$ (19,961) |             |          |           |

</TABLE>

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<TABLE>  
<CAPTION>  
Table 11  
Nonperforming Assets  
(Dollars in Millions)

|  | June 30<br>1994 | March 31<br>1994 | December 31<br>1993 | September 30<br>1993 | June 30<br>1993 |
|--|-----------------|------------------|---------------------|----------------------|-----------------|
| <S>  | <C>             | <C>              | <C>                 | <C>                  | <C>             |
| Nonperforming loans  |                 |                  |                     |                      |                 |
| Commercial.....  | \$ 425          | \$ 432           | \$ 474              | \$ 434               | \$ 555          |
| Real estate commercial.....  | 248             | 282              | 318                 | 244                  | 270             |
| Real estate construction.....  | 90              | 161              | 142                 | 117                  | 136             |
| Residential mortgage.....  | 69              | 71               | 77                  | 78                   | 82              |
| Home equity.....   | 9               | 8                | 7                   | 6                    | 6               |
| Other consumer.....  | 82              | 99               | 86                  | 75                   | 77              |
| Lease financing.....   | 8               | 9                | 10                  | 9                    | 11              |
| Foreign.....   | 5               | 5                | 8                   | 1                    | 1               |
| Total nonperforming loans.....   | 936             | 1,067            | 1,122               | 964                  | 1,138           |
| Other real estate owned.....   | 485             | 569              | 661                 | 476                  | 544             |
| Total nonperforming assets.....  | \$1,421         | \$1,636          | \$1,783             | \$1,440              | \$1,682         |
| Nonperforming assets as a percentage of<br>Total assets.....   | .86 %           | .99 %            | 1.13 %              | 1.03 %               | 1.36 %          |
| Loans, leases and factored accounts<br>receivable, net of unearned income,<br>and other real estate owned..... | 1.48            | 1.73             | 1.92                | 1.78                 | 2.15            |
| Loans past due 90 days or more and not<br>classified as nonperforming.....                                     | \$ 90           | \$ 154           | \$ 167              | \$ 189               | \$ 164          |

</TABLE>

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<TABLE>  
<CAPTION>  
Table 12  
Allowance for Credit Losses  
(Dollars in Millions)

|  | Three Months<br>Ended June 30 |          | Six Months<br>Ended June 30 |          |
|--|-------------------------------|----------|-----------------------------|----------|
|  | 1994                          | 1993     | 1994                        | 1993     |
| <S>  | <C>                           | <C>      | <C>                         | <C>      |
| Beginning balance.....   | \$ 2,187                      | \$ 1,566 | \$ 2,169                    | \$ 1,454 |
| Loans, leases and factored accounts receivable charged off               |                               |          |                             |          |
| Commercial.....  | (18)                          | (20)     | (47)                        | (37)     |
| Real estate commercial.....  | (5)                           | (14)     | (17)                        | (32)     |
| Real estate construction.....  | (2)                           | (3)      | (9)                         | (6)      |
| Total commercial.....  | (25)                          | (37)     | (73)                        | (75)     |
| Residential mortgage.....  | (2)                           | (3)      | (4)                         | (4)      |
| Home equity.....   | (2)                           | -        | (2)                         | (1)      |
| Bank card.....   | (30)                          | (46)     | (62)                        | (93)     |
| Other consumer.....  | (52)                          | (39)     | (100)                       | (80)     |
| Total consumer.....  | (86)                          | (88)     | (168)                       | (178)    |
| Lease financing.....   | (1)                           | (1)      | (1)                         | (2)      |
| Factored accounts receivable.....  | (5)                           | (9)      | (21)                        | (13)     |
| Total loans, leases and factored<br>accounts receivable charged off..... | (117)                         | (135)    | (263)                       | (268)    |

Recoveries of loans, leases and factored accounts receivable  
previously charged off

|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Commercial.....   | 14       | 13       | 28       | 32       |
| Real estate commercial.....   | 5        | 2        | 8        | 9        |
| Real estate construction.....   | 6        | -        | 17       | 1        |
| Total commercial.....   | 25       | 15       | 53       | 42       |
| Residential mortgage.....   | 1        | 1        | 2        | 2        |
| Bank card.....  | 5        | 4        | 11       | 8        |
| Other consumer.....   | 19       | 19       | 35       | 34       |
| Total consumer.....   | 25       | 24       | 48       | 44       |
| Lease financing.....  | 1        | 1        | 2        | 1        |
| Factored accounts receivable.....   | 2        | 2        | 6        | 4        |
| Total recoveries of loans, leases and factored accounts<br>receivable previously charged off..... | 53       | 42       | 109      | 91       |
| Net charge-offs.....  | (64)     | (93)     | (154)    | (177)    |
| Provision for credit losses.....  | 70       | 110      | 170      | 230      |
| Allowance applicable to loans of purchased companies.....   | 3        | -        | 11       | 76       |
| Ending balance.....   | \$ 2,196 | \$ 1,583 | \$ 2,196 | \$ 1,583 |

|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Loans, leases and factored accounts receivable, net of unearned<br>income, outstanding on June 30.....                        | \$95,678 | \$77,837 | \$95,678 | \$77,837 |
| Allowance for credit losses as a percentage of loans, leases and<br>factored accounts receivable, net of unearned income..... | 2.30 %   | 2.03 %   | 2.30 %   | 2.03 %   |
| Average loans, leases and factored accounts receivable, net of<br>unearned income, outstanding during the period.....         | \$94,204 | \$76,356 | \$93,418 | \$75,403 |
| Net charge-offs as a percentage of average loans, leases and<br>factored accounts receivable, net of unearned income.....     | .27 %    | .49 %    | .33 %    | .47 %    |
| Allowance for credit losses as a percentage of nonperforming loans...   | 234.48   | 139.18   | 234.48   | 139.18   |

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<TABLE>  
<CAPTION>  
Table 13  
Noninterest Income  
(Dollars in Millions)

|  | Three Months<br>Ended June 30 |       |        |         | Six Months<br>Ended June 30 |       |        |         |
|--|-------------------------------|-------|--------|---------|-----------------------------|-------|--------|---------|
|  | Change                        |       | Change |         | Change                      |       | Change |         |
|  | 1994                          | 1993  | Amount | Percent | 1994                        | 1993  | Amount | Percent |
| <S>  | <C>                           | <C>   | <C>    | <C>     | <C>                         | <C>   | <C>    | <C>     |
| Trust fees.....                                    | \$116                         | \$ 95 | \$ 21  | 22.1 %  | \$ 225                      | \$181 | \$ 44  | 24.3 %  |
| Service charges on deposit accounts...             | 198                           | 162   | 36     | 22.2    | 394                         | 320   | 74     | 23.1    |
| Nondeposit-related service fees                    |                               |       |        |         |                             |       |        |         |
| Safe deposit rent.....                             | 7                             | 5     | 2      | 40.0    | 15                          | 13    | 2      | 15.4    |
| Mortgage servicing<br>and related fees.....        | 21                            | 19    | 2      | 10.5    | 37                          | 39    | (2)    | (5.1)   |
| Fees on factored accounts<br>receivable.....       | 18                            | 18    | -      | -       | 36                          | 35    | 1      | 2.9     |
| Investment banking income.....                     | 22                            | 26    | (4)    | (15.4)  | 54                          | 44    | 10     | 22.7    |
| Other service fees.....                            | 26                            | 23    | 3      | 13.0    | 53                          | 45    | 8      | 17.8    |
| Total nondeposit-related<br>service fees.....      | 94                            | 91    | 3      | 3.3     | 195                         | 176   | 19     | 10.8    |
| Bank card income                                   |                               |       |        |         |                             |       |        |         |
| Merchant discount fees.....                        | 6                             | 7     | (1)    | (14.3)  | 13                          | 15    | (2)    | (13.3)  |
| Annual bank card fees.....                         | 5                             | 5     | -      | -       | 11                          | 9     | 2      | 22.2    |
| Other bank card fees.....                          | 58                            | 35    | 23     | 65.7    | 110                         | 71    | 39     | 54.9    |
| Total bank card income.....                        | 69                            | 47    | 22     | 46.8    | 134                         | 95    | 39     | 41.1    |
| Other income                                       |                               |       |        |         |                             |       |        |         |
| Brokerage income.....                              | 10                            | 9     | 1      | 11.1    | 23                          | 19    | 4      | 21.1    |
| Trading account profits<br>and fees.....           | 54                            | 9     | 45     | n/m     | 143                         | 17    | 126    | n/m     |
| Foreign exchange income.....                       | 7                             | 6     | 1      | 16.7    | 15                          | 13    | 2      | 15.4    |
| Bankers' acceptances<br>and letters of credit..... | 15                            | 16    | (1)    | (6.3)   | 32                          | 32    | -      | -       |
| Insurance commissions<br>and earnings.....         | 12                            | 9     | 3      | 33.3    | 24                          | 19    | 5      | 26.3    |
| Miscellaneous.....                                 | 54                            | 37    | 17     | 45.9    | 124                         | 90    | 34     | 37.8    |
| Total other income.....                            | 152                           | 86    | 66     | 76.7    | 361                         | 190   | 171    | 90.0    |
|  | \$629                         | \$481 | \$148  | 30.8    | \$1,309                     | \$962 | \$347  | 36.1    |

n/m - not meaningful.

</TABLE>

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<TABLE>  
<CAPTION>

Table 14  
Noninterest Expense  
(Dollars in Millions)

|                              | Three Months  |         |        |         | Six Months    |         |        |         |
|------------------------------|---------------|---------|--------|---------|---------------|---------|--------|---------|
|                              | Ended June 30 |         | Change |         | Ended June 30 |         | Change |         |
|                              | 1994          | 1993    | Amount | Percent | 1994          | 1993    | Amount | Percent |
| <S>                          | <C>           | <C>     | <C>    | <C>     | <C>           | <C>     | <C>    | <C>     |
| Personnel.....               | \$ 563        | \$ 450  | \$113  | 25.1 %  | \$1,127       | \$ 894  | \$233  | 26.1 %  |
| Occupancy, net.....          | 120           | 105     | 15     | 14.3    | 240           | 203     | 37     | 18.2    |
| Equipment.....               | 88            | 74      | 14     | 18.9    | 174           | 150     | 24     | 16.0    |
| Marketing.....               | 44            | 32      | 12     | 37.5    | 81            | 59      | 22     | 37.3    |
| Professional fees.....       | 49            | 41      | 8      | 19.5    | 92            | 77      | 15     | 19.5    |
| Amortization of              |               |         |        |         |               |         |        |         |
| intangibles.....             | 34            | 26      | 8      | 30.8    | 68            | 51      | 17     | 33.3    |
| Bank card.....               | 10            | 12      | (2)    | (16.7)  | 20            | 24      | (4)    | (16.7)  |
| Private label credit card... | 6             | 9       | (3)    | (33.3)  | 15            | 18      | (3)    | (16.7)  |
| FDIC insurance.....          | 52            | 49      | 3      | 6.1     | 105           | 99      | 6      | 6.1     |
| Processing.....              | 58            | 46      | 12     | 26.1    | 116           | 86      | 30     | 34.9    |
| Telecommunications.....      | 34            | 29      | 5      | 17.2    | 66            | 59      | 7      | 11.9    |
| Postage and courier.....     | 31            | 28      | 3      | 10.7    | 64            | 57      | 7      | 12.3    |
| Other general operating..... | 100           | 85      | 15     | 17.6    | 207           | 177     | 30     | 16.9    |
| General administrative       |               |         |        |         |               |         |        |         |
| and miscellaneous.....       | 39            | 33      | 6      | 18.2    | 72            | 63      | 9      | 14.3    |
|                              | \$1,228       | \$1,019 | \$209  | 20.5    | \$2,447       | \$2,017 | \$430  | 21.3    |

</TABLE>

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<TABLE>  
<CAPTION>  
Table 15  
Sources and Uses of Funds  
(Average Dollars in Millions)

|  | Six Months Ended June 30 |         |           |         |
|--|--------------------------|---------|-----------|---------|
|  | 1994                     |         | 1993      |         |
|  | Amount                   | Percent | Amount    | Percent |
| <S>  | <C>                      | <C>     | <C>       | <C>     |
| Composition of sources                                   |                          |         |           |         |
| Savings, NOW, money market deposit accounts,             |                          |         |           |         |
| and consumer CDs and IRAs.....                           | \$ 62,082                | 38.4 %  | \$ 57,687 | 47.4 %  |
| Noninterest-bearing funds.....                           | 20,070                   | 12.4    | 16,285    | 13.4    |
| Customer-based portion of negotiated CDs.....            | 1,379                    | 0.9     | 2,153     | 1.8     |
| Customer-based funds.....                                | 83,531                   | 51.7    | 76,125    | 62.6    |
| Market-based funds.....                                  | 54,509                   | 33.7    | 30,443    | 25.0    |
| Long-term debt and capital leases.....                   | 8,129                    | 5.0     | 3,973     | 3.3     |
| Other liabilities.....                                   | 5,297                    | 3.3     | 2,920     | 2.4     |
| Shareholders' equity.....                                | 10,177                   | 6.3     | 8,138     | 6.7     |
| Total sources.....                                       | \$161,643                | 100.0 % | \$121,599 | 100.0 % |
| Composition of uses                                      |                          |         |           |         |
| Loans and leases, net of unearned income.....            | \$ 92,109                | 57.0 %  | \$ 74,418 | 61.2 %  |
| Securities held for investment.....                      | 13,365                   | 8.3     | 24,420    | 20.1    |
| Securities held for sale.....                            | 14,688                   | 9.1     | 263       | 0.2     |
| Loans held for sale.....                                 | 536                      | 0.3     | 645       | 0.5     |
| Time deposits placed and other short-term investments... | 1,293                    | 0.8     | 2,011     | 1.6     |
| Other earning assets.....                                | 22,426                   | 13.9    | 6,023     | 5.0     |
| Total earning assets.....                                | 144,417                  | 89.4    | 107,780   | 88.6    |
| Factored accounts receivable.....                        | 1,309                    | 0.8     | 985       | 0.8     |
| Other assets.....  | 15,917                   | 9.8     | 12,834    | 10.6    |
| Total uses.....  | \$161,643                | 100.0 % | \$121,599 | 100.0 % |

</TABLE>

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<TABLE>  
<CAPTION>  
Table 16  
Real Estate Commercial and Construction Loans and  
Other Real Estate Owned by Geographic Region  
June 30, 1994  
(Dollars in Millions)

|                     | Loans       |                       |         |        | OREO   |         |
|---------------------|-------------|-----------------------|---------|--------|--------|---------|
|                     | Outstanding | Percent Nonperforming | Percent |        | Amount | Percent |
|                     | <C>         | <C>                   | <C>     | <C>    | <C>    | <C>     |
| <S>                 |             |                       |         |        |        |         |
| Florida.....        | \$ 1,984    | 18.4 %                | \$ 46   | 13.6 % | \$ 91  | 24.8 %  |
| Maryland.....       | 1,766       | 16.3                  | 85      | 25.1   | 51     | 13.9    |
| Virginia.....       | 1,307       | 12.1                  | 57      | 16.9   | 150    | 40.9    |
| North Carolina..... | 1,193       | 11.0                  | 24      | 7.1    | 9      | 2.5     |
| Georgia.....        | 1,047       | 9.7                   | 23      | 6.8    | 7      | 1.9     |
| South Carolina..... | 901         | 8.3                   | 44      | 13.0   | 31     | 8.4     |

|                           |          |         |       |         |       |         |
|---------------------------|----------|---------|-------|---------|-------|---------|
| Texas.....                | 807      | 7.5     | 10    | 3.0     | 3     | 0.8     |
| Tennessee/Kentucky.....   | 423      | 3.9     | 8     | 2.4     | 5     | 1.4     |
| District of Columbia..... | 372      | 3.4     | 24    | 7.1     | 10    | 2.7     |
| Other.....                | 1,006    | 9.4     | 17    | 5.0     | 10    | 2.7     |
|                           | \$10,806 | 100.0 % | \$338 | 100.0 % | \$367 | 100.0 % |

Distribution based on geographic location of collateral.  
</TABLE>

<TABLE>  
<CAPTION>  
Table 17  
Real Estate Commercial and Construction Loans and  
Other Real Estate Owned by Property Type  
June 30, 1994  
(Dollars in Millions)

|                              | Loans       |                       |         |         | OREO   |         |
|------------------------------|-------------|-----------------------|---------|---------|--------|---------|
|                              | Outstanding | Percent Nonperforming | Percent |         | Amount | Percent |
| <S>                          | <C>         | <C>                   | <C>     | <C>     | <C>    | <C>     |
| Office buildings.....        | \$ 1,985    | 18.4 %                | \$ 40   | 11.8 %  | \$ 57  | 15.5 %  |
| Shopping centers/retail..... | 1,923       | 17.8                  | 36      | 10.7    | 58     | 15.8    |
| Apartments.....              | 1,511       | 14.0                  | 18      | 5.3     | 3      | 0.8     |
| Land and land development... | 1,016       | 9.4                   | 79      | 23.4    | 154    | 42.0    |
| Hotels.....                  | 997         | 9.2                   | 34      | 10.1    | 18     | 4.9     |
| Residential.....             | 909         | 8.4                   | 34      | 10.1    | 27     | 7.4     |
| Industrial/warehouse.....    | 797         | 7.4                   | 44      | 13.0    | 24     | 6.5     |
| Commercial-other.....        | 407         | 3.8                   | 14      | 4.1     | 12     | 3.3     |
| Resorts/golf courses.....    | 307         | 2.8                   | 4       | 1.2     | 2      | 0.5     |
| Mobile home parks.....       | 107         | 1.0                   | 1       | 0.3     | -      | -       |
| Other.....                   | 847         | 7.8                   | 34      | 10.0    | 12     | 3.3     |
|                              | \$10,806    | 100.0 %               | \$338   | 100.0 % | \$367  | 100.0 % |

</TABLE>

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<TABLE>  
<CAPTION>  
Table 18  
Derivatives - Dealer Positions  
(Dollars in Millions)

|                               | Notional Principal Amounts |                     |
|-------------------------------|----------------------------|---------------------|
|                               | June 30<br>1994            | December 31<br>1993 |
| <S>                           | <C>                        | <C>                 |
| Interest Rate Contracts       |                            |                     |
| Swaps.....                    | \$ 24,942                  | \$15,758            |
| Futures and forwards.....     | 59,017                     | 32,503              |
| Written options.....          | 100,414                    | 58,499              |
| Purchased options.....        | 87,741                     | 55,616              |
| Foreign Exchange Contracts    |                            |                     |
| Swaps.....                    | 450                        | 258                 |
| Spot, futures and forwards... | 23,237                     | 12,516              |
| Written options.....          | 14,669                     | 8,058               |
| Purchased options.....        | 14,562                     | 8,051               |
| Commodity Contracts           |                            |                     |
| Swaps.....                    | 122                        | 1,470               |
| Futures and forwards.....     | 2,687                      | 1,661               |
| Written options.....          | 12,473                     | 6,696               |
| Purchased options.....        | 12,962                     | 7,339               |

</TABLE>

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<TABLE>  
<CAPTION>  
Table 19  
Selected Quarterly Operating Results  
(Dollars in Millions Except Per-Share Information)

|   | 1994 Quarters |         |
|---|---------------|---------|
|   | Second        | First   |
| <S>   | <C>           | <C>     |
| Income from earning assets.....               | \$2,512       | \$2,398 |
| Interest expense.....                         | 1,195         | 1,110   |
| Net interest income (taxable-equivalent)..... | 1,339         | 1,310   |
| Net interest income.....                      | 1,317         | 1,288   |
| Provision for credit losses.....              | 70            | 100     |
| Gains on sales of securities.....             | 4             | 14      |
| Noninterest income.....                       | 629           | 680     |
| Other real estate owned expense.....          | (3)           | 5       |

|   |          |          |
|---|----------|----------|
| Noninterest expense.....                                | 1,228    | 1,219    |
| Income before taxes.....                                | 656      | 658      |
| Income tax expense.....                                 | 219      | 241      |
| Net income.....   | 437      | 417      |
| Earnings per common share.....                          | 1.58     | 1.52     |
| Yield on average earning assets.....                    | 7.00 %   | 6.81 %   |
| Rate on average interest-bearing liabilities.....       | 3.80     | 3.57     |
| Net interest spread.....                                | 3.20     | 3.24     |
| Net interest yield.....                                 | 3.70     | 3.69     |
| Return on average common shareholders' equity <F1>..... | 17.04    | 16.82    |
| Market price per share of common stock                  |          |          |
| High for the period.....                                | \$57 3/8 | \$50 7/8 |
| Low for the period.....                                 | 44 1/2   | 44 3/8   |
| Closing price.....                                      | 51 3/8   | 45 3/4   |
| Risk-based capital ratios                               |          |          |
| Tier 1.....   | 7.63 %   | 7.50 %   |
| Total.....  | 11.57    | 11.66    |

<FN>

<F1>Average common shareholders' equity does not include the effect of fair value adjustments to securities held for sale and marketable equity securities.

</TABLE>

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## Part II. Other Information

### Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Shareholders was held on April 27, 1994.

(c) The following are voting results on each of the matters which were submitted to the shareholders:

<TABLE>

<CAPTION>

|                          | For         | Against<br>or<br>Withheld | Abstentions | Broker<br>Nonvotes |
|--------------------------|-------------|---------------------------|-------------|--------------------|
|                          | -----       | -----                     | -----       | -----              |
| <S>                      | <C>         | <C>                       |             |                    |
| 1. To elect 26 Directors |             |                           |             |                    |
| Ronald W. Allen          | 216,026,649 | 757,889                   |             |                    |
| William M. Barnhardt     | 216,117,186 | 667,352                   |             |                    |
| Thomas M. Belk           | 216,061,716 | 722,823                   |             |                    |
| Thomas E. Capps          | 216,052,093 | 732,445                   |             |                    |
| R. Eugene Cartledge      | 216,023,213 | 761,325                   |             |                    |
| Charles W. Coker         | 216,105,970 | 678,569                   |             |                    |
| Thomas G. Cousins        | 216,119,386 | 665,152                   |             |                    |
| Alan T. Dickson          | 216,052,650 | 731,888                   |             |                    |
| W. Frank Dowd Jr.        | 216,079,151 | 705,388                   |             |                    |
| A.L. Ellis               | 215,969,623 | 814,916                   |             |                    |
| Paul Fulton              | 216,045,162 | 739,376                   |             |                    |
| L.L. Gellerstedt Jr.     | 216,063,169 | 721,370                   |             |                    |
| Timothy L. Guzzle        | 216,054,323 | 730,216                   |             |                    |
| E. Bronson Ingram        | 216,060,186 | 724,352                   |             |                    |
| W.W. Johnson             | 216,097,196 | 687,343                   |             |                    |
| Hugh L. McColl Jr.       | 216,069,127 | 715,411                   |             |                    |
| Buck Mickel              | 216,065,251 | 719,287                   |             |                    |
| John J. Murphy           | 215,935,456 | 849,082                   |             |                    |
| John C. Slane            | 216,000,154 | 784,384                   |             |                    |
| John W. Snow             | 215,912,906 | 871,632                   |             |                    |
| Meredith R. Spangler     | 216,109,660 | 674,878                   |             |                    |
| Robert H. Spilman        | 216,055,757 | 728,781                   |             |                    |
| William W. Sprague Jr.   | 216,094,634 | 689,904                   |             |                    |
| Ronald Townsend          | 215,917,651 | 866,887                   |             |                    |
| Jackie M. Ward           | 215,611,270 | 1,173,268                 |             |                    |
| Michael Weintraub        | 216,079,119 | 705,420                   |             |                    |

</TABLE>

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<TABLE>

<CAPTION>

|   | For         | Against<br>or<br>Withheld | Abstentions | Broker<br>Nonvotes |
|---|-------------|---------------------------|-------------|--------------------|
|   | -----       | -----                     | -----       | -----              |
| <S>   | <C>         | <C>                       | <C>         | <C>                |
| 2. To consider and act upon a proposal to ratify the action of the Board of Directors in selecting Price Waterhouse as independent public accountants to audit the books of the Corporation and its subsidiaries for the current year | 215,837,171 | 399,276                   | 551,635     | 16                 |

3. To consider and act upon a proposal to amend the



Corporation's Articles of  
Incorporation to increase  
the authorized Common Stock  
of the Corporation from  
500,000,000 shares to  
800,000,000 shares

203,645,345 11,958,291 1,184,462 -

4. To consider and act upon a  
proposal to approve and  
adopt the NationsBank  
Corporation Executive  
Incentive Compensation Plan 201,774,178 11,338,028 3,661,539 14,353

5. To consider and act upon a  
proposal to approve a  
shareholder proposal  
requesting the Corporation  
to institute a salary and  
compensation ceiling for  
senior executive officers  
or directors of the  
Corporation to no more  
than two times the salary  
provided to the President  
of the United States 12,989,153 175,529,218 4,728,235 23,541,492

6. To consider and act upon a  
proposal to approve a  
shareholder proposal  
requesting the Corporation  
to develop and provide  
annual reporting on programs  
designed to meet the credit  
needs of small and mid-sized  
family farms and rural small  
business enterprises 13,129,905 172,767,959 6,122,354 24,767,880

</TABLE>

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

Exhibit 3(i) - Restated Articles of Incorporation of NationsBank  
Corporation

Exhibit 11 - Earnings per share computation

b. Reports on Form 8-K

A current report on Form 8-K dated August 4, 1994, was filed with  
the Securities and Exchange Commission on August 4, 1994, with  
respect to the registrant's offer and sale of \$300 million principal  
amount of 7 3/4-percent subordinated notes, due 2004.

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NationsBank Corporation  
Form 10-Q  
Exhibit Index

| Exhibit | Description   | Page |
|---------|---|------|
| -       | -----   | ---- |
| 3(i)    | Restated Articles of Incorporation for NationsBank<br>Corporation . . . . . | 43   |
| 11      | Earnings per share computation . . . . .                                    | 61   |

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Signature  
-----

Pursuant to the requirements of the Securities Exchange Act of 1934, as  
amended, the registrant has duly caused this report to be signed on its behalf  
by the undersigned thereunto duly authorized.

NationsBank Corporation

-----  
Registrant

Date: August 12, 1994

/s/ Marc D. Oken

-----  
Marc D. Oken  
Executive Vice President  
and Chief Accounting Officer  
(Duly Authorized Officer and  
Principal Accounting Officer)

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## Fully Diluted Earnings Per Common Share and Fully Diluted Average Common Shares Outstanding

For fully 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 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 fully diluted earnings per share in periods in which the effect would be antidilutive.

Fully diluted earnings per common share was determined as follows (shares in thousands, dollars in millions except per-share information):

&lt;TABLE&gt;

&lt;CAPTION&gt;

|  | Three Months Ended<br>June 30 |         | Six Months Ended<br>June 30 |         |
|--|-------------------------------|---------|-----------------------------|---------|
|  | 1994                          | 1993    | 1994                        | 1993    |
| <S>  | <C>                           | <C>     | <C>                         | <C>     |
| Average common shares outstanding.....   | 275,020                       | 254,002 | 273,492                     | 253,673 |
| Dilutive effect of   |                               |         |                             |         |
| Convertible preferred stock.....   | 2,371                         | 2,465   | 2,371                       | 2,465   |
| Stock options.....   | 1,736                         | 1,340   | 1,634                       | 1,693   |
| Total fully dilutive shares.....   | 279,127                       | 257,807 | 277,497                     | 257,831 |
| Income available to common shareholders before effect<br>of change in method of accounting for income taxes.....                                   | \$ 435                        | \$ 304  | \$ 849                      | \$ 583  |
| Preferred dividends paid on dilutive convertible<br>preferred stock.....   | 2                             | 2       | 4                           | 4       |
| Income available to common shareholders adjusted for<br>full dilution and before effect of change in method<br>of accounting for income taxes..... | 437                           | 306     | 853                         | 587     |
| Effect of change in method of accounting for income taxes...   | -                             | -       | -                           | 200     |
| Total net income available for common shareholders<br>adjusted for full dilution.....  | \$ 437                        | \$ 306  | \$ 853                      | \$ 787  |
| Fully diluted earnings per common share before effect<br>of change in method of accounting for income taxes.....                                   | \$ 1.57                       | \$ 1.19 | \$ 3.07                     | \$ 2.28 |
| Fully diluted earnings per common share.....   | \$ 1.57                       | \$ 1.19 | \$ 3.07                     | \$ 3.05 |

&lt;/TABLE&gt;

RESTATED  
ARTICLES OF INCORPORATION  
OF  
NATIONSBANK CORPORATION

NationsBank Corporation, a business corporation incorporated under the North Carolina Business Corporation Act, pursuant to action by its Board of Directors, hereby sets forth its Restated Articles of Incorporation:

1. The name of the Corporation is NationsBank Corporation.

2. The purposes for which the Corporation is organized are to engage in any lawful act or activity for which corporations may be organized under Chapter 55 of the North Carolina General Statutes, as amended.

3. The number of shares the Corporation is authorized to issue is Eight Hundred Forty-Five Million (845,000,000), divided into the following classes:

<TABLE>

<CAPTION>

| Class               | Number of Shares |
|---------------------|------------------|
| -----               | -----            |
| <S>                 | <C>              |
| Common . . . . .    | 800,000,000      |
| Preferred . . . . . | 45,000,000       |

</TABLE>

The class of common has unlimited voting rights and, after satisfaction of claims, if any, of the holders of preferred shares, is entitled to receive the net assets of the Corporation upon distribution.

The Board of Directors of the Corporation shall have full power and authority to establish one or more series within the class of preferred shares (the "Preferred Shares"), to define the designations, preferences, limitations and relative rights (including conversion rights) of shares within such class and to determine all variations between series.

The Board of Directors of the Corporation has designated, established and authorized the following series of Preferred Shares:

(a) ESOP Convertible Preferred Stock, Series C.

-----

The shares of the ESOP Convertible Preferred Stock, Series C, of the Corporation shall be designated "ESOP Convertible Preferred Stock, Series C," and the number of shares constituting such series shall be 3,000,000. The ESOP Convertible Preferred Stock, Series C, shall hereinafter be referred to as the "ESOP Preferred Stock."

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A. Special Purpose Restricted Transfer Issue.

Shares of ESOP Preferred Stock shall be issued only to a trustee acting on behalf of an employee stock ownership plan or other employee benefit plan of the Corporation or any subsidiary of the Corporation. In the event of any transfer of shares of ESOP Preferred Stock to any person other than any such plan trustee or the Corporation, the shares of ESOP Preferred Stock so transferred, upon such transfer and without any further action by the Corporation or the holder, shall be automatically converted into shares of Common Stock on the terms otherwise provided for the conversion of shares of ESOP Preferred Stock into shares of Common Stock pursuant to paragraph E hereof and no such transferee shall have any of the voting powers, preferences and relative, participating, optional or special rights ascribed to shares of ESOP Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of ESOP Preferred Stock shall be so converted. Certificates representing shares of ESOP Preferred Stock shall be legended to reflect such restrictions on transfer. Notwithstanding the foregoing provisions of this paragraph A, shares of ESOP Preferred Stock (i) may be converted into shares of Common Stock as provided by paragraph E hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Corporation upon the terms and conditions provided by paragraphs F, G and H hereof.

B. Dividends and Distributions.

(1) Subject to the provisions for adjustment hereinafter set forth, the holders of shares of ESOP Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cash dividends ("Preferred Dividends") in an amount equal to \$3.30 per share per annum, and no more, payable semi-annually, one-half on the first day of January and one-half on the first day of July of each year (each a "Dividend Payment Date") commencing the first such day following the effective time of the Merger (as defined below), to holders of record at the start of business on such Dividend Payment Date. Preferred Dividends shall begin to accrue on shares of ESOP Preferred Stock on the last dividend payment date on

the outstanding shares of ESOP Convertible Preferred Stock, Series C, of C&S/Sovran Corporation ("C&S/Sovran") (which shares are to be converted on a one-for-one basis into shares of ESOP Preferred Stock at the effective time of the merger (the "Merger") of C&S/Sovran Merger Corporation ("Merger Corporation"), a Delaware corporation and a wholly owned subsidiary of the Corporation, with and into C&S/Sovran, as provided in the Agreement and Plan of Consolidation, dated July 21, 1991, between the Corporation and C&S/Sovran). Preferred Dividends shall accrue on a daily basis whether or not the Corporation shall have earnings or surplus at the time, but Preferred Dividends on the shares of ESOP Preferred Stock for any period less than a full semi-annual period between Dividend Payment Dates shall be computed on the basis of a 360-day year of 30-day months. Accumulated but unpaid Preferred Dividends shall accumulate as of the Dividend Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid Preferred Dividends.

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(2) So long as any ESOP Preferred Stock shall be outstanding, no dividend shall be declared or paid or set apart for payment on any other series of stock ranking on a parity with the ESOP Preferred Stock as to dividends, unless there shall also be or have been declared and paid or set apart for payment on the ESOP Preferred Stock, like dividends for all dividend payment periods of the ESOP Preferred Stock ending on or before the dividend payment date of such parity stock, ratably in proportion to the respective amounts of dividends accumulated and unpaid through such dividend payment period on the ESOP Preferred Stock and accumulated and unpaid or payable on such parity stock through the dividend payment period on such parity stock next preceding such Dividend Payment Date. In the event that full cumulative dividends on the ESOP Preferred Stock have not been declared and paid or set apart for payment when due, the Corporation shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of the purchase, redemption or other retirement of any other class of stock or series thereof of the Corporation ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preferred Stock until full cumulative dividends on the ESOP Preferred Stock shall have been paid or declared and provided for; provided, however, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any stock ranking, as to dividends or as to distributions in the event of the liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preferred Stock, or (ii) the acquisition of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preferred Stock either (A) pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted or (B) in exchange solely for shares of any other stock ranking junior to the ESOP Preferred Stock.

#### C. Voting Rights.

The holders of shares of ESOP Preferred Stock shall have the following voting rights:

(1) The holders of ESOP Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Common Stock of the Corporation, voting together with the holders of Common Stock as one class. Each share of the ESOP Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such share of ESOP Preferred Stock could be converted on the record date for determining the shareholders entitled to vote, rounded to the nearest whole vote; it being understood that whenever the "Conversion Price" (as defined in paragraph E hereof) is adjusted as provided in paragraph I hereof, the voting rights of the ESOP Preferred Stock shall also be similarly adjusted.

(2) Except as otherwise required by the North Carolina Business Corporation Act or set forth in paragraph C(1), holders of ESOP Preferred Stock shall have no special voting rights and their consent shall not be required for the taking of any corporate action.

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#### D. Liquidation, Dissolution or Winding-Up.

(1) Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of ESOP Preferred Stock shall be entitled to receive out of the assets of the Corporation which remain after satisfaction in full of all valid claims of creditors of the Corporation and which are available for payment to shareholders and subject to the rights of the holders of any stock of the Corporation ranking senior to or on a parity with the ESOP Preferred Stock in respect of distributions upon liquidation, dissolution or winding-up of the Corporation, before any amount shall be paid or distributed among the holders of Common Stock or any other shares ranking junior to the ESOP Preferred Stock in respect of the distributions upon liquidation, dissolution or winding-up of the Corporation, liquidating distributions in the amount of \$42.50 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for distribution, and no more. If upon any liquidation, dissolution or winding-up of the Corporation, the amounts payable with respect to the ESOP Preferred Stock and any other stock ranking as to any

such distribution on a parity with the ESOP Preferred Stock are not paid in full, the holders of the ESOP Preferred Stock and such other stock shall share ratably in any distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount to which they are entitled as provided by the foregoing provisions of this paragraph D(1), the holders of shares of ESOP Preferred Stock shall not be entitled to any further right or claim to any of the remaining assets of the Corporation.

(2) Neither the merger or consolidation of the Corporation with or into any other corporation, nor the merger or consolidation of any other corporation with or into the Corporation, nor the sale, transfer or lease of all or any portion of the assets of the Corporation, shall be deemed to be a dissolution, liquidation or winding-up of the affairs of the Corporation for purposes of this paragraph D, but the holders of ESOP Preferred Stock shall nevertheless be entitled in the event of any such merger or consolidation to the rights provided by paragraph H hereof.

(3) Written notice of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable to holders of ESOP Preferred Stock in such circumstances shall be payable, shall be given by first-class mail, postage prepaid, mailed not less than twenty (20) days prior to any payment date stated therein, to the holders of ESOP Preferred Stock, at the address shown on the books of the Corporation or any transfer agent for the ESOP Preferred Stock.

#### E. Conversion into Common Stock.

(1) A holder of shares of ESOP Preferred Stock shall be entitled, at any time prior to the close of business on the date fixed for redemption of such shares pursuant to paragraphs F, G or H hereof, to cause any or all of such shares to be converted into shares of Common Stock, initially at a conversion rate equal to the ratio of 1.0 shares of ESOP Preferred Stock to 0.84 shares of

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Common Stock and a conversion price the amount of which initially shall be \$42.50 (as adjusted as hereinafter provided, the "Conversion Price") for, initially, each 0.84 shares of Common Stock. Each of the Conversion Price and the resulting conversion ratio are subject to adjustment as hereinafter provided.

(2) Any holder of shares of ESOP Preferred Stock desiring to convert such shares into shares of Common Stock shall surrender the certificate or certificates representing the shares of ESOP Preferred Stock being converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto), at the principal executive office of the Corporation or the offices of the transfer agent for the ESOP Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the ESOP Preferred Stock by the Corporation or the transfer agent for the ESOP Preferred Stock, accompanied by written notice of conversion. Such notice of conversion shall specify (i) the number of shares of ESOP Preferred Stock to be converted and the name or names in which such holder wishes the certificate or certificates for Common Stock and for any shares of ESOP Preferred Stock not to be so converted to be issued, and (ii) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion.

(3) Upon surrender of a certificate representing a share or shares of ESOP Preferred Stock for conversion, the Corporation shall issue and send by hand delivery (with receipt to be acknowledged) or by first-class mail, postage prepaid, to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered a certificate or certificates representing shares of ESOP Preferred Stock, only part of which are to be converted, the Corporation shall issue and deliver to such holder or such holder's designee a new certificate or certificates representing the number of shares of ESOP Preferred Stock which shall not have been converted.

(4) The issuance by the Corporation of shares of Common Stock upon a conversion of shares of ESOP Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective as of the earlier of (i) the delivery to such holder or such holder's designee of the certificate or certificates representing the shares of Common Stock issued upon conversion thereof or (ii) the commencement of business on the second business day after the surrender of the certificate or certificates for the shares of ESOP Preferred Stock to be converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto) as provided hereby. On and after the effective date of conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Corporation shall not be obligated to pay any

dividends which shall have been declared and shall be payable to holders of

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shares of ESOP Preferred Stock on a Dividend Payment Date if such Dividend Payment Date for such dividend shall coincide with or be on or subsequent to the effective date of conversion of such shares.

(5) The Corporation shall not be obligated to deliver to holders of ESOP Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of ESOP Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(6) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of ESOP Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all shares of ESOP Preferred Stock then outstanding. The Corporation shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all requirements as to registration or qualification of the Common Stock, in order to enable the Corporation lawfully to issue and deliver to each holder of record of ESOP Preferred Stock such number of shares of its Common Stock as shall from time to time be sufficient to effect the conversion of all shares of ESOP Preferred Stock then outstanding and convertible into shares of Common Stock.

#### F. Redemption At the Option of the Corporation.

(1) The ESOP Preferred Stock shall be redeemable, in whole or in part, at the option of the Corporation at any time after July 1, 1992, or on or before July 1, 1992 if permitted by paragraphs F(3) or F(4), at the following redemption prices per share (except as to redemption pursuant to paragraph F(3)):

| During the Twelve-Month<br>Period Beginning July 1,<br>- - - - - | Price Per<br>Share<br>----- |
|--|-----------------------------|
| 1991 . . . . .   | \$45.14                     |
| 1992 . . . . .   | 44.81                       |
| 1993 . . . . .   | 44.48                       |
| 1994 . . . . .   | 44.15                       |
| 1995 . . . . .   | 43.82                       |
| 1996 . . . . .   | 43.49                       |
| 1997 . . . . .   | 43.16                       |
| 1998 . . . . .   | 42.83                       |

and thereafter at \$42.50 per share, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Corporation in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph F(5). From and after the date fixed for redemption, dividends on shares of

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ESOP Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Corporation shall cease, except the right to receive the redemption price. If less than all of the outstanding shares of ESOP Preferred Stock are to be redeemed, the Corporation shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Corporation.

(2) Unless otherwise required by law, notice of redemption will be sent to the holders of ESOP Preferred Stock at the address shown on the books of the Corporation or any transfer agent for the ESOP Preferred Stock by first-class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the Conversion Price and number of shares of Common Stock issuable upon conversion of a share of ESOP Preferred Stock at the time. These notice provisions may be supplemented if necessary in order to comply with optional redemption provisions for preferred stock which may be required under the Internal Revenue Code of 1986, as amended, or the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Upon surrender of the certificates for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the date fixed for redemption and at the applicable redemption price set forth in

this paragraph F.

(3) In the event of a change in the federal tax law of the United States of America which has the effect of precluding the Corporation from claiming any of the tax deductions for dividends paid on the ESOP Preferred Stock when such dividends are used as provided under Section 404(k)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date shares of ESOP Preferred Stock are initially issued, the Corporation may, within 180 days following the effective date of such tax legislation and implementing regulations of the Internal Revenue Service, if any, in its sole discretion and notwithstanding anything to the contrary in paragraph F(1), elect to redeem any or all such shares for the amount payable in respect of the shares upon liquidation of the Corporation pursuant to paragraph D.

(4) In the event the C&S/Sovran Retirement Savings, ESOP and Profit Sharing Plan (as amended, together with any successor plan, the "Plan") is terminated, the Corporation shall, notwithstanding anything to the contrary in paragraph F(1), redeem all shares of ESOP Preferred Stock for the amount payable in

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respect of the shares upon redemption of the ESOP Preferred Stock pursuant to paragraph F(1) hereof.

(5) The Corporation, at its option, may make payment of the redemption price required upon redemption of shares of ESOP Preferred Stock in cash or in shares of Common Stock, or in a combination of such shares and cash, any such shares to be valued for such purpose at their Fair Market Value (as defined in paragraph I(7) hereof).

#### G. Other Redemption Rights.

Shares of ESOP Preferred Stock shall be redeemed by the Corporation at a price which is the greater of the Conversion Value (as defined in paragraph I) of the ESOP Preferred Stock on the date fixed for redemption or a redemption price of \$42.50 per share plus accrued and unpaid dividends thereon to the date fixed for redemption, for shares of Common Stock (any such shares of Common Stock to be valued for such purpose as provided by paragraph F(5) hereof), at the option of the holder, at any time and from time to time upon notice to the Corporation given not less than five (5) business days prior to the date fixed by the Corporation in such notice for such redemption, when and to the extent necessary (i) to provide for distributions required to be made under, or to satisfy an investment election provided to participants in accordance with, the Plan to participants in the Plan or (ii) to make payment of principal, interest or premium due and payable (whether as scheduled or upon acceleration) on any indebtedness incurred by the holder or Trustee under the Plan for the benefit of the Plan.

#### H. Consolidation, Merger, etc.

(1) In the event that the Corporation shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting company (including the Corporation and any company that directly or indirectly owns all of the outstanding capital stock of such successor or resulting company) that constitutes "qualifying employer securities" with respect to a holder of ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of ERISA, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of ESOP Preferred Stock of such holder shall be assumed by and shall become preferred stock of such successor or resulting company, having in respect of such company insofar as possible the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by paragraphs F, G and H hereof), and the qualifications, limitations or restrictions thereon, that the ESOP Preferred Stock had immediately prior to such transaction, except that after such transaction each share of the ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by paragraph E hereof, into the qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of ESOP Preferred Stock could have been converted immediately prior to such transaction if such

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holder of Common Stock failed to exercise any rights of election to receive any kind or amount of stock, securities, cash or other property (other than such qualifying employer securities and a cash payment, if applicable, in lieu of fractional shares) receivable upon such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount of qualifying employer securities receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares). The rights of the ESOP Preferred Stock as preferred stock of such successor or resulting company shall successively be subject to adjustments pursuant to paragraph I hereof after any such transaction as nearly equivalent to the adjustments provided for by such paragraph prior to such transaction. The Corporation shall not consummate any such merger, consolidation or similar transaction unless all then outstanding

shares of the ESOP Preferred Stock shall be assumed and authorized by the successor or resulting company as aforesaid.

(2) In the event that the Corporation shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph H(1)) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of ESOP Preferred Stock shall, without any action on the part of the Corporation or any holder thereof (but subject to paragraph H(3)), be deemed converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of ESOP Preferred Stock could have been converted at such time, and each share of ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares).

(3) In the event the Corporation shall enter into any agreement providing for any consolidation or merger or similar transaction described in paragraph H(2), then the Corporation shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of ESOP Preferred Stock and each such holder shall have the right to elect, by

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written notice to the Corporation, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Corporation or the successor of the Corporation, in redemption and retirement of such ESOP Preferred Stock, a cash payment equal to the amount payable in respect of shares of ESOP Preferred Stock upon redemption pursuant to paragraph F(1) hereof. No such notice of redemption shall be effective unless given to the Corporation prior to the close of business on the second business day prior to consummation of such transaction, unless the Corporation or the successor of the Corporation shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Corporation prior to the close of business on the second business day prior to consummation of such transaction.

#### I. Anti-dilution Adjustments.

(1) In the event the Corporation shall, at any time or from time to time while any of the shares of the ESOP Preferred Stock are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, in each case whether by reclassification of shares, recapitalization of the Corporation (including a recapitalization effected by a merger or consolidation to which paragraph H hereof does not apply) or otherwise, the Conversion Price in effect immediately prior to such action shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which is the number of shares of Common Stock outstanding immediately before such event and the denominator of which is the number of shares of Common Stock outstanding immediately after such event. An adjustment made pursuant to this paragraph I(1) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of shareholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof.

(2) In the event that the Corporation shall, at any time or from time to time while any of the shares of ESOP Preferred Stock are outstanding, issue to holders of shares of Common Stock as a dividend or distribution, including by way of a reclassification of shares or a recapitalization of the Corporation, any right or warrant to purchase shares of Common Stock (but not including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) at a purchase price per share less than the Fair Market Value (as hereinafter defined) of a share of Common Stock on the date of issuance of such right or warrant, then, subject to the provisions of paragraphs I(5) and I(6), the Conversion Price shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock which could be purchased at the Fair Market Value of a share of Common Stock at the time of



such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants and the denominator of which shall be the

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number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon exercise in full of all such rights and warrants.

(3) In the event the Corporation shall, at any time and from time to time while any of the shares of ESOP Preferred Stock are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) and other than pursuant to any dividend reinvestment plan or employee or director incentive or benefit plan or arrangement, including any employment, severance or consulting agreement, of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted) for a consideration having a Fair Market Value on the date of such issuance, sale or exchange less than the Fair Market Value of such shares on the date of such issuance, sale or exchange, then, subject to the provisions of paragraphs I(5) and (6), the Conversion Price shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (ii) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange of shares of Common Stock, and the denominator of which shall be the product of (i) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (ii) the sum of the number of shares of Common Stock outstanding on such day plus the number of shares of Common Stock so issued, sold or exchanged by the Corporation. In the event the Corporation shall, at any time or from time to time while any shares of ESOP Preferred Stock are outstanding, issue, sell or exchange any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), other than any such issuance to holders of shares of Common Stock as a dividend or distribution (including by way of a reclassification of shares or a recapitalization of the Corporation) and other than pursuant to any dividend reinvestment plan or employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted, for a consideration having a Fair Market Value on the date of such issuance, sale or exchange less than the Non-Dilutive Amount (as hereinafter defined), then, subject to the provisions of paragraphs I(5) and (6), the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction the numerator of which shall be the sum of (a) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (b) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange of such right or warrant plus (c) the Fair Market Value at the time of such issuance of the consideration which the Corporation would receive upon exercise in full of all such rights or warrants, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public

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announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock which could be acquired pursuant to such right or warrant at the time of the issuance, sale or exchange of such right or warrant (assuming shares of Common Stock could be acquired pursuant to such right or warrant at such time).

(4) In the event the Corporation shall, at any time or from time to time while any of the shares of ESOP Preferred Stock are outstanding, make any Extraordinary Distribution (as hereinafter defined) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Corporation (including a recapitalization or reclassification effected by a merger or consolidation to which paragraph H hereof does not apply) or effect a Pro Rata Repurchase (as hereinafter defined) of Common Stock, the Conversion Price in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to paragraphs I(5) and (6), be adjusted by multiplying such Conversion Price by the fraction the numerator of which is (a) the product of (i) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (ii) the Fair Market Value (as herein defined) of a share of Common Stock on the Valuation Date (as hereinafter defined) with respect to an Extraordinary Distribution, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, minus (b) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be, and the denominator of which shall be the product of (i) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Corporation multiplied by (ii) the Fair Market Value of a share of

Common Stock on the record date with respect to an Extraordinary Distribution or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be. The Corporation shall send each holder of ESOP Preferred Stock (x) notice of its intent to make any Extraordinary Distribution and (y) notice of any offer by the Corporation to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Corporation pursuant to such offer, as well as the Conversion Price and the number of shares of Common Stock into which a share of ESOP Preferred Stock may be converted at such time.

(5) Notwithstanding any other provisions of this paragraph I, the Corporation shall not be required to make any adjustment of the Conversion Price unless such adjustment would require an increase or decrease of at least

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one percent (1%) in the Conversion Price. Any lesser adjustment shall be carried forward and shall be made no later than the time of, and together with, the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least one percent (1%) in the Conversion Price.

(6) If the Corporation shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Corporation or any rights or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Price pursuant to the foregoing provisions of this paragraph I, the Board of Directors of the Corporation shall consider whether such action is of such a nature that an adjustment to the Conversion Price should equitably be made in respect of such transaction. If in such case the Board of Directors of the Corporation determines that the adjustment to the Conversion Price should be made, an adjustment shall be made effective as of such date, as determined by the Board of Directors of the Corporation. The determination of the Board of Directors of the Corporation as to whether an adjustment to the Conversion Price should be made pursuant to the foregoing provisions of this paragraph I(6), and, if so, as to what adjustment should be made and when, shall be final and binding on the Corporation and all shareholders of the Corporation. The Corporation shall be entitled to make such additional adjustments in the Conversion Price, in addition to those required by the foregoing provisions of this paragraph I, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Corporation, subdivision, reclassification or combination of shares of stock of the Corporation or any recapitalization of the Corporation shall not be taxable to holders of the Common Stock.

(7) For purposes of this paragraph I, the following definitions shall apply:

"Conversion Value" shall mean the Fair Market Value of the aggregate number of shares of Common Stock into which a share of ESOP Preferred Stock is convertible.

"Extraordinary Distribution" shall mean any dividend or other distribution (effected while any of the shares of ESOP Preferred Stock are outstanding) (a) of cash, where the aggregate amount of such cash dividend and distribution together with the amount of all cash dividends and distributions made during the preceding period of 12 months, when combined with the aggregate amount of all Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer made during such period), exceeds Twelve and One-Half percent (12.5%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the record date for determining the shareholders entitled to receive such Extraordinary Distribution and (b) any shares of capital stock of the Corporation (other than shares of Common Stock), other securities of the

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Corporation (other than securities of the type referred to in paragraph I(2)), evidence of indebtedness of the Corporation or any other person or any other property (including shares of any subsidiary of the Corporation), or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of paragraph I(4) shall be the sum of the Fair Market Value of such Extraordinary Distribution plus the amount of any cash dividends which are not Extraordinary Distributions made during such twelve-month period and not previously included in the calculation of an adjustment pursuant to paragraph I(4).

"Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Corporation or any other issuer

which are publicly traded, the average of the Current Market Prices (as hereinafter defined) of such shares or securities for each day of the Adjustment Period (as hereinafter defined). "Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Corporation or any other issuer for a day shall mean the last reported sales price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the NASDAQ National Market System or, if such security is not quoted on such National Market System, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm selected for such purpose by the Board of Directors of the Corporation or a committee thereof on each trading day during the Adjustment Period.

"Adjustment Period" shall mean the period of five (5) consecutive trading days preceding the date as of which the Fair Market Value of a security is to be determined. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Corporation or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors of the Corporation or such committee.

"Non-Dilutive Amount" in respect of an issuance, sale or exchange by the Corporation of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean the remainder of (a) the product of the Fair Market Value of a share of Common Stock on the day preceding the first public announcement of such issuance, sale or exchange multiplied by the maximum number of shares of Common Stock which could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or

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exchange of all such convertible or exchangeable securities), whether or not exercisable (or convertible or exchangeable) at such date, minus (b) the aggregate amount payable pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; provided, however, that in no event shall the Non-Dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or warrant to purchase or acquire shares of Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Corporation.

"Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Corporation or any subsidiary thereof, whether for cash, shares of capital stock of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including shares of a subsidiary of the Corporation), or any combination thereof, effected while any of the shares of ESOP Preferred Stock are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; provided, however, that no purchase of shares by the Corporation or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this paragraph I(7), shares shall be deemed to have been purchased by the Corporation or any subsidiary thereof "in open market transactions" if they have been purchased substantially in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act, on the date shares of ESOP Preferred Stock are initially issued by the Corporation or on such other terms and conditions as the Board of Directors of the Corporation or a committee thereof shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock.

"Valuation Date" with respect to an Extraordinary Distribution shall mean the date that is five (5) business days prior to the record date for such Extraordinary Distribution.

(8) Whenever an adjustment to the Conversion Price is required pursuant hereto, the Corporation shall forthwith place on file with the transfer agent for the Common Stock and the ESOP Preferred Stock if there be one, and with the Secretary of the Corporation, a statement signed by two officers of the Corporation, stating the adjusted Conversion Price determined as provided herein and the resulting conversion ratio, and the voting rights (as appropriately adjusted), of the ESOP Preferred Stock. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment

to the Conversion Price and the related voting rights of the ESOP Preferred Stock, the Corporation shall mail a notice thereof and of the then prevailing conversion ratio to each holder of shares of the ESOP Preferred Stock.

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#### J. Ranking; Retirement of Shares.

(1) The ESOP Preferred Stock shall rank (a) senior to the Common Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution and winding-up of the Corporation, (b) junior to the shares of Series B Cumulative Perpetual Convertible Preferred Stock, no par value per share, of the Corporation as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding-up of the Corporation, and (c) unless otherwise provided in the Articles of Incorporation of the Corporation or an amendment to such Articles of Incorporation relating to a subsequent series of Preferred Stock, without par value, of the Corporation (the "Preferred Stock"), junior to all other series of the Preferred Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding-up.

(2) Any shares of ESOP Preferred Stock acquired by the Corporation by reason of the conversion or redemption of such shares as provided hereby, or otherwise so acquired, shall be retired as shares of ESOP Preferred Stock and restored to the status of authorized but unissued shares of Preferred Stock, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

#### K. Miscellaneous

(1) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three (3) business days after the mailing thereof if sent by registered mail (unless first-class mail shall be specifically permitted for such notice under the terms hereof) with postage prepaid, addressed: (a) if to the Corporation, to its office at NationsBank Corporate Center, Charlotte, North Carolina 28255 (Attention: Treasurer) or to the transfer agent for the ESOP Preferred Stock, or other agent of the Corporation designated as permitted hereby or (b) if to any holder of the ESOP Preferred Stock or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock record books of the Corporation (which may include the records of any transfer agent for the ESOP Preferred Stock or Common Stock, as the case may be) or (c) to such other address as the Corporation or any such holder, as the case may be, shall have designated by notice similarly given.

(2) The term "Common Stock" as used herein means the Corporation's Common Stock, as the same existed at the date of filing of the Amendment to the Corporation's Articles of Incorporation relating to the ESOP Preferred Stock or any other class of stock resulting from successive changes or reclassification of such Common Stock consisting solely of changes in par value, or from par value to no par value. In the event that, at any time as a result of an adjustment made pursuant to paragraph I hereof, the holder of any share of the ESOP Preferred Stock upon thereafter surrendering such shares for conversion shall become entitled to receive any shares or other securities of the Corporation other than shares of Common Stock, the Conversion Price in respect of such other shares or securities so receivable upon conversion of shares of ESOP Preferred Stock shall thereafter be adjusted, and shall be

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subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in paragraph I hereof, and the provisions of paragraphs A through H, J, and K hereof with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(3) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of ESOP Preferred Stock or shares of Common Stock or other securities issued on account of ESOP Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of ESOP Preferred Stock or Common Stock or other securities in a name other than that in which the shares of ESOP Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(4) In the event that a holder of shares of ESOP Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of ESOP Preferred Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Corporation shall be entitled to register such

shares, and make such payment, in the name of the holder of such ESOP Preferred Stock as shown on the records of the Corporation and to send the certificate or certificates representing such shares, or such payment, to the address of such holder shown on the records of the Corporation.

(5) The Corporation may appoint, and from time to time discharge and change, a transfer agent for the ESOP Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Corporation shall send notice thereof by first-class mail, postage prepaid, to each holder of record of ESOP Preferred Stock.

4. The address of the registered office of the Corporation is NationsBank Corporate Center, NC1-007-56, Charlotte, Mecklenburg County, North Carolina 28255, and the name of its registered agent at such address is James W. Kiser.

5. No holder of any stock of the Corporation of any class now or hereafter authorized shall have any preemptive right to purchase, subscribe for, or otherwise acquire any shares of stock of the Corporation of any class now or hereafter authorized, or any securities exchangeable for or convertible into any such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase or otherwise acquire any such shares whether

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such shares, securities, warrants or other instruments be unissued, or issued and thereafter acquired by the Corporation.

6. To the fullest extent permitted by the North Carolina Business Corporation Act, as the same exists or may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation, its shareholders or otherwise for monetary damage for breach of his duty as a director. Any repeal or modification of this Article shall be prospective only and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.