# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# Form 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2002 – Commission File Number 1-6523

# Bank of America Corporation

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

| Delaware | 56-0906609 |
|---|---|
| **(State of incorporation)** | **(IRS Employer Identification No.)** |
| Bank of America Corporate Center<br>Charlotte, North Carolina | 28255 |
| **(Address of principal executive offices)** | **(Zip Code)** |

704.386.8486

**(Registrant's telephone number, including area code)**

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock | New York Stock Exchange<br>London Stock Exchange<br>Pacific Stock Exchange<br>Tokyo Stock Exchange |
| S&P 500 Index® Linked Notes, due 2003 | American Stock Exchange |
| DJIA℠ Return Linked Notes, due 2005 | American Stock Exchange |
| S&P 500 Index® Return Linked Notes, due 2007 | American Stock Exchange |
| 6 1/2% Subordinated InterNotes℠, due 2032 | New York Stock Exchange |
| 8 1/2% Subordinated Notes, due 2007 | New York Stock Exchange |
| 10 7/8% Subordinated Notes, due 2003 | New York Stock Exchange |

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or in any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates is approximately $104,445,920,505 (based on the June 28, 2002 closing price of Common Stock of $70.36 per share). As of February 28, 2003, there were 1,502,368,612 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

| **Document of the Registrant** | **Form 10-K Reference Locations** |
|---|---|
| Portions of the 2002 Annual Report to Stockholders | PARTS I, II and IV |
| Portions of the 2003 Proxy Statement | PART III |

# PART I

## Item 1. BUSINESS

### General

Bank of America Corporation (the "Corporation") is a Delaware corporation, a bank holding company and a financial holding company under the Gramm-Leach-Bliley Act. The principal executive offices of the Corporation are located in the Bank of America Corporate Center, Charlotte, North Carolina 28255.

### Primary Market Areas

Through its banking subsidiaries (the "Banks") and various nonbanking subsidiaries, the Corporation provides a diversified range of banking and nonbanking financial services and products, primarily throughout the Mid-Atlantic (Maryland, Virginia and the District of Columbia), the Midwest (Illinois, Iowa, Kansas and Missouri), the Southeast (Florida, Georgia, North Carolina, South Carolina and Tennessee), the Southwest (Arizona, Arkansas, New Mexico, Oklahoma and Texas), the Northwest (Oregon and Washington) and the West (California, Idaho and Nevada) regions of the United States and in selected international markets. Management believes that these are desirable regions in which to be located. Based on the most recent available data, personal income levels in the states in these regions as a whole rose 3.5 percent year-to-year through the third quarter of 2002, compared to growth of 3.3 percent in the rest of the United States. In addition, the population in these states as a whole rose an estimated 1.5 percent between 2001 and 2002, compared to growth of 0.9 percent in the rest of the United States. Through December 2002, the average rate of unemployment in these states was 4.9 percent, ranging from Virginia's 3.9 percent to Oregon's 7.0 percent, compared to a rate of unemployment of 5.5 percent in the rest of the United States. The number of housing permits authorized at year-end 2002 was 12.3% higher compared to year-end 2001.

The Corporation has the leading bank deposit market share position in California, Florida, Maryland and Washington. In addition, the Corporation ranks second in terms of bank deposit market share in Arizona, Kansas, Missouri, New Mexico, North Carolina, South Carolina and Texas; third in Arkansas, Georgia, Nevada and the District of Columbia; fourth in Idaho, Oregon and Virginia; fifth in Oklahoma and Tennessee; seventh in Iowa; and thirteenth in Illinois.

### Acquisition and Disposition Activity

As part of its operations, the Corporation regularly evaluates the potential acquisition of, and holds discussions with, various financial institutions and other businesses of a type eligible for financial holding company ownership or control. In addition, the Corporation regularly analyzes the values of, and submits bids for, the acquisition of customer-based funds and other liabilities and assets of such financial institutions and other businesses. The Corporation also regularly considers the potential disposition of certain of its assets, branches, subsidiaries or lines of businesses. As a general rule, the Corporation publicly announces any material acquisitions or dispositions when a definitive agreement has been reached.

### Government Supervision and Regulation

*The following discussion describes elements of an extensive regulatory framework applicable to bank holding companies, financial holding companies and banks and specific information about the Corporation and its subsidiaries. Federal regulation of banks, bank holding companies and financial holding companies is intended primarily for the protection of depositors and the Bank Insurance Fund rather than for the protection of stockholders and creditors.*

*General*

As a registered bank holding company and financial holding company, the Corporation is subject to the supervision of, and regular inspection by, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). The Banks are organized as national banking associations, which are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (the "Comptroller" or "OCC"), the Federal Deposit Insurance Corporation (the "FDIC"), the Federal Reserve Board and other federal and state regulatory agencies. In addition to banking laws, regulations and regulatory agencies, the Corporation and its subsidiaries and affiliates are subject to various other laws and regulations and

supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of the Corporation and its ability to make distributions to stockholders.

A financial holding company, and the companies under its control, are permitted to engage in activities considered "financial in nature" as defined by the Gramm-Leach-Bliley Act and Federal Reserve Board interpretations (including, without limitation, insurance and securities activities), and therefore may engage in a broader range of activities than permitted for bank holding companies and their subsidiaries. A financial holding company may engage directly or indirectly in activities considered financial in nature, either de novo or by acquisition, provided the financial holding company gives the Federal Reserve Board after-the-fact notice of the new activities. The Gramm-Leach-Bliley Act also permits national banks, such as the Banks, to engage in activities considered financial in nature through a financial subsidiary, subject to certain conditions and limitations and with the approval of the Comptroller.

*Interstate Banking*

Bank holding companies (including bank holding companies that also are financial holding companies) also are required to obtain the prior approval of the Federal Reserve Board before acquiring more than five percent of any class of voting stock of any non-affiliated bank. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking and Branching Act"), a bank holding company may acquire banks located in states other than its home state without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, after the proposed acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the United States and no more than 30 percent or such lesser or greater amount set by state law of such deposits in that state.

Subject to certain restrictions, the Interstate Banking and Branching Act also authorizes banks to merge across state lines to create interstate banks. The Interstate Banking and Branching Act also permits a bank to open new branches in a state in which it does not already have banking operations if such state enacts a law permitting de novo branching. The Corporation has consolidated its retail subsidiary banks into a single interstate bank (Bank of America, N.A.), headquartered in Charlotte, North Carolina, with full service branch offices in 21 states and the District of Columbia. In addition, the Corporation operates a nationally chartered credit card bank (Bank of America, N.A. (USA)), headquartered in Phoenix, Arizona, and three nationally chartered bankers' banks: Bank of America Oregon, N.A., headquartered in Portland, Oregon; Bank of America California, N.A., headquartered in San Francisco, California; and Bank of America Georgia, N.A., headquartered in Atlanta, Georgia.

*Changes in Regulations*

Proposals to change the laws and regulations governing the banking industry are frequently introduced in Congress, in the state legislatures and before the various bank regulatory agencies. The likelihood and timing of any proposals or legislation and the impact they might have on the Corporation and its subsidiaries cannot be determined at this time.

*Capital and Operational Requirements*

The Federal Reserve Board, the Comptroller and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve Board risk-based guidelines define a three-tier capital framework. Tier 1 capital includes common shareholders' equity and qualifying preferred stock, less goodwill and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt and the allowance for credit losses up to 1.25 percent of risk-weighted assets. Tier 3 capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve Board and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank's risk-based capital ratio to fall or remain below the required

minimum. The sum of Tier 1 and Tier 2 capital less investments in unconsolidated subsidiaries represents the Corporation's qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. The minimum Tier 1 capital ratio is four percent and the minimum total capital ratio is eight percent. The Corporation's Tier 1 and total risk-based capital ratios under these guidelines at December 31, 2002 were 8.22 percent and 12.43 percent, respectively. At December 31, 2002, the Corporation had no subordinated debt that qualified as Tier 3 capital.

The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Although the stated minimum ratio is 100 to 200 basis points above three percent, banking organizations are required to maintain a ratio of at least five percent to be classified as well capitalized. The Corporation's leverage ratio at December 31, 2002 was 6.29 percent. The Corporation meets its leverage ratio requirement.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), among other things, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective federal regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. An "undercapitalized" bank must develop a capital restoration plan and its parent holding company must guarantee that bank's compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank's assets at the time it became "undercapitalized" or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a "well capitalized" institution must have a Tier 1 risk-based capital ratio of at least six percent, a total risk-based capital ratio of at least ten percent and a leverage ratio of at least five percent and not be subject to a capital directive order. Under these guidelines, each of the Banks was considered well capitalized as of December 31, 2002.

Regulators also must take into consideration (a) concentrations of credit risk; (b) interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance-sheet position); and (c) risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. This evaluation will be made as a part of the institution's regular safety and soundness examination. In addition, the Corporation, and any Bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations.

*Distributions*

The Corporation's funds for cash distributions to its stockholders are derived from a variety of sources, including cash and temporary investments. The primary source of such funds, and funds used to pay principal and interest on its indebtedness, is dividends received from the Banks. Each of the Banks is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine under certain circumstances relating to the financial condition of a bank or bank holding company that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof.

In addition, the ability of the Corporation and the Banks to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under FDICIA, as described above. The right of the Corporation, its stockholders and its creditors to participate in any distribution of the assets or earnings of its subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

*Source of Strength*

According to Federal Reserve Board policy, bank holding companies are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered or anticipated by the FDIC – either as a result of default of a banking subsidiary or related to FDIC assistance provided to a subsidiary in danger of default – the other Banks may be assessed for the FDIC's loss, subject to certain exceptions.

**Competition**

The activities in which the Corporation and its four business segments (Consumer and Commercial Banking, Asset Management, Global Corporate and Investment Banking, and Equity Investments) engage are highly competitive. Generally, the lines of activity and markets served involve competition with other banks, thrifts, credit unions and other nonbank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies and insurance companies. The Corporation also competes against banks and thrifts owned by nonregulated diversified corporations and other entities which offer financial services, located both domestically and internationally and through alternative delivery channels such as the Internet. The methods of competition center around various factors, such as customer services, interest rates on loans and deposits, lending limits and customer convenience, such as location of offices.

The commercial banking business in the various local markets served by the Corporation's business segments is highly competitive. The four business segments compete with other banks, thrifts, finance companies and other businesses which provide similar services. The business segments actively compete in commercial lending activities with local, regional and international banks and nonbank financial organizations, some of which are larger than certain of the Corporation's nonbanking subsidiaries and the Banks. In its consumer lending operations, the competitors of the business segments include other banks, thrifts, credit unions, finance companies and other nonbank organizations offering financial services. In the investment banking, investment advisory and brokerage business, the Corporation's nonbanking subsidiaries compete with other banking and investment banking firms, investment advisory firms, brokerage firms, investment companies, other organizations offering similar services and other investment alternatives available to investors. The Corporation's mortgage banking units compete with banks, thrifts, government agencies, mortgage brokers and other nonbank organizations offering mortgage banking services. In the trust business, the Banks compete with other banks, investment counselors and insurance companies in national markets for institutional funds and insurance agents, thrifts, financial counselors and other fiduciaries for personal trust business. The Corporation and its four business segments also actively compete for funds. A primary source of funds for the Banks is deposits, and competition for deposits includes other deposit-taking organizations, such as banks, thrifts, and credit unions, as well as money market mutual funds.

The Corporation's ability to expand into additional states remains subject to various federal and state laws. See "Government Supervision and Regulation – General" for a more detailed discussion of interstate banking and branching legislation and certain state legislation.

**Employees**

As of December 31, 2002, there were 133,944 full-time equivalent employees within the Corporation and its subsidiaries. Of the foregoing employees, 82,003 were employed within Consumer and Commercial Banking, 6,471 were employed within Asset Management, 6,965 were employed within Global Corporate and Investment Banking and 194 were employed within Equity Investments. The remainder were employed elsewhere within the Corporation and its subsidiaries.

None of the domestic employees within the Corporation is subject to a collective bargaining agreement. Management considers its employee relations to be good.

**Additional Information**

The following information set forth in the Corporation's 2002 Annual Report to Stockholders (the "2002 Annual Report") is incorporated herein by reference: Business Segment Operations (pages 30 through 36, and 107 through 109), Net Interest Income (pages 26, 28, 58 and 59), Securities (pages 51, 79 and 84 through 85), Outstanding Loans and Leases (pages 41 through 49, 51, 59, 80 through 81 and 88 through 89), Deposits (pages 38 through 39 and 93), Short-Term Borrowings (pages 60 and 93), Trading Liabilities (page 86), Market Risk Management (pages 49 through 53), Liquidity Risk Management (pages 37 through 41) and Performance by Geographic Area (page 111).

**Item 2. PROPERTIES**

As of December 31, 2002, the principal offices of the Corporation and each of its business segments were located in the 60-story Bank of America Corporate Center in Charlotte, North Carolina, which is owned by a subsidiary of the Corporation. The Corporation occupies approximately 505,000 square feet and leases approximately 530,000 square feet to third parties at market rates, which represents substantially all of the space in this facility. In addition to this facility, the Corporation also leases or owns a significant amount of space worldwide. As of December 31, 2002, the Corporation and its subsidiaries owned or leased approximately 11,200 locations in 42 states, the District of Columbia and 30 foreign countries.

**Item 3. LEGAL PROCEEDINGS**

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to a number of pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. In certain of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries and certain of these actions and proceedings are based on alleged violations of consumer protection, securities, environmental, banking and other laws.

In view of the inherent difficulty of predicting the outcome of such matters, the Corporation cannot state what the eventual outcome of pending matters will be. However, based on current knowledge, management does not believe that liabilities, if any, arising from pending litigation, including the litigation described below, will have a material adverse effect on the consolidated financial position, operations or liquidity of the Corporation.

*D.E. Shaw Litigation.* Following the merger of NationsBank Corporation and BankAmerica Corporation in September 1998, the Corporation and certain of its officers and directors were named as defendants in class actions brought on behalf of persons who purchased NationsBank or BankAmerica shares between August 4, 1998 and September 30, 1998, persons who purchased shares of the Corporation between October 1 and October 13, 1998, and persons who held NationsBank or BankAmerica shares as of the merger. The claims on behalf of the purchasers and the persons who held NationsBank shares as of the merger principally rested on the allegation that the Corporation or its predecessors failed to disclose material facts concerning a $1.4 billion financial relationship between BankAmerica Corporation and D.E. Shaw & Co. that resulted in a $372 million charge to the Corporation's earnings in the quarter ending September 30, 1998. The claims of the persons who held BankAmerica shares as of the merger principally rested on the allegation that the defendants misrepresented a "takeover" of BankAmerica Corporation as a "merger of equals."

On November 2, 2002, the United States District Court for the Eastern District of Missouri (the "Federal Court"), the Court to which all federal actions had been transferred, entered a final judgment dismissing the actions with prejudice. The Court entered the judgment after approving a settlement providing for payment of $333.2 million to the classes of purchasers and holders of NationsBank shares and $156.8 million to the classes of purchasers of BankAmerica and Corporation shares and holders of BankAmerica shares (all amounts to bear interest at the 90-day Treasury Bill Rate from March 6, 2002 to the date of payment). There remain pending several actions in California that have been stayed since April 2000, when the Federal Court enjoined the plaintiffs in those actions from purporting to prosecute their claims on behalf of a class. Several class members, including two lead plaintiffs, are appealing from the Federal Court's judgment to the United States Court of Appeals for the Eighth Circuit.

*Enron Corporation Securities Litigation.* On April 8, 2002, the Corporation was named as a defendant along with, among others, commercial and investment banks, certain current and former Enron officers and directors, lawyers and accountants in a putative consolidated class action complaint filed in the United States District Court for the Southern District of Texas alleging violations of Sections 11 and 15 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On May 8, 2002, the Corporation filed a motion to dismiss the complaint and on December 20, 2002, the court granted the motion in part, dismissing the claims asserted under Section 10(b) and Rule 10b-5 of the Exchange Act. A Section 11 claim on a single securities offering remains pending against the Corporation.

In addition, other Enron-related individual and class actions have been filed against the Corporation and certain of its affiliates, based upon its role as underwriter of certain Enron debt or equity offerings, along with other investment banks and other parties. The complaints generally assert claims under federal and state securities laws, other state statutes and under common law theories.

*WorldCom, Inc. Securities Litigation.* Banc of America Securities LLC ("BAS") and other underwriters of WorldCom, Inc. bonds issued in 2000 and 2001 have been named as defendants in certain lawsuits alleging that the offering materials were false and misleading. One of the lawsuits is a purported class action, filed July 10, 2002 in the U.S. District Court for the Southern District of New York. On October 11, 2002, the action was superceded by the filing of a consolidated putative class action complaint entitled In re WorldCom, Inc. Securities Litigation. This action alleges violations by the underwriters of the federal securities law, including Sections 11 and 12 of the Securities Act of 1933 in connection with 2000 and 2001 bond offerings and is brought on behalf of purchasers and acquirers of bonds issued in or traceable to these offerings.

In addition, the Corporation or BAS, along with other underwriters, certain executives of WorldCom and WorldCom's auditors, have also been named as defendants in approximately eighteen individual actions that were filed in either federal or state courts beginning in July 2002 arising out of alleged accounting irregularities in the books and records of WorldCom. Plaintiffs in these actions are typically institutional investors, including state pension funds, who purchased debt securities issued by WorldCom pursuant to public offerings in 1997, 1998, 2000 or 2001. The complaints generally assert claims under federal and state securities laws, other state statutes and under common law theories.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of stockholders during the quarter ended December 31, 2002.

**Item 4A. EXECUTIVE OFFICERS OF THE REGISTRANT**

Pursuant to the Instructions to Form 10-K and Item 401(b) of Regulation S-K, the name, age and position of each current executive officer of the Corporation are listed below along with such officer's business experience during the past five years. Officers are appointed annually by the Board of Directors at the meeting of directors immediately following the annual meeting of stockholders.

Amy Woods Brinkley, age 47, Chief Risk Officer. Ms. Brinkley was named to her present position in April 2002. From July 2001 to April 2002, she served as Chairman, Credit Policy and Deputy Corporate Risk Management Executive; from August 1999 to July 2001, she served as President, Consumer Products; and from 1993 to August 1999, she served as Marketing Group Executive. She first became an officer in 1979. She also serves as Chief Risk Officer and a director of Bank of America, N.A.

Edward J. Brown III, age 54, President, Global Corporate and Investment Banking. Mr. Brown was named to his present position in August 2000. From September 1998 to August 2000, he served as President, Global Capital Raising and Global Capital Markets; and from June 1997 to September 1998, he served as President, Global Finance. He first became an officer in 1974. He also serves as President, Global Corporate and Investment Banking and a director of Bank of America, N.A.

Richard M. DeMartini, age 50, President, Asset Management. Mr. DeMartini was named to his present position in February 2001. From January 1999 to February 2001, he served as Chairman, International Private Client Group, Morgan Stanley Dean Witter; and from March 1997 to January 1999, he served as President Individual Asset Management Group, Morgan Stanley Dean Witter. He first became an officer in February 2001. He also serves as President, Asset Management of Bank of America, N.A.

Barbara J. Desoer, age 50, President, Consumer Products. Ms. Desoer was named to her present position in July 2001. From September 1999 to July 2001, she served as Director of Marketing; from May 1999 to September 1999, she served as Banking Group President, California Retail Bank; and from December 1996 to May 1999, she served as Regional Executive, California Retail Bank. She first became an officer in 1977. She also serves as President, Consumer Products and a director of Bank of America, N.A.

James H. Hance, Jr., age 58, Vice Chairman and Chief Financial Officer. Mr. Hance was named Chief Financial Officer in August 1988, and was named Vice Chairman in October 1993. He first became an officer in 1987. He also serves as a director of the Corporation and as Vice Chairman and a director of Bank of America, N.A.

Kenneth D. Lewis, age 55, Chairman, President and Chief Executive Officer. Mr. Lewis was named Chairman and Chief Executive Officer in April 2001 and President in January 1999. From October 1998 to January 1999, he served as President, Consumer and Commercial Banking; from 1993 to October 1998, he served as President; and from October 1999 to April 2001, he served as Chief Operating Officer. He first became an officer in 1971. Mr. Lewis also serves as a director of the Corporation and as Chairman, President, Chief Executive Officer and a director of Bank of America, N.A.

R. Eugene Taylor, age 55, President, Consumer and Commercial Banking. Mr. Taylor was named to his present position in June 2000. From February 2000 to June 2000, he served as President, Central Region; from October 1998 to June 2000, he served as President, West Region; and from December 1997 to October 1998, he served as President, Florida. He first became an officer in 1970. He also serves as President, Consumer and Commercial Banking and a director of Bank of America, N.A.

# PART II

## Item 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The principal market on which the Common Stock is traded is the New York Stock Exchange. The Common Stock is also listed on the London Stock Exchange and the Pacific Stock Exchange, and certain shares are listed on the Tokyo Stock Exchange. The following table sets forth the high and low sales prices of the Common Stock on the New York Stock Exchange for the periods indicated:

| | Quarter | High | Low |
|---|---|---|---|
| 2002 | first | $69.61 | $57.51 |
| | second | 77.09 | 66.82 |
| | third | 72.70 | 55.11 |
| | fourth | 72.00 | 53.95 |
| 2001 | first | 55.94 | 45.00 |
| | second | 62.18 | 48.65 |
| | third | 65.54 | 50.25 |
| | fourth | 64.99 | 52.10 |

As of February 28, 2003, there were 237,080 record holders of Common Stock. During 2001 and 2002, the Corporation paid dividends on the Common Stock on a quarterly basis. The following table sets forth dividends declared per share of Common Stock for the periods indicated:

| | Quarter | Dividend |
|---|---|---|
| 2002 | first | $.60 |
| | second | .60 |
| | third | .60 |
| | fourth | .64 |
| 2001 | first | .56 |
| | second | .56 |
| | third | .56 |
| | fourth | .60 |

For additional information regarding the Corporation's ability to pay dividends, see "Government Supervision and Regulation – Distributions". In addition, Note15 (page 99) of the Notes to Consolidated Financial Statements in the 2002 Annual Report is incorporated herein by reference.

**Item 6. SELECTED FINANCIAL DATA**

The information set forth in Table 1 (page 27) and Table XVII (page 67) of the 2002 Annual Report is incorporated herein by reference.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information set forth under the captions "Management's Discussion and Analysis of Results of Operations and Financial Condition" (pages 25 through 55) and "Report of Management" (page 70) in the 2002 Annual Report is incorporated herein by reference.

**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information set forth under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition-Market Risk Management" (pages 49 through 53) in the 2002 Annual Report is incorporated herein by reference.

**Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The following information set forth in the 2002 Annual Report is incorporated herein by reference: the Consolidated Financial Statements and Notes to Consolidated Financial Statements of Bank of America Corporation and Subsidiaries, together with the report thereon of PricewaterhouseCoopers LLP dated January 15, 2003 (pages 71 through 111) and the Selected Quarterly Financial Data in Table XVII on page 67.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There were no changes in or disagreements with accountants on accounting and financial disclosure.

## PART III

**Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Information included under the following captions in the Corporation's proxy statement relating to its 2003 annual meeting of stockholders (the "2003 Proxy Statement") is incorporated herein by reference:

- "The Nominees" on pages 2 through 5;
- "Section 16(a) Beneficial Ownership Reporting Compliance" on page 8; and
- "Special Compensation Arrangements-Employment Agreements with Certain Executive Officers" on pages 13 and 14.

Additional information required by Item 10 with respect to executive officers is set forth in Part I, Item 4A hereof.

**Item 11. EXECUTIVE COMPENSATION**

Information included under the following captions in the 2003 Proxy Statement is incorporated herein by reference:

- "Director Compensation" on pages 8 and 9;
- "Executive Compensation" on pages 9 through 13;
- "Special Compensation Arrangements" on pages 13 and 14;
- "Compensation Committee Interlocks and Insider Participation" on page 19; and
- "Certain Transactions" on page 19.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information included under the following caption in the 2003 Proxy Statement is incorporated herein by reference:.

- "Stock Ownership" on pages 5 through 7.

Information included under Note 17 of the Notes to Consolidated Financial Statements in the 2002 Annual Report on pages 100 through 103, including the table on page 103 presenting equity compensation plan information, is incorporated herein by reference.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Information included under the following captions in the 2003 Proxy Statement is incorporated herein by reference:

- "Compensation Committee Interlocks and Insider Participation" on page 19; and
- "Certain Transactions" on page 19.

**Item 14. CONTROLS AND PROCEDURES**

Within the 90 days prior to the filing date of this report, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Corporation's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded the Corporation's disclosure controls and procedures were effective. In addition, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation.

Disclosure controls and procedures are defined in Rule 13a-14(c) of the Exchange Act as controls and other procedures designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. The Corporation's disclosure controls and procedures were designed to ensure that material information related to the Corporation, including its consolidated subsidiaries, is made known to management, including the Chief Executive Officer and Chief Financial Officer, in a timely manner.

**Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K**

a. The following documents are filed as part of this report:

| | | Pages in Annual Report* |
|---|---|---|
| (1) | Financial Statements: | |
| | Report of Independent Accountants | 71 |
| | Consolidated Statement of Income for the years ended December 31, 2002, 2001 and 2000 | 72 |
| | Consolidated Balance Sheet at December 31, 2002 and 2001 | 73 |
| | Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2002, 2001 and 2000 | 74 |
| | Consolidated Statement of Cash Flows for the years ended December 31, 2002, 2001 and 2000 | 75 |
| | Notes to Consolidated Financial Statements | 76 |

*Incorporated by reference from the indicated pages of the 2002 Annual Report.

(2) Schedules:

None

b. The following reports on Form 8-K were filed by the registrant during the quarter ended December 31, 2002:

Current Report on Form 8-K dated and filed October 15, 2002, Items 5, 7 and 9.

Current Report on Form 8-K dated November 1, 2002 and filed November 12, 2002, Items 5 and 7.

Current Report on Form 8-K dated November 1, 2002 and filed November 26, 2002, Items 5 and 7.

Current Report on Form 8-K dated November 15, 2002 and filed November 20, 2002, Items 5 and 7.

Current Report on Form 8-K dated and filed December 11, 2002, Items 5 and 7.

Current Report on Form 8-K dated and filed December 23, 2002, Items 5 and 7.

c. The exhibits filed as part of this report and exhibits incorporated herein by reference to other documents are listed in the Index to Exhibits to this Annual Report on Form 10-K (pages E-1 through E-5, including executive compensation plans and arrangements which are identified separately by asterisk).

With the exception of the information expressly incorporated herein by reference, the 2002 Annual Report and the 2003 Proxy Statement are not to be deemed filed as part of this Annual Report on Form 10-K.

## SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 3, 2003

BANK OF AMERICA CORPORATION

By: */s/ KENNETH D. LEWIS

**Kenneth D. Lewis**
**Chairman, President and Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| */s/ KENNETH D. LEWIS<br>**Kenneth D. Lewis** | Chairman, President, Chief Executive Officer and Director (Principal Executive Officer) | March 3, 2003 |
| */s/ JAMES H. HANCE, JR.<br>**James H. Hance, Jr.** | Vice Chairman, Chief Financial Officer and Director (Principal Financial Officer) | March 3, 2003 |
| */s/ MARC D. OKEN<br>**Marc D. Oken** | Executive Vice President and Principal Financial Executive (Principal Accounting Officer) | March 3, 2003 |
| */s/ JOHN R. BELK<br>**John R. Belk** | Director | March 3, 2003 |
| */s/ CHARLES W. COKER<br>**Charles W. Coker** | Director | March 3, 2003 |
| */s/ FRANK DOWD, IV<br>**Frank Dowd, IV** | Director | March 3, 2003 |
| */s/ KATHLEEN F. FELDSTEIN<br>**Kathleen F. Feldstein** | Director | March 3, 2003 |
| */s/ PAUL FULTON<br>**Paul Fulton** | Director | March 3, 2003 |
| */s/ DONALD E. GUINN<br>**Donald E. Guinn** | Director | March 3, 2003 |
| */s/ WALTER E. MASSEY<br>**Walter E. Massey** | Director | March 3, 2003 |

| Signature | Title | Date |
|---|---|---|
| */s/ C. STEVEN MCMILLAN<br>**C. Steven McMillan** | Director | March 3, 2003 |
| */s/ PATRICIA E. MITCHELL<br>**Patricia E. Mitchell** | Director | March 3, 2003 |
| */S/ O. TEMPLE SLOAN, JR.<br>**O. Temple Sloan, Jr.** | Director | March 3, 2003 |
| */s/ MEREDITH R. SPANGLER<br>**Meredith R. Spangler** | Director | March 3, 2003 |
| */s/ RONALD TOWNSEND<br>**Ronald Townsend** | Director | March 3, 2003 |
| */s/ JACKIE M. WARD<br>**Jackie M. Ward** | Director | March 3, 2003 |
| */s/ VIRGIL R. WILLIAMS<br>**Virgil R. Williams** | Director | March 3, 2003 |

*By: /s/ CHARLES M. BERGER

**Charles M. Berger**
**Attorney-in-Fact**

**Certification Pursuant to Section 302**
**of the Sarbanes-Oxley Act of 2002**
**for the Chief Executive Officer**

I, Kenneth D. Lewis, certify that:

1. I have reviewed this annual report on Form 10-K of Bank of America Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant, and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ KENNETH D. LEWIS

Kenneth D. Lewis
Chief Executive Officer
March 3, 2003

**Certification Pursuant to Section 302**
**of the Sarbanes-Oxley Act of 2002**
**for the Chief Financial Officer**

I, James H. Hance, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Bank of America Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant, and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ JAMES H. HANCE, JR.

James H. Hance, Jr.
Chief Financial Officer
March 3, 2003

## INDEX TO EXHIBITS

| Exhibit No. | Description |
|---|---|
| 3(a) | Amended and Restated Certificate of Incorporation of registrant, as in effect on the date hereof, incorporated by reference to Exhibit 99.1 of registrant's Current Report on Form 8-K filed May 7, 1999. |
| (b) | Amended and Restated Bylaws of registrant, as in effect on the date hereof, incorporated by reference to Exhibit 99.2 of registrant's Current Report on Form 8-K filed May 7, 1999. |
| 4(a) | Specimen certificate of registrant's Common Stock, incorporated by reference to Exhibit 4.13 of registrant's Registration No. 333-83503. |
| (b) | Specimen certificate of registrant's ESOP Convertible Preferred Stock, Series C, incorporated by reference to Exhibit 4(c) of registrant's 1991 Annual Report on Form 10-K (the "1991 10-K"). |
| (c) | Specimen certificate of registrant's 7% Cumulative Redeemable Preferred Stock, Series B, incorporated by reference to Exhibit 4(c) of registrant's 1998 Annual Report on Form 10-K (the "1998 10-K"). |
| (d) | Indenture dated as of September 1, 1989 between registrant (successor to NationsBank Corporation, formerly known as NCNB Corporation) and The Bank of New York, pursuant to which registrant issued its 9 3/8% Subordinated Notes, due 2009; and its 10.20% Subordinated Notes, due 2015, incorporated by reference to Exhibit 4.1 of registrant's Registration No. 33-30717; and First Supplemental Indenture thereto dated as of August 28, 1998, incorporated by reference to Exhibit 4(f) of the 1998 10-K. |
| (e) | Indenture dated as of November 1, 1992 between registrant (successor to NationsBank Corporation) and The Bank of New York, pursuant to which registrant issued its 6 7/8% Subordinated Notes, due 2005, incorporated by reference to Exhibit 4.1 of registrant's Amendment to Application or Report on Form 8-K dated March 1, 1993; First Supplemental Indenture thereto dated as of July 1, 1993 pursuant to which registrant issued its Subordinated Medium-Term Notes, Series B; its 6 1/2% Subordinated Notes, due 2003; and its 7 3/4% Subordinated Notes, due 2004, incorporated by reference to Exhibit 4.4 of registrant's Current Report on Form 8-K dated July 6, 1993; and Second Supplemental Indenture thereto dated as of August 28, 1998, incorporated by reference to Exhibit 4(i) of the 1998 10-K. |
| (f) | Indenture dated as of January 1, 1995 between registrant (successor to NationsBank Corporation) and U.S. Bank Trust National Association (successor to BankAmerica National Trust Company), pursuant to which registrant issued its 7% Senior Notes, due 2003; its 6 3/8% Senior Notes, due 2005; its 6 1/8% Senior Notes, due 2004; its 5 7/8% Senior Notes, due 2009; its 6 5/8% Senior Notes, due 2004; its 7 7/8% Senior Notes, due 2005; its 7 1/8% Senior Notes, due 2006; its 4 3/4% Senior Notes, due 2006; its 5 1/4% Senior Notes, due 2007; its 6 1/4% Senior Notes, due 2012; its 4 7/8% Senior Notes due 2012; its 5 1/8% Senior Notes, due 2014; its 3.761% Senior Notes, due 2007; its 3 7/8% Senior Notes, due 2008; its 4 7/8% Senior Notes, due 2013; and its Senior Medium-Term Notes, Series E, F, G, H, I and J, incorporated by reference to Exhibit 4.1 of registrant's Registration No. 33-57533; First Supplemental Indenture thereto dated as of September 18, 1998, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K filed November 18, 1998; and Second Supplemental Indenture thereto dated as of May 7, 2001 between registrant, U.S. Bank Trust National Association, as Prior Trustee, and the Bank of New York, as Successor Trustee, incorporated by reference to Exhibit 4.4 of registrant's Current Report on Form 8-K dated June 5, 2001. |
| (g) | Indenture dated as of January 1, 1995 between registrant (successor to NationsBank Corporation) and The Bank of New York, pursuant to which registrant issued its 7 5/8% Subordinated Notes, due 2005; its 7 3/4% Subordinated Notes, due 2015; its 7 1/4% Subordinated Notes, due 2025; its 6 1/2% Subordinated Notes, due 2006; its 7 1/2% Subordinated Notes, due 2006; its 7.80% Subordinated Notes, due 2016; its 6 3/8% Subordinated Notes, due 2008; its 6.80% Subordinated Notes, due 2028; its 6.60% Subordinated Notes, due 2010; its 7.80% Subordinated Notes due 2010; its 7.40% Subordinated Notes, due 2011; and its Subordinated Medium-Term Notes, Series E, F, G and H, incorporated by reference to Exhibit 4.8 of registrant's Registration No. 33-57533; and First Supplemental Indenture thereto dated as of August 28, 1998, incorporated by reference to Exhibit 4.8 of registrant's Current Report on Form 8-K filed November 18, 1998. |

| Exhibit No. | Description |
|---|---|
| (h) | Amended and Restated Agency Agreement dated as of July 29, 2002 between registrant, Bank of America, N.A., JPMorgan Chase, London Branch, and J.P. Morgan Luxembourg S.A. |
| (i) | Issuing and Paying Agency Agreement dated as of August 1, 2000 between Bank of America, N.A., as Issuer, and Bankers Trust Company, as Issuing and Paying Agent, incorporated by reference to Exhibit 4(m) of registrant's 2000 Annual Report on Form 10-K (the ''2000 10-K"). |
| (j) | Indenture dated as of November 27, 1996 between registrant (successor to NationsBank Corporation) and The Bank of New York, incorporated by reference to Exhibit 4.10 of registrant's Registration No. 333-15375. |
| (k) | Second Supplemental Indenture dated as of December 17, 1996 to the Indenture dated as of November 27, 1996 between registrant (successor to NationsBank Corporation) and The Bank of New York pursuant to which registrant issued its 7.83% Junior Subordinated Deferrable Interest Notes due 2026, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated December 10, 1996. |
| (l) | Third Supplemental Indenture dated as of February 3, 1997 to the Indenture dated as of November 27, 1996 between registrant (successor to NationsBank Corporation) and The Bank of New York pursuant to which registrant issued its Floating Rate Junior Subordinated Deferrable Interest Notes due 2027, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated January 22, 1997. |
| (m) | Fourth Supplemental Indenture dated as of April 22, 1997 to the Indenture dated as of November 27, 1996 between registrant (successor to NationsBank Corporation) and The Bank of New York pursuant to which registrant issued its 8 1 / 4 % Junior Subordinated Deferrable Interest Notes, due 2027, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated April 15, 1997. |
| (n) | Fifth Supplemental Indenture dated as of August 28, 1998 to the Indenture dated as of November 27, 1996 between registrant and The Bank of New York, incorporated by reference to Exhibit 4(t) of the 1998 10-K. |
| (o) | Indenture dated as of November 27, 1996, between Barnett Banks, Inc. and Bank One (successor to The First National Bank of Chicago), as Trustee, and First Supplemental Indenture dated as of January 9, 1998, among NationsBank Corporation, NB Holdings Corporation, Barnett Banks, Inc. and The First National Bank of Chicago (predecessor to Bank One), as Trustee, pursuant to which registrant (as successor to NationsBank Corporation) issued its 8.06% Junior Subordinated Debentures, due 2026, incorporated by reference to Exhibit 4(u) of registrant's 1997 Annual Report on Form 10-K (the "1997 10-K"). |
| (p) | Indenture dated as of September 1, 1990 between the former BankAmerica Corporation and J.P. Morgan Trust Company, National Association, as successor trustee to the former Manufacturers Hanover Trust Company of California, pursuant to which registrant (as successor to the former BankAmerica Corporation) issued its 10.00% Subordinated Notes due 2003 and its 9.20% Subordinated Notes due 2003; and First Supplemental Indenture thereto dated as of September 15, 1998, incorporated by reference to Exhibit 4(v) of the 1998 10-K. |
| (q) | Indenture dated as of November 1, 1991 between the former BankAmerica Corporation and J.P. Morgan Trust Company, National Association, as successor trustee to the former Manufacturers Hanover Trust Company of California, pursuant to which registrant (as successor to the former BankAmerica Corporation) issued its 6.85% Subordinated Notes due 2003; its 6.875% Subordinated Notes due 2003; its Floating Subordinated Notes due 2003; its 7.20% Subordinated Notes due 2006; its 7.625% Subordinated Notes due 2004; its 6.75% Subordinated Notes due 2005; its 6.20% Subordinated Notes due 2006; its 7.125% Subordinated Notes due 2006; its 6.625% Subordinated Notes due 2007; its 6.625% Subordinated Notes due 2007; its 7.125% Subordinated Notes due 2009; its 7.125% Subordinated Notes due 2011; and its 6.25% Subordinated Notes due 2008; First Supplemental Indenture thereto dated as of September 8, 1992; and Second Supplemental Indenture thereto dated as of September 15, 1998, incorporated by reference to Exhibit 4(w) of the 1998 10-K. |

| Exhibit No. | Description |
|---|---|
| (r) | Indenture dated as of November 1, 1991 between the former BankAmerica Corporation and U.S. Bank Trust, N. A. (successor to Bankers Trust Company of California, National Association, and First Trust of California, National Association), pursuant to which registrant (as successor to the former BankAmerica Corporation) issued its Senior Medium-Term Notes, Series I; First Supplemental Indenture thereto dated as of August 1, 1994; and Second Supplemental Indenture thereto dated as of September 30, 1998, incorporated by reference to Exhibit 4(x) of the 1998 10-K. |
| (s) | Second Amended and Restated Agency Agreement dated as of November 15, 1996 between the former BankAmerica Corporation and U.S. Bank Trust National Association (successor to First Trust of New York, National Association), pursuant to which registrant (as successor to the former BankAmerica Corporation) issued its Senior and Subordinated Euro Medium-Term Notes; and Amendment thereto dated as of September 30, 1998, incorporated by reference to Exhibit 4(y) of the 1998 10-K. |
| (t) | Junior Subordinated Indenture dated as of November 27, 1996 between the former BankAmerica Corporation and Bankers Trust Company, pursuant to which registrant (as successor to the former BankAmerica Corporation) issued its 8.07% Junior Subordinated Debentures Series A due 2026; and its 7.70% Junior Subordinated Debentures Series B due 2026; and First Supplemental Indenture thereto dated as of September 15, 1998, incorporated by reference to Exhibit 4(z) of the 1998 10-K. |
| (u) | Junior Subordinated Indenture dated as of December 20, 1996 between the former BankAmerica Corporation and Bankers Trust Company, pursuant to which registrant (as successor to the former BankAmerica Corporation) issued its 8.00% Junior Subordinated Deferrable Interest Debentures, Series 2 due 2026; its Floating Rate Junior Subordinated Deferrable Interest Debentures, Series 3 due 2027; and its 7.00% Junior Subordinated Deferrable Interest Debentures, Series 4 due 2028; and First Supplemental Indenture thereto dated as of September 15, 1998, incorporated by reference to Exhibit 4(aa) of the 1998 10-K. |
| (v) | Restated Senior Indenture dated as of January 1, 2001 between registrant and The Bank of New York, pursuant to which registrant issued its Senior InterNotes[SM], incorporated by reference to Exhibit 4.1 of registrant's Registration No. 333-47222. |
| (w) | Restated Subordinated Indenture dated as of January 1, 2001 between registrant and The Bank of New York, pursuant to which registrant issued its Subordinated InterNotes[SM], incorporated by reference to Exhibit 4.2 of registrant's Registration No. 333-47222. |
| (x) | Amended and Restated Senior Indenture dated as of July 1, 2001 between registrant and The Bank of New York, pursuant to which registrant issued its Senior InterNotes[SM], incorporated by reference to Exhibit 4.1 of registrant's Registration No. 333-65750. |
| (y) | Amended and Restated Subordinated Indenture dated as of July 1, 2001 between registrant and The Bank of New York, pursuant to which registrant issued its Subordinated InterNotes[SM], incorporated by reference to Exhibit 4.2 of registrant's Registration No. 333-65750. |
| (z) | Restated Indenture dated as of November 1, 2001 between registrant and The Bank of New York, incorporated by reference to Exhibit 4.10 of registrant's Registration No. 333-70984. |
| (aa) | First Supplemental Indenture dated as of December 14, 2001 to the Restated Indenture dated as of November 1, 2001 between registrant and The Bank of New York pursuant to which registrant issued its 7% Junior Subordinated Notes due 2031, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated December 6, 2001. |
| (bb) | Second Supplemental Indenture dated as of January 31, 2002 to the Restated Indenture dated as of November 1, 2001 between registrant and The Bank of New York pursuant to which registrant issued its 7% Junior Subordinated Notes due 2032, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated January 24, 2002. |
| (cc) | Third Supplemental Indenture dated as of August 9, 2002 to the Restated Indenture dated as of November 1, 2001 between registrant and The Bank of New York pursuant to which registrant issued its 7% Junior Subordinated Notes due 2032, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated August 2, 2002. |

| Exhibit No. | Description | |
|---|---|---|
| The registrant has other long-term debt agreements, but these are not material in amount. Copies of these agreements will be furnished to the Commission on request. | | |
| 10(a) | NationsBank Corporation and Designated Subsidiaries Directors' Retirement Plan, incorporated by reference to Exhibit 10(f) of registrant's 1990 Annual Report on Form 10-K (the "1990 10-K"); Amendment thereto dated as of September 28, 1994, incorporated by reference to Exhibit 10(i) of registrant's 1994 Annual Report on Form 10-K (the "1994 10-K"); and Amendment thereto dated as of April 24, 1996, incorporated by reference to Exhibit 10(g) of registrant's 1996 Annual Report on Form 10-K (the "1996 10-K"). | * |
| (b) | NationsBank Corporation and Designated Subsidiaries Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(j) of the 1994 10-K; Amendment thereto dated as of June 28, 1989, incorporated by reference to Exhibit 10(g) of registrant's 1989 Annual Report on Form 10-K (the "1989 10-K"); Amendment thereto dated as of June 27, 1990, incorporated by reference to Exhibit 10(g) of the 1990 10-K; Amendment thereto dated as of July 21, 1991, incorporated by reference to Exhibit 10(bb) of the 1991 10-K; Amendments thereto dated as of December 3, 1992 and December 15, 1992, incorporated by reference to Exhibit 10(l) of registrant's 1992 Annual Report on Form 10-K (the "1992 10-K"); Amendment thereto dated as of September 28, 1994, incorporated by reference to Exhibit 10(j) of the 1994 10-K; Amendments thereto dated March 27, 1996 and June 25, 1997, incorporated by reference to Exhibit 10(c) of the 1997 10-K; Amendments thereto dated April 10, 1998, June 24, 1998 and October 1, 1998, incorporated by reference to Exhibit 10(b) of the 1998 10-K; Amendment thereto dated December 14, 1999, incorporated by reference to Exhibit 10(b) of registrant's 1999 Annual Report on Form 10-K (the "1999 10-K"); and Amendment thereto dated as of March 28, 2001, incorporated by reference to Exhibit 10(b) of registrant's 2001 Annual Report on Form 10-K (the "2001 10-K") and Amendment thereto dated December 10, 2002. | * |
| (c) | NationsBank Corporation and Designated Subsidiaries Deferred Compensation Plan for Key Employees, incorporated by reference to Exhibit 10(k) of the 1994 10-K; Amendment thereto dated as of June 28, 1989, incorporated by reference to Exhibit 10(h) of the 1989 10-K; Amendment thereto dated as of June 27, 1990, incorporated by reference to Exhibit 10(h) of the 1990 10-K; Amendment thereto dated as of July 21, 1991, incorporated by reference to Exhibit 10(bb) of the 1991 10-K; Amendment thereto dated as of December 3, 1992, incorporated by reference to Exhibit 10(m) of the 1992 10-K; and Amendments thereto dated April 10, 1998 and October 1, 1998, incorporated by reference to Exhibit 10(b) of the 1998 10-K. | * |
| (d) | Bank of America Pension Restoration Plan, as amended and restated effective January 1, 2002. | * |
| (e) | NationsBank Corporation Benefit Security Trust dated as of June 27, 1990, incorporated by reference to Exhibit 10(t) of the 1990 10-K; First Supplement thereto dated as of November 30, 1992, incorporated by reference to Exhibit 10(v) of the 1992 10-K; and Trustee Removal/Appointment Agreement dated as of December 19, 1995, incorporated by reference to Exhibit 10(o) of registrant's 1995 Annual Report on Form 10-K. | * |
| (f) | Bank of America 401(k) Restoration Plan, as amended and restated effective January 1, 2002. | * |
| (g) | Bank of America Executive Incentive Compensation Plan, as amended and restated effective December 10, 2002. | * |
| (h) | Bank of America Director Deferral Plan, as amended and restated effective January 27, 1999, incorporated by reference to Exhibit 10(i) of the 1998 10-K; Amendment thereto dated April 24, 2002; and Bank of America Corporation Director Deferral Plan, as amended and restated, effective December 10, 2002. | * |
| (i) | Bank of America Corporation Directors' Stock Plan, as amended and restated effective January 1, 2002, incorporated by reference to Exhibit 10(j) of the 2001 10-K; Amendment thereto dated April 24, 2002; and Bank of America Corporation Directors' Stock Plan, as amended and restated effective December 10, 2002. | * |
| (j) | Bank of America Corporation 2003 Key Associate Stock Plan, effective January 1, 2003. | * |

| Exhibit No. | Description | |
|---|---|---|
| (k) | BankAmerica Corporation and Bank of America National Trust and Savings Association Deferred Compensation Plan for Directors, as amended and restated, incorporated by reference to Exhibit 10(b) of the Third Quarter 1998 10-Q. | * |
| (l) | Split Dollar Life Insurance Agreement dated as of October 16, 1998 between registrant and NationsBank, N. A., as Trustee under that certain Irrevocable Trust Agreement No. 2 dated October 1, 1998, by and between James H. Hance, Jr., as Grantor, and NationsBank, N. A., as Trustee, incorporated by reference to Exhibit 10(dd) of the 1998 10-K; and Amendment thereto dated January 24, 2002, incorporated by reference to Exhibit 10(o) of the 2001 10-K. | * |
| (m) | Split Dollar Life Insurance Agreement dated as of September 28, 1998 between registrant and J. Steele Alphin, as Trustee under that certain Irrevocable Trust Agreement dated June 23, 1998, by and between Kenneth D. Lewis, as Grantor, and J. Steele Alphin, as Trustee, incorporated by reference to Exhibit 10(ee) of the 1998 10-K; and Amendment thereto dated January 24, 2002, incorporated by reference to Exhibit 10(p) of the 2001 10-K. | * |
| (n) | Employment Agreement dated as of April 10, 1998 between registrant and James H. Hance, Jr., incorporated by reference to Exhibit 10.4 of registrant's Registration No. 333-60553; and Amendment thereto dated January 24, 2001, incorporated by reference to Exhibit 10(q) of the 2000 10-K. | * |
| (o) | Employment Agreement dated as of April 10, 1998 between registrant and Kenneth D. Lewis, incorporated by reference to Exhibit 10.5 of registrant's Registration No. 333-60553; and Amendment thereto dated January 24, 2001, incorporated by reference to Exhibit 10(r) of the 2000 10-K. | * |
| (p) | Global Corporate and Investment Banking Equity Incentive Plan, as established effective January 1, 2000, incorporated by reference to Exhibit 10(t) of the 2000 10-K. | * |
| (q) | Relocation Agreement dated October 5, 1998 between registrant and Edward J. Brown III, incorporated by reference to Exhibit 10(w) of the 2000 10-K. | * |
| (r) | Employment Agreement dated April 24, 2001 between registrant and Richard M. DeMartini, incorporated by reference to Exhibit 10(x) of the 2001 10-K. | * |
| (s) | Bank of America Corporation 2002 Associates Stock Option Plan, effective February 1, 2002. | |
| (t) | Take Ownership!, The BankAmerica Global Associate Stock Option Program, effective October 1, 1998. | |
| (u) | Barnett Bank Employee Stock Option Plan, effective January 13, 1997. | |
| 12 | Ratio of Earnings to Fixed Charges.<br>Ratio of Earnings to Fixed Charges and Preferred Dividends. | |
| 13 | 2002 Annual Report to Stockholders. This exhibit contains only those portions of the 2002 Annual Report that are incorporated by reference herein. | |
| 21 | List of Subsidiaries. | |
| 23 | Consent of PricewaterhouseCoopers LLP. | |
| 24(a) | Power of Attorney. | |
| (b) | Corporate Resolution. | |
| 99.1 | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | |
| 99.2 | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | |

* *Denotes executive compensation plan or arrangement.*

# AMENDED AND RESTATED AGENCY AGREEMENT

*relating to*

**BANK OF AMERICA CORPORATION**
**and**
**BANK OF AMERICA, N.A.**

**U.S. $25,000,000,000**

**Euro Medium-term Note Program**

*among*

**BANK OF AMERICA CORPORATION**
**and**
**BANK OF AMERICA, N.A.**
**as Issuers**

**and**

**JPMorgan CHASE BANK, LONDON BRANCH**
**as Issuing and Principal Paying Agent**

**and**

**J.P. Morgan BANK LUXEMBOURG S.A.**
**as Paying Agent**

**DATED AS OF JULY 29, 2002**

# INDEX


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THIS AMENDED AND RESTATED AGENCY AGREEMENT (this "Agreement") dated as of July 29, 2002 is made by and among:

(i) Bank of America Corporation, a Delaware corporation (the "Corporation"), and Bank of America, N.A., a national banking association (the "Bank"; the Bank and the Corporation are each an "Issuer" and collectively, the "Issuers");

(ii) JPMorgan Chase Bank, London Branch (the "Agent" and the "Issuing and Principal Paying Agent"); and

(iii) J.P. Morgan Bank Luxembourg S.A. (the "Paying Agent").

WHEREAS, the Corporation, the Bank, the Agent and the Paying Agent wish to update the arrangements originally agreed among them pursuant to that certain Agency Agreement dated November 8, 1995, as amended and restated to the date hereof, including the amendment and restatement dated July 27, 2001 (the "Original Agency Agreement");

WHEREAS, the Issuers propose to issue up to U.S. $15,000,000,000 with respect to the Corporation and U.S. $10,000,000,000 with respect to the Bank (or its equivalent in other currencies) in aggregate principal amount of Euro Medium-Term Notes (the "Notes") outstanding at any one time as provided in an Amended and Restated Program Agreement of even date among the Issuers, the Arranger and the Dealers named therein (the "Program Agreement") and as described in an Offering Circular of even date (the "Offering Circular");

WHEREAS, Notes will be issued in the denominations specified in the applicable Pricing Supplement issued in connection with each Series and each Tranche of Notes; and

WHEREAS, unless otherwise determined by an Issuer and specified in the applicable Pricing Supplement, beneficial interests in each Tranche of Notes initially will be represented by a Temporary Global Note, exchangeable, as provided in such Temporary Global Note, for beneficial interests in a Permanent Global Note and, only under limited circumstances, beneficial interests in a Global Note may be exchangeable for Definitive Notes, in each case in accordance with the terms of the Global Notes.

NOW, THEREFORE, it is agreed as follows:

1. *Definitions and Interpretation*

(1) Terms and expressions defined in the Program Agreement or the Notes or used in the applicable Pricing Supplement shall have the same meanings in this Agreement, except where the context requires otherwise.

(2) Without prejudice to the foregoing in this Agreement:

"outstanding" means, in relation to the Notes, all the Notes issued other than (a) those which have been redeemed in accordance with the Terms and Conditions, (b) those in respect of which the redemption date in accordance with the Terms and Conditions has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest or other amounts payable under the Terms and Conditions after such date) have been duly paid to the Agent as provided in this Agreement and remain available for payment against presentation and surrender of Notes and/or Receipts and/or Coupons, as the case may be, (c) those which have become void under Condition 8, (d) those which have been purchased and canceled as provided in Condition 5 (or as provided in the Global Notes), (e) those mutilated or defaced Notes which have been surrendered in exchange for replacement Notes pursuant to Condition 10, (f) (for purposes only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued pursuant to Condition 10, (g) any Temporary Global Note to the extent that it shall have been exchanged for a Permanent Global Note, in each case

pursuant to their respective provisions; provided that for the purposes of (i) ascertaining the right to attend and vote at any meeting of the Noteholders and (ii) the determination of how many Notes are outstanding for the purposes of Schedule 7, those Notes which are beneficially held by, or are held on behalf of, an Issuer or any of its affiliates shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

"Paying Agents" means the Issuing and Principal Paying Agent and the Paying Agent referred to above and such other Paying Agent or Agents as may be appointed from time to time hereunder; and

(3) The term "Notes" as used in this Agreement shall include the Temporary Global Note and the Permanent Global Note, Definitive Notes and Coupons. The term "Global Note" as used in this Agreement shall include both the Temporary Global Note and the Permanent Global Note, each of which is a "Global Note." The term "Noteholders" as used in this Agreement shall mean the several persons who are for the time being the holders of the Notes, which expression, while the Notes are represented by a Global Note, shall mean (other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested as against the relevant Issuer solely in the bearer of such Global Note in accordance with and subject to its terms) the persons for the time being shown in the records of a common depositary on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the Noteholders of particular principal amounts of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of Notes standing to the credit of the account of any person shall be conclusive and binding for all purposes).

(4) For purposes of this Agreement, the Notes of each Series shall form a separate series of Notes and the provisions of this Agreement shall apply*mutatis mutandis* separately and independently to the Notes of each Series and in such provisions the expressions "Notes," "Noteholders," "Receipts," "Receiptholders," "Coupons," "Couponholders," "Talons" and "Talonholders" shall be construed accordingly.

(5) All references in this Agreement to principal and/or interest or both in respect of the Notes or to any moneys payable by an Issuer under this Agreement shall have the meaning set out in Condition 4.

(6) All references in this Agreement to the "relevant currency" shall be construed as references to the currency in which the relevant Notes and/or Coupons are denominated (or payable in the case of Dual Currency Notes).

(7) In this Agreement, Clause headings are inserted for convenience and ease of reference only and shall not affect the interpretation of this Agreement. All references in this Agreement to the provisions of any statute shall be deemed to be references to that statute as from time to time modified, extended, amended or re-enacted or to any statutory instrument, order or regulation made thereunder or under such re-enactment.

(8) All references in this Agreement to an agreement, instrument or other document (including, without limitation, this Agreement, the Program Agreement, the Notes and any Terms and Conditions appertaining thereto) shall be construed as a reference to that agreement, instrument or document as the same may be amended, modified, varied or supplemented from time to time.

(9) Any references herein to Euroclear or Clearstream, Luxembourg shall be deemed to include, whenever the context permits, a reference to any additional or alternative clearance system approved by the Issuers and the Agent.

2. *Appointments of Agent, Paying Agents and Calculation Agents*

(1) The Issuers hereby continue the appointment of JPMorgan Chase Bank, London Branch, as agent, and JPMorgan Chase Bank, London Branch, hereby acknowledges its continued acceptance of such appointment as agent of the Issuers, upon the terms and subject to the conditions set out below, for the purposes of:

(a) completing, authenticating and delivering Global Notes and (if required) authenticating and delivering Definitive Notes;

(b) exchanging Temporary Global Notes for Permanent Global Notes or Definitive Notes, as the case may be, in accordance with the terms of such Temporary Global Notes;

(c) under limited circumstances, exchanging Permanent Global Notes for Definitive Notes in accordance with the terms of such Permanent Global Notes;

(d) paying sums due on Global Notes and Definitive Notes, Receipts and Coupons;

(e) determining the end of the Restricted Period applicable to each Tranche;

(f) unless otherwise specified in the applicable Pricing Supplement, determining the interest or other amounts payable in respect of the Notes in accordance with the Terms and Conditions;

(g) arranging on behalf of the Issuers for notices to be communicated to the Noteholders;

(h) preparing and sending any required periodic reports to the Ministry of Finance of Japan (the "MoF"), or other appropriate authority and, subject to confirmation from the relevant Issuer for the need for such further reporting, ensuring that all necessary action is taken to comply with any reporting requirements of any competent authority of any relevant currency as may be in force from time to time with respect to the Notes to be issued under the Program;

(i) subject to the Procedures Memorandum, submitting to the appropriate stock exchange such number of copies of each Pricing Supplement which relates to Notes which are to be listed on that stock exchange as it may reasonably require;

(j) receiving notice from Euroclear or Clearstream, Luxembourg relating to the certificates of non-United States beneficial ownership of the Notes; and

(k) performing all other obligations and duties imposed upon it by the Terms and Conditions, this Agreement or as may be agreed between the relevant Issuer and the Agent in connection with a particular Series or Tranche of Notes.

(2) The relevant Issuer, in its discretion, may appoint (or remove) one or more agents outside the United States and its possessions (each, a "Paying Agent") for the payment (subject to applicable laws and regulations) of the principal of, any interest, other amounts payable and Additional Amounts, if any, (as defined in Section 7 of the Terms and Conditions) on the Notes. Each Issuer hereby appoints J.P. Morgan Bank Luxembourg S.A., at its office in Luxembourg at 5 Rue Plaetis, L-2338 Luxembourg-Grund, as its Paying Agent in Luxembourg. Upon its written acceptance of such appointment or execution of a copy of this Agreement, each Paying Agent shall have the powers and authority granted to and conferred upon it herein and in the Notes, and such further powers and authority, acceptable to it, to act on behalf of the relevant Issuer as such Issuer hereafter may grant to or confer upon it in writing. As used herein, "paying agencies" shall mean paying agencies maintained by a Paying Agent on behalf of an Issuer as provided elsewhere herein.

(3) The Issuers will appoint an agent to make certain calculations with respect to the Notes (the "Calculation Agent") pursuant to the Terms and Conditions.

(4) The obligations of the Paying Agents under this Agreement shall be several and not joint.

3. *Issue of Temporary Global Notes*

(1) Subject to sub-clause (2), following receipt of a notification from an Issuer in respect of an issue of Notes (such notification being by receipt of a confirmation (a "Confirmation"), substantially in the applicable form set out in the Procedures Memorandum) the Agent will take the steps required of the Agent in the Procedures Memorandum. For this purpose the Agent is hereby authorized on behalf of such Issuer:

(a) to prepare a Temporary Global Note in accordance with such Confirmation by attaching a copy of the applicable Pricing Supplement to a copy of the relevant master Temporary Global Note;

(b) to authenticate (or cause to be authenticated) such Temporary Global Note;

(c) to deliver such Temporary Global Note to the specified common depositary of Euroclear and/or Clearstream, Luxembourg in accordance with the Confirmation against receipt from the common depositary of confirmation that such common depositary is holding the Temporary Global Note in safe custody for the account of Euroclear and/or Clearstream, Luxembourg and to instruct Euroclear or Clearstream, Luxembourg or both of them (as the case may be) unless otherwise agreed in writing between the Agent and the relevant Issuer (i) in the case of an issue of Notes on a non-syndicated basis, to credit the Notes represented by such Temporary Global Note to the Agent's distribution account, and (ii) in the case of Notes issued on a syndicated basis, to hold the Notes represented by such Temporary Global Note pursuant to the relevant Issuer's order; and

(d) to ensure that the Notes of each Tranche are assigned a common code ("Common Code") and International Security Identification Number ("ISIN") by Euroclear and Clearstream, Luxembourg which are different from the Common Code and ISIN assigned to Notes of any other Tranche of the same Series until 40 days after the completion of the distribution of the Notes of such Tranche as notified by the Agent to the relevant Dealer.

(2) The Agent shall only be required to perform its obligations under sub-clause (1) if it holds:

(a) master Temporary Global Notes, duly executed by a person or persons authorized to execute the same on behalf of the relevant Issuer, which may be used by the Agent for the purpose of preparing Temporary Global Notes in accordance with paragraph 3(1)(a); and

(b) master Permanent Global Notes, duly executed by a person or persons authorized to execute the same on behalf of the relevant Issuer, which may be used by the Agent for the purpose of preparing Permanent Global Notes in accordance with Clause 4 below.

(3) The Agent will provide Euroclear and/or Clearstream, Luxembourg with the notifications, instructions or other information to be given by the Agent to Euroclear and/or Clearstream, Luxembourg in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg.

4. *Determination of Exchange Date, Issue of Permanent Global Notes or Definitive Notes and Determination of Restricted Period*

(1) (a) The Agent shall determine the Exchange Date for each Temporary Global Note in accordance with the terms thereof. Forthwith upon determining the Exchange Date in respect of any Tranche, the Agent shall notify such determination to the relevant Issuer, the relevant Dealer, Euroclear and Clearstream, Luxembourg.

(a) The Agent shall deliver, upon notice from Euroclear or Clearstream, Luxembourg, a Permanent Global Note or Definitive Notes, as the case may be, in accordance with the terms of the Temporary Global Note in each case against certification of non-U.S. beneficial ownership as required by U.S. Treasury Regulations unless such Certification has already been given. Upon any such exchange of a portion of a Temporary Global Note for an interest in a Permanent Global Note the Agent is hereby authorized on behalf of the relevant Issuer:

(i) for the first Tranche of any Series of Notes, to prepare and complete a Permanent Global Note in accordance with the terms of the Temporary Global Note applicable to such Tranche by attaching a copy of the applicable Pricing Supplement to a copy of the relevant master Permanent Global Note;

(ii) for the first Tranche of any Series of Notes, to authenticate such Permanent Global Note;

(iii) for the first Tranche of any Series of Notes, to deliver such Permanent Global Note to the common depositary which is holding the Temporary Global Note applicable to such Tranche for the time being on behalf of Euroclear and/or Clearstream, Luxembourg either in exchange for such Temporary Global Note or, in the case of a partial exchange, on entering details of such partial exchange of the Temporary Global Note in the relevant spaces in Schedule 2 of both the Temporary Global Note and the Permanent Global Note, and in either case against receipt from the common depositary of confirmation that such common depositary is holding the Permanent Global Note in safe custody for the account of Euroclear and/or Clearstream, Luxembourg; and

(iv) in any other case, to attach a copy of the applicable Pricing Supplement to the Permanent Global Note applicable to the relevant Series and enter details of any exchange in whole or part as aforesaid.

(2) (a) For a Tranche in respect of which there is only one Dealer, the Agent will determine the end of the Restricted Period in respect of such Tranche as being the fortieth day following the date certified by the relevant Dealer to the Agent as being the date as of which distribution of the Notes of that Tranche was completed.

(a) For a Tranche in respect of which there is more than one Dealer but is not issued on a syndicated basis, the Agent will determine the end of the Restricted Period in respect of such Tranche as being the fortieth day following the latest of the dates certified by all the relevant Dealers to the Agent as being the respective dates as of which distribution of the Notes of that Tranche purchased by each such dealer was completed.

(b) For a Tranche issued on a syndicated basis, the Agent will determine the end of the Restricted Period in respect of such Tranche as being the fortieth day following the date certified by the Lead Manager to the Agent as being the date as of which distribution of the Notes of that Tranche was completed.

(c) Forthwith upon determining the end of the Restricted Period in respect of any Tranche, the Agent shall notify such determination to the relevant Issuer and the relevant Dealer or the Lead Manager in the case of a syndicated issue.

5. *Issue of Definitive Notes*

(1) Interests in a Global Note will be exchangeable for Definitive Notes with Coupons attached only if: (i) an Event of Default (as defined in the Terms and Conditions) occurs and is continuing, or (ii) the

relevant Issuer is notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) after the original issuance of the Notes or has announced an intention permanently to cease business or has in fact done so and no alternative clearance system approved by the Noteholders is available, or (iii) the relevant Issuer, after notice to the Agent, determines to issue Notes in Definitive form. Upon the occurrence of these events, the Agent shall deliver the relevant Definitive Note(s) in accordance with the terms of the relevant Global Note. For this purpose the Agent is hereby authorized on behalf of the relevant Issuer:

(a) to authenticate such Definitive Note(s) in accordance with the provisions of this Agreement; and

(b) to deliver such Definitive Note(s) to or to the order of Euroclear and/or Clearstream, Luxembourg in exchange for such Global Note.

The Agent shall notify the relevant Issuer forthwith upon receipt of a request for issue of Definitive Note(s) in accordance with the provisions of a Global Note and this Agreement (and the aggregate principal amount of such Temporary Global Note or Permanent Global Note, as the case may be, to be exchanged in connection therewith).

(2) The relevant Issuer undertakes to deliver to the Agent sufficient numbers of executed Definitive Notes with, if applicable, Receipts, Coupons and Talons attached to enable the Agent to comply with its obligations under this Clause 5.

6. *Terms of Issue*

(1) The Agent shall cause all Temporary Global Notes, Permanent Global Notes and Definitive Notes delivered to and held by it under this Agreement to be maintained in safe custody and shall ensure that such Notes are issued only in accordance with the provisions of this Agreement and the relevant Global Note and Terms and Conditions.

(2) Subject to the procedures set out in the Procedures Memorandum, for the purposes of Clause 3(1) the Agent is entitled to treat a telephone, telex or facsimile communication from a person purporting to be (and who the Agent believes in good faith to be) the authorized representative of the relevant Issuer named in the lists referred to in, or notified pursuant to, Clause 17(7) as sufficient instructions and authority of such Issuer for the Agent to act in accordance with Clause 3(l).

(3) If a person who has signed on behalf of the relevant Issuer any Note not yet issued but held by the Agent in accordance with Clause 3(1) ceases to be authorized as described in Clause 17(7), the Agent (unless such Issuer gives notice to the Agent that Notes signed by that person do not constitute valid and binding obligations of such Issuer or otherwise until replacements have been provided to the Agent) shall continue to have authority to issue any such Notes, and the relevant Issuer hereby warrants to the Agent that such Notes shall be, unless notified as aforesaid, valid and binding obligations of such Issuer. Promptly upon such person ceasing to be authorized, the relevant Issuer shall provide the Agent with replacement Notes and upon receipt of such replacement Notes the Agent shall cancel and destroy the Notes held by it which are signed by such person and shall provide to the relevant Issuer a confirmation of destruction in respect thereof specifying the Notes so canceled and destroyed.

(4) If the Agent pays an amount (the "Advance") to an Issuer on the basis that a payment (the "Payment") has been, or will be, received from a Dealer and if the Payment is not received by the Agent on the date the Agent pays such Issuer, the Agent shall notify such Issuer by tested telex or facsimile that the Payment has not been received and such Issuer shall repay to the Agent the Advance and shall pay interest on the Advance (or the unreimbursed portion thereof) from (and including) the date such Advance is made to (but excluding) the earlier of repayment of the Advance and receipt by the Agent of the Payment (at a rate quoted at that time by the Agent as its cost of funding the Advance).

(5) Except in the case of issues where the Agent does not act as receiving bank for the relevant Issuer in respect of the purchase price of the Notes being issued, if on the relevant Issue Date a Dealer does not pay the full purchase price due from it in respect of any Note (the "Defaulted Note") and, as a result, the Defaulted Note remains in the Agent's distribution account with Euroclear and/or Clearstream, Luxembourg) after such Issue Date, the Agent will continue to hold the Defaulted Note pursuant to the order of the relevant Issuer. The Agent shall notify the relevant Issuer forthwith of the failure of the Dealer to pay the full purchase price due from it in respect of any Defaulted Note and, subsequently, shall notify such Issuer forthwith upon receipt from the Dealer of the full purchase price in respect of such Defaulted Note.

7. *Payments*

(1) The Agent shall advise the relevant Issuer, no later than 10 Business Days (as defined below) immediately preceding the date on which any payment is to be made to the Agent pursuant to this sub-clause (1) of the payment amount, value date and payment instructions and the relevant Issuer will before 10:00 a.m. New York time on each date on which any payment in respect of any Notes issued by it becomes due, transfer to an account specified by the Agent such amount in the relevant currency as shall be sufficient for the purposes of such payment in funds settled through such payment system as the Agent and the relevant Issuer may agree.

(2) The relevant Issuer will ensure that no later than 4:00 p.m. (London time) on the second Business Day (as defined below) immediately preceding the date on which any payment is to be made to the Agent pursuant to sub-clause (1), the Agent shall receive from the paying bank of the relevant Issuer an irrevocable confirmation in the form of a SWIFT message or tested telex that such payment shall be made. For the purposes of this Clause 7, "Business Day" means a day which is both:

(a) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Charlotte, North Carolina and any additional business center(s) specified in the applicable Pricing Supplement ("Additional Business Center(s)"); and

(b) either (1) for any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center (the "Principal Financial Center") of the country of the relevant Specified Currency (if other than London) or (2) for any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System ("TARGET System") or any successor thereto is operating. Unless otherwise provided in the applicable Pricing Supplement, the Principal Financial Center of any country for the purpose of these Terms and Conditions shall be as provided in the ISDA Definitions, except that the Principal Financial Center of Australia shall be Melbourne and Sydney, the Principal Financial Center of Canada shall be Toronto and the Principal Financial Center of New Zealand shall be Wellington.

(3) The Agent shall ensure that payments of both principal and interest in respect of any Temporary Global Note will be made only to the extent that certification of non-U.S. beneficial ownership as required by U.S. securities laws and U.S. Treasury regulations (in the form set out in the Temporary Global Note) has been received from Euroclear and/or Clearstream, Luxembourg in accordance with the terms thereof.

(4) Subject to the receipt by the Agent of the payment confirmation as provided in sub-clause (2) above, the Agent or the relevant Paying Agent shall pay or cause to be paid all amounts due in respect of the Notes on behalf of the relevant Issuer in the manner provided in the Terms and Conditions. If any payment provided for in sub-clause (l) is made late but otherwise in accordance with the provisions of this Agreement, the Agent and each Paying Agent shall nevertheless make payments in respect of the Notes as aforesaid following receipt by it of such payment.

(5) If for any reason the Agent considers in its sole discretion that the amounts to be received by the Agent pursuant to sub-clause (1) will be, or the amounts actually received by it pursuant thereto are, insufficient to satisfy all claims in respect of all payments then falling due in respect of the Notes, neither the Agent nor any Paying Agent shall be obliged to pay any such claims until the Agent has received the full amount of all such payments. Should the Agent or any Paying Agent elect not to make payment of amounts falling due in respect of the Notes as aforesaid, it shall advise the relevant Issuer of any such decision as soon as practicable by telephone with confirmation by telefax.

(6) Without prejudice to sub-clauses (4) and (5), if the Agent pays any amounts to the holders of Notes, Receipts or Coupons or to any Paying Agent at a time when it has not received payment in full in respect of the relevant Notes in accordance with sub-clause (1) (the excess of the amounts so paid over the amounts so received being the "Shortfall"), the relevant Issuer will, in addition to paying amounts due under sub-clause (l), pay to the Agent on demand interest (at a rate which represents the Agent's cost of funding the Shortfall) on the Shortfall (or the unreimbursed portion thereof) until the receipt in full by the Agent of the Shortfall.

(7) The Agent shall on demand promptly reimburse each Paying Agent for payments in respect of Notes properly made by such Paying Agent in accordance with this Agreement and the Terms and Conditions unless the Agent has notified the Paying Agent, prior to the opening of business in the location of the office of the Paying Agent through which payment in respect of the Notes can be made prior to the day on which such Agent has to give payment instructions in respect of the due date of a payment in respect of the Notes, that the Agent does not expect to receive sufficient funds to make payment of all amounts falling due in respect of such Notes.

(8) If the Agent pays out on or after the due date therefor, or becomes liable to pay out, funds on the assumption that a corresponding payment by the relevant Issuer has been or will be made and such payment has in fact not been made by such Issuer, then such Issuer shall on demand reimburse the Agent for the relevant amount, and pay interest to the Agent on such amount from the date on which it is paid out to the date of reimbursement at a rate per annum equal to the cost to the Agent of funding the amount paid out, as certified by the Agent and expressed as a rate per annum. For the avoidance of doubt, the provisions of the Terms and Conditions as to subordination shall not apply to the relevant Issuer's obligations under this sub-clause (8).

(9) While any Notes are represented by a Global Note or Global Notes, all payments due in respect of such Notes shall be made to, or to the order of, the holder of the Global Note or Global Notes, subject to, and in accordance with, the provisions of the Global Note or Global Notes. The Paying Agent to which any Global Note was presented for the purpose of making such payment shall cause the appropriate Schedule to the relevant Global Note to be annotated so as to evidence the amounts and dates of such payments of principal and/or interest as applicable.

(10) If the amount of principal and/or interest then due for payment is not paid in full (otherwise than by reason of a deduction required by law to be made therefrom), the Paying Agent to which a Note is presented for the purpose of making such payment shall make a record of such shortfall on the Note and such record shall, in the absence of manifest error, be prima facie evidence that the payment in question has not to that extent been made.

8. *Determinations and Notifications in Respect of Notes and Interest Determination*

(a) *Determinations and Notifications*

(1) The Agent shall make all such determinations and calculations (howsoever described) as it is required to do under the Terms and Conditions, all subject to and in accordance with the Terms and Conditions, provided that certain calculations with respect to the Notes, and associated publication or notification, shall be made by the Calculation Agent in accordance with the Terms and Conditions.

(2) The Agent or the Calculation Agent, as the case may be, shall not be responsible to the relevant Issuer or to any third party (except in the event of gross negligence, default or bad faith of the Agent or the Calculation Agent) as a result of the Agent or the Calculation Agent having acted in good faith on any quotation given by any Reference Bank which subsequently may be found to be incorrect.

(3) The Agent or the Calculation Agent, as the case may be, promptly shall notify (and confirm in writing to) the relevant Issuer, the other Paying Agents and (in respect of a Series of Notes listed on a stock exchange) the relevant stock exchange of, *inter alia*, each Rate of Interest, Interest Amount and Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under the Terms and Conditions as soon as practicable after the determination thereof (and in any event no later than the tenth Business Day as defined in Clause 7(2) immediately preceding the date on which payment is to be made to the Agent pursuant to Clause 7(l)) and of any subsequent amendment thereto pursuant to the Terms and Conditions.

(4) The Agent or the Calculation Agent, as the case may be, shall use its best efforts to cause each Rate of Interest, Interest Amount and Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under the Terms and Conditions to be published as required in accordance with the Terms and Conditions as soon as possible after their determination or calculation.

(5) If the Agent or the Calculation Agent, as the case may be, does not at any material time for any reason determine and/or calculate and/or publish the Rate of Interest, Interest Amount and/or Interest Payment Date in respect of any Interest Period or any other amount, rate or date as provided in this Clause 8, it forthwith shall notify the relevant Issuer and the Paying Agents of such fact.

(6) Determinations with regard to Notes (including, without limitation, Indexed Notes and Dual Currency Notes) shall be made by the Calculation Agent specified in the applicable Pricing Supplement in the manner specified in the applicable Pricing Supplement. Unless otherwise agreed between the relevant Issuer and the relevant Dealer, such determinations shall be made on the basis of a Calculation Agency Agreement substantially in the form of Schedule 9 to this Agreement.

(7) For the purposes of monitoring the aggregate principal amount of Notes issued under the Program, the Agent shall determine the U.S. Dollar equivalent of the principal amount of each issue of Notes denominated in another currency, each issue of Dual Currency Notes, each Issue of Partly Paid Notes and each issue of Indexed Notes as follows:

(a) the U.S. Dollar equivalent of Notes denominated in a currency other than U.S. Dollars shall be determined as of the Agreement Date for such Notes on the basis of the spot rate for the sale of the U.S. Dollar against the purchase of the relevant currency quoted by a foreign exchange dealer selected by the relevant Issuer on the relevant day of calculation;

(b) the U.S. Dollar equivalent of Dual Currency Notes and Indexed Notes (other than Indexed Redemption Amount Notes) shall be calculated in the manner specified above by reference to the original nominal amount of such Notes;

(c) the U.S. Dollar equivalent of Zero Coupon Notes, other Notes issued at a discount or premium and Indexed Redemption Amount Notes shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue; and

(d) the U.S. Dollar equivalent of Partly Paid Notes shall be determined in the manner specified above by reference to the original principal amount of such Notes regardless of the amount paid on the Notes.

(b) *Interest Determination, Screen Rate Determination including Fallback Provisions*

(1) Where screen rate determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, ("Screen Rate Determination") the Rate of Interest for each Interest Period will be, subject as provided below, either:

(a) the offered quotation (if there is only one quotation on the relevant screen page (the "Relevant Screen Page")), whatever its designation; or

(b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum), for the rate (the "Reference Rate") by reference to the Rate of Interest which appears or appear, as the case may be, on the Relevant Screen Page on which the Reference Rate is for the time being displayed on the Reuter Monitor Money Rates Service or the appropriate display on Bridge Telerate Inc. (or such service as is specified in the applicable Pricing Supplement) at 11:00 a.m. (London time in the case of Libor, or Brussels time in the case of Euribor) on the dates on which the Rate of Interest is to be determined (each, an "Interest Determination Date") plus or minus the Margin, if any (as indicated in the applicable Pricing Supplement), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, only one of such quotations) and the lowest (or, if there is more than one such lowest quotation, only one of such quotations) shall be disregarded by the Calculation Agent for purposes of determining the arithmetic mean of such offered quotations.

(2) If the Relevant Screen Page is not available or if, in the case of sub-clause (b)(1)(a) above, no such offered quotation appears or, in the case of sub-clause (b)(1)(b) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall at its sole discretion request the principal London office of each of the Reference Banks (defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the London interbank market at approximately 11:00 a.m. (London time in the case of LIBOR or Brussels time in the case of Euribor) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin, if any, all as determined by the Calculation Agent.

(3) If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Calculation Agent by any two or more of the Reference Banks, at which such banks were offered, at approximately 11:00 a.m. (London time in the case of LIBOR, or Brussels time in the case of Euribor) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the London interbank market in the case of LIBOR, or leading banks in the Euro-Zone interbank market in the case of Euribor, plus or minus (as appropriate) the Margin, if any. If fewer than two of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest shall be the offered quotation for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered quotations for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately 11:00 a.m. (London time in the case of LIBOR, or Brussels time in the case of Euribor) on the relevant Interest Determination Date, any one or more banks informs the Calculation Agent it is quoting to leading banks in the London interbank market in the case of LIBOR, or leading banks in the EuroZone interbank market in the case of Euribor, plus or minus (as appropriate) the Margin, if any, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

(4) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or Euribor, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

In this Clause 3, the expression "Reference Banks" means, in the case of sub-clause (b)(1)(a) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and in the case of sub-clause (b)(1)(b) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

The expression "Euro-Zone" means, the region comprised of member states of the European Union that have adopted the euro as the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union, as amended by the Treaty of Amsterdam.

9. *Notice of any Withholding or Deduction*

If the relevant Issuer, in respect of any payment, is compelled to withhold or deduct any amount for or on account of taxes, duties, assessments or governmental charges as specifically contemplated under the Terms and Conditions, the relevant Issuer shall give notice thereof to the Agent as soon as it becomes aware of the requirement to make such withholding or deduction and shall give to the Agent such information as it shall require to enable it to comply with such requirement.

10. *Duties of the Agent in Connection with Early Redemption*

(1) If the relevant Issuer decides to redeem any outstanding Notes (in whole or in part) for the time being outstanding prior to their Maturity Date or the Interest Payment Date falling in the Redemption Month (as the case may be) in accordance with the Terms and Conditions, such Issuer shall give notice of such decision to the Agent not less than seven London Business Days before the date on which such Issuer will give notice of such redemption to the Noteholders in accordance with the Terms and Conditions in order to enable the Agent to undertake its obligations herein and in the Terms and Conditions.

(2) If only some of the Notes of like tenor and of the same Series are to be redeemed on such date, the Agent shall make the required drawing in accordance with the Terms and Conditions but shall give the relevant Issuer reasonable notice of the time and place proposed for such drawing. Where partial redemptions are to be effected when there are Definitive Notes outstanding, the Issuing and Principal Paying Agent will select by lot the Notes to be redeemed from the outstanding Notes in compliance with all applicable laws and stock exchange requirements and deemed by the Agent to be appropriate and fair; and where partial redemptions are to be effected when there are no Definitive Notes outstanding, the rights of Noteholders will be governed by the standard provisions of Euroclear and Clearstream, Luxembourg. Notice of any partial redemption and, when there are Definitive Notes outstanding, of the serial numbers of the Notes so drawn, will be given by the Agent to the Noteholders in accordance with the terms of the Notes and this Agreement.

(3) On behalf of and at the expense of the relevant Issuer, the Agent shall publish the notice required in connection with any such redemption and shall at the same time also publish a separate list of the serial numbers of any Notes previously drawn and not presented for redemption. Such notice shall specify the date fixed for redemption, the redemption amount, the manner in which redemption will be effected and, in the case of a partial redemption, the serial numbers of the Notes to be redeemed. Such notice will be published in accordance with the Terms and Conditions. The Agent also will notify the other Paying Agents of any date fixed for redemption of any Notes.

(4) Immediately prior to the date on which any notice of redemption is to be given to the Noteholders, the relevant Issuer shall deliver to the Agent a certificate stating that such Issuer is entitled to effect such redemption and setting forth in reasonable detail a statement of facts showing that all conditions precedent to such redemption have occurred or been satisfied and shall comply with all notice requirements provided for in the Terms and Conditions.

(5) Each Paying Agent will keep a stock of notices (each, a "Put Notice") in the form set out in Schedule 8 and will make such notices available on demand to Noteholders, the Terms and Conditions of which provide for redemption at the option of Noteholders. Upon receipt of any Note deposited in the exercise of such option in accordance with the Terms and Conditions, the Paying Agent with which such Note is deposited shall hold such Note (together with any Coupons, if any, relating to it and deposited with it) on behalf of the depositing Noteholder (but shall not, save as provided below, release it) until the due date for redemption of the relevant Note consequent upon the exercise of such option, when, subject as provided below, it shall present such Note (and any such Coupons, if any) to itself for payment of the amount due thereon together with any interest due on such date in accordance with the Terms and Conditions and shall pay such moneys in accordance with the directions of the Noteholder contained in the Put Notice. If, prior to such due date for its redemption, such Note becomes immediately due and payable or if upon due presentation payment of such redemption moneys is improperly withheld or refused, the Paying Agent concerned shall post such Note (together with any such Coupons, if any) by uninsured post to, and at the risk of, the relevant Noteholder unless the Noteholder has otherwise requested and paid the costs of such insurance to the relevant Paying Agent at the time of depositing the Notes at such address as may have been given by the Noteholder in the Put Notice. At the end of each period for the exercise of such option, each Paying Agent shall promptly notify the Agent of the principal amount of the Notes in respect of which such option has been exercised with it together with their serial numbers and the Agent shall promptly notify such details to the relevant Issuer.

11. *Receipt and Publication of Notices; Receipt of Certificates*

(1) Upon the receipt by the Agent of a demand or notice from any Noteholder in accordance with the Terms and Conditions, the Agent shall forward a copy thereof to the relevant Issuer.

(2) On behalf of and at the request and expense of the relevant Issuer, the Agent shall cause to be published all notices required to be given by such Issuer to the Noteholders in accordance with the Terms and Conditions.

(3) The Agent shall have no responsibility to obtain the certificate of the relevant Issuer delivered by such Issuer to the Agent pursuant to Condition 9 if such a certificate is required to be issued, nor shall the Agent have any responsibility to notify the relevant Issuer that the Agent has not obtained such a certificate from such Issuer if such a certificate is required to be issued.

12. *Cancellation of Notes, Receipts, Coupons and Talons*

(1) All Notes which are redeemed, all Receipts or Coupons which are paid and all Talons which are exchanged shall be delivered outside the United States to the Agent, and shall be canceled by the Agent. In addition, all Notes which are purchased by or on behalf of the relevant Issuer or any of its subsidiaries and are surrendered to the Agent for cancellation, together (in the case of Notes in Definitive form) with all unmatured Receipts, Coupons or Talons (if any) attached thereto or surrendered therewith, shall be canceled by the Agent.

(2) The relevant Issuer shall have the right to request that the Agent provide, without limitation, the following information:

(a) the aggregate principal amount of Notes which have been redeemed and the aggregate amount paid in respect thereof;

(b) the number of Notes canceled together (in the case of Definitive Notes, if any) with details of all unmatured Receipts, Coupons or Talons (if any) attached thereto or delivered therewith;

(c) the aggregate amount paid in respect of interest on the Notes;

(d) the total number by maturity date of Receipts, Coupons and Talons so canceled; and

(e) in the case of Definitive Notes, if any, the serial numbers of such Notes, which shall be given to the relevant Issuer by the Agent as soon as reasonably practicable and in any event within three months after the date of such repayment or, as the case may be, payment or exchange.

(3) The Agent shall destroy all canceled Notes, Receipts, Coupons and Talons.

(4) The Agent shall keep a full and complete record of all Notes, Receipts, Coupons and Talons (other than serial numbers of Coupons, except those which have been replaced pursuant to Condition 10) and of all replacement Notes, Receipts, Coupons or Talons issued in substitution for mutilated, defaced, destroyed, lost or stolen Notes, Receipts, Coupons or Talons. The Agent shall at all reasonable times make such record available to the relevant Issuer and any persons authorized by it for inspection and for the taking of copies thereof or extracts therefrom.

(5) All records and certificates made or given pursuant to this Clause 12 and Clause 13 shall make a distinction between Notes, Receipts, Coupons and Talons of each Series.

13. *Issue of Replacement Notes, Receipts, Coupons and Talons*

(1) The Issuers will cause a sufficient quantity of additional forms of Notes, Receipts, Coupons and Talons to be available, upon request to the Agent in Luxembourg (in such capacity, the "Replacement Agent") at its specified office for the purpose of issuing replacement Notes, Receipts, Coupons and Talons as provided below.

(2) The Replacement Agent will, subject to, and in accordance with, the Terms and Conditions and the following provisions of this Clause 13, authenticate and cause to be delivered any replacement Notes, Receipts, Coupons and Talons which the relevant Issuer may determine to issue in place of Notes, Receipts, Coupons and Talons which have been lost, stolen, mutilated, defaced or destroyed.

(3) In the case of a mutilated or defaced Note, the Replacement Agent shall ensure that (unless otherwise covered by such indemnity as the relevant Issuer may reasonably require) any replacement Note will only have attached to it Receipts, Coupons and Talons corresponding to those (if any) attached to the mutilated or defaced Note which is presented for replacement.

(4) The Replacement Agent shall not issue any replacement Note, Receipt, Coupon or Talon unless and until the applicant therefor shall have:

(a) paid such reasonable costs and expenses as may be incurred in connection therewith, including any tax or other governmental charge that may be imposed in relation thereto;

(b) furnished it with such evidence and indemnity as the relevant Issuer may reasonably require; and

(c) in the case of any mutilated or defaced Note, Receipt, Coupon or Talon, surrendered it to the Replacement Agent.

(5) The Replacement Agent shall cancel any mutilated or defaced Notes, Receipts, Coupons and Talons in respect of which replacement Notes, Receipts, Coupons and Talons have been issued pursuant to this Clause 13 and shall furnish the relevant Issuer with a certificate stating the serial numbers of the Notes, Receipts, Coupons and Talons so canceled and, unless otherwise instructed by such Issuer in writing, shall destroy such canceled Notes, Receipts, Coupons and Talons and furnish such Issuer with a destruction certificate stating the serial

number of the Notes (in the case of Definitive Notes) and the number by maturity date of Receipts, Coupons and Talons so destroyed.

(6) The Replacement Agent, on issuing any replacement Note, Receipt, Coupon or Talon, forthwith shall inform the relevant Issuer, the Agent and the other Paying Agents of the serial number of such replacement Note, Receipt, Coupon or Talon issued and (if known) of the serial number of the Note, Receipt, Coupon or Talon in place of which such replacement Note, Receipt, Coupon or Talon has been issued. Whenever replacement Receipts, Coupons or Talons are issued pursuant to the provisions of this Clause 13, the Replacement Agent also shall notify the Agent and the other Paying Agents of the maturity dates of the lost, stolen, mutilated, defaced or destroyed Receipts, Coupons or Talons and of the replacement Receipts, Coupons or Talons issued.

(7) The Agent shall keep a full and complete record of all replacement Notes, Receipts, Coupons and Talons issued and shall make such record available at all reasonable times to the relevant Issuer and any persons authorized by it for inspection and for the taking of copies thereof or extracts therefrom.

(8) Whenever any Note, Receipt, Coupon or Talon for which a replacement Note, Receipt, Coupon or Talon has been issued and in respect of which the serial number is known is presented to the Agent or any of the Paying Agents for payment, the Agent or, as the case may be, the relevant Paying Agent shall immediately send notice thereof to the relevant Issuer and the other Paying Agents and shall not make payment in respect thereto, until instructed by such Issuer.

14. *Copies of Documents Available for Inspection*

The Agent and the Paying Agents shall hold available for inspection copies of:

(1) the organizational documents of the Issuers;

(2) the latest available audited consolidated financial statements of the Corporation and its consolidated subsidiaries, beginning with such financial statements for the fiscal years ended December 31, 2001 and the publicly available portions of the Call Reports with respect to the Bank beginning with the period ending December 31, 2001;

(3) the Program Agreement and this Agreement;

(4) the Offering Circular; and

(5) any future offering circulars, information memoranda and supplements (except that a Pricing Supplement relating to any unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to ownership) to the Offering Circular and any other documents incorporated therein by reference and in the case of a syndicated issue of listed Notes, the syndication agreement (or equivalent document).

For this purpose, the Issuers shall furnish the Agent and the Paying Agents with sufficient copies of each of such documents.

15. *Meetings of Noteholders*

(1) The provisions of Schedule 7 hereto shall apply to meetings of the Noteholders and shall have effect in the same manner as if set out in this Agreement.

(2) Without prejudice to sub-clause (l), each of the Agent and the Paying Agents on the request of any Noteholder shall issue voting certificates and block voting instructions in accordance with Schedule 7 and shall forthwith give notice to the relevant Issuer in writing of any revocation or amendment of a block voting instruction. Each of the Agent and the Paying Agents will keep a full and complete record of all voting certificates

and block voting instructions issued by it and, not less than 24 hours before the time appointed for holding a meeting or adjourned meeting, will deposit at such place as the Agent shall designate or approve, full particulars of all voting certificates and block voting instructions issued by it in respect of such meeting or adjourned meeting.

16. *Repayment by the Agent*

Upon the relevant Issuer being discharged from its obligation to make payments in respect of any Notes pursuant to the relevant Terms and Conditions, and provided that there is no outstanding, bona fide and proper claim in respect of any such payments, the Agent shall forthwith on written demand pay to the relevant Issuer sums equivalent to any amounts paid to it by such Issuer for the purposes of such payments.

17. *Conditions of Appointment*

(1) The Agent shall be entitled to deal with money paid to it by an Issuer for the purpose of this Agreement in the same manner as other money paid to a banker by its customers except:

(a) that it shall not exercise any right of set-off, lien or similar claim in respect thereof; and

(b) as provided in sub-clause (2) below; and

(c) that it shall not be liable to account to the relevant Issuer for any interest thereon.

(2) In acting hereunder and in connection with the Notes, the Agent and the Paying Agents shall act solely as agents of the Issuers and will not thereby assume any obligations towards or relationship of agency or trust for or with any of the owners or holders of the Notes, Receipts, Coupons or Talons.

(3) The Agent and the Paying Agents hereby undertake to the Issuers to perform such obligations and duties, and shall be obliged to perform such duties and only such duties as are herein, in the Terms and Conditions and in the Procedures Memorandum specifically set forth and no implied duties or obligations shall be read into this Agreement or the Notes against the Agent and the Paying Agents, other than the duty to act honestly and in good faith.

(4) The Agent may consult with legal and other professional advisers and the opinion of such advisers shall be full and complete protection in respect of any action taken, omitted or suffered hereunder in good faith and in accordance with the opinion of such advisers.

(5) Each of the Agent and the Paying Agents shall be protected and shall incur no liability for or in respect of any action taken, omitted or suffered in reliance upon any instruction, request or order from the relevant Issuer or any notice, resolution, direction, consent, certificate, affidavit, statement, cable, telex or other paper or document which it reasonably believes to be genuine and to have been delivered, signed or sent by the proper party or parties or upon written instructions from the relevant Issuer.

(6) Any of the Agent and the Paying Agents and their officers, directors and employees may become the owner of, or acquire any interest in any Notes, Receipts, Coupons or Talons with the same rights that it or he would have if the Agent or the relevant Paying Agent, as the case may be, were not appointed hereunder, and may engage or be interested in any financial or other transactions with the relevant Issuer and may act on, or as depositary, trustee or agent for, any committee or body of Noteholders or Couponholders or in connection with any other obligations of the relevant Issuer as freely as if the Agent or the relevant Paying Agent, as the case may be, were not appointed hereunder.

(7) The relevant Issuer shall provide the Agent with a certified copy of the list of persons authorized to execute documents and take action on its behalf in connection with this Agreement and shall notify the

Agent immediately in writing if any of such persons ceases to be so authorized or if any additional person becomes so authorized together, in the case of an additional authorized person, with evidence satisfactory to the Agent that such person has been so authorized, provided, however, that the Agent shall not incur any liability for any losses, claims or damages resulting from the relevant Issuer's failure to provide such notification to the Agent.

18. *Communication Between the Parties*

A copy of all communications relating to the subject matter of this Agreement between any Issuer and the Noteholders, Receiptholders or Couponholders and any of the Paying Agents shall be sent to the Agent by the relevant Paying Agent.

19. *Changes in Agent and Paying Agents*

(1) The Issuers agree that, for so long as any Note is outstanding, or until moneys for the payment of all amounts in respect of all outstanding Notes have been made available to the Agent or have been returned to the relevant Issuer as provided herein:

(a) so long as any Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;

(b) there will at all times be a Paying Agent with a specified office in a city in continental Europe; and

(c) there will at all times be an Agent.

In addition, the Issuers shall appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 4(b). Any variation, termination, appointment or change only shall take effect (other than in the case of insolvency (as provided in sub-clause (5)), when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with the Terms and Conditions.

(2) The Agent may (subject as provided in sub-clause (4)) at any time resign as Agent by giving at least 90 days' written notice to the Issuers of such intention on its part, specifying the date on which its desired resignation shall become effective, provided that such date shall never be less than three months after the receipt of such notice by the Issuers unless the Issuers agree to accept less notice.

(3) The Agent may (subject as provided in sub-clause (4)) be removed at any time on at least 45 days' notice by the filing with it of an instrument in writing signed on behalf of each Issuer specifying such removal and the date when it shall become effective.

(4) Any resignation under sub-clause (2) or removal under sub-clause (3) shall only take effect upon the appointment by the Issuers as hereinafter provided, of a successor Agent and (other than in cases of insolvency of the Agent) on the expiration of the notice to be given under Clause 21. The Issuers agree with the Agent that if, by the day falling ten days before the expiration of any notice under sub-clause (2), the Issuers have not appointed a successor Agent, then the Agent shall be entitled, on behalf of the Issuers, to appoint as a successor Agent in its place a reputable financial institution of good standing as it may reasonably determine to be capable of performing the duties of the Agent hereunder.

(5) In case at any time the Agent resigns, or is removed, or becomes incapable of acting or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of an administrator, liquidator or administrative or other receiver of all or a substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature or suspends payment thereof, or if any order of any court is entered approving any petition filed by or against it under the

provisions of any applicable bankruptcy or insolvency law or if a receiver of it or of all or a substantial part of its property is appointed or any officer takes charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, a successor Agent, which shall be a reputable financial institution of good standing, may be appointed by the Issuers by an instrument in writing filed with the successor Agent. Upon the appointment as aforesaid of a successor Agent and acceptance by the latter of such appointment and (other than in case of insolvency of the Agent) upon expiration of the notice to be given under Clause 21 the Agent so superseded shall cease to be the Agent hereunder.

(6) *Subject to sub-clause (l):*

(a) the Issuers may, after prior consultation (other than in the case of insolvency of any Paying Agent) with the Agent, terminate the appointment of any of the Paying Agents at any time; or

(b) the Issuers may in respect of the Program or the relevant Issuer may in respect of any Series of Notes, if so required by the relevant Stock Exchange or regulatory body, appoint one or more further Paying Agents by giving to the Agent, and to the relevant Paying Agent, at least 45 days' notice in writing to that effect.

(7) Subject to sub-clause (l), all or any of the Paying Agents may resign their respective appointments hereunder at any time by giving the Issuers and the Agent at least 45 days' written notice to that effect.

(8) Upon its resignation or removal becoming effective the Agent or the relevant Paying Agent:

(a) shall, in the case of the Agent, forthwith transfer all moneys held by it hereunder and the records referred to in Clause 12(4) to the successor Agent hereunder; and

(b) shall be entitled to the payment by the Issuers of its commissions, fees and expenses for the services theretofore rendered hereunder in accordance with the terms of Clause 25.

(9) Upon its appointment becoming effective, a successor Agent and any new Paying Agent, without further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of its predecessor or, as the case may be, a Paying Agent with like effect as if originally named as Agent or (as the case may be) a Paying Agent hereunder.

20. *Merger and Consolidation*

Any entity into which the Agent or any Paying Agent may be merged or converted, or any entity with which the Agent or any of the Paying Agents may be consolidated or any entity resulting from any merger, conversion or consolidation to which the Agent or any of the Paying Agents shall be a party, or any entity to which the Agent or any of the Paying Agents shall sell or otherwise transfer all or substantially all the assets of the Agent or any Paying Agent shall, on the date when such merger, conversion, consolidation or transfer becomes effective and to the extent permitted by any applicable laws, become the successor Agent or, as the case may be, Paying Agent under this Agreement without the execution or filing of any paper or any further act on the part of the parties hereto, unless otherwise required by the Issuers, and after the said effective date all references in this Agreement to the Agent or, as the case may be, such Paying Agent shall be deemed to be references to such entity. Written notice of any such merger, conversion, consolidation or transfer forthwith shall be given to the Issuers by the relevant Agent or Paying Agent.

21. *Notification of Changes to Paying Agents*

Following receipt of notice of resignation from the Agent or any Paying Agent and forthwith upon appointing a successor Agent or, as the case may be, other Paying Agents or on giving notice to terminate the appointment of any Agent or, as the case may be, Paying Agent, the Agent (on behalf of and at the expense of the Issuers) shall give or cause to be given not more than 60 days' nor less than 30 days' notice thereof to the Noteholders in accordance with the Terms and Conditions.

22. *Change of Specified Office*

If the Agent or any Paying Agent determines to change its specified office it shall give to the Issuers and (if applicable) the Agent written notice of such determination giving the address of the new specified office which shall be in the same city and stating the date on which such change is to take effect, which shall not be less than 45 days thereafter. The Agent (on behalf and at the expense of the Issuers) shall within 15 days of receipt of such notice (unless the appointment of the Agent or the relevant Paying Agent, as the case may be, is to terminate pursuant to Clause 19 on or prior to the date of such change) give or cause to be given not more than 45 days' nor less than 30 days' notice thereof to the Noteholders in accordance with the Terms and Conditions.

23. *Notices*

All notices hereunder shall be deemed to have been given when deposited in the mail as first class mail, registered or certified, return receipt requested, postage prepaid, addressed to any party hereto as follows:

| | **Address** |
|---|---|
| The Corporation: | Bank of America Corporation<br>Bank of America Corporate Center<br>100 North Tryon Street<br>NC1-007-23-01<br>Charlotte, North Carolina 28255-0065<br>U.S.A.<br>Attn: Corporate Treasury<br>Telecopy: (704) 386-0270<br><br>with a copy to:<br><br>Bank of America Corporation<br>Bank of America Corporate Center<br>100 North Tryon Street<br>Legal Department<br>NC1-007-56-11<br>Charlotte, North Carolina 28255<br>U.S.A.<br>Attn: Paul J. Polking, Esq.<br>General Counsel<br>Telecopy: (704) 370-3515 |
| The Bank: | Bank of America, N.A.<br>Bank of America Corporate Center<br>100 North Tryon Street NC1-007-23-01 Charlotte, North Carolina 28255<br>U.S.A.<br>Attn: Corporate Treasury |

| | |
|---|---|
| | Telecopy: (704) 386-0270<br><br>with a copy to:<br><br>Bank of America Corporation<br>Bank of America Corporate Center<br>100 North Tryon Street<br>Legal Department<br>NC1-007-56-11<br>Charlotte, North Carolina 28255<br>U.S.A.<br>Attn: Paul J. Polking, Esq.<br>General Counsel<br>Telecopy: (704) 370-3515 |
| The Agent: | JPMorgan Chase Bank<br>Trinity Tower<br>9 Thomas More Street<br>London E1W 1YT<br>United Kingdom<br>Attn: Manager, Institutional Trust Services<br>Telecopy: 44-1202-34-7601 |
| The Paying Agent: | J.P. Morgan Bank Luxembourg S.A.<br>5 Rue Plaetis<br>L-2338 Luxembourg—Grund<br>Attn: Manager, Institutional Trust Services<br>Telecopy: 352-462685-380<br><br>with a copy to:<br><br>Bank of America Corporation<br>Bank of America Corporate Center<br>100 North Tryon Street<br>Legal Department<br>NC1-007-56-11<br>Charlotte, North Carolina 28255<br>U.S.A.<br>Attn: Paul J. Polking, Esq.<br>General Counsel<br>Telecopy: (704) 370-3515 |

or at any other address of which any of the foregoing shall have notified the others in writing.

(1) if delivered in person to the relevant address specified in the signature pages hereof and if so delivered, shall be deemed to have been delivered at the time of receipt; or

(2) if sent by facsimile or telex to the relevant number specified on the signature pages hereof and, if so sent, shall be deemed to have been delivered immediately after transmission provided such transmission is confirmed by the answerback of the recipient (in the case of telex) or when an acknowledgment of receipt is received (in the case of facsimile).

Where a communication is received after business hours it shall be deemed to be received and become effective on the next business day. Every communication shall be irrevocable save in respect of any manifest error therein.

24. *Taxes and Stamp Duties*

The Issuers agree to pay any and all stamp and other documentary taxes or duties which may be payable in connection with the execution, delivery, performance and enforcement of this Agreement.

25. *Commissions, Fees and Expenses*

(1) The Issuers undertake to pay in respect of the services of the Agent and the Paying Agents under this Agreement such fees and expenses as may be agreed between them from time to time, the initial such fees being set out in a letter of even date herewith from the Agent to, and countersigned by, the Issuers.

(2) The Issuers will promptly pay on demand all reasonable out-of-pocket expenses (including legal, advertising, facsimile, telex and postage expenses) properly incurred by the Agent and the Paying Agents in connection with their services hereunder, including, without limitation, the expenses contemplated in Clause 24.

26. *Indemnity*

(1) The relevant Issuer (or Issuers, as the case may be) undertakes to indemnify and hold harmless each of the Agent and the Paying Agents against all losses, liabilities, costs (including, without limitation, legal fees and expenses), expenses, claims, actions or demands which the Agent or any Paying Agent, as the case may be, may reasonably incur or which may be made against the Agent or any Paying Agent, as a result of or in connection with the appointment or the exercise of or performance of the powers, discretions, authorities and duties of the Agent or any Paying Agent under this Agreement except such as may result from its own gross negligence, bad faith or failure to comply with its obligations hereunder or that of its officers, employees or agents.

(2) Each of the Agent and the Paying Agents shall severally indemnify and hold harmless the relevant Issuer (or Issuers, as the case may be) against any loss, liability, costs (including, without limitation, legal fees and expenses), expense, claim, action or demand which it may reasonably incur or which may be made against it as a result of such Agent's or Paying Agent's own negligence, bad faith or material failure to comply with its obligations under this Agreement or that of its officers, employees or agents.

(3) If, under any applicable law and whether pursuant to a judgment being made or registered or in the liquidation, insolvency or analogous process of any party hereto or for any other reason, any payment under or in connection with this Agreement is made or fails to be satisfied in a currency (the "Other Currency") other than that in which the relevant payment is expressed to be due (the "Required Currency") under this Agreement, then, to the extent that the payment (when converted into the Required Currency at the rate of exchange on the date of payment or, if it is not practicable for the payee to purchase the Required Currency with the Other Currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by the payee falls short of the amount due under the terms of this Agreement, the payor shall, as a separate and independent obligation, indemnify and hold harmless the payee against the amount of such shortfall. For the purpose of this Clause 26, "rate of exchange" means the rate at which the payee is able on the relevant date to purchase the Required Currency with the Other Currency and shall take into account any premium and other costs of exchange.

27. *Reporting*

(1) The Agent shall upon receipt of a written request therefor from an Issuer and after the payment of any further remuneration agreed between such Issuers and the Agent (on behalf of such Issuers and on the basis of the information and documentation the Agent had in its possession) use all reasonable efforts to submit

such reports or information as may be required from time to time by any applicable law, regulation or guideline promulgated by (i) any relevant United States governmental regulatory authority in respect of the issue and purchase of Notes or (ii) any other relevant governmental regulatory authority in respect of the issue and purchase of Notes denominated in the applicable currency of such governmental regulatory authority.

(2) The Agent will notify the MoF of such details relating to Yen Notes and provide such other information about the Program to the MoF as may be required.

28. *Governing Law*

(1) This Agreement, the Notes, and any Receipts, Coupons or Talons appertaining thereto shall be governed by and construed in accordance with the laws of the State of New York, United States of America, without regard to principles of conflicts of laws.

(2) The Issuers and the Agent each hereby irrevocably submit to the non-exclusive jurisdiction of any United States federal court sitting in New York City, the Borough of Manhattan over any suit, action or proceeding arising out of or related to this Agreement, any Note, Receipt, Coupon or Talon, as the case may be (together, the "Proceedings"). The Issuers and the Agent each irrevocably waive, to the fullest extent permitted by law, any objection which it may have to the laying of the venue of the Proceedings brought in such a court and any claim that the Proceedings have been brought in an inconvenient forum. The Issuers and the Agent each agree that final judgment in the Proceedings brought in such a court shall be conclusive and binding upon the Issuers or the Agent, as the case may be, and may be enforced in any court of the jurisdiction to which the relevant Issuer (or Issuers, as the case may be) or the Agent is subject by a suit upon such judgment, provided that the service of process is effected upon such Issuers and the Agent in the manner specified in subsection (3) below or as otherwise permitted by law.

(3) As long as any of the Notes, Receipts, Coupons or Talons remains outstanding, the relevant Issuer shall at all times either maintain an office or have an authorized agent in New York City upon whom process may be served in the Proceedings. Service of process upon either Issuer at its offices or upon such agent with written notice of such service mailed or delivered to the relevant Issuer shall, to the fullest extent permitted by law, be deemed in every respect effective service of process upon such Issuer in the Proceedings. Each Issuer hereby appoints CT Corporation System located at 111 Eighth Avenue, New York, New York 10011, U.S.A., as its agent for such purposes, and covenants and agrees that service of process in the Proceedings may be made upon it at its office or at the specified offices of such agent (or such other addresses or at the offices of any other authorized agents which the relevant Issuer may designate by written notice to the Agent) and prior to any termination of such agencies for any reason, it will so appoint a successor thereto as agent hereunder.

29. *Amendments*

Without the consent of the Noteholders, Receiptholders or Couponholders, the Agent and the Issuers may agree to modifications of or amendments to this Agreement, the Notes, the Receipts or the Coupons for any of the following purposes:

(A) to evidence the succession of another entity to an Issuer and the assumption by any such successor of the covenants of such Issuer in this Agreement, the Notes, Receipts or Coupons;

(B) to add to the covenants of an Issuer for the benefit of the Noteholders, the Receiptholders or the Couponholders, or to surrender any right or power herein conferred upon such Issuer;

(C) to relax or eliminate the restrictions on payment of principal and interest in respect of the Notes, Receipts or Coupons in the United States, provided that such payment is permitted by United States tax laws and regulations then in effect and provided that no adverse tax consequences would result to the Noteholders, the Receiptholders or the Couponholders;

(D) to cure any ambiguity, to correct or supplement any defective provision herein or any provision which may be inconsistent with any other provision herein;

(E) to make any other provisions with respect to matters or questions arising under the Notes, the Receipts, the Coupons or this Agreement, provided such action pursuant to this sub-clause (E) shall not adversely affect the interests of the Noteholders, the Receiptholders or the Couponholders;

(F) to authorize or facilitate the issuance of Notes in registered form;

(G) to facilitate the issuance of Notes in accordance with the laws of a particular country; and

(H) to permit further issuances of Notes in accordance with the terms of the Program Agreement.

Any such modification or amendment shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification or amendment shall be notified to the Noteholders, the Receiptholders or the Couponholders in accordance with Condition 13 as soon as practicable thereafter.

30. *Descriptive Headings*

The descriptive headings in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

31. *Counterparts*

This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument. Any party may enter into this Agreement by signing such a counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective corporate names by their respective officers thereunder duly authorized as of the date and year first above written.

BANK OF AMERICA CORPORATION
as Issuer

By KAREN A. GOSNELL
Name: Karen A. Gosnell
Title: Senior Vice President

BANK OF AMERICA, N.A.
as Issuer

By: PAGE P. C. STEPHENS
Name: Page P. C. Stephens
Title: Senior Vice President

JPMORGAN CHASE BANK,
LONDON BRANCH
as Agent and
Principal Paying Agent

By NICOLA DALE
Name: Nicola Dale
Title: Authorized Signatory

J.P. MORGAN BANK LUXEMBOURG S.A.
as Paying Agent

By NICOLA DALE
Name: Nicola Dale
Title: Authorized Signatory

**Exhibit 10(b)**

# THIRTEENTH AMENDMENT TO THE BANK OF AMERICA CORPORATION AND DESIGNATED SUBSIDIARIES SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

WHEREAS, Bank of America Corporation ("Bank of America") and certain of its subsidiary corporations (collectively with Bank of America, the "Participating Employers") maintain the Bank of America Corporation and Designated Subsidiaries Supplemental Executive Retirement Plan (the "Plan"); and

WHEREAS, Bank of America desires to amend the Plan to provide for the cessation of additional benefit accruals under the Plan with respect to compensation and service for periods beginning after December 31, 2002; and

WHEREAS, the Compensation Committee of the Board of Directors of Bank of America has authorized and approved said amendments to the Plan in accordance with the provisions of Article VI of the Plan;

NOW, THEREFORE, Bank of America does hereby declare that the Plan is hereby amended effective as of the date hereof by the addition of *Exhibit C* to the Plan in the form attached to this instrument.

IN WITNESS WHEREOF, Bank of America has caused this instrument to be executed by its duly authorized officer on the 10th day of December, 2002.

BANK OF AMERICA CORPORATION

By: /s/ STEELE ALPHIN

Name: Steele Alphin

Title: Corporate Personnel Director

**EXHIBIT C**

# BANK OF AMERICA CORPORATION AND DESIGNATED SUBSIDIARIES
# SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

*Cessation of Benefit Accruals*

1. *Background; Provisions Controlling*. The Participating Employers have determined to cease additional benefit accruals under the Plan with respect to Compensation and Creditable Service for periods beginning after December 31, 2002. The purpose of this Exhibit is to set forth the terms and conditions of such cessation of benefit accruals, including without limitation setting forth (i) the methodology for determining the amount of benefits accrued under the Plan as of December 31, 2002 for the Affected Participants (the "Frozen Plan Benefits") and (ii) the terms and provisions for the payment of such Frozen Plan Benefits following a subsequent separation from Service with the Participating Employers. The provisions of this Exhibit shall control notwithstanding any provision of the Plan to the contrary.

2. *Affected Participants*. The Participants subject to the provisions of this Exhibit (the "Affected Participants") are all Participants in the Plan who are in Service with the Participating Employers as of December 31, 2002. All other Participants (including, without limitation, those in pay status under the Plan as of December 31, 2002) shall have their Plan benefits determined and paid in accordance with the provisions of the Plan without regard to this Exhibit.

3. *Amount of Frozen Plan Benefits as of December 31, 2002*

(a) *General*. An Affected Participant's Frozen Plan Benefit as of December 31, 2002 shall be expressed as a monthly retirement benefit in the form of a Joint and Seventy-Five Percent (75%) Annuity commencing as of the first day of the month after the later of age sixty (60) or the Participant's attained age as of December 31, 2002 (the Affected Participant's "Normal Retirement Date" for purposes of this Exhibit) in an amount equal to (i) the amount of the Affected Participant's Frozen Target Retirement Benefit determined in accordance with Section 3(b) of this Exhibit minus (ii) the amount of the Affected Participant's Frozen Assumed Retirement Benefit determined in accordance with Section 3(c) of this Exhibit.

(b) *Frozen Target Retirement Benefit*. An Affected Participant's "Frozen Target Retirement Benefit" means the Affected Participant's Target Retirement Benefit determined as of December 31, 2002 based on the Affected Participant's Compensation and Creditable Service earned through December 31, 2002; *provided*, *however*, that for purposes of determining an Affected Participant's Compensation earned through December 31, 2002, the amount taken into account as the Affected Participant's Bonus earned for 2002 shall be the Affected Participant's target Bonus for 2002 without regard to the actual amount of Bonus awarded for 2002. In that regard, the amount of the target Bonus for 2002 shall be determined prior to any application of the schedule under the Corporation's Equity Incentive Program (pursuant to which a percentage of the Bonus actually awarded is provided in the form a grant of restricted stock shares or units under the Corporation's management stock plan).

(c) *Frozen Assumed Retirement Benefit*. An Affected Participant's "Frozen Assumed Retirement Benefit" means the Affected Participant's Assumed Retirement Benefit determined as of December 31, 2002, subject to the following:

(i) All retirement benefits considered as part of the Assumed Retirement Benefit under the Plan, other than Social Security Benefits, shall be expressed as an actuarially equivalent Joint and Seventy-Five Percent (75%) Annuity commencing at the Affected Participant's Normal Retirement Date.

(ii) The amount of all retirement benefits considered as part of the Assumed Retirement Benefit under the Plan (including without limitation any Assumed Retirement Benefit related to the Boatmen's SERP for any Affected Participant's with benefits accrued under that plan) shall be determined without regard to any compensation or service for periods beginning after December 31, 2002; provided, however, that for purposes of determining the amount of an Affected Participant's "Pension Account" under the Retirement Plan and "Restoration Account" under the ERISA Supplemental Plan as of December 31, 2002, the balances in those accounts shall be determined as of November 22, 2002 and shall be increased for (A) compensation credits to be received under those plans during the period from November 23, 2002 through December 31, 2002 plus (B) interest at the rate specified in Section 6 of this Exhibit for the period from November 23, 2002 through December 31, 2002.

(iii) The determination of an Affected Participant's Social Security Benefits as of December 31, 2002 shall be determined pursuant to a methodology consistent with past administrative practices under the Plan for determining the amount of Social Security Benefits.

4. *Payment of Frozen Plan Benefits*.

(a) *Normal Form of Payment*. Payment of an Affected Participant's Frozen Plan Benefit shall be in the form of a Joint and Seventy-Five Percent (75%) Annuity if the Affected Participant is married on the date of separation from Service, or an actuarially equivalent Ten-Year Certain and Life Annuity if the Affected Participant is not married on the date of separation from Service.

(b) *Commencement*. Subject to the provisions of Section 4(c) of this Exhibit, payment of an Affected Participant's Frozen Plan Benefit shall commence in the applicable normal form of annuity as of the first day of the month following the date of the Affected Participant's separation from Service, subject to the following adjustments for early or late commencement:

*Adjustments for Early Commencement*. If an Affected Participant's Frozen Plan Benefit is to commence before the Affected Participant's Normal Retirement Date, then the

amount of the Frozen Plan Benefit shall be actuarially reduced to reflect the early commencement of such benefits.

*Adjustments for Late Commencement*. If an Affected Participant's Frozen Plan Benefit is to commence after the Affected Participant's Normal Retirement Date, then the amount of the Frozen Plan Benefit shall be actuarially increased to reflect the delayed commencement of such benefits.

(c) *Optional Forms of Payment*. An Affected Participant may elect in accordance with the provisions of this subparagraph (c) one of the following optional forms of payment for the Affected Participant's Frozen Plan Benefit:

(i) a single lump sum payment;
(ii) five (5) annual installments; or
(iii) ten (10) annual installments.

The amount of a single lump sum payment shall be determined as follows depending on whether separation from Service occurs before or after the Affected Participant's Normal Retirement Date:

*Separation Before Normal Retirement Date*. If the Affected Participant separates from Service before the Affected Participant's Normal Retirement Date, the amount of the lump sum payment shall be equal to the actuarially equivalent present value of the Affected Participant's Frozen Plan Benefit determined as of the date of separation from Service assuming the Affected Participant's Frozen Plan Benefit is payable in the form of a deferred annuity commencing at the Participant's Normal Retirement Date.

*Separation On or After Normal Retirement Date*. If the Affected Participant separates from Service on or after the Affected Participant's Normal Retirement Date, the amount of the lump sum payment shall be equal to the actuarially equivalent present value of the Affected Participant's Frozen Plan Benefit determined as of the date of separation from Service assuming the Affected Participant's Frozen Plan Benefit is payable in the form of an immediate annuity.

The amount of installment payments shall be based on the lump sum amount of the Frozen Plan Benefit as set forth above amortized as equal annual payments over the applicable payment period using for such purpose the interest rate specified in Section 6 of this Exhibit.

The single cash payment or initial installment payment, as applicable, shall be made as soon as administratively practicable after the Affected Participant's date of separation from Service, and each subsequent installment payment (if applicable) shall be made on or around the anniversary of the first payment date.

An election for an optional form of payment under this subparagraph shall become effective on the date that is twelve (12) months (or such lesser period as the Corporation's Personnel Group may determine in its discretion consistent with the Corporation's intent that benefits be subject to taxation as and when actually received by the Affected Participant) after the date that the election is made if the Affected Participant remains in Service throughout that period. Any such election shall be made on such form, at such time and pursuant to such procedures as determined by the Personnel Group in its sole discretion from time to time. An Affected Participant may not have more than two (2) payment elections pending under this subparagraph at any one time. If no such election is effective as of the date of the Affected Participant's separation from Service, payment shall be in the normal form of annuity described above.

5. *Death Benefits*.

(a) *Death After Commencement of Benefits*. If an Affected Participant dies after having commenced payment of the Affected Participant's Frozen Plan Benefit, then payment of any benefits after such death shall be determined in accordance with the method of payment in effect. In that regard, if the Affected Participant was receiving installment payments under Section 4(c) of this Exhibit immediately prior to death, the remaining unpaid installments shall continue to be paid to the Affected Participant's Beneficiary, unless the Corporation determines to pay the actuarially equivalent present value of the remaining unpaid installments in a single lump sum payment.

(b) *Death Before Commencement of Benefits*. If an Affected Participant dies before having commenced payment of the Affected Participant's Frozen Plan Benefit, then the actuarially equivalent present value of the Affected Participant's Frozen Plan Benefit determined as of the date of death shall be payable to the Affected Participant's Beneficiary in a single lump sum payment as soon as administratively practicable after death. However, the Affected Participant may elect in accordance with such procedures as the Personnel Group may establish from time to time to have such death benefits payable to the Affected Participant's Beneficiary in five (5) or ten (10) annual installments (with the amount of each installment determined in accordance with the provisions of Section 4 above) or in an actuarially equivalent single life annuity on the life of the Beneficiary.

6. *Actuarial Equivalency*. For purposes of this Exhibit, all determinations of actuarial equivalency shall based on the following mortality and interest assumptions:

*Mortality*: 1983 GAM Unisex Mortality Table

*Interest*: 5.48% per annum, compounded annually

For purposes of determining (i) the actuarial adjustment for early or late commencement of an Affected Participant's Frozen Plan Benefit as set forth in Section 4(b) of this Exhibit and (ii) the actuarially equivalent present value of an Affected Participant's Frozen Plan Benefit under Section 4(c) or Section 5 of this Exhibit, if the Affected Participant has not attained age fifty (50) as of December 31, 2002, the Affected Participant shall be deemed to have attained age fifty (50) as of the Affected Participant's birthday occurring during 2002.

**Exhibit 10(d)**

# BANK OF AMERICA PENSION RESTORATION PLAN

**(as amended and restated effective January 1, 2002)**

**BANK OF AMERICA PENSION RESTORATION PLAN**

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# BANK OF AMERICA PENSION RESTORATION PLAN

## (as amended and restated effective January 1, 2002)

THIS INSTRUMENT OF AMENDMENT AND RESTATEMENT is executed by BANK OF AMERICA CORPORATION, a Delaware corporation (the "Corporation");

*Statement of Purpose*

The Corporation and certain of its affiliates (collectively with the Corporation, the "Participating Employers") sponsor the Bank of America Pension Restoration Plan (the "Restoration Plan"). The purpose of the Restoration Plan is to provide benefits which would have accrued to participants in The Bank of America Pension Plan (the "Pension Plan") but for certain benefit limitations imposed by the Internal Revenue Code.

By this Instrument, the Participating Employers are amending and restating the Restoration Plan effective January 1, 2002 to (i) make a number of design changes to the Restoration Plan and (ii) otherwise meet current needs. The Participating Employers have reserved the right to amend the Plan at any time and have delegated to the Corporation the right to amend the Plan on behalf of all Participating Employers.

NOW, THEREFORE, for the purposes aforesaid, the Corporation, on behalf of the Participating Employers, hereby amends and restates the Restoration Plan effective January 1, 2002 to consist of the following Articles I through V:

ARTICLE I
DEFINITIONS

Section 1.1 *Definitions*. Unless the context clearly indicates otherwise, when used in the Restoration Plan:

*Amendment or Termination Date* means the date on which an amendment to or termination of the Restoration Plan is adopted by the Corporation or, if later, the effective date of such amendment or termination.

*Applicable Minimum Benefits Provisions* means:

(A) for the period from July 1, 1998 through June 30, 2000, Section 6.4(b) of the Pension Plan; and

(B) for periods from and after July 1, 2000, (i) if Pension Plan benefits are payable in a single cash payment, Section 6.5(b)(1) of the Pension Plan, and (ii) if Pension Plan benefits are payable in an annuity method, Section 6.5(b)(2) of the Pension Plan.

*Beneficiary* means the "Beneficiary" of a Participant under the Pension Plan.

*Change of Control* means, and shall be deemed to have occurred upon, any of the following events:

(A) The acquisition by any person, individual, entity or "group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (collectively, a "Person") of Beneficial Ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty-five percent (25%) or more of either:

(i) The then-outstanding shares of common stock of the Corporation (the "Outstanding Shares"); or

(ii) The combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors of the Corporation (the "Outstanding Voting Securities");

*provided, however,* that the following acquisitions shall not constitute a Change of Control for purposes of this subparagraph (A): (a) any acquisition directly from the Corporation, (b) any acquisition by the Corporation or any of its subsidiaries, (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any of its subsidiaries, or (d) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (C) below; or

(B) Individuals who, as of September 30, 1998, constitute the Board of Directors of the Corporation (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of the Corporation; *provided, however,* that any individual who becomes a director subsequent to September 30, 1998 and whose election, or whose nomination for election by the Corporation's shareholders, to the Board of Directors of the Corporation was either (i) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (ii) recommended by a nominating committee comprised entirely of directors who are then Incumbent Board members shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest, other actual or

threatened solicitation of proxies or consents or an actual or threatened tender offer; or

(C) Approval by the Corporation's shareholders of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless following such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners (within the meaning of Rule 13d-3 promulgated under the Exchange Act), respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such Business Combination own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Shares and Outstanding Voting Securities, as the case may be (provided, however, that for purposes of this clause (i), any shares of common stock or voting securities of such resulting corporation received by such Beneficial Owners in such Business Combination other than as the result of such Beneficial Owners' ownership of Outstanding Shares or Outstanding Voting Securities immediately prior to such Business Combination shall not be considered to be owned by such Beneficial Owners for the purposes of calculating their percentage of ownership of the outstanding common stock and voting power of the resulting corporation), (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from the Business Combination) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from the Business Combination or the combined voting power of the then outstanding voting securities of such corporation unless such Person owned twenty-five percent (25%) or more of, respectively, the Outstanding Shares or Outstanding Voting Securities immediately prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board of Directors of the Corporation, providing for such Business Combination; or

(D) Approval by the Corporation's shareholders of a complete liquidation or dissolution of the Corporation.

Notwithstanding the foregoing, a Change of Control shall not be deemed to have occurred for purposes of this Plan as a result of the transactions contemplated by that certain Agreement and Plan of Reorganization between the Corporation and BankAmerica Corporation dated April 10, 1998.

*Code* means the Internal Revenue Code of 1986. References to the Code shall include the valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder.

*Code Limitations* means any one or more of the limitations and restrictions that Sections 401(a)(17) and 415 of the Code place on the accrual of benefits under the Pension Plan.

*Committee* means the committee designated pursuant to Section 2.1 of the Restoration Plan.

*Completion Incentive* means an incentive award payable to a Participant upon completion of an assignment outside the United States, which incentive award relates to one or more Plan Years, all pursuant to an incentive arrangement approved for purposes of this Plan by the Committee.

*Conversion Date* means July 1, 1998.

*Corporation* is defined in the introduction as Bank of America Corporation, a Delaware corporation, and any successor thereto. Prior to September 30, 1998, the Corporation was named "NationsBank Corporation," and from September 30, 1998 through April 28, 1999 the Corporation was named "BankAmerica Corporation."

*EIP* means the Bank of America Corporation Equity Incentive Plan, as in effect from time to time.

*Lump Sum Benefit* of a Participant means the Participant's Restoration Plan benefits expressed as a single lump sum amount. If a Participant's Restoration Plan benefits are not determined under Section 3.5, then the Participant's Lump Sum Benefit shall equal the amount credited to the Participant's Restoration Account from time to time. However, if a Participant's Restoration Plan benefits are determined under Section 3.5, then the Participant's Lump Sum Benefit shall equal the Actuarial Equivalent lump sum value of the Participant's Restoration Plan benefits determined under Section 3.5.

*Participant* means a "Participant" as defined in the Pension Plan.

*Participating Employer* means each "Participating Employer" under (and as defined in) the Pension Plan which have adopted the Restoration Plan. In addition, the Personnel Group, in its sole and exclusive discretion, may designate certain other entities as "Participating Employers" under the Restoration Plan for such purposes as the Personnel Group may determine from time to time.

*Pension Plan* is defined in the Statement of Purpose as The Bank of America Pension Plan, as in effect from time to time. From July 1, 1998 through July 1, 2000 the Pension Plan was named "The NationsBank Cash Balance Plan", and prior to July 1, 1998 the Pension Plan was named "The NationsBank Pension Plan."

*Personnel Group* means the Personnel Group of the Corporation.

*Plan Year* means the twelve-month period commencing January 1 and ending the following December 31.

*Restoration Account* means the bookkeeping account established and maintained on the books and records of the Restoration Plan for a Participant pursuant to Article III.

*Restoration Credit* means the amount credited to a Participant's Restoration Account as of the end of a pay period pursuant to Section 3.2(c).

*Restoration Plan* is defined in the Statement of Purpose as this plan: the Bank of America Pension Restoration Plan as in effect from time to time. From July 1, 1998 through June 30, 2000, the Restoration Plan was named "The NationsBank Cash Balance Restoration Plan", and prior to July 1, 1998 the Restoration Plan was named the "NationsBank Corporation and Designated Subsidiaries Supplemental Retirement Plan".

*Retirement* or *Retire* means:

(A) Prior to November 16, 2001, termination of employment with the Participating Employers after having attained at least age fifty-five (55); and

(B) From and after November 16, 2001, termination of employment with the Participating Employers upon the earlier of (i) having attained at least age fifty-five (55) or (ii) qualifying for "Retirement" as defined from time to time under The Bank of America 401(k) Plan.

*SERP* means either the Bank of America Supplemental Executive Retirement Plan (sometimes more commonly referred to as "SERP I") or the Bank of America Supplemental Executive Retirement Plan for Senior Management Employees (sometimes more commonly referred to as "SERP II").

*SRP* means the BankAmerica Supplemental Retirement Plan, but only to the extent that the SRP restored benefits under the BankAmerica Pension Plan.

Any capitalized terms used in the Restoration Plan that are defined in the documents comprising the Pension Plan have the meanings assigned to them in the Pension Plan, unless such terms are otherwise defined above in this Article or unless the context clearly indicates otherwise.

## ARTICLE II
## PLAN ADMINISTRATION

Section 2.1 *Committee.* The Restoration Plan shall be administered by the "Committee" under (and as defined in) the Pension Plan (although certain provisions of the Restoration Plan shall be administered by the Personnel Group as specified herein). The Committee shall be empowered to interpret the provisions of the Restoration Plan and to perform and exercise all of the duties and powers granted to it under the terms of the Restoration Plan by action of a majority of its members in office from time to time. The Committee may adopt such rules and regulations for the administration of the Restoration Plan as are consistent with the terms hereof and shall keep adequate records of its proceedings and acts. All interpretations and decisions made (both as to law and fact) and other action taken by the Committee with respect to the Restoration Plan shall be conclusive and binding upon all parties having or claiming to have an interest under the Restoration Plan. Not in limitation of the foregoing, the Committee shall have the discretion to decide any factual or interpretative issues that may arise in connection with its administration of the Restoration Plan (including without limitation any determination as to claims for benefits hereunder), and the Committee's exercise of such discretion shall be conclusive and binding on all affected parties as long as it is not arbitrary or capricious. The Committee may delegate any of its duties and powers hereunder to the extent permitted by applicable law.

## ARTICLE III
## PENSION RESTORATION BENEFITS

Section 3.1 *Eligibility for Benefits.* Subject to Section 5.10, any Participant who is paid a benefit under the Pension Plan on or after the Conversion Date shall be eligible to receive benefits under this Restoration Plan. Subject to Sections 3.5 and 3.6 below, the amount of a Participant's Restoration Plan benefits shall equal the amount (if any) credited to the Participant's Restoration Account from time to time, which such benefits shall become payable as provided in Section 3.4 below.

Section 3.2 *Restoration Accounts*.

(a) *General.* A Restoration Account shall be established and maintained on the books and records of the Restoration Plan for each Participant who has an amount credited in accordance with the provisions of this Section 3.2.

(b) *Initial Restoration Account Balance.* The Restoration Account established for a Participant shall be credited with an initial balance equal to the excess (if any) of Amount A over Amount B, where:

*Amount A* equals the initial balance that would have been credited to the Participant's pension account under the Pension Plan as of the Conversion Date if (i) the Code Limitations did not apply to the Pension Plan and (ii) the Participant's compensation under the Pension Plan included any amounts which were disregarded because of the Participant's deferral of such amounts pursuant to an election under the Bank of America 401(k) Restoration Plan or any other nonqualified deferred compensation plan designated by the Personnel Group; and

*Amount B* equals the initial balance actually credited to the Participant's pension account under the Pension Plan as of the Conversion Date.

(c) *Restoration Credits.* At the end of each pay period, the Restoration Account of each Participant shall be credited with a Restoration Credit the amount of which shall be equal to the excess (if any) of *Amount A* over *Amount B*, where:

*Amount A* equals the compensation credit that would have been allocated to the Participant's pension account under the Pension Plan as of such date if (i) the Code Limitations did not apply to the Pension Plan, (ii) the Participant's compensation under the Pension Plan included the amounts, if any, deferred by the Participant under the Bank of America 401(k) Restoration Plan or any other nonqualified deferred compensation plan designated by the Personnel Group, and (iii) the Participant's compensation under the Pension Plan included the "Principal Amount" (as defined under the EIP) of any annual incentive awards earned for performance periods beginning on or after January 1, 2002; and

*Amount B* equals the compensation credit actually allocated to the Participant's pension account under the Pension Plan as of such date.

For purposes hereof, the EIP Principal Amount for a Covered Associate who is in Band 0 shall be the amount communicated to the Personnel Group by the Corporation's Executive Compensation group as the EIP Principal Amount.

(d) *Limit on Certain Incentive Compensation.* Notwithstanding any provision of the Restoration Plan to the contrary, in no event shall an amount be credited to a Participant's Restoration Account or otherwise accrued hereunder with respect to any portion of the Participant's bonuses, commissions or other incentive compensation payable for a Plan Year

(inclusive of the EIP Principal Amount with respect thereto, regardless of the year earned and regardless of whether the cash portion of any such bonus, commission or other incentive compensation is paid currently to the Participant or deferred pursuant to the Bank of America 401(k) Restoration Plan or any other non-qualified deferred compensation plan) in excess of One Million Dollars ($1,000,000).

Section 3.3 *Account Adjustments*.

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(a) *Account Adjustments for Deemed Investments.* The Committee shall from time to time designate one or more investment vehicle(s) in which the Restoration Accounts of Participants shall be deemed to be invested. The investment vehicle(s) may be designated by reference to the investments available under other plans sponsored by a Participating Employer (including the "Investment Measures" under the Pension Plan). Each Participant shall designate the investment vehicle(s) in which his or her Restoration Account shall be deemed to be invested according to the procedures developed by the Personnel Group, except as otherwise required by the terms of the Restoration Plan. No Participating Employer shall be under an obligation to acquire or invest in any of the deemed investment vehicle(s) under this subparagraph, and any acquisition of or investment in a deemed investment vehicle by a Participating Employer shall be made in the name of the Participating Employer and shall remain the sole property of the Participating Employer. Effective July 1, 2000, the designated investment vehicles shall be (and shall remain until such time as changed by the Committee in its sole discretion from time to time according to its procedures for designating investments) the following:

(i) Nations LifeGoal Income & Growth Portfolio;

(ii) Nations LifeGoal Balanced Growth Portfolio;

(iii) Nations LifeGoal Growth Portfolio;

(iv) Nations LargeCap Index Fund;

(v) Nations MidCap Index Fund;

(vi) Nations SmallCap Index Fund;

(vii) Stable Capital Fund;

(viii) Nations Bond Fund;

(ix) Nations Value Fund;

(x) Nations International Equity Fund;

(xi) Nations Marsico Focused Equities Fund;

(xii) Bank of America Corporation Common Stock Fund; and

(xiii) Effective as of January 1, 2003, Batterymarch U.S. Small Capitalization Equity Portfolio.

The Committee shall also establish from time to time a default fund into which a Participant's Restoration Account shall be deemed to be invested if the Participant fails to provide investment instructions pursuant to this Section 3.3(a). Effective July 1, 2000, such default fund shall be the Stable Capital Fund.

(b) *Periodic Account Adjustments.* Each Restoration Account shall be adjusted from time to time at such intervals as determined by the Personnel Group. The Personnel Group may

determine the frequency of account adjustments by reference to the frequency of account adjustments under another plan sponsored by a Participating Employer. The amount of the adjustment shall equal the amount that each Participant's Restoration Account would have earned (or lost) for the period since the last adjustment had the Restoration Account actually been invested in the Pension Plan in the deemed investment vehicle(s) designated by the Participant for such period pursuant to Section 3.3(a).

(c) *Account Adjustments in Connection With Benefit Commencement Date.* Notwithstanding any provision of the Restoration Plan to the contrary, the Personnel Group may cause a Participant's Restoration Account to be adjusted in a manner other than based on the Participant's investment election as the Personnel Group may in its discretion determine from time to time in order to calculate the amount of the Participant's Restoration Plan benefits that become payable on or after the Participant's Benefit Commencement Date (including in connection with determining the amount of installment payments as provided under Section 3.4(e) below).

Section 3.4 *Time and Method of Benefit Payments*.

(a) *Applicable Provisions.* The provisions of this Section 3.4 shall apply to the payment of Restoration Plan benefits for Benefit Commencement Dates from and after July 1, 2000. *Exhibit A* attached hereto and made a part hereof contains the applicable payment provisions that apply to the payment of Restoration Plan benefits for Benefit Commencement Dates from July 1, 1998 through June 30, 2000.

(b) *Coordination with Pension Plan Payments.* Except as otherwise provided for in this Section 3.4 or in Section 3.6 below, a Participant's vested Restoration Plan benefits shall be payable at the same time and in the same form as the Participant's Pension Plan benefits. If a Participant's Pension Plan benefits are payable in part as an annuity and in part as a lump sum or other non-annuity form, then the Participant's entire Restoration Plan benefits shall be payable as an annuity (in the same annuity form as applicable in part to the Participant's Pension Plan benefits). Any payment of Restoration Plan benefits in a form different than the form in which such benefits are otherwise stated shall be determined by the Personnel Group based on the applicable actuarial equivalency factors in effect from time to time under the Pension Plan. Notwithstanding any provision of the Restoration Plan to the contrary, if the amount of a Participant's vested Lump Sum Benefit is less than or equal to Fifty Thousand Dollars ($50,000) as of the Participant's Benefit Commencement Date, then such vested Restoration Plan benefits shall be payable to the Participant as soon as administratively practicable after the Benefit Commencement Date in a single cash payment (consistent with the provisions of Section 3.4(d)(i) below). In addition and notwithstanding any provision of the Restoration Plan to the contrary, if a Participant's Pension Plan benefits are payable pursuant to a non-annuity installment payment method (e.g., as a result of having transferred amounts to the Pension Plan from the Bank of America 401(k) Plan), then the Participant's vested Restoration Plan benefits shall be payable in a single cash payment in accordance with the provisions of Section 3.4(d) below.

(c) *Other Payment Methods.* Notwithstanding the provisions of Section 3.4(b) to the contrary, if a Participant's entire Pension Plan benefits are payable in a single cash payment, then the Participant's vested Restoration Plan benefits shall be payable in a payment method described in this Section 3.4(c) if elected in accordance with, and subject to, the following terms and provisions (except to the extent that the provisions of Section 3.4(h) may apply):

(i) *Timing of Elections.* A Participant who is in active service may make or change a payment option election among any of the payment options described in subparagraph (ii) below, subject to the provisions of subparagraph (iii) below. The election shall not become effective until the later of:

(A) the date that is twelve (12) months (or such lesser period as the Personnel Group may determine in its discretion consistent with the Corporation's intent that benefits be subject to taxation as and when actually received by the Participant) after the date that the election is made if the Participant remains in active service throughout that period (as determined by the Personnel Group in its discretion); or

(B) the date the Participant becomes eligible for Retirement.

(ii) *Payment Methods.* The payment options from which a Participant may elect are as follows: (A) single cash payment, (B) five (5) annual installments or (C) ten (10) annual installments, as such methods are more fully described below.

(iii) *Form of Elections.* Any election made under this Section 3.4(c) shall be made on such form, at such time and pursuant to such procedures as determined by the Personnel Group in its sole discretion from time to time. A Participant may not have more than two (2) payment elections pending under this Section 3.4(c) at any one time.

(iv) *Failure to Elect.* For a Participant who does not yet have an election in effect under this Section 3.4(c) or for a Participant who fails to elect a payment option under this Section 3.4(c) (and assuming the Participant's entire Pension Plan benefits are otherwise payable in a single cash payment), the method of payment shall be the single cash payment.

(d) *Single Cash Payments*. The following provisions shall apply with respect to single cash payments under the Restoration Plan for a Participant whose entire Pension Plan benefits are payable in a single cash payment:

(i) *Pre-Retirement or Lump Sum Benefit Under $50,000.* If a Participant terminates employment with the Participating Employers either (A) before eligibility for Retirement or (B) with a vested Lump Sum Benefit

(determined as of the Participant's Benefit Commencement Date) that is Fifty Thousand Dollars ($50,000) or less (even if the Participant has elected and is otherwise eligible for installment payments), then the Participant's vested Lump Sum Benefit shall be determined as of the Participant's Benefit Commencement Date, and such final vested Lump Sum Benefit shall be paid in a single cash payment to the Participant (or to the Participant's Beneficiary in the case of the Participant's death) as soon as administratively practicable after the Benefit Commencement Date.

(ii) *Retirement and Lump Sum Benefit Over $50,000.* If a Participant Retires with a vested Lump Sum Benefit (determined as of the Participant's Benefit Commencement Date) exceeding Fifty Thousand Dollars ($50,000) and with a single cash payment election in effect under Section 3.4(c), then such Participant's vested Lump Sum Benefit shall be paid in a single cash payment to the Participant (or to the Participant's Beneficiary in the case of the Participant's death) either (A) within ninety (90) days following the end of the Plan Year in which the Retirement occurs if the Benefit Commencement Date is in the same Plan Year or (B) as soon as administratively practicable after the Benefit Commencement Date if the Benefit Commencement Date is in any subsequent Plan Year. In the case of payment in accordance with clause (A), the Personnel Group shall in its discretion establish procedures from time to time to cause the amount of such Lump Sum Benefit to be adjusted for the period between the Benefit Commencement Date and the applicable payment date.

(e) *Annual Installments*. If a Participant (whose entire Pension Plan benefits are payable in a single cash payment) Retires with a vested Lump Sum Benefit (determined as of the Participant's Benefit Commencement Date) exceeding Fifty Thousand Dollars ($50,000) and with an installment payment election in effect under Section 3.4(c), then the amount of the annual installments shall be calculated and paid pursuant to the following provisions:

(i) *Timing of Payments*. If the Participant's Benefit Commencement Date occurs in the same Plan Year as the Participant's Retirement, then the first installment shall be paid within ninety (90) days following the end of the Plan Year in which the Participant's Benefit Commencement Date occurs, and each subsequent installment shall be paid within ninety (90) days following the end of each subsequent Plan Year during the selected payment period. If, however, the Participant's Benefit Commencement Date occurs in a Plan Year after the Plan Year in which the Participant's Retirement occurs, then the first installment shall be paid as soon as administratively practicable after the Benefit Commencement Date, the second installment shall be paid within ninety (90) days following the end of the Plan Year in which the Participant's Benefit Commencement Date occurs, and each subsequent installment shall be paid within ninety (90) days following the end of each subsequent Plan Year during the selected payment period.

(ii) *Special Adjustment to Restoration Account.* If a Participant's Lump Sum Benefit to be payable as annual installments is determined under the provisions of Section 3.5 (rather than based on the amount credited to the Participant's Restoration Account), then in order to administer the payment of annual installments of such Lump Sum Benefit the Participant's Restoration Account shall be adjusted (either up or down, as applicable) as of the Benefit Commencement Date to equal the amount of such Lump Sum Benefit.

(iii) *Amount of Installments.* The amount payable for each installment shall equal the Restoration Account balance as of either:

(A) the Benefit Commencement Date (in the case of the first installment payment made for a Benefit Commencement Date that occurs in a Plan Year after the Plan Year in which the Participant's Retirement occurs), or

(B) the end of the applicable Plan Year (in the case of any other installment payment made within ninety (90) days following the end of a Plan Year)

divided by the number of remaining installments (including the installment then payable).

(iv) *Investment of Account During Payment Period.* The Participant's Restoration Account, to the extent vested, shall continue to be credited with adjustments under Section 3.3 during the installment payment period as follows:

(A) if the Participant has elected to receive payment through five (5) annual installments, then the Participant shall be permitted to continue to direct the investment of the Participant's unpaid Restoration Account balance in accordance with Section 3.3 during the payment period (i.e., from the Participant's Benefit Commencement Date through the last day of the Plan Year preceding the last installment payment); and

(B) if the Participant has elected to receive payment through ten (10) annual installments, then the Participant's unpaid Restoration Account balance shall be deemed invested in the Stable Capital Fund during the payment period (i.e., from the Participant's Benefit Commencement Date through the last day of the Plan Year preceding the last installment payment).

(v) *Death of Participant.* If a Participant covered by this Section 3.4(e) dies, then the annual installments (or remaining annual installments in the case of death after commencement of payment) shall be paid to the Participant's

Beneficiary as and when such installments would have otherwise been paid to the Participant had the Participant not died.

(f) *Vesting of Restoration Accounts*. Notwithstanding any provision of the Restoration Plan to the contrary, a Participant's Restoration Plan benefits shall be vested if, and to the same extent, that the Participant's Pension Plan benefits are vested. If, and to the extent that, a Participant's Restoration Plan benefits are not vested on the date that the Participant terminates employment with the Participating Employers, such benefits shall be forfeited as of such date. However, if a Participant whose Restoration Plan benefits are forfeited subsequently returns to service with any Participating Employer, any such forfeitures shall be restored (adjusted for earnings on the same basis as restored forfeitures under the Pension Plan) as soon as administratively practicable after the date of such return to service (such restored benefits shall remain subject to the vesting requirements of this Section 3.4(f)).

(g) *Other Payment Provisions.* A Participant shall not be paid any portion of the Participant's Restoration Account prior to the Participant's termination of employment with the Participating Employers. Any Restoration Plan benefit or payment hereunder shall be subject to applicable payroll and withholding taxes. In the event any amount becomes payable under the provisions of the Restoration Plan to a Participant, Beneficiary or other person who is a minor or an incompetent, whether or not declared incompetent by a court, such amount may be paid directly to the minor or incompetent person or to such person's fiduciary (or attorney-in-fact in the case of an incompetent) as the Personnel Group, in its sole discretion, may decide, and the Personnel Group shall not be liable to any person for any such decision or any payment pursuant thereto.

(h) *Former SRP Participants.* Notwithstanding any other provisions in this Restoration Plan to the contrary, the following provisions shall apply to a Participant who was participating in the SRP as of June 30, 2000:

(i) *SRP Installment Elections.* If (A) the Participant has in effect as of June 30, 2000 an installment payment election (but not including an annuity payment election based on the Participant's life or the joint life of the Participant and his or her Beneficiary) under the SRP (an "SRP Installment Election") and (B) the Participant's entire Pension Plan benefits are payable in a single cash payment, then the Participant's vested Restoration Plan benefits shall be payable in the number of installments provided by such SRP Installment Election (even if the Participant is not eligible for Retirement) unless either (X) the Participant changes such election in accordance with the provisions of Section 3.4(c)(i) above or this Section 3.4(h) or (Y) the Participant's vested Lump Sum Benefit is Fifty Thousand Dollars ($50,000) or less as of the Participant's Benefit Commencement Date (in which case payment of such Lump Sum Benefit shall be in the form of a single cash payment in accordance with the provisions of Section 3.4(d)(i) above).

(ii) *Timing and Amount of Installment Payments.* Notwithstanding any provision of the SRP Installment Election to the contrary, the timing of the installment payments and the method for determining the amount of each installment payment shall be determined in accordance with the provisions of Section 3.4(e)(i), (ii) and (iii) above.

(iii) *Investments During Installment Payment Period.* Notwithstanding any provision of the SRP Installment Election to the contrary, if the SRP Installment Election had a payment period of five (5) years or less, then the Restoration Account may continue to be invested during the payment period in accordance with the Participant's investment election as provided in Section 3.3 (consistent with the provisions of Section 3.4(e)(iv) applicable to five (5) annual installments). However, if the SRP Installment Election had a payment period in excess of five (5) years, then the Restoration Account shall be deemed invested in the Stable Capital Fund during the payment period (consistent with the provisions of Section 3.4(e)(iv) applicable to ten (10) annual installments).

(iv) *Special Right to Change Election.* If a Participant to which this Section 3.4(h) applies is not eligible for Retirement, then (A) the Participant may at any time elect to change the method of payment to a single cash payment (in accordance with Section 3.4(d) above) and (B) the Participant may elect on or before August 31, 2000 to change the method of payment to either five (5) or ten (10) year annual installments. In either case, such election shall not become effective until the date that is twelve (12) months (or such lesser period as the Personnel Group may determine in its discretion consistent with the Corporation's intent that benefits be subject to taxation as and when actually received by the Participant) after the date that the election is made if the Participant remains in active service throughout that period (as determined by the Personnel Group in its discretion).

Section 3.5 *Minimum and Special Benefits*. Notwithstanding any provision of the Restoration Plan to the contrary, if the Actuarial Equivalent single sum value of *Amount A* described below as of a Participant's Benefit Commencement Date exceeds the sum of the Participant's Restoration Account and Pension Plan Accounts as of such date, then the Participant's Restoration Plan benefits shall equal the excess (if any) of *Amount A* over *Amount B*, where:

*Amount A* equals the Pension Plan benefits determined in accordance with the Applicable Minimum Benefits Provisions of the Pension Plan if (i) the Code Limitations did not apply to the Pension Plan, (ii) the Participant's compensation under the Pension Plan included any amounts which were disregarded because of the Participant's deferral of such amounts pursuant to an election under the Bank of America 401(k) Restoration Plan or any other nonqualified deferred compensation plan designated by the Personnel Group and (iii) the Participant's compensation

under the Pension Plan included the EIP Principal Amount of any annual incentive awards earned for performance periods beginning on or after January 1, 2002; and

*Amount B* equals the Participant's actual Pension Plan benefits.

Restoration Plan benefits determined in accordance with the provisions of this Section 3.5 are subject to the limitation on certain incentive compensation set forth in Section 3.2(d) and shall be payable in accordance with the provisions of Section 3.4.

Section 3.6 *Participants Without Restoration Accounts.* Notwithstanding any provision of the Restoration Plan to the contrary, if a Participant does not have a Restoration Account (for example, because the Participant commenced benefit payments under the Restoration Plan prior to conversion of the Pension Plan to a cash balance plan, because the Participant was in a "deferred vested" status prior to such date, or because the Participant was in pay status or was a deferred vested participant under a prior plan that was merged into the Restoration Plan as described in Section 5.7 below), the Participant's Restoration Plan benefits shall be determined and paid in accordance with the provisions of the Restoration Plan as in effect prior to July 1, 1998 (or the provisions of any prior plan, if applicable); *provided*, *however*, that the Personnel Group may in its discretion (i) determine to pay out in a single cash payment any such benefits that as of a given determination date have an Actuarial Equivalent single sum value less than or equal to Fifty Thousand Dollars ($50,000), or (ii) otherwise modify the date(s) and/or form(s) of payment so long as the effect of any such modification does not further defer the date of payment(s).

Section 3.7 *Coordination with SERP Payments.* In the event that a Covered Associate is eligible to receive SERP benefits, the Personnel Group may make such changes as it deems necessary or advisable to the payment and benefit calculation procedures described in this Article III in order to have the Covered Associate's vested Restoration Plan benefits paid at the same time(s) and in the same form as the Covered Associate's SERP benefits, so long as any such change does not otherwise reduce the Actuarial Equivalent amount of the Covered Associate's vested Restoration Plan benefits.

Section 3.8 *Special Provisions Related to Completion Incentives.* For a Participant who receives a Completion Incentive in a Plan Year which relates to one or more prior Plan Years, the following provisions shall apply:

(i) The Personnel Group, upon consultation with the appropriate business unit, shall allocate the Completion Incentive among the applicable Plan Years for which it was deemed earned.

(ii) The Participant shall receive Restoration Credits with respect to the Completion Incentive based on the Participant's rate of Compensation Credits under the Pension Plan at the time the Completion Incentive is paid. However, for that purpose, the One Million Dollar ($1,000,000) limit on incentive compensation set forth in Section 3.2(d) above shall be applied separately with respect to each prior Plan Year for which the Completion Incentive was deemed earned taking into

account the portion of the Completion Incentive allocated to each such prior Plan Year under subparagraph (i) above.

(iii) The Restoration Credits attributable to the Completion Incentive shall be credited in an administratively reasonable time following notification to the Personnel Group of the Completion Incentive having been paid.

## ARTICLE IV
## AMENDMENT AND TERMINATION

Section 4.1 *Amendment and Termination.* The Corporation shall have the right and power at any time and from time to time to amend the Restoration Plan in whole or in part, on behalf of all Participating Employers, and at any time to terminate the Restoration Plan or any Participating Employer's participation hereunder; *provided, however,* that no such amendment or termination shall reduce the amount of a Participant's Restoration Plan benefits on the date of such amendment or termination, or further defer the due dates for the payment of such benefits, without the consent of the affected person. In connection with any termination of the Restoration Plan, the Corporation shall have the authority to cause the Restoration Plan benefits of all current and former Participants (and Beneficiary of any deceased Participants) to be paid in a single sum payment as of a date determined by the Corporation or to otherwise accelerate the payment of all Restoration Plan benefits in such manner as the Corporation shall determine in its discretion.

Section 4.2 *Change of Control*

(a) *General.* Notwithstanding any provisions of the Restoration Plan to the contrary, on and after the date of a Change of Control (i) the provisions of the Restoration Plan may not be terminated, amended or modified if the Amendment or Termination Date is prior to the date immediately following the date of the Change of Control and (ii) with respect to any amendment to the Restoration Plan otherwise permissible under clause (i), the provisions of the Restoration Plan may not be terminated, amended or modified to reduce, eliminate or otherwise adversely affect in any manner the total amount of benefits that would have been payable to a Participant, or the method and timing by which such benefits would have been payable to the Participant, from time to time under the Restoration Plan, assuming for this purpose that the Participant had separated from service (as such term is defined in the Pension Plan) on the date immediately preceding the Amendment or Termination Date of any such amendment or termination; *provided, however,* the Corporation may terminate, amend or modify the Restoration Plan at any time prior to the date of a Change of Control in accordance with, and subject to, the provisions of Section 4.1.

(b) *Certain Benefits Disregarded.* In determining after a Change of Control the total amount of benefits payable under the Restoration Plan to or with respect to a Participant who is also a participant in either the NationsBank Supplemental Executive Retirement Plan or the NationsBank Supplemental Executive Retirement Plan for Senior Management Employees, the Participating Employers shall disregard the effect of any increase in the accrued benefit (as such term is defined in the Pension Plan) of such Participant as a result of Section 17.3 of the Pension Plan.

## ARTICLE V
## MISCELLANEOUS PROVISIONS

Section 5.1 *Nature of Plan and Rights.* The Restoration Plan is unfunded and intended to constitute an incentive and deferred compensation plan for a select group of officers and key management employees of the Participating Employers. If necessary to preserve the above intended plan status, the Committee, in its sole discretion, reserves the right to limit or reduce the number of actual Participants and otherwise to take any remedial or curative action that the Committee deems necessary or advisable. The Restoration Accounts established and maintained under the Restoration Plan by a Participating Employer are for accounting purposes only and shall not be deemed or construed to create a trust fund of any kind or to grant a property interest of any kind to any Participant, designated beneficiary or estate. The amounts credited by a Participating Employer to such Restoration Accounts are and for all purposes shall continue to be a part of the general assets of such Participating Employer, and to the extent that a Participant, beneficiary or estate acquires a right to receive payments from such Participating Employer pursuant to the Restoration Plan, such right shall be no greater than the right of any unsecured general creditor of such Participating Employer.

Section 5.2 *Termination of Employment.* For the purposes of the Restoration Plan, a Participant's employment with a Participating Employer shall not be considered to have terminated so long as the Participant is in the employ of any Participating Employer, other member of the Affiliated Group or any other entity as the Personnel Group may designate.

Section 5.3 *Spendthrift Provision.* No Restoration Plan benefits or other right or interest under the Restoration Plan of a Participant or Beneficiary may be assigned, transferred or alienated, in whole or in part, either directly or by operation of law, and no such balance, right or interest shall be liable for or subject to any debt, obligation or liability of the Participant or Beneficiary. Notwithstanding the foregoing, the Participating Employers shall have the right to offset from a Participant's unpaid benefits under the Restoration Plan any amounts due and owing from the Participant to the extent permitted by law.

Section 5.4 *Employment Noncontractual.* The establishment of the Restoration Plan shall not enlarge or otherwise affect the terms of any Participant's employment with his Participating Employer, and such Participating Employer may terminate the employment of the Participant as freely and with the same effect as if the Restoration Plan had not been established.

Section 5.5 *Adoption by Other Participating Employers.* The Restoration Plan may be adopted by any Participating Employer participating under the Pension Plan, such adoption to be effective as of the date specified by such Participating Employer at the time of adoption.

Section 5.6 *Applicable Law.* The Restoration Plan shall be governed and construed in accordance with the laws of the State of North Carolina, except to the extent such laws are preempted by the laws of the United States of America.

Section 5.7 *Merged Plans.* From time to time the Participating Employers may cause other nonqualified plans to be merged into the Restoration Plan. Schedule 5.7 attached hereto sets forth the names of the plans that merged into the Restoration Plan by July 1, 2000 and their respective merger dates. Schedule 5.7 shall be updated from time to time to reflect mergers after July 1, 2000.

Upon such a merger, the accrued benefits immediately prior to the date of merger of each participant in the merged plan shall be transferred and credited as of the merger date to a Restoration Account established under the Restoration Plan for such participant. From and after the merger date, the participant's rights shall be determined under the Restoration Plan, and the participant shall be subject to all of the restrictions, limitations and other terms and provisions of the Restoration Plan. Not in limitation of the foregoing, the Restoration Account established for the participant as a result of the merger shall be periodically adjusted when and as provided in Section 3.3 hereof as in effect from time to time and shall be paid at such time and in such manner as provided in Section 3.4 hereof, except to the extent otherwise provided on Schedule 5.7. Notwithstanding any provision of this Section 5.7 to the contrary and subject to the provisions of Section 3.6, a participant in a merged plan that is in pay status or is a terminated employee in a deferred vested status as of the plan merger date shall continue to be eligible to receive benefits as and when provided under the terms of the merged plan as in effect immediately prior to such merger. The Personnel Group shall, in its discretion, establish any procedures it deems necessary or advisable in order to administer any such plan mergers, including without limitation procedures for transitioning from the method of account adjustments under the prior plan to the methods provided for under the Restoration Plan.

Section 5.8 *Status Under the Act.* The Restoration Plan is maintained for purposes of providing deferred compensation for a select group of management or highly compensated employees. In addition, to the extent that the Restoration Plan makes up benefits limited under the Pension Plan as a result of Section 415 of the Code, the Restoration Plan shall be considered an "excess benefit plan" within the meaning of the Act.

Section 5.9 *Claims Procedure.* Any claim for benefits under the Restoration Plan by a Participant or Beneficiary shall be made in accordance with the claims procedures set forth in the Pension Plan.

Section 5.10 *Limited Effect of Restatement.* Notwithstanding anything to the contrary contained in the Plan, to the extent permitted by the Act and the Code, this instrument shall not affect the availability, amount, form or method of payment of benefits being paid before the

effective date hereof, or to be paid on or after the effective date hereof, to any Participant or former Participant (or a Beneficiary of either) in the Restoration Plan who is not an active Participant on or after the effective date hereof, said availability, amount, form or method of payment of benefits, if any, to be determined in accordance with the applicable provisions of the Restoration Plan as in effect prior to the effective date hereof.

Section 5.11 *Binding Effect.* The Restoration Plan (including any and all amendments thereto) shall be binding upon the Participating Employers, their respective successors and assigns, and upon the Participants and their Beneficiaries and their respective heirs, executors, administrators, personal representatives and all other persons claiming by, under or through any of them.

[SIGNATURE ON NEXT PAGE]

IN WITNESS WHEREOF, this instrument has been executed by the Corporation on December 20, 2002.

BANK OF AMERICA CORPORATION

By: /S/ J. STEELE ALPHIN

Title: Corporate Personnel Executive

## EXHIBIT A

*Payment Provisions in Effect From July 1, 1998 through June 30, 2000*

(a) *Applicable Provisions.* The provisions of this Exhibit A shall apply to the payment of Restoration Plan benefits for Benefit Commencement Dates from July 1, 1998 through June 30, 2000. Except as otherwise provided herein, the provisions of the Plan (including Section 3.4) shall control.

(b) *Coordination with Pension Plan Payments.* Except as otherwise provided for in this Exhibit A or Section 3.6 above, a Participant's vested Restoration Plan benefits shall be payable at the same time and in the same form as the Participant's Pension Plan benefits. If a Participant's Pension Plan benefits are payable in part as an annuity and in part as a lump sum or other non-annuity form, then the Participant's entire Restoration Plan benefits shall be payable as an annuity (in the same annuity form as applicable in part to the Participant's Pension Plan benefits). Any payment of Restoration Plan benefits in a form different than the form in which such benefits are otherwise stated shall be determined by the Personnel Group based on the applicable actuarial equivalency factors in effect from time to time under the Pension Plan. Notwithstanding any provision of the Restoration Plan to the contrary, if a Participant's vested Lump Sum Benefit is less than or equal to Ten Thousand Dollars ($10,000) as of the Participant's Benefit Commencement Date, then such vested Lump Sum Benefits shall be payable to the Participant as soon as administratively practicable after the Benefit Commencement Date in a single cash payment (consistent with the provisions of paragraph (d)(i) below). In addition and notwithstanding any provision of the Restoration Plan to the contrary, if a Participant's Pension Plan benefits are payable pursuant to a non-annuity installment payment method (e.g., as a result of having transferred amounts to the Pension Plan from the Bank of America 401(k) Plan), then the Participant's Restoration Plan benefits shall be payable in a single cash payment in accordance with the provisions of paragraph (d) below.

(c) *Other Payment Methods.* Notwithstanding the provisions of paragraph (b) above to the contrary, if a Participant's entire Pension Plan benefits are payable in a single cash payment, then the Participant's vested Restoration Plan benefits shall be payable in a payment method described in this Exhibit A if elected in accordance with, and subject to, of the following terms and provisions:

(i) A Participant who first begins to participate in the Restoration Plan after having attained age fifty-four (54) shall, at the time of the Participant's initial participation, irrevocably elect one of the payment options described in subparagraph (iii) below.

(ii) For a Participant who first begins to participate in the Restoration Plan before having attained age fifty-four (54), such Participant shall, upon attainment of age fifty-four (54), be given the opportunity to irrevocably elect one of the payment options described in subparagraph (iii) below.

(iii) The payment options from which a Participant may elect are as follows: (A) single cash payment, (B) five (5) annual installments or (C) ten (10) annual installments, as such methods are more fully described below.

(iv) Any election made under this paragraph shall be made on such form, at such time and pursuant to such procedures as determined by the Personnel Group in its sole discretion from time to time. An election made under subparagraph (i) shall be effective upon the later of the date of such election or the attainment of age fifty-five (55). An election made under subparagraph (ii) shall not become effective until the attainment of age fifty-five (55) (or such later date as may be specified in the election).

(v) For a Participant who does not yet have an election in effect under this paragraph or for a Participant who fails to elect a payment option under this paragraph, the method of payment shall be the single cash payment. In addition, if the Lump Sum Benefit of a Participant who is to be paid by the installment method is less than Ten Thousand Dollars ($10,000) determined as of the Benefit Commencement Date, then the method of payment shall be the single cash payment.

(d) *Single Cash Payments.* The following provisions shall apply with respect to single cash payments under the Restoration Plan for a Participant whose entire Pension Plan benefits are payable in a single cash payment:

(i) *Pre-Age 55 or Lump Sum Benefit Under $10,000.* If a Participant terminates employment with the Participating Employers either (A) before attainment of age fifty-five (55) or (B) with a vested Lump Sum Benefit (determined as of the Participant's Benefit Commencement Date) that is Ten Thousand Dollars ($10,000) or less (even if the Participant has elected and is otherwise eligible for installment payments), then the Participant's vested Lump Sum Benefit shall be determined as of the Participant's Benefit Commencement Date, and such final vested Lump Sum Benefit shall be paid in a single cash payment to the Participant (or to the Participant's Beneficiary in the case of the Participant's death) as soon as administratively practicable after the date of the Benefit Commencement Date.

(ii) *After Age 55 and Lump Sum Benefit Over $10,000.* If a Participant terminates employment with the Participating Employers after attainment of age fifty-five (55) with a vested Lump Sum Benefit (determined as of the Participant's Benefit Commencement Date) exceeding Ten Thousand Dollars ($10,000) and with a single cash payment election in effect under paragraph (c) above, then such Participant's vested Lump Sum Benefit shall be paid in a single cash payment to the Participant (or to the Participant's Beneficiary in the case of the Participant's death) either (A) on or about March 31 of the Plan Year following the end of the Plan Year in which the termination of

employment occurs if the Benefit Commencement Date is in the same Plan Year as such termination or (B) as soon as administratively practicable after the Benefit Commencement Date if the Benefit Commencement Date is in any subsequent Plan Year. In the case of payment in accordance with clause (A), the Personnel Group shall in its discretion establish procedures from time to time to cause the amount of such Lump Sum Benefit to be adjusted for the period between the Benefit Commencement Date and the applicable payment date.

(e) *Annual Installments.* If a Participant (whose entire Pension Plan benefits are payable in a single cash payment) terminates employment with the Participating Employers after attainment of age fifty-five (55) with a vested Lump Sum Benefit (determined as of the Participant's Benefit Commencement Date) exceeding Ten Thousand Dollars ($10,000) and with an installment payment election in effect under paragraph (c) above, then the amount of the annual installments shall be calculated and paid pursuant to the following provisions:

(i) *Timing of Payments.* If the Participant's Benefit Commencement Date occurs in the same Plan Year as the Participant's termination of employment, then the first installment shall be paid on or about March 31 of the Plan Year following the Plan Year in which the Participant's Benefit Commencement Date occurs, and each subsequent installment shall be paid on or about each subsequent March 31 during the selected payment period. If, however, the Participant's Benefit Commencement Date occurs in a Plan Year after the Plan Year in which the Participant's termination of employment occurs, then the first installment shall be paid as soon as administratively practicable after the Benefit Commencement Date, the second installment shall be paid on or about March 31 of the Plan Year following the Plan Year in which the Participant's Benefit Commencement Date occurs, and each subsequent installment shall be paid on or about each subsequent March 31 during the selected payment period.

(ii) *Special Adjustment to Restoration Account.* If a Participant's Lump Sum Benefit to be payable as annual installments is determined under the provisions of Section 3.5 (rather than based on the amount credited to the Participant's Restoration Account), then in order to administer the payment of annual installments of such Lump Sum Benefit the Participant's Restoration Account shall be adjusted (either up or down, as applicable) as of the Benefit Commencement Date to equal the amount of such Lump Sum Benefit.

(iii) *Amount of Installments.* The amount of the annual installments shall be calculated, based on the vested Restoration Account balance as of the initial installment payment date, as equal annual installments amortized over the selected payment period using the "GATT rate" then in effect as determined by the Personnel Group. In the case of an initial installment payment date that is on or about March 31 of the Plan Year following the Plan Year in which the Benefit Commencement Date occurs, the Personnel Group shall in its discretion establish

procedures from time to time to cause the Restoration Account to be adjusted for the period between the Benefit Commencement Date and such March 31.

(iv) *Death of Participant.* If a Participant covered by this paragraph (e) dies, then the annual installments (or remaining annual installments in the case of death after commencement of payment) shall be paid to the Participant's Beneficiary as and when such installments would have otherwise been paid to the Participant had the Participant not died.

## SCHEDULE 5.7

## MERGED PLANS AS OF JULY 1, 2000

| Plan Name | Date of Merger |
|---|---|
| BankAmerica Supplemental Retirement Plan<br>(but only as to BankAmerica Pension Plan restored benefits) | July 1, 2000 |

# BANK OF AMERICA 401(k) RESTORATION PLAN

**(as amended and restated effective January 1, 2002)**

**BANK OF AMERICA 401(k) RESTORATION PLAN**

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# BANK OF AMERICA 401(k) RESTORATION PLAN

## (as amended and restated effective January 1, 2002)

THIS INSTRUMENT OF AMENDMENT AND RESTATEMENT is executed by BANK OF AMERICA CORPORATION, a Delaware corporation (the "Corporation");

*Statement of Purpose*

The Corporation sponsors the Bank of America 401(k) Restoration Plan (the "Restoration Plan"). The purpose of the Restoration Plan is to provide benefits, on a non-qualified and unfunded basis, to certain associates whose benefits under The Bank of America 401(k) Plan (the "401(k) Plan") are adversely affected by the limitations of Sections 401(a)(17), 401(k)(3), 401(m), 402(g) and 415 of the Internal Revenue Code, as well as certain limits placed on the contribution rates of highly compensated participants established by the administrative committee under 401(k) Plan.

By this Instrument, the Corporation is amending and restating the Restoration Plan effective January 1, 2002 to (i) make a number of design changes to the Restoration Plan and (ii) otherwise meet current needs.

NOW, THEREFORE, for the purposes aforesaid, the Corporation hereby amends and restates the Restoration Plan effective January 1, 2002 to consist of the following Articles I through V:

ARTICLE I
DEFINITIONS

Section 1.1 *Definitions.* Unless the context clearly indicates otherwise, when used in the Restoration Plan:

*Account* means, collectively, the Deferral Account and Matching Contribution Restoration Account.

*Annual Incentive Award* means, with respect to a Key Associate, any annual incentive award payable to such Key Associate in cash pursuant to (i) the Bank of America Executive Incentive Compensation Plan or (ii) any other incentive compensation plan of the Corporation or any of its Subsidiaries approved for purposes of this Plan by the Committee. Annual Incentive Awards may be payable annually, quarterly, or on such other basis as provided by the applicable plan.

*Associate* means a common law employee of a Participating Employer who is identified as an employee in the personnel records of the Participating Employer.

*Beneficiary* means the "Beneficiary" of a Covered Associate under the 401(k) Plan, unless the Covered Associate elects a different Beneficiary for purposes of the Restoration Plan in accordance with such procedures as the Personnel Group may establish from time to time. If there is no Beneficiary election in effect under the 401(k) Plan or the Restoration Plan at the time of a Covered Associate's death, or if the designated Beneficiary fails to survive the Covered Associate, then the Beneficiary shall be the Covered Associate's surviving spouse, or if there is no surviving spouse, the Covered Associate's estate.

*Benefit Determination Date* means the last day of the calendar month following the calendar month in which a Covered Associate's employment with the Participating Employers terminates, or the last day of a subsequent calendar month if the Personnel Group determines it to be administratively necessary or appropriate (e.g., as a result of the timing of notification to the Personnel Group of such termination of employment).

*Code* means the Internal Revenue Code of 1986. References to the Code shall include the valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder.

*Code Limitations* means any one or more of the limitations and restrictions that Sections 401(a)(17), 401(k)(3), 401(m), 402(g) and 415 of the Code place on the Pre-Tax Employee Contributions and Matching Contributions for a Covered Associate under the 401(k) Plan. In addition, Code Limitations also means and refers to any limitations on contributions under the 401(k) Plan established by the 401(k) Plan administrative committee with respect to highly compensated participants.

*Committee* means the committee designated pursuant to Section 2.1 of the Restoration Plan.

*Completion Incentive* means an incentive award payable to a Covered Associate upon completion of an assignment outside the United States, which incentive award relates to one or more Plan Years, all pursuant to an incentive arrangement approved for purposes of this Plan by the Committee.

*Corporation* is defined in the introduction as Bank of America Corporation, a Delaware corporation, and any successor thereto.

*Covered Associate* means either a Highly Compensated Associate or a Key Associate.

*DCP* means the BankAmerica Corporation Deferred Compensation Plan.

*Deferral Account* means the account established and maintained on the books of a Participating Employer to record a Covered Associate's interest under the Restoration Plan attributable to amounts credited to the Covered Associate pursuant to Section 3.2 or Section 3.4 of the Restoration Plan.

*EIP* means the Bank of America Corporation Equity Incentive Plan, as in effect from time to time.

*401(k) Plan* is defined in the Statement of Purpose as The Bank of America 401(k) Plan, as in effect from time to time.

*Highly Compensated Associate* means an Associate eligible to participate in the 401(k) Plan who the Personnel Group determines to be a "highly compensated employee" (within the meaning of Section 414(q) of the Code) under the 401(k) Plan for a Plan Year, but shall not include a Key Associate.

*Key Associate* means a Covered Associate who is in Band 0, 1, 2 or 3, or who has annual base compensation of $100,000 or more as determined by the Personnel Group in its discretion at such time or times as it may select.

*Matching Contribution Restoration Account* means the account established and maintained on the books of a Participating Employer to record a Covered Associate's interest under the Restoration Plan attributable to amounts credited to the Covered Associate pursuant to Section 3.3 or Section 3.5 of the Restoration Plan.

*Participating Employer* means (i) the Corporation, (ii) each other "Participating Employer" under (and as defined in) the 401(k) Plan on the date hereof and (iii) any other incorporated or unincorporated trade or business which may hereafter adopt both the 401(k) Plan and the Restoration Plan. In addition, the Personnel Group, in its sole and exclusive discretion, may designate certain other entities as "Participating Employers" under the Restoration Plan for such purposes as the Personnel Group may determine from time to time.

*Personnel Group* means the Personnel Group of the Corporation.

*Plan Year* means the twelve-month period commencing January 1 and ending the following December 31.

*Restoration Plan* is defined in the Statement of Purpose as this plan: the Bank of America 401(k) Restoration Plan as in effect from time to time.

*Retirement* or *Retire* means:

(A) Prior to November 16, 2001, termination of employment with the Participating Employers after having attained at least age fifty-five (55); and

(B) From and after November 16, 2001, termination of employment with the Participating Employers upon the earlier of (i) having attained at least age fifty-five (55) or (ii) qualifying for "Retirement" as defined from time to time under The Bank of America 401(k) Plan.

*SRP* means the BankAmerica Supplemental Retirement Plan, other than the portion of the SRP that restored benefits under the BankAmerica Pension Plan.

Any capitalized terms used in the Restoration Plan that are defined in the documents comprising the 401(k) Plan have the meanings assigned to them in the 401(k) Plan, unless such terms are otherwise defined above in this Article or unless the context clearly indicates otherwise.

## ARTICLE II
## PLAN ADMINISTRATION

Section 2.1 *Committee.* The Restoration Plan shall be administered by the "Committee" under (and as defined in) the 401(k) Plan (although certain provisions of the Restoration Plan shall be administered by the Personnel Group as specified herein). The Committee shall be empowered to interpret the provisions of the Restoration Plan and to perform and exercise all of the duties and powers granted to it under the terms of the Restoration Plan by action of a majority of its members in office from time to time. The Committee may adopt such rules and regulations for the administration of the Restoration Plan as are consistent with the terms hereof and shall keep adequate records of its proceedings and acts. All interpretations and decisions made (both as to law and fact) and other action taken by the Committee with respect to the Restoration Plan shall be conclusive and binding upon all parties having or claiming to have an interest under the Restoration Plan. Not in limitation of the foregoing, the Committee shall have the discretion to decide any factual or interpretative issues that may arise in connection with its administration of the Restoration Plan (including without limitation any determination as to claims for benefits hereunder), and the Committee's exercise of such discretion shall be conclusive and binding on all affected parties as long as it is not arbitrary or capricious. The Committee may delegate any of its duties and powers hereunder to the extent permitted by applicable law.

ARTICLE III
DEFERRED COMPENSATION PROVISIONS

Section 3.1 *Form and Time of Elections.* Prior to January 1 of a Plan Year, or at such other times as may be established by the Personnel Group, a Covered Associate for the Plan Year may elect to defer under the Restoration Plan such amounts as provided by this Article III in accordance with the procedures set forth in this Section 3.1. All elections made under this Section 3.1 shall be made in writing on a form, or pursuant to such other non-written procedures, as may be prescribed from time to time by the Personnel Group and shall be irrevocable for such Plan Year. An election by a Covered Associate under this Section 3.1 shall continue in effect for all subsequent Plan Years (during which the Covered Associate is a Highly Compensated Associate or Key Associate) unless and until changed or terminated by the Covered Associate in accordance with procedures established from time to time by the Personnel Group. Any such change in or termination of an election under this Section 3.1 shall be effective as of the January 1 of the next succeeding Plan Year and shall be irrevocable for such Plan Year.

Section 3.2 *Deferrals by Highly Compensated Associates.* If a Highly Compensated Associate makes an election to defer in accordance with Section 3.1 above for a Plan Year, the amount attributable to any Pre-Tax Employee Contribution for a particular pay period during the Plan Year which cannot be credited to the Highly Compensated Associate under the 401(k) Plan because of the Code Limitations shall be credited to a Deferral Account established and maintained in the name of the Highly Compensated Associate on the books and records of his or her Participating Employer. Such amount shall be credited to the Deferral Account on, or as soon as administratively practicable after, the date the related 401(k) Plan contributions are made (or would have been made but for the Code Limitations). See Section 3.9 below regarding the effect of "catch-up" contribution elections under the 401(k) Plan.

Section 3.3 *Matching Contributions for Highly Compensated Associates.* A Participating Employer shall establish and maintain on its books a Matching Contribution Restoration Account for each Highly Compensated Associate employed by such Participating Employer whose Matching Contributions under the 401(k) Plan shall have been limited, directly or indirectly, by the operation of the Code Limitations. If a Highly Compensated Associate is a Match-Eligible Participant for the Plan Year under the 401(k) Plan, the Highly Compensated Associate's Matching Contribution Restoration Account shall be credited on, or as soon as administratively practicable after, the date 401(k) Plan Matching Contributions are credited with an amount equal to the sum of *Amount A* and *Amount B*, where:

*Amount A* is one hundred percent (100%) of the sum of the portions (if any) of the amounts credited to the Highly Compensated Associate's Deferral Account for the Plan Year pursuant to Section 3.2 above that would have been Matchable Pre-Tax Employee Contributions for the Plan Year under the 401(k) Plan had such amounts been contributed to the 401(k) Plan as Pre-Tax Employee Contributions for the Highly Compensated Associate and the Code Limitations not applied to the 401(k) Plan.

*Amount B* is one hundred percent (100%) of the portion (if any) of the actual

Matchable Pre-Tax Employee Contributions made to the 401(k) Plan for the Highly Compensated Associate for the Plan Year with respect to which Matching Contribution allocations were not made under Section 5.4 of the 401(k) Plan or (if made) were forfeited under Section 5.4 of the 401(k) Plan because of the Code Limitations.

Notwithstanding the foregoing, no amount shall be credited to the Matching Contribution Restoration Account of a Highly Compensated Associate for a Plan Year to the extent it relates to bonus, incentive or commission compensation payable to the Highly Compensated Associate for the Plan Year in excess of One Million Dollars ($1,000,000); *provided, however*, that for a Highly Compensated Associate who first becomes eligible to participate in the Restoration Plan on July 1, 2000 as a result of the merger of the DCP or SRP into the Restoration Plan on that date, the foregoing limit shall apply only with respect to bonuses, incentives or commissions earned and paid following July 1, 2000. In addition, the Plan Administrator may determine, in its sole and exclusive discretion, to deduct from the amount otherwise to be credited to the Matching Contribution Restoration Account of a Highly Compensated Associate for a Plan Year an amount necessary to pay any related payroll taxes. See Section 3.10 below regarding certain special matching contributions under the Restoration Plan related to participation in the EIP.

Section 3.4 *Deferrals by Key Associates*

(a) *Deferral Accounts for Key Associates.* A Participating Employer shall establish and maintain on its books a Deferral Account for each Key Associate employed by such Participating Employer who elects pursuant to Section 3.1 to defer the receipt of any amount under the Restoration Plan. Such Deferral Account shall be designated by the name of the Key Associate for whom established. The amount to be deferred under this Section 3.4 for a payroll period shall be credited to such Deferral Account on, or as soon as administratively practicable after, the date the related 401(k) Plan contributions are made (or would have been made but for the Code Limitations). See Section 3.9 below regarding the effect of "catch-up" contribution elections under the 401(k) Plan.

(b) *Election to Defer Base Salary.* A Key Associate may elect to defer, on a combined basis with the 401(k) Plan as hereinafter provided, up to thirty percent (30%) of the Key Associate's base salary for a Plan Year. Deferrals shall be made to the maximum extent possible, subject to the Code Limitations, to the 401(k) Plan, and any such deferrals which cannot be made to the 401(k) Plan solely because of the Code Limitations shall instead be made to this Restoration Plan.

(c) *Election to Defer Covered Annual Incentive Award.* Each Key Associate for a Plan Year may elect pursuant to Section 3.1 above to defer for the Plan Year up to ninety percent (90%) of any Annual Incentive Award otherwise payable to the Key Associate for the Plan Year. Such deferral shall be made without regard to the Code Limitations. Any portion of an Annual Incentive Award not deferred under the Restoration Plan shall be excluded from the Key Associate's Compensation in accordance with, and subject to, the terms and provisions of the 401(k) Plan (and therefore shall not be included in determining the amount of the Key Associate's Pre-Tax Employee Contributions under the 401(k) Plan).

Section 3.5 *Matching Contributions for Key Associates.*

(a) *Matching Contribution Restoration Account for Key Associates.* A Participating Employer shall establish and maintain on its books a Matching Contribution Restoration Account for each Key Associate employed by such Participating Employer who is credited with a matching contribution under this Section 3.5. Such Matching Contribution Restoration Account shall be designated by the name of the Key Associate for whom established.

(b) *Matching Contributions for Base Salary Deferrals.* If a Key Associate is a Match-Eligible Participant for the Plan Year under the 401(k) Plan, the Key Associate's Matching Contribution Restoration Account shall be credited on, or as soon as administratively practicable after, the date 401(k) Plan Matching Contributions are credited with an amount determined consistent with the provisions of Section 3.3 above with respect to any base salary deferrals for the Plan Year pursuant to Section 3.4(b) above.

(c) *Matching Contributions for Annual Incentive Awards*. If a Key Associate is a Match-Eligible Participant for a Plan Year under the 401(k) Plan and has deferred any portion of the Key Associate's Annual Incentive Award under Section 3.4(c) that would have otherwise been paid during the Plan Year, then the Matching Contribution Restoration Account of the Key Associate shall be credited on, or as soon as administratively practicable after, the date 401(k) Plan Matching Contributions are credited with a matching contribution equal to the amount of the Annual Incentive Award otherwise payable during the Plan Year that is deferred by the Key Associate pursuant to Section 3.4(c) above, but excluding any such deferrals that exceed five percent (5%) of the Key Associate's total Annual Incentive Award. Notwithstanding the foregoing, the maximum amount of such matching contribution for a Plan Year shall equal Fifty Thousand Dollars ($50,000) (i.e., the matching contribution shall not be based on the portion of an Annual Incentive Award exceeding $1,000,000). See Section 3.10 below regarding certain special matching contributions under the Restoration Plan related to participation in the EIP.

(d) *Payroll Taxes.* The Plan Administrator may determine, in its sole and exclusive discretion, to deduct from the amount otherwise to be credited to the Matching Contribution Restoration Account of a Key Associate for a Plan Year an amount necessary to pay any related payroll taxes.

Section 3.6 *Account Adjustments*

(a) *Account Adjustments for Deemed Investments*. The Committee shall from time to time designate one or more investment vehicle(s) in which the Accounts of Covered Associates shall be deemed to be invested. The investment vehicle(s) may be designated by reference to the investments available under other plans sponsored by a Participating Employer (including the 401(k) Plan). Each Covered Associate shall designate the investment vehicle(s) in which his or her Account shall be deemed to be invested according to the procedures developed by the Personnel Group, except as otherwise required by the terms of the Restoration Plan. No Participating Employer shall be under an obligation to acquire or invest in any of the deemed investment vehicle(s) under this subparagraph, and any acquisition of or investment in a deemed

investment vehicle by a Participating Employer shall be made in the name of the Participating Employer and shall remain the sole property of the Participating Employer. Effective July 1, 2000, the designated investment vehicles shall be (and shall remain until such time as changed by the Committee in its sole discretion from time to time according to its procedures for designating investments) the following:

(i) Nations LifeGoal Income & Growth Portfolio;
(ii) Nations LifeGoal Balanced Growth Portfolio;
(iii) Nations LifeGoal Growth Portfolio;
(iv) Nations LargeCap Index;
(v) Nations MidCap Index Fund;
(vi) Nations SmallCap Index Fund;
(vii) Stable Capital Fund;
(viii) Nations Bond Fund;
(ix) Nations Value Fund;
(x) Nations International Equity Fund;
(xi) Nations Marsico Focused Equities Fund;
(xii) Bank of America Corporation Common Stock Fund; and
(xiii) Effective as of January 1, 2003, Batterymarch U.S. Small Capitalization Equity Portfolio.

The Committee shall also establish from time to time a default Fund into which a Covered Associate's Account shall be deemed to be invested if the Covered Associate fails to provide investment instructions pursuant to this Section 3.6(a). Effective July 1, 2000, such default Fund shall be the Stable Capital Fund.

(b) *Periodic Account Adjustments*. Each Account shall be adjusted from time to time at such intervals as determined by the Personnel Group. The Personnel Group may determine the frequency of account adjustments by reference to the frequency of account adjustments under another plan sponsored by a Participating Employer. The amount of the adjustment shall equal the amount that each Covered Associate's Account would have earned (or lost) for the period since the last adjustment had the Account actually been invested in the 401(k) Plan in the deemed investment vehicle(s) designated by the Covered Associate for such period pursuant to Section 3.6(a).

Section 3.7 *Account Payments Following Termination of Employment.*

(a) *Payment Options.*

(i) A Covered Associate may make or change a payment option election among any of the payment options described in subparagraph (ii) below, subject to the provisions of subparagraph (iii) below. The election shall not become effective until the later of:

(A) the date that is twelve (12) months (or such lesser period as the Personnel Group may determine in its discretion consistent with the Corporation's intent that benefits be subject to taxation as and

when actually received by the Covered Associate) after the date that the election is made if the Covered Associate remains in active service throughout that period (as determined by the Personnel Group in its discretion); or

(B) the date the Covered Associate becomes eligible for Retirement.

(ii) The payment options from which a Covered Associate may elect are as follows: (A) single cash payment, (B) five (5) annual installments or (C) ten (10) annual installments, as such methods are more fully described below.

(iii) Any election made under this Section 3.7(a) shall be made on such form, at such time and pursuant to such procedures as determined by the Personnel Group in its sole discretion from time to time. A Covered Associate may not have more than two (2) payment elections pending under this Section 3.7(a) at any one time.

(iv) For a Covered Associate who does not yet have an election in effect under this Section 3.7(a) or for a Covered Associate who fails to elect a payment option under this Section 3.7(a), the method of payment shall be the single cash payment.

(b) *Single Cash Payments*. The following provisions shall apply with respect to single cash payments under the Restoration Plan:

(i) If a Covered Associate terminates employment with the Participating Employers either (A) before eligibility for Retirement or (B) with a vested Account balance (determined as of the Benefit Determination Date) that is Fifty Thousand Dollars ($50,000) or less (even if the Covered Associate has elected and is otherwise eligible for installment payments), then the Covered Associate's Account, to the extent vested, shall be determined as of the Benefit Determination Date, and such final vested Account balance shall be paid in a single cash payment to the Covered Associate (or to the Covered Associate's Beneficiary in the case of the Covered Associate's death) as soon as administratively practicable after the Benefit Determination Date.

(ii) If a Covered Associate Retires with a vested Account balance (determined as of the Benefit Determination Date) exceeding Fifty Thousand Dollars ($50,000) and with a single cash payment election in effect under Section 3.7(a), then such Covered Associate's Account, to the extent vested, shall continue to be credited with adjustments under Section 3.6 through the last day of the Plan Year in which the Retirement occurs. The final vested Account balance as of the last day of such Plan Year shall be paid in a single cash payment to the Covered Associate (or to the Covered Associate's Beneficiary in the case of the Covered Associate's death) within ninety (90) days following the end of such Plan Year. Notwithstanding the foregoing, if the applicable Benefit

Determination Date occurs in the Plan Year after the Plan Year in which the Retirement occurs, then the single cash payment shall be in the amount of the Account Balance determined as of the Benefit Determination Date and shall be payable as soon as administratively practicable after the Benefit Determination Date.

(c) *Annual Installments*. If a Covered Associate Retires with a vested Account balance (determined as of the Benefit Determination Date) exceeding Fifty Thousand Dollars ($50,000) and with an installment payment election in effect under Section 3.7(a), then the amount of the annual installments shall be calculated and paid pursuant to the following provisions:

(i) *Timing of Payments*. The first installment shall be paid within ninety (90) days following the end of the Plan Year in which the Covered Associate Retires; *provided*, *however*, that if the applicable Benefit Determination Date occurs in the Plan Year after the Plan Year in which Retirement occurs, then the first installment shall be paid as soon as administratively practicable after the Benefit Determination Date. Each subsequent installment shall be paid within ninety (90) days following the end of each subsequent Plan Year during the selected payment period.

(ii) *Amount of Installments.* The amount payable for each installment shall equal the Account balance as of the end of the applicable Plan Year divided by the number of remaining installments (including the installment then payable); *provided*, *however*, that if the applicable Benefit Determination Date occurs in the Plan Year after the Plan Year in which Retirement occurs, then the amount of the first installment shall be based on the amount of the Account balance as of such Benefit Determination Date.

(iii) *Investment of Account During Payment Period.* The Covered Associate's Account, to the extent vested, shall continue to be credited with adjustments under Section 3.6 through the end of the Plan Year in which the Covered Associate Retires (or through the applicable Benefit Determination Date if the Benefit Determination Date occurs in the Plan Year after the Plan Year in which Retirement occurs). If the Covered Associate has elected to receive payment through five (5) annual installments, then the Covered Associate shall be permitted to continue to direct the investment of the Covered Associate's unpaid Account balance in accordance with Section 3.6 during the payment period (i.e., through the last day of the fourth Plan Year after the Plan Year in which the Covered Associate Retires). If the Covered Associate has elected to receive payment through ten (10) annual installments, then the Covered Associate's unpaid Account balance shall be deemed invested in the Stable Capital Fund during the payment period (i.e., through the last day of the ninth Plan Year after the Plan Year in which the Covered Associate Retires).

(iv) *Death of Covered Associate.* If a Covered Associate covered by

this Section 3.7(c) dies, then the annual installments (or remaining annual installments in the case of death after commencement of payment) shall be paid to the Covered Associate's Beneficiary as and when such installments would have otherwise been paid to the Covered Associate had the Covered Associate not died.

(d) *Vesting of Matching Accounts*. Notwithstanding any provision of the Restoration Plan to the contrary, if a Covered Associate is not fully (100%) vested in the amount credited to the Associate's Matching Contribution Account under the 401(k) Plan at the time of the Associate's termination of employment with the Participating Employers, then the amount credited to the Covered Associate's Matching Contribution Restoration Account shall be reduced as of the applicable Benefit Determination Date to an amount equal to the product of (i) the amount then credited to said Matching Contribution Restoration Account multiplied by (ii) the vested percentage applicable to the Associate's Matching Contribution Account and Pre-1993 Stock/Thrift Plan Matching Contribution Account under the 401(k) Plan as of the date of such termination of employment. The amount by which the Associate's Matching Contribution Restoration Account is reduced by application of the preceding sentence shall be forfeited as of the applicable Benefit Determination Date.

(e) *Other Payment Provisions.* Subject to the provisions of Section 3.8, a Covered Associate shall not be paid any portion of the Associate's Account prior to the Associate's termination of employment with the Participating Employers. Any deferral or payment hereunder shall be subject to applicable payroll and withholding taxes. In the event any amount becomes payable under the provisions of the Restoration Plan to a Covered Associate, Beneficiary or other person who is a minor or an incompetent, whether or not declared incompetent by a court, such amount may be paid directly to the minor or incompetent person or to such person's fiduciary (or attorney-in-fact in the case of an incompetent) as the Personnel Group, in its sole discretion, may decide, and the Personnel Group shall not be liable to any person for any such decision or any payment pursuant thereto.

(f) *Former DCP and SRP Participants.* Notwithstanding any other provisions in this Restoration Plan to the contrary, the following provisions shall apply to a Covered Associate who was participating in the DCP or SRP as of June 30, 2000:

(i) If the Covered Associate has in effect as of June 30, 2000 an installment payment election (but not including an annuity payment election based on the Covered Associate's life or the joint life of the Covered Associate and his or her Beneficiary) under the DCP or (if no installment payment election is in effect under the DCP) the SRP (a "Prior Plan Installment Election"), then the Covered Associate's vested Account balance shall be payable in the number of installments provided by such Prior Plan Installment Election (even if the Covered Associate is not eligible for Retirement) unless either (A) the Covered Associate changes such election in accordance with the provisions of Section 3.7(a)(ii) above or this Section 3.7(f) or (B) the Covered Associate's vested Account balance is Fifty Thousand Dollars ($50,000) or less as of the applicable Benefit Determination Date (in which case the Account shall be payable in a single cash payment in accordance with Section 3.7(b)(i) above).

(ii) Notwithstanding any provision of the Prior Plan Installment Election to the contrary, the timing of the installment payments and the method for determining the amount of each installment payment shall be determined in accordance with the provisions of Section 3.7(c)(i) and (ii) above.

(iii) Notwithstanding any provision of the Prior Plan Installment Election to the contrary, if the Prior Plan Installment Election had been made under the SRP with a payment period of five (5) years or less or under the DCP (regardless of the payment period), then the Account may continue to be invested during the payment period in accordance with the Covered Associate's investment election as provided in Section 3.6 (consistent with the provisions of Section 3.7(c)(iii) applicable to five (5) annual installments). However, if the Prior Plan Installment Election had been made under the SRP with a payment period in excess of five (5) years, then the Account shall be deemed invested in the Stable Capital Fund during the payment period (consistent with the provisions of Section 3.7(c)(iii) applicable to ten (10) annual installments).

(iv) If a Covered Associate to which this Section 3.7(f) applies is not eligible for Retirement, then (A) the Covered Associate may at any time elect to change the method of payment to a single cash payment and (B) the Covered Associate may elect on or before August 31, 2000 to change the method of payment to either a single cash payment or five (5) or ten (10) year annual installments. In either case, such election shall not become effective until the date that is twelve (12) months (or such lesser period as the Personnel Group may determine in its discretion consistent with the Corporation's intent that benefits be subject to taxation as and when actually received by the Covered Associate) after the date that the election is made if the Covered Associate remains in active service throughout that period (as determined by the Personnel Group in its discretion).

(v) In the case of a former DCP or SRP participant who is not employed by the Participating Employers as of July 1, 2000, payments of DCP and SRP balances shall be made in accordance with the provisions of the DCP and SRP, as applicable, except that any participant-directed investment of DCP accounts shall be made in accordance with the provisions of Section 3.6 above.

Section 3.8 *In-Service Withdrawals.*

(a) *Withdrawals on Demand.* A Covered Associate who is in the active service of a Participating Employer may elect to receive an unscheduled payment of up to one hundred percent (100%) of his or her vested Account balance at any time; *provided*, *however*, that (i) ten percent (10%) of the amount requested shall be forfeited from the Covered Associate's Account and (ii) the Covered Associate shall be ineligible to participate in the Restoration Plan for the remainder of the Plan Year in which the withdrawal is made and one (1) Plan Year thereafter.

(b) *Withdrawals on Account of an Unforeseeable Emergency.* A Covered Associate who is in active service of a Participating Employer may, in the Committee's sole discretion, receive a refund of all or any part of the amounts previously credited to the Covered Associate's Accounts (to the extent vested) in the case of an "unforeseeable emergency". A Covered Associate requesting a payment pursuant to this Section shall have the burden of proof of establishing, to the Committee's satisfaction, the existence of such "unforeseeable emergency", and the amount of the payment needed to satisfy the same. In that regard, the Covered Associate shall provide the Committee with such financial data and information as the Committee may request. If the Committee determines that a payment should be made to a Covered Associate under this Section such payment shall be made within a reasonable time after the Committee's determination of the existence of such "unforeseeable emergency" and the amount of payment so needed. The Committee may in its discretion establish the order in which amounts shall be withdrawn under this Section from a Covered Associate's Accounts. As used herein, the term "unforeseeable emergency" means a severe financial hardship to a Covered Associate resulting from a sudden and unexpected illness or accident of the Covered Associate or of a dependent of the Covered Associate, loss of the Covered Associate's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Covered Associate. The circumstances that shall constitute an "unforeseeable emergency" shall depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, or (ii) by liquidation of the Covered Associate's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. Examples of what are not considered to be "unforeseeable emergencies" include the need to send a Covered Associate's child to college or the purchase of a home. Withdrawals of amounts because of an "unforeseeable emergency" shall not exceed an amount reasonably needed to satisfy the emergency need. If any withdrawal is permitted pursuant to this Section during a Plan Year, no further deferral of compensation shall be made during the Plan Year from and after the effective date of the withdrawal.

Section 3.9 *Catch-Up Contributions.* Certain Covered Associates may become eligible under the 401(k) Plan to make "catch-up" contributions (within the meaning of Section 414(v) of the Code). Any such catch-up contributions made to the 401(k) Plan shall not in any manner affect the determination of the amount of deferrals to the Restoration Plan under Sections 3.2 or 3.4, as applicable. Instead, such catch-up contributions shall be in addition to the aggregate combined deferrals elected to the 401(k) Plan and Restoration Plan hereunder.

Section 3.10 *EIP.* Under the EIP, a percentage of an eligible Associate's annual incentive award earned for a performance period beginning on or after January 1, 2002 is made in the form of an award of restricted stock shares or restricted stock units granted under the Bank of America Corporation 2003 Key Associate Stock Plan. The remaining portion of the Associate's annual incentive award is payable in cash. Only the portion of the Associate's annual incentive award payable in cash is eligible for deferral under the 401(k) Plan or the Restoration Plan. However, for an Associate covered by the EIP who is a Match-Eligible Participant under the 401(k) Plan for the Plan Year in which the cash portion of such annual incentive award is paid and who either:

(i) is a Covered Associate who has made a deferral election under the Restoration Plan applicable to the cash portion of such annual incentive award; or

(ii) is not a Covered Associate but who has made a deferral election under the 401(k) Plan applicable to the cash portion of such annual incentive award,

the Associate's Participating Employer shall credit a Matching Contribution Restoration Account in the Associate's name with an amount equal to five percent (5%) of the "Principal Amount" (as defined in the EIP) with respect to such annual incentive award; *provided, however*, that no matching contribution shall be made under this Section to the extent that the EIP Principal Amount, when added to the cash portion of the annual incentive award, would exceed One Million Dollars ($1,000,000). For purposes of this Section, the EIP Principal Amount for a Covered Associate who is in Band 0 shall be the amount communicated to the Personnel Group by the Corporation's Executive Compensation group as the EIP Principal Amount. Such Matching Contribution Restoration Account shall be subject to the provisions of the Restoration Plan applicable to such Accounts, including without limitation the vesting provisions of Section 3.7(d) and other payment provisions of Section 3.7(e).

Section 3.11 *Special Provisions Related to Completion Incentives*. For a Covered Associate who receives a Completion Incentive in a Plan Year which relates to one or more prior Plan Years, the following provisions shall apply:

(i) The Personnel Group, upon consultation with the appropriate business unit, shall allocate the Completion Incentive among the applicable Plan Years for which it was deemed earned.

(ii) Any deferral under Section 3.2 or Section 3.4 above (as applicable) shall be determined separately with respect to the Restoration Plan deferral election (if any) in effect for each Plan Year for which the Completion Incentive was deemed earned. The applicable Restoration Plan deferral election in effect for each such Plan Year shall be applied against the portion of the Completion Incentive allocated to such Plan Year under subparagraph (i) above. For a Highly Compensated Associate, because the Completion Incentive may not be taken into account as covered compensation under the 401(k) Plan, any portion of the deferral for a prior Plan Year which would have been made to the 401(k) Plan had the Completion Incentive been considered covered compensation under the 401(k) Plan shall instead be deferred to the Restoration Plan (assuming a Restoration Plan deferral election was made for such Plan Year).

(iii) Each deferral to the Restoration Plan with respect to the Completion Incentive determined under subparagraph (ii) above shall be eligible for a matching contribution under the Restoration Plan in accordance with, and subject to, the provisions of Section 3.3 or Section 3.5 above (as applicable). Such matching contributions shall be determined separately with respect to each Plan Year for which the Completion Incentive was deemed earned, and in that regard the One Million Dollar ($1,000,000) limit on incentive compensation set forth in Section

3.3 and Section 3.5 above shall be applied separately with respect to each such Plan Year taking into account the portion of the Completion Incentive allocated to such Plan Year under subparagraph (i) above. However, the rate of such matching contributions shall be based on the rate of match in effect at the time the Completion Incentive is paid.

(iv) Although the Completion Incentive may relate to one or more prior Plan Years, the related deferrals and matching contributions to be made under subparagraphs (ii) and (iii) above shall be credited in an administratively reasonable time following notification to the Personnel Group of the Completion Incentive having been paid without any adjustment for earnings.

Section 3.12 *Other Contributions.* The Participating Employers may from time to time, in their sole and exclusive discretion, elect to credit a Covered Associate's Account with additional amounts not otherwise contemplated by this Article III.

## ARTICLE IV
## AMENDMENT AND TERMINATION

Section 4.1 *Amendment and Termination.* The Corporation shall have the right and power at any time and from time to time to amend the Restoration Plan in whole or in part, on behalf of all Participating Employers, and at any time to terminate the Restoration Plan or any Participating Employer's participation hereunder; *provided*, *however,* that no such amendment or termination shall reduce the amount actually credited to the Account(s) of any current or former Covered Associate (or beneficiary of a deceased Covered Associate) on the date of such amendment or termination, or further defer the due dates for the payment of such amounts, without the consent of the affected person. In connection with any termination of the Restoration Plan the Corporation shall have the authority to cause the Accounts of all current and former Covered Associates (and beneficiary of any deceased Covered Associates) to be paid in a single sum payment as of a date determined by the Corporation or to otherwise accelerate the payment of all Accounts in such manner as the Corporation shall determine in its discretion.

ARTICLE V
MISCELLANEOUS PROVISIONS

Section 5.1 *Nature of Plan and Rights.* The Restoration Plan is unfunded and intended to constitute an incentive and deferred compensation plan for a select group of officers and key management employees of the Participating Employers. If necessary to preserve the above intended plan status, the Committee, in its sole discretion, reserves the right to limit or reduce the number of actual participants and otherwise to take any remedial or curative action that the Committee deems necessary or advisable. The Accounts established and maintained under the Restoration Plan by a Participating Employer are for accounting purposes only and shall not be deemed or construed to create a trust fund of any kind or to grant a property interest of any kind to any Associate, designated beneficiary or estate. The amounts credited by a Participating Employer to such Accounts are and for all purposes shall continue to be a part of the general assets of such Participating Employer, and to the extent that an Associate, beneficiary or estate acquires a right to receive payments from such Participating Employer pursuant to the Restoration Plan, such right shall be no greater than the right of any unsecured general creditor of such Participating Employer.

Section 5.2 *Termination of Employment.* For the purposes of the Restoration Plan, an Associate's employment with a Participating Employer shall not be considered to have terminated so long as the Associate is in the employ of any Participating Employer, other member of the Controlled Group or any other entity as the Personnel Group may designate.

Section 5.3 *Spendthrift Provision.* No Account balance or other right or interest under the Restoration Plan of an Associate, beneficiary or estate may be assigned, transferred or alienated, in whole or in part, either directly or by operation of law, and no such balance, right or interest shall be liable for or subject to any debt, obligation or liability of the Associate, designated beneficiary or estate. Notwithstanding the foregoing, the Participating Employers shall have the right to offset from a Covered Associate's unpaid benefits under the Restoration Plan any amounts due and owing from the Covered Associate to the extent permitted by law.

Section 5.4 *Employment Noncontractual.* The establishment of the Restoration Plan shall not enlarge or otherwise affect the terms of any Associate's employment with his Participating Employer, and such Participating Employer may terminate the employment of the Associate as freely and with the same effect as if the Restoration Plan had not been established.

Section 5.5 *Adoption by Other Participating Employers.* The Restoration Plan may be adopted by any Participating Employer participating under the 401(k) Plan, such adoption to be effective as of the date specified by such Participating Employer at the time of adoption.

Section 5.6 *Applicable Law.* The Restoration Plan shall be governed and construed in accordance with the laws of the State of North Carolina, except to the extent such laws are preempted by the laws of the United States of America.

Section 5.7 *Merged Plans*. From time to time the Participating Employers may cause other nonqualified plans to be merged into the Restoration Plan. Schedule 5.7 attached hereto

sets forth the names of the plans that merged into the Restoration Plan by January 1, 2002 and their respective merger dates. Schedule 5.7 shall be updated from time to time to reflect mergers after January 1, 2002.

Upon such a merger, the account balance(s) immediately prior to the date of merger of each participant in the merged plan shall be transferred and credited as of the merger date to one or more accounts established under the Restoration Plan for such participant. From and after the merger date, the participant's rights shall be determined under the Restoration Plan, and the participant shall be subject to all of the restrictions, limitations and other terms and provisions of the Restoration Plan. Not in limitation of the foregoing, each Restoration Plan Account established for the participant as a result of the merger shall be periodically adjusted when and as provided in Section 3.6 hereof as in effect from time to time and shall be paid at such time and in such manner as provided in Section 3.7 and Section 3.8 hereof, except to the extent otherwise provided on Schedule 5.7. The Personnel Group shall, in its discretion, establish any procedures it deems necessary or advisable in order to administer any such plan mergers, including without limitation procedures for transitioning from the method of account adjustments under the prior plan to the methods provided for under the Restoration Plan.

Section 5.8 *Status Under the Act.* The Restoration Plan is maintained for purposes of providing deferred compensation for a select group of management or highly compensated employees. In addition, to the extent that the Restoration Plan makes up benefits limited under the 401(k) Plan as a result of Section 415 of the Code, the Restoration Plan shall be considered an "excess benefit plan" within the meaning of the Act.

Section 5.9 *Claims Procedure.* Any claim for benefits under the Restoration Plan by a Covered Associate or Beneficiary shall be made in accordance with the claims procedures set forth in the 401(k) Plan.

IN WITNESS WHEREOF, this instrument has been executed by the Corporation on December 20, 2002.

BANK OF AMERICA CORPORATION

By: /s/ J. STEELE ALPHIN

Title: Corporate Personnel Executive

**SCHEDULE 5.7**

## MERGED PLANS AS OF JANUARY 1, 2002

| Plan Name | Date of Merger |
|---|---|
| C&S Policy Committee Supplemental Savings Plan | December 31, 1992 |
| C&S Key Executive Supplemental Savings Plan | December 31, 1992 |
| C&S/Sovran Supplemental Retirement Plan for Former Sovran Executives (Thrift Restoration Benefits) | December 31, 1992 |
| First & Merchants Corporation Deferred Management Incentive Compensation Plan | March 31, 1993 |
| Sovran Deferred Compensation Plan | March 31, 1993 |
| Thrift Plan Reserve Account Maintained Under the NationsBank Corporation and Designated Subsidiaries Supplemental Executive Retirement Plan | March 31, 1993 |
| NationsBank of Texas, N.A. Profit Sharing Restoration Plan | March 31, 1993 |
| Bank South Executive Bonus Deferral Plan | July 1, 1996 |
| Boatmen’s Bancshares, Inc. Executive Deferred Compensation Plan | December 31, 1997 |
| Fourth Financial Corporation Executive Deferred Compensation Plan | December 31, 1997 |
| NationsBank Corporation Key Employee Deferral Plan | April 1, 1998 |
| Deferred compensation components of the NationsBank Corporation Executive Incentive Compensation Plan | April 1, 1998 |
| Management Excess Savings Plan of Barnett Banks, Inc. and its Affiliates | December 31, 1998 |

| | |
|---|---|
| BankAmerica Deferred Compensation Plan | June 30, 2000 |
| BankAmerica Supplemental Retirement Plan | June 30, 2000 |

# BANK OF AMERICA
# EXECUTIVE INCENTIVE COMPENSATION PLAN

(as amended and restated effective December 10, 2002)

THIS INSTRUMENT OF AMENDMENT AND RESTATEMENT is executed effective as of December 10, 2002 by BANK OF AMERICA CORPORATION, a Delaware corporation (the "Corporation").

*Statement of Purpose*

Pursuant to the Plan, certain covered associates of the Corporation may receive annual incentive compensation based on the annual performance of the Corporation consistent with the "performance-based compensation" requirements of Section 162(m) of the Internal Revenue Code. This Instrument amends and restates the Plan to provide that annual incentive compensation may be awarded in the form of a cash award, an award of restricted stock shares or restricted stock units granted under the Corporation's management stock plan, or any combination of cash and restricted stock shares or units, provided that the aggregate amount of the award does not exceed the maximum award amount pursuant to the objective, performance-based compensation formula previously approved by the Corporation's stockholders.

In accordance with paragraph 7 of the Plan, the amendment and restatement of the Plan set forth herein has been approved by the Board of Directors of the Corporation.

NOW, THEREFORE, the Plan is hereby amended and restated in its entirety to consist of the following paragraphs 1 through 9 effective as of the date hereof:

**1. Name:**

This plan shall be known as the "Bank of America Executive Incentive Compensation Plan" (the "Plan").

**2. Purpose and Intent:**

The Corporation established this Plan effective January 1, 1994 for the purpose of providing certain of its senior executive officers with annual incentive compensation based on the annual performance of the Corporation measured by objective corporate financial performance measures. This amendment and restatement is effective December 10, 2002. The intent of the Plan is to provide "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code. The provisions of the Plan shall be construed and interpreted to effectuate such intent.

**3. Definitions:**

For purposes of the Plan, the following terms shall have the following meanings:

**"Closing Price"** with respect to a share of the Corporation's common stock means the closing price on the relevant date of a share of Common Stock as reflected in the report of

composite trading of New York Stock Exchange listed securities for that day (or, if no shares were publicly traded on that day, the immediately preceding day that shares were so traded) published in *The Wall Street Journal* (Eastern Edition) or in any other publication selected by the Committee;*provided, however*, that if the shares are misquoted or omitted by the selected publication(s), the Committee shall directly solicit the information from officials of the stock exchanges or from other informed independent market sources.

**"Code"** means the Internal Revenue Code of 1986, as amended from time to time, and references thereto shall include the valid Treasury regulations thereunder.

**"Committee"** means all of the members of the Compensation Committee of the Board of Directors of the Corporation who are Outside Directors.

**"Corporation"** means Bank of America Corporation, a Delaware corporation, and any successor thereto.

**"Covered Associate"** for a Plan Year means any associate of the Corporation whose compensation is anticipated to be subject to the provisions of Section 162(m) of the Code and who is designated by the Committee prior to April 1 of such Plan Year as a "Covered Associate" under the Plan for such Plan Year, and any other key associate of the Corporation designated by the Committee prior to April 1 of a Plan Year as a "Covered Associate" under the Plan for such Plan Year.

**"Fair Market Value"** of a share of the Corporation's common stock as of a given date means the average Closing Price of a share of such common stock for the five consecutive trading days ending on the applicable date.

**"Net Income"** means, with respect to a Plan Year, "net income" of the Corporation for such Plan Year determined in accordance with generally accepted accounting principles that would be reported in the Corporation's Annual Report to Shareholders for such Plan Year assuming payment of all awards under the Plan for such Plan Year without reduction by the Committee.

**"Outside Director"** means an "outside director" within the meaning of Section 162(m)(4)(C)(i) of the Code.

**"Plan Year"** means the fiscal year of the Corporation beginning January 1 and ending December 31.

**"Restricted Stock"** means either Restricted Stock Shares or Restricted Stock Units.

**"Restricted Stock Share"** means a share of "Restricted Stock" awarded under, and within the meaning of, the Stock Plan.

**"Restricted Stock Unit"** means a "Restricted Stock Unit" awarded under, and within the meaning of, the Stock Plan.

**"Stock Plan"** means the Bank of America Corporation 2003 Key Associate Stock Plan, as the same may be in effect from time to time, or any successor plan thereto.

**4. Administration:**

The Committee shall be responsible for administering the Plan. The Committee shall have all of the powers necessary to enable it to properly carry out its duties under the Plan. Not in limitation of the foregoing, the Committee shall have the power to construe and interpret the Plan and to determine all questions that shall arise thereunder. The Committee shall have such other and further specified duties, powers, authority and discretion as are elsewhere in the Plan either expressly or by necessary implication conferred upon it. The Committee may appoint such agents, who need not be members of the Committee, as it may deem necessary for the effective performance of its duties, and may delegate to such agents such powers and duties as the Committee may deem expedient or appropriate that are not inconsistent with the intent of the Plan. The decision of the Committee upon all matters within its scope of authority shall be final and conclusive on all persons, except to the extent otherwise provided by law.

**5. Operation:**

(a) Prior to April 1 of a Plan Year, the Committee shall designate the Covered Associates for the Plan Year.

(b) Subject to the Committee's discretion to reduce awards under the Plan, each Plan Year each Covered Associate for such Plan Year shall be entitled to an award under the Plan equal to two-tenths of one percent (0.20%) of the Corporation's Net Income for such Plan Year.

(c) Notwithstanding the provisions of paragraph 5(b) to the contrary, the Committee in its sole and exclusive discretion may reduce (including a reduction to zero) any award to a Covered Associate otherwise payable under the Plan for a Plan Year.

(d) For awards with respect to the 2002 Plan Year and thereafter, at the time the Committee determines the amount of the award to a Covered Associate for the Plan Year under paragraphs 5(b) and 5(c) above, the Committee may also determine, in its sole and exclusive discretion, to deliver that amount to the Covered Associate either (i) all in cash, (ii) all in the form of an award of Restricted Stock or (iii) in a combination of cash and Restricted Stock, subject to the following provisions:

(i) If and to the extent the Committee determines to deliver all or a portion of the award under the Plan in the form of Restricted Stock, the whole number of such Restricted Stock Shares or Restricted Stock Units shall be determined by dividing the dollar value of the portion of the award to be delivered in the form of Restricted Stock by the Fair Market Value of the Corporation's common stock on the applicable grant date, and rounding up to the next whole share (provided that in no event will such rounding up cause the total amount of the award to exceed the maximum amount set forth in paragraph 5(b) above).

(ii) The grant date for any award of Restricted Stock hereunder for a Plan Year shall be February 15 of the following Plan Year, or if that February 15 is not a business day, the next preceding business day.

(iii) The Committee, in its sole and exclusive discretion, shall determine (i) whether an award of Restricted Stock hereunder to a Covered Associate shall be in the form of Restricted Stock Shares or Restricted Stock Units and (ii) all of the other terms and conditions of the Restricted Stock award, including without limitation all vesting and forfeiture provisions and the treatment of dividends or dividends equivalents prior to vesting. Pursuant to the Stock Plan, such award shall be evidenced by an award agreement.

(e) In accordance with Section 162(m)(4)(C)(iii) of the Code, prior to any payment of cash or grant of Restricted Stock under the Plan for a Plan Year, the Committee shall certify in writing the amount of Net Income for such Plan Year.

(f) Any portion of a Covered Associate's award under the Plan for a Plan Year to be delivered in cash shall be paid by the Corporation to such Covered Associate, less applicable payroll and withholding taxes, within seventy-five (75) days after the certification by the Committee as provided in paragraph 5(e). Notwithstanding the foregoing, a Covered Associate may be eligible to defer a portion of the Covered Associate's cash award for the Plan Year pursuant to the terms and provisions of the Bank of America 401(k) Restoration Plan (or any successor thereto).

(g) If the employment of a Covered Associate for a Plan Year is terminated for any reason during the Plan Year, the Covered Associate shall not receive any award under the Plan for such Plan Year.

(h) Notwithstanding any provision of the Plan to the contrary, a reduction in the amount otherwise payable to a Covered Associate for a Plan Year as provided in paragraph 5(c) or paragraph 5(g) above shall not result in a recalculation of Net Income for such Plan Year.

**6. Shareholder Approval:**

Shareholder approval for and ratification of the Plan was last obtained at the annual shareholders' meeting held during April 1997. The continued effectiveness of the Plan is subject to its approval and ratification by the shareholders of the Corporation at such other times as and to the extent required by Section 162(m)(4)(C)(ii) of the Code.

**7. Amendment, Modification and Termination of the Plan:**

The Board of Directors of the Corporation may amend, modify or terminate the Plan at any time, provided that no amendment, modification or termination of the Plan shall reduce the amount payable to a Covered Associate under the Plan as of the date of such amendment, modification or termination.

**8. Applicable Law:**

The Plan shall be construed, administered, regulated and governed in all respects under and by the laws of the United States to the extent applicable, and to the extent such laws are not applicable, by the laws of the state of Delaware.

**9. Miscellaneous:**

A Covered Associate's rights and interests under the Plan may not be assigned or transferred by the Covered Associate. To the extent the Covered Associate acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Corporation. Nothing contained herein shall be deemed to create a trust of any kind or any fiduciary relationship between the Corporation and the Covered Associate. Designation as a Covered Associate in the Plan shall not entitle or be deemed to entitle a Covered Associate to continued employment with the Corporation.

IN WITNESS WHEREOF, this instrument has been executed by an authorized officer of the Corporation as of the day and year first above written.

BANK OF AMERICA CORPORATION

By: /s/ J. STEELE ALPHIN

**J. Steele Alphin**
**Corporate Personnel Executive**

"Corporation"

**Exhibit 10(h)**

# BANK OF AMERICA CORPORATION DIRECTOR DEFERRAL PLAN

*Amendment Dated April 24, 2002*

Bank of America Corporation (the "Corporation") sponsors the Bank of America Corporation Director Deferral Plan (the "Plan"). The following is an amendment to the Plan adopted at the April 24, 2002 meeting of the Board of Directors of the Corporation adding vesting provisions with respect to Stock Units consistent with a similar amendment made to the Directors' Stock Plan on April 24, 2002:

1. The following new paragraph 5(l) is added to the Plan effective as of April 24, 2002:

"(l) *Vesting of Stock Units.* For Stock Units credited to a Participant's Account under paragraph 5(c)(iii) above on or after April 24, 2002, except as otherwise provided in this paragraph 5(l), such Stock Units shall not become vested until the first anniversary of the date the related Annual Retainer Fee would have otherwise been paid (or, if earlier, the date of the next annual meeting of the stockholders of the Corporation) (the "Vesting Date"). If the Participant ceases to serve as a Nonemployee Director before the Vesting Date due to the Nonemployee Director's death, or if there is a "Change in Control" (as defined under the Stock Plan) prior to the Vesting Date, then the Stock Units shall become fully vested as of the date of such death or Change in Control, as applicable. If the Nonemployee Director ceases to serve as a Nonemployee Director at any time for any reason other than death before the earlier of the Vesting Date or a Change in Control, then the Stock Units shall become vested pro rata (based on the number of days between the date the related Annual Retainer Fee would have otherwise been paid and the date of cessation of services divided by 365 days), and to the extent the Stock Units are not thereby vested they shall be forfeited as of the date of such cessation of services."

2. Except as expressly or by necessary implication amended hereby, the Plan shall continue in full force and effect.

# BANK OF AMERICA CORPORATION
# DIRECTOR DEFERRAL PLAN

As Amended and Restated Effective December 10, 2002

**1. Name:**

This plan shall be known as the "Bank of America Corporation Director Deferral Plan" (the "Plan").

**2. Purpose and Intent:**

The purpose of the Plan is to provide Nonemployee Directors with the opportunity to defer some or all of their compensation received as directors of the Corporation. It is the intent of the Corporation that amounts deferred under the Plan by a Nonemployee Director shall not be taxable to the Nonemployee Director for income tax purposes until the time actually received by the Nonemployee Director. The provisions of the Plan shall be construed and interpreted to effectuate such intent.

**3. Definitions:**

For purposes of the Plan, the following terms shall have the following meanings:

"*Accounts*" of a Participant mean collectively the Participant's Cash Account and the Stock Account.

"*Annual Retainer Fee*" means the fee payable at each annual stockholders meeting to Nonemployee Directors for their services as directors of the Corporation, a portion of which is payable in cash and a portion of which is payable in shares of Restricted Stock under the Stock Plan.

"*Annual Stock Award*" means the award of Restricted Stock made under Section 5(b) of the Stock Plan (which replaces annual awards of stock options to Nonemployee Directors under the Stock Plan and which is separate from the stock portion of the Annual Retainer Fee).

"*Board*" means the Board of Directors of the Corporation.

"*Cash Account*" means the account maintained in dollars on the books of the Corporation to record a Participant's interest under the Plan attributable to any Cash Compensation deferred by the Participant into the Cash Account pursuant to paragraph 5(c)(ii) below, as adjusted from time to time pursuant to the terms of the Plan.

"*Cash Compensation*" means each of the following: (i) the cash portion of the Annual Retainer Fee, (ii) a Committee Chairperson Retainer Fee and (iii) Meetings Fees.

"*Claim*" means a claim for benefits under the Plan.

"*Claimant*" means a person making a Claim.

"*Committee Chairperson Retainer Fee*" means the annual retainer fee payable to certain Nonemployee Directors of the Corporation for their services as chairpersons of certain committees of the Board.

"*Common Stock*" means the common stock of the Corporation.

"*Compensation Committee*" means the committee of individuals who are serving from time to time as the members of the Compensation Committee of the Board.

"*Corporate Benefits Committee*" means the committee of individuals who are serving from time to time as the members of the Corporate Benefits Committee of the Corporation.

"*Corporate Personnel Group*" means the group of employees designated as such from time to time by the Corporation.

"*Fair Market Value*" of a share of Common Stock on any date means the closing price of a share as reflected in the report of composite trading of New York Stock Exchange listed securities for that day (or, if no shares were publicly traded on that day, the immediately preceding day that shares were so traded) published in *The Wall Street Journal [Eastern Edition]* or in any other publication selected by the Plan Administrator;*provided, however*, that if the shares are misquoted or omitted by the selected publication(s), the Plan Administrator shall directly solicit the information from officials of the stock exchanges or from other informed independent market sources.

"*Meetings Fees*" means the fees payable to a Nonemployee Director for attendance at meetings of the Board and meetings of committees of the Board on which the Nonemployee Director serves.

"*Nonemployee Director*" means an individual who is a member of the Board, but who is not an employee of the Corporation or any of its subsidiaries.

"*Participant*" means a Nonemployee Director who has elected to participate in the Plan as provided in paragraph 5(b) below.

"*Plan Administrator*" means the Corporate Personnel Group, or such other person or entity designated as the "Plan Administrator" for purposes of the Plan by the Compensation Committee.

"*Plan Year*" means the twelve (12) month period beginning January 1 and ending December 31.

"*Restricted Stock*" means "Restricted Stock" as defined under the Stock Plan (which includes both shares awarded as the stock portion of the Annual Retainer Fee and shares awarded as part of the Annual Stock Award).

"*Stock Account*" means the account maintained in Stock Units on the books of the Corporation to record a Participant's interest under the Plan attributable to any Cash Compensation deferred by the Participant into the Stock Account pursuant to paragraph 5(c)(ii) below and any Stock Compensation deferred under the Plan, as adjusted from time to time pursuant to the terms of the Plan.

"*Stock Compensation*" means each of the following: (i) the stock portion of the Annual Retainer Fee and (ii) an Annual Stock Award.

"*Stock Plan*" means the Bank of America Corporation Directors' Stock Plan, as the same may be amended from time to time.

"*Stock Unit*" means a unit having a value as of a given date equal to the Fair Market Value of one (1) share of Common Stock on such date.

**4. Administration:**

The Plan Administrator shall be responsible for administering the Plan. The Plan Administrator shall have all of the powers necessary to enable it to properly carry out its duties under the Plan. Not in limitation of the foregoing, the Plan Administrator shall have the power to construe and interpret the Plan and to determine all questions that shall arise hereunder. The Plan Administrator shall have such other and further specified duties, powers, authority and discretion as are elsewhere in the Plan either expressly or by necessary implication conferred upon it. The Plan Administrator may appoint such agents as it may deem necessary for the effective performance of its duties, and may delegate to such agents such powers and duties as the Plan Administrator may deem expedient or appropriate that are not inconsistent with the intent of the Plan. The decision of the Plan Administrator upon all matters within its scope of authority shall be final and conclusive on all persons, except to the extent otherwise provided by law.

**5. Operation:**

(a) *Eligibility*. Each Nonemployee Director shall be eligible to participate in the Plan.

(b) *Elections to Defer*. A Nonemployee Director may become a Participant in the Plan for a Plan Year by irrevocably electing, on a form provided by the Plan Administrator, to defer all or any portion of each of the following amounts payable during the Plan Year, with separate deferral elections to be made for each: (i) the portion of the Annual Retainer Fee payable in cash, (ii) the portion of the Annual Retainer Fee payable in stock, (iii) any Annual Stock Award, (iv) any Committee Chairperson Retainer Fee and (v) any Meetings Fees. In order to be effective, a Nonemployee Director's election to defer must be executed and returned to the Plan Administrator on or before the date specified by the Plan Administrator for such purpose. Such election must normally be made prior to the beginning of the Plan Year to which the election relates. However, the Plan Administrator, in its sole and exclusive discretion, may determine that in certain circumstances an election may be made during a Plan Year if such determination is not inconsistent with the intent of the Plan expressed in paragraph 2 above.

(c) *Establishment of Accounts.*

(i) The Corporation shall establish and maintain on its books a Cash Account and a Stock Account for each Participant. Each Account shall be designated by the name of the Participant for whom established.

(ii) Any Cash Compensation deferred by a Participant shall be credited to the Participant's Cash Account or Stock Account as the Participant shall elect. The election shall be made at the time determined by the Plan Administrator and on the form provided by the Plan Administrator. A separate election directing deferral to the Cash Account or Stock Account shall be permitted with respect to each separate component of Cash Compensation being deferred. If no election is made, any Cash Compensation deferred shall be credited to the Participant's Cash Account. To the extent any Cash Compensation is to be credited to a Participant's Cash Account, such amounts shall be credited to the Cash Account as of the date the amounts would have otherwise been paid to the Participant. To the extent any Cash Compensation is to be credited to a Participant's Stock Account, the Stock Account shall be credited as of the date the amounts would have otherwise been paid to the Participant with the number of Stock Units equal to the dollar amount of the deferral divided by the Fair Market Value of a share of Common Stock on such date.

(iii) Any Stock Compensation deferred by a Participant shall be credited to the Participant's Stock Account in a number of "Stock Units" equal to the number of shares of Restricted Stock being deferred (including any fractional shares). The Stock Units shall be credited to the Participant's Stock Account as of the date the shares of Restricted Stock would have otherwise been awarded under the Stock Plan.

(d) *Account Adjustments: Cash Account*. As of the last day of each calendar month, each Cash Account shall be adjusted for such month so that the level of investment return of the Cash Account shall be substantially equal to the ask yield of the most recent auction of 30-year Treasury bonds, as quoted for the last business day of the immediately preceding calendar month in the *Wall Street Journal* (Eastern Edition), or if such quotations are not available in the *Wall Street Journal*, in a similar financial publication selected by the Plan Administrator.

(e) *Account Adjustments: Stock Account*. Each Stock Account shall be credited additional full or fractional Stock Units for cash dividends paid on the Common Stock based on the number of Stock Units in the Stock Account on the applicable dividend record date and calculated based on the Fair Market Value of the Common Stock on the applicable dividend payment date. Each Stock Account shall also be equitably adjusted as determined by the Plan Administrator in the event of any stock dividend, stock split or similar change in the capitalization of the Corporation.

(f) *Payment Options.* At the time a Participant first makes an election to defer under the Plan, the Participant shall be given the opportunity to elect one of the following payment options: (i) single cash payment, (ii) five (5) annual installments or (iii) ten (10) annual installments. The election shall be made in writing on a form provided by the Plan Administrator and must be returned to the Plan Administrator before such date as specified by the Plan Administrator. Such election shall be effective with respect to all amounts deferred

under the Plan by the Participant. If a Participant fails to duly elect a payment option, the method of payment shall be the single cash payment. After the initial deferral election, a Participant may elect a new payment option from among the payment options listed above by submitting a new payment option election to the Plan Administrator. The new payment option election shall be made in writing on the form provided by the Plan Administrator. The payment option election shall become effective on the one year anniversary of the date the form is filed with the Plan Administrator, provided the Participant has remained a Nonemployee Director continuously until that date. No additional payment option election may be submitted during such one-year period. No new payment election may shorten the period of time during which payments would have been made in the absence of such election. Upon becoming effective, the new payment option shall apply with respect to all amounts deferred under the Plan by the Participant, including amounts deferred under the Plan before the election became effective.

(g) *Single Cash Payment.* If a Participant to whom the single cash payment method applies terminates services with the Corporation as a member of the Board, such Participant's Accounts shall continue to be credited with adjustments under paragraph 5(d) and paragraph 5(e) above through December 31 of the calendar year in which such termination of services occurred. The number of Stock Units in the Stock Account as of such December 31 shall be converted to cash based on the Fair Market Value of the Common Stock on such date, and such cash amount together with the final Cash Account balance as of such December 31 shall be paid in a single cash payment to the Participant (or to the Participant's designated beneficiary in the case of the Participant's termination of services as the result of the Participant's death) by January 31 of the following calendar year.

(h) *Annual Installments*. If a Participant to whom the annual installments method applies terminates service with the Corporation as a member of the Board, the amount of such annual installments shall be calculated and paid pursuant to the provisions of this paragraph 5(h). The Participant's Accounts shall continue to be credited with adjustments under paragraph 5(d) and paragraph 5(e) above until the Accounts are fully paid out. The first installment shall be paid by January 31 of the calendar year immediately following the calendar year in which such termination of services occurred, and each subsequent installment shall be paid by January 31 of each subsequent calendar year. Each payment shall be equal to (i) the sum of the Participant's balance in each Account as of December 31 of the calendar year immediately preceding the calendar year of payment, multiplied by (ii) a fraction, the numerator of which is one and the denominator is the number of installments remaining, including the current year's payment. For purposes of the preceding sentence, the balance of the Stock Account shall be equal to the number of the Participant's Stock Units as of each December 31 multiplied by the Fair Market Value of the Common Stock on such date. In the event of the Participant's death, any remaining annual installments shall be paid to the Participant's designated beneficiary.

(i) *Other Payment Provisions.* Subject to the provisions of paragraph 5(j) and paragraph 6 below, a Participant shall not be paid any portion of the Participant's Accounts prior to the Participant's termination of services as a member of the Board of Directors of the Corporation. Any payment hereunder shall be subject to applicable payroll and withholding taxes. In the event any amount becomes payable under the provisions of the Plan to a Participant, beneficiary or other person who is a minor or an incompetent, whether or not declared incompetent by a court, such amount may be paid directly to the minor or incompetent

person or to such person's legal representative (or attorney-in-fact in the case of an incompetent) as the Plan Administrator, in its sole discretion, may decide, and the Plan Administrator shall not be liable to any person for any such decision or any payment pursuant thereto. Participants shall designate a beneficiary under the Plan on a form furnished by the Plan Administrator, and if a Participant does not have a beneficiary designation in effect, the designated beneficiary shall be the Participant's estate.

(j) *Withdrawals on Account of an Unforeseeable Emergency.* A Participant who is in active service as a member of the Board of Directors of the Corporation may, in the Plan Administrator's sole discretion, receive a payment of all or any part of the amounts previously credited to the Participant's Cash Account (but not Stock Account) in the case of an "unforeseeable emergency." A Participant requesting a payment pursuant to this subparagraph (j) shall have the burden of proof of establishing, to the Plan Administrator's satisfaction, the existence of such "unforeseeable emergency," and the amount of the payment needed to satisfy the same. In that regard, the Participant shall provide the Plan Administrator with such financial data and information as the Plan Administrator may request. If the Plan Administrator determines that a payment should be made to a Participant under this subparagraph (j), such payment shall be made within a reasonable time after the Plan Administrator's determination of the existence of such "unforeseeable emergency" and the amount of payment so needed. As used herein, the term "unforeseeable emergency" means a severe financial hardship to a Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that shall constitute an "unforeseeable emergency" shall depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, or (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. Examples of what are not considered to be "unforeseeable emergencies" include the need to send a Participant's child to college or the desire to purchase a home. Withdrawals of amounts because of an "unforeseeable emergency" shall not exceed an amount reasonably needed to satisfy the emergency need.

(k) *Statements of Account.* Each Participant shall receive an annual statement of the balance in the Participant's Accounts.

(l) *Vesting of Stock Units.* For Stock Units credited to a Participant's Account related to a deferral of Stock Compensation under paragraph 5(c)(iii) above, except as otherwise provided in this paragraph 5(l), such Stock Units shall not become vested until the related "Vesting Date" under (and as defined in) the Stock Plan. If the Participant ceases to serve as a Nonemployee Director before the Vesting Date due to the Nonemployee Director's death, or if there is a "Change in Control" (as defined under the Stock Plan) prior to the Vesting Date, then the Stock Units shall become fully vested as of the date of such death or Change in Control, as applicable. If the Nonemployee Director ceases to serve as a Nonemployee Director at any time for any reason other than death before the earlier of the Vesting Date or a Change in Control, then the Stock Units shall become vested pro rata to the same extent they would have become vested under the provisions of the Stock Plan, and to the extent the Stock Units are not thereby vested they shall be forfeited as of the date of such cessation of services.

**6. Amendment, Modification and Termination of the Plan:**

The Compensation Committee shall have the right and power at any time and from time to time to amend the Plan in whole or in part and at any time to terminate the Plan; *provided*, *however*, that no such amendment or termination shall reduce the amount actually credited to a Participant's Accounts under the Plan on the date of such amendment or termination, or further defer the due dates for the payment of such amounts, without the consent of the affected Participant. Notwithstanding the provisions of paragraph 5(f), in connection with any termination of the Plan the Compensation Committee shall have the authority to cause the Accounts of all Participants to be paid in a single cash payment as of a date determined by the Compensation Committee or to otherwise accelerate the payment of Accounts in such manner as the Compensation Committee shall determine in its discretion.

**7. Claims Procedures:**

(a) *General*. In the event that a Claimant has a Claim under the Plan, such Claim shall be made by the Claimant's filing a notice thereof with the Plan Administrator within ninety (90) days after such Claimant first has knowledge of such Claim. Each Claimant who has submitted a Claim to the Plan Administrator shall be afforded a reasonable opportunity to state such Claimant's position and to present evidence and other material relevant to the Claim to the Plan Administrator for its consideration in rendering its decision with respect thereto. The Plan Administrator shall render its decision in writing within ninety (90) days after the Claim is referred to it, unless special circumstances require an extension of such time within which to render such decision, in which event such decision shall be rendered no later than one hundred eighty (180) days after the Claim is referred to it. A copy of such written decision shall be furnished to the Claimant.

(b) *Notice of Decision of Plan Administrator.* Each Claimant whose Claim has been denied by the Plan Administrator shall be provided written notice thereof, which notice shall set forth:

(i) the specific reason(s) for the denial:

(ii) specific reference to pertinent provision(s) of the Plan upon which such denial is based;

(iii) a description of any additional material or information necessary for the Claimant to perfect such Claim and an explanation of why such material or information is necessary; and

(iv) an explanation of the procedure hereunder for review of such Claim;

all in a manner calculated to be understood by such Claimant.

(c) *Review of Decision of Plan Administrator*. Each such Claimant shall be afforded a reasonable opportunity for a full and fair review of the decision of the Plan Administrator denying the Claim. Such review shall be by the Corporate Benefits Committee. Such appeal shall be made within ninety (90) days after the Claimant received the written decision of the Plan

Administrator and shall be made by the written request of the Claimant or such Claimant's duly authorized representative of the Corporate Benefits Committee. In the event of appeal, the Claimant or such Claimant's duly authorized representative may review pertinent documents and submit issues and comments in writing to the Corporate Benefits Committee. The Corporate Benefits Committee shall review the following:

(i) the initial proceedings of the Plan Administrator with respect to such Claim;

(ii) such issues and comments as were submitted in writing by the Claimant or the Claimant's duly authorized representative; and

(iii) such other material and information as the Corporate Benefits Committee, in its sole discretion, deems advisable for a full and fair review of the decision of the Plan Administrator.

The Corporate Benefits Committee may approve, disapprove or modify the decision of the Plan Administrator, in whole or in part, or may take such other action with respect to such appeal as it deems appropriate. The decision of the Corporate Benefits Committee with respect to such appeal shall be made promptly, and in no event later than sixty (60) days after receipt of such appeal, unless special circumstances require an extension of such time within which to render such decision, in which event such decision shall be rendered as soon as possible and in no event later than one hundred twenty (120) days following receipt of such appeal. The decision of the Corporate Benefits Committee shall be in writing and in a manner calculated to be understood by the Claimant and shall include specific reasons for such decision and set forth specific references to the pertinent provisions of the Plan upon which such decision is based. The Claimant shall be furnished a copy of the written decision of the Corporate Benefits Committee. Such decision shall be final and conclusive upon all persons interested therein, except to the extent otherwise provided by applicable law.

**8. Applicable Law:**

The Plan shall be construed, administered, regulated and governed in all respects under and by the laws of the United States to the extent applicable, and to the extent such laws are not applicable, by the laws of the state of Delaware.

**9. Miscellaneous:**

A Participant's rights and interests under the Plan may not be assigned or transferred by the Participant. The Plan shall be an unsecured, unfunded arrangement. To the extent the Participant acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Corporation. Nothing contained herein shall be deemed to create a trust of any kind or any fiduciary relationship between the Corporation and any Participant. The Plan shall be binding on the Corporation and any successor in interest of the Corporation.

# BANK OF AMERICA CORPORATION DIRECTORS' STOCK PLAN

*Amendment Dated April 24, 2002*

Bank of America Corporation (the "Corporation") sponsors the Bank of America Corporation Directors' Stock Plan (the "Plan"). The following is an amendment to the Plan adopted at the April 24, 2002 meeting of the Board of Directors of the Corporation adding vesting provisions with respect to shares of common stock of the Corporation used to pay a portion of the annual retainer fee as set forth in the Plan:

1. Section 5 of the Plan is amended effective as of April 24, 2002 to read as follows:

*"5. Shares for Annual Retainer Fee:*

(a) *Payment of Shares.* Any Annual Retainer Fee payable to a Nonemployee Director on or after the Effective Date shall be payable sixty percent (60%) in cash and forty percent (40%) in shares of Common Stock. The total number of shares of Common Stock to be issued under this Section to a Nonemployee Director with respect to an Annual Retainer Fee shall be determined by dividing the amount of such Annual Retainer Fee payable in shares of Common Stock by the Fair Market Value of the Common Stock on the applicable Payment Date. In no event shall the Corporation be obligated to issue fractional shares under this Section, but instead shall pay any such fractional share in cash based on the Fair Market Value of the Common Stock on the Payment Date. Certificates for the shares of Common Stock payable under this Section shall be delivered as soon as practicable after the relevant Payment Date; *provided*, *however*, that if a Nonemployee Director has elected to defer an Annual Retainer Fee pursuant to the Deferral Plan, the shares of Common Stock otherwise issuable under this Plan in connection with such Annual Retainer Fee shall not be issued and such Nonemployee Director shall be credited with "Stock Units" to be paid in cash when and as provided for under the Deferral Plan.

(b) *Vesting of Shares.* For shares of Common Stock payable under subparagraph (a) above on or after April 24, 2002, except as otherwise provided in this subparagraph (b), such shares shall not become vested until the first anniversary of the applicable Payment Date (or, if earlier, the date of the next annual meeting of the stockholders of the Corporation) (the "Vesting Date"). If the Nonemployee Director ceases to serve as a Nonemployee Director before the Vesting Date due to the Nonemployee Director's death, or if there is a Change in Control prior to the Vesting Date, then the shares shall become fully vested as of the date of such death or Change in Control, as applicable. If the Nonemployee Director ceases to serve as a Nonemployee Director at any time for any reason other than death before the earlier of the Vesting Date or a Change in Control, then the shares shall become vested pro rata (based on the number of days

between the Payment Date and the date of cessation of services divided by 365 days), and to the extent the shares are not thereby vested they shall be forfeited as of the date of such cessation of services. A Nonemployee Director may not sell, transfer or otherwise dispose of any such shares of Common Stock until they become vested; however, the Nonemployee Director shall have the right to receive dividends with respect to the shares and to vote the shares prior to vesting. The vesting provisions of this subparagraph (b) shall apply to any shares of Common Stock that are deferred as Stock Units under the Deferral Plan."

2. Except as expressly or by necessary implication amended hereby, the Plan shall continue in full force and effect.

# BANK OF AMERICA CORPORATION DIRECTORS' STOCK PLAN

**(as amended and restated effective December 10, 2002)**

**1. Purpose:**

The purpose of the Plan is to enable the Corporation to attract and retain persons of exceptional ability to serve as directors and to further align the interests of directors and stockholders in enhancing the value of the Common Stock. The Plan was originally established effective April 24, 1996 and approved by the Corporation's stockholders to provide for (i) the payment of shares of Common Stock to certain of the directors in connection with the partial termination of the NationsBank Corporation and Designated Subsidiaries Directors' Retirement Plan and (ii) the payment in Common Stock of a portion of the Annual Retainer Fee payable to each Nonemployee Director.

The Plan was amended and restated effective January 1, 2002 to add an annual stock option award feature. Subsequent to that amendment having been adopted, the Corporation has determined that the use of restricted stock in lieu of stock options would better align the interests of Nonemployee Directors with the interests of the Corporation's stockholders. Accordingly, this amendment and restatement of the Plan adopted at the December 10, 2002 meeting of the Board of Directors of the Corporation replaces the annual award of stock options with an award of shares of restricted stock. The Plan shall continue in effect unless and until terminated by the Board in accordance with Section 10 below.

**2. Definitions:**

For purposes of the Plan, the following terms shall have the following meanings:

"*Annual Award Amount*" means an amount, expressed in U.S. dollars, established by the Board from time to time for purposes of determining the number of shares of Restricted Stock awarded under the provisions of Section 5(b) below. The Board shall establish the Annual Award Amount based on its review of surveys regarding director compensation practices at peer companies, the written opinion of an outside advisor, and any other information it deems pertinent in establishing reasonable levels of compensation.

"*Annual Retainer Fee*" means the annual retainer fee payable to a Nonemployee Director under the Corporation's compensation policies for directors in effect from time to time.

"*Award Date*" means the date of an annual stockholders meeting; *provided, however*, that with respect to an award of Restricted Stock made to a Nonemployee Director other than in connection with an annual stockholders meeting in accordance with Section 5(b) below, "Award Date" means the first day of the month coincident with or next following the date the Nonemployee Director commences services as a Nonemployee Director.

"*Board*" means the Board of Directors of the Corporation.

"*Change in Control*" means "Change in Control" as defined under the Bank of America Corporation 2003 Key Associate Stock Plan, as the same may be amended from time to time, or any successor plan thereto.

"*Common Stock*" means the common stock of the Corporation.

"*Corporation*" means Bank of America Corporation, a Delaware corporation, and its successors and assigns.

"*Deferral Plan*" means the Bank of America Corporation Director Deferral Plan, as the same may be amended from time to time.

"*Effective Date*" means the original effective date of the Plan, April 24, 1996.

"*Fair Market Value*" of a share of Common Stock on any date means the closing price of a share as reflected in the report of composite trading of New York Stock Exchange listed securities for that day (or, if no shares were publicly traded on that day, the immediately preceding day that shares were so traded) published in *The Wall Street Journal [Eastern Edition]* or in any other publication selected by the Board;*provided, however*, that if the shares of Common Stock are misquoted or omitted by the selected publication(s), the Board shall directly solicit the information from officials of the stock exchanges or from other informed independent market sources.

"*Nonemployee Director*" means an individual who is a member of the Board, but who is not an employee of the Corporation or any of its subsidiaries.

"*Plan*" means the Bank of America Corporation Directors' Stock Plan as set forth herein, as the same may be amended from time to time.

"*Restricted Stock*" means the Common Stock awarded to a Nonemployee Director pursuant to Section 5 of the Plan that is subject to the vesting restrictions set forth in Section 5.

**3. Administration:**

The Board shall be responsible for administering the Plan. The Board shall have all of the powers necessary to enable it to properly carry out its duties under the Plan. Not in limitation of the foregoing, the Board shall have the power to construe and interpret the Plan and to determine all questions that shall arise thereunder. The Board shall have such other and further specified duties, powers, authority and discretion as are elsewhere in the Plan either expressly or by necessary implication conferred upon it. The Board may appoint such agents as it may deem necessary for the effective performance of its duties, and may delegate to such agents such powers and duties as the Board may deem expedient or appropriate that are not inconsistent with the intent of the Plan. The decision of the Board upon all matters within its scope of authority shall be final and conclusive on all persons, except to the extent otherwise provided by law.

**4. Shares Available:**

The maximum number of shares of Common Stock that may delivered under the Plan shall equal 600,000 (after giving effect to the two-for-one stock split of the shares effective February 27, 1997). Such shares shall be subject to adjustment or substitution pursuant to Section 6 herein. If any shares of Restricted Stock awarded hereunder are canceled, lapse or forfeited in accordance with the provisions of Section 5 herein, then such shares shall again be available for delivery under the Plan. Shares delivered under the Plan may be original issue shares, treasury stock or shares purchased in the open market or otherwise, all as determined by the Chief Financial Officer of the Corporation (or the Chief Financial Officer's designee) from time to time.

**5. Restricted Stock Awards:**

(a) *Awards for Annual Retainer Fee.* Any Annual Retainer Fee payable to a Nonemployee Director shall be payable sixty percent (60%) in cash and forty percent (40%) in whole shares of Restricted Stock. The total number of shares of Restricted Stock to be issued under this Section 5(a) to a Nonemployee Director with respect to an Annual Retainer Fee shall be determined by dividing the amount of such Annual Retainer Fee payable in shares of Restricted Stock by the Fair Market Value of the Common Stock on the applicable Award Date.

(b) *Awards in Lieu of Stock Options.* Prior to December 10, 2002, eligible Nonemployee Directors received an annual award of stock options covering 4,000 shares of Common Stock. As described in Section 1 above, the Corporation has determined to provide, in lieu of such stock options, an annual award of Restricted Stock. Accordingly, each Nonemployee Director who serves as a director of the Corporation at the close of each annual stockholders meeting of the Corporation shall be awarded a number of whole shares of Restricted Stock equal to the then applicable Annual Award Amount divided by the Fair Market Value of a share of Common Stock on the applicable Award Date. For a Nonemployee Director who first commences services as a Nonemployee Director other than at an annual stockholders meeting, such award shall be determined by multiplying the then applicable Annual Award Amount by a fraction, the numerator of which is the number of days from the date of commencement of services until the next annual stockholders meeting and the denominator of which is three hundred sixty-five (365), and the resulting amount shall be divided by the Fair Market Value of a share of Common Stock on the applicable Award Date.

(c) *No Fractional Shares.* In no event shall the Corporation be obligated to issue fractional shares under this Section, but instead shall pay any such fractional share in cash based on the Fair Market Value of the Common Stock on the Award Date.

(d) *Vesting*. Except as otherwise provided in this Section 5(d), shares of Restricted Stock shall not become vested until the first anniversary of the applicable Award Date (or, if earlier, the date of the next annual meeting of the stockholders of the Corporation) (the "Vesting Date"). If the Nonemployee Director ceases to serve as a Nonemployee Director before the Vesting Date due to the Nonemployee Director's death, or if there is a Change in Control prior to the Vesting Date, then the shares shall become fully vested as of the date of such death or

Change in Control, as applicable. If the Nonemployee Director ceases to serve as a Nonemployee Director at any time for any reason other than death before the earlier of the Vesting Date or a Change in Control, then the shares shall become vested pro rata (based on the number of days between the Award Date and the date of cessation of services divided by (x) 365 days for awards made at an annual stockholders meeting or (y) the number of days from the date of commencement of services until the next annual stockholders meeting for a mid-year award made under Section 5(b) above), and to the extent the shares are not thereby vested they shall be forfeited as of the date of such cessation of services. A Nonemployee Director may not sell, transfer or otherwise dispose of any such shares of Restricted Stock until they become vested; however, the Nonemployee Director shall have the right to receive dividends with respect to the shares and to vote the shares prior to vesting. If a Nonemployee Director has elected to defer any shares of Restricted Stock pursuant to the Deferral Plan, (i) such shares shall not be issued under this Plan, (ii) the Nonemployee Director shall be credited with "Stock Units" (including for any fractional shares that would have otherwise been payable in cash under Section 5(c) above) to be paid in cash when and as provided for under the Deferral Plan and (iii) the vesting provisions of this Section 5(c) shall apply to any such shares that are deferred as Stock Units under the Deferral Plan.

**6. Adjustments in Authorized Shares:**

In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Corporation, any reorganization (whether or not such reorganization comes within the definition of such term in Internal Revenue Code Section 368) or any partial or complete liquidation of the Corporation, such adjustment shall be made in the number and class of shares of Common Stock which may be delivered under the Plan, as may be determined to be appropriate and equitable by the Board, in its sole discretion, to prevent dilution or enlargement of rights.

**7. Resales of Shares:**

The Corporation may impose such restrictions on the sale or other disposition of shares issued under this Plan as the Board deems necessary to comply with applicable securities laws. Certificates for shares issued under this Plan may bear such legends as the Corporation deems necessary to give notice of such restrictions.

**8. Compliance With Law and Other Conditions:**

No shares shall be issued under this Plan prior to compliance by the Corporation, to the satisfaction of its counsel, with any applicable laws. The Corporation shall not be obligated to (but may in its discretion) take any action under applicable federal or state securities laws (including registration or qualification of the Plan or the Common Stock) necessary for compliance therewith in order to permit the issuance of shares hereunder, except for actions (other than registration or qualification) that may be taken by the Corporation without unreasonable effort or expense and without the incurrence of any material exposure to liability.

**9. Amendment, Modification and Termination of the Plan:**

The Board shall have the right and power at any time and from time to time to amend the Plan in whole or in part and at any time to terminate the Plan*provided*, *however*, that an amendment to the Plan may be conditioned on the approval of the stockholders of the Corporation if and to the extent the Board determines that stockholder approval is necessary or appropriate. No termination, amendment, or modification of the Plan shall adversely affect in any material way any Restricted Stock award previously granted under the Plan, without the written consent of the affected Nonemployee Director.

**10. Limited Effect of Restatement:**

Notwithstanding any provision herein to the contrary, the amendment and restatement of the Plan as set forth herein shall not affect any awards of Restricted Stock or stock options made under the Plan as in effect prior to the effective date of this document, which such awards shall instead be governed by the terms and provisions of the Plan as in effect at the time such awards were made.

**11. Miscellaneous:**

The Plan shall be construed, administered, regulated and governed in all respects under and by the laws of the United States to the extent applicable, and to the extent such laws are not applicable, by the laws of the state of Delaware. The Plan shall be binding on the Corporation and any successor in interest of the Corporation.

# Bank of America Corporation
# 2003 Key Associate Stock Plan

Effective Date: January 1, 2003

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# Bank of America Corporation
# 2003 Key Associate Stock Plan

**Article 1. Establishment, Duration and Purpose**

**1.1 Establishment and Duration of the Plan**. The Company establishes this Plan effective as of January 1, 2003, subject to the Plan having been approved by the Company's stockholders prior to that date. The Plan shall remain in effect until the earlier (i) the date that no additional Shares are available for issuance under the Plan, (ii) the date that the Plan has been terminated in accordance with Article 14 or (iii) the close of business on December 31, 2007. Upon the Plan becoming effective, no further awards shall be made under the Bank of America Corporation Key Employee Stock Plan.

**1.2 Purpose of the Plan**. The Company believes that the compensation of its Key Associates should be significantly linked to the Company's business performance in order to enhance the long-term success and value of the Company. The Plan serves this compensation philosophy by providing a source of stock-based Awards for Key Associates that are intended to further motivate Key Associates to increase the value of the Company's common stock, thereby linking the personal interests of the Key Associates with those of the Company's stockholders. Terms and conditions placed on Awards further encourage the long-term retention of Key Associates. The Plan also provides the Company with a means to better attract and recruit Key Associates of outstanding ability who will further enhance the long-term success and value of the Company through their services.

**Article 2. Definitions**

Whenever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

**"Award"** means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units.

**"Award Agreement"** means an agreement between the Company and each Participant setting forth the terms and provisions applicable to Awards granted under this Plan.

**"Beneficial Owner"** or **"Beneficial Ownership"** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

**"Board"** or **"Board of Directors"** means the Board of Directors of the Company.

**"Change in Control"** of the Company means, and shall be deemed to have occurred upon, any of the following events:

(a) The acquisition by any Person of Beneficial Ownership of twenty-five percent (25%) or more of either:

(i) The then-outstanding Shares (the "Outstanding Shares"); or

(ii) The combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of Directors (the "Outstanding Voting Securities");

provided, however, that the following acquisitions shall not constitute a Change in Control for purposes of this subparagraph (a): (A) any acquisition directly from the Company, (B) any acquisition by the Company or any of its Subsidiaries, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries, or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) below; or

(b) Individuals who, as of the Effective Date, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual who becomes a Director subsequent to the Effective Date and whose election, or whose nomination for election by the Company's stockholders, to the Board of Directors was either (i) approved by a vote of at least a majority of the Directors then comprising the Incumbent Board or (ii) recommended by a corporate governance committee comprised entirely of Directors who are then Incumbent Board members shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest, other actual or threatened solicitation of proxies or consents or an actual or threatened tender offer; or

(c) Approval by the Company's stockholders of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless following such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners, respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such Business Combination own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Shares and Outstanding Voting Securities, as the case may be (provided, however, that for purposes of this clause (i), any shares of common stock or voting securities of such resulting corporation received by such Beneficial Owners in such Business Combination other than as the result of such Beneficial Owners' ownership of Outstanding Shares or Outstanding Voting Securities immediately prior to such Business Combination shall not be considered to be owned by such Beneficial Owners for the purposes of calculating their percentage of ownership of the outstanding common stock and voting power of the resulting corporation), (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from the Business Combination) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from the Business Combination or the combined voting power of the then outstanding voting securities of such corporation

unless such Person owned twenty-five percent (25%) or more of the Outstanding Shares or Outstanding Voting Securities immediately prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(d) Approval by the Company's stockholders of a complete liquidation or dissolution of the Company.

**"Code"** means the Internal Revenue Code of 1986, as amended from time to time. References to the Code shall include the valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder.

**"Committee"** means the Compensation Committee of the Board of Directors; provided, however, that (i) with respect to Awards to any Key Associates who are Insiders, Committee means all of the members of the Compensation Committee who are "non-employee directors" within the meaning of Rule 16b-3 adopted under the Exchange Act, and (ii) with respect to Awards to any Key Associates who are Named Executive Officers intended to comply with the Performance-Based Exception, Committee means all of the members of the Compensation Committee who are "outside directors" within the meaning of Section 162(m) of the Code. Committee may also mean any individual or committee of individuals (who need not be Directors) that the Compensation Committee may appoint from time to time to administer the Plan with respect to Awards to Key Associates who are not Insiders or Named Executive Officers, in accordance with and subject to the requirements of Section 3.2.

**"Company"** means Bank of America Corporation, a Delaware corporation, and any successor as provided in Article 17 herein.

**"Director"** means any individual who is a member of the Board of Directors of the Company.

**"Disability"** with respect to a Participant, means "disability" as defined from time to time under any long-term disability plan of the Company or Subsidiary with which the Participant is employed.

**"Earnings Per Share"** means "earnings per common share" of the Company based on all earnings (either diluted or without regard to dilution, as selected by the Committee) determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Stockholders or Annual Report on Form 10-K.

**"Effective Date"** means January 1, 2003.

**"Exchange Act"** means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

**"Fair Market Value"** of a Share on any date means the closing price of a Share as reflected in the report of composite trading of New York Stock Exchange listed securities for that day (or, if no Shares were publicly traded on that day, the immediately preceding day that Shares were so traded) published in The Wall Street Journal [Eastern Edition] or in any other publication selected by the Committee; provided, however, that if the Shares are misquoted or omitted by the selected publication(s), the Committee shall directly solicit the information from officials of the stock exchanges or from other informed independent market sources.

**"Incentive Stock Option"** or **"ISO"** means an option to purchase Shares granted to a Key Associate under Article 6 herein, and designated as an Incentive Stock Option which is intended to meet the requirements of Section 422 of the Code.

**"Insider"** shall mean an individual who is, on the relevant date, an officer, director or ten percent (10%) beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act and the rules thereunder.

**"Key Associate"** means an employee of the Company or any Subsidiary, including an officer of the Company or a Subsidiary, in a managerial or other important position who, by virtue of such employee's ability, qualifications and performance, has made, or is expected to make, important contributions to the Company or its Subsidiaries, all as determined by the Committee in its discretion.

**"Named Executive Officer"** means, for a calendar year, a Participant who is one of the group of "covered employees" for such calendar year within the meaning of Code Section 162(m) or any successor statute.

**"Net Income"** means "net income" of the Company determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Stockholders or Annual Report on Form 10-K.

**"Nonqualified Stock Option"** or **"NQSO"** means an option to purchase Shares granted to a Key Associate under Article 6 herein, and which is not intended to meet the requirements of Code Section 422.

**"Operating Earnings Per Share"** means "earnings per common share" of the Company based only on operating earnings (either diluted or without regard to dilution, as selected by the Committee) determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Stockholders or Annual Report on Form 10-K.

**"Option"** means an Incentive Stock Option or a Nonqualified Stock Option.

**"Option Price"** means the price at which a Share may be purchased by a Participant pursuant to an Option.

**"Participant"** means a Key Associate, a former Key Associate or any permitted transferee under the Plan of a Key Associate or former Key Associate who has outstanding an Award granted under the Plan.

**"Performance-Based Exception"** means the performance-based exception set forth in Code Section 162(m)(4)(C) from the deductibility limitations of Code Section 162(m).

**"Period of Restriction"** means the period during which the transfer of Shares of Restricted Stock or an Award of Restricted Stock Units is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the Shares of Restricted Stock or the Restricted Stock Units are subject to a substantial risk of forfeiture, as provided in Article 8 herein.

**"Person"** shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" within the meaning of Section 13(d).

**"Plan"** means the incentive compensation plan set forth herein known as the "Bank of America Corporation 2003 Key Associate Stock Plan," as the same may be amended from time to time.

**"Prior Plan"** means the Bank of America Corporation Key Employee Stock Plan, as amended and restated affective September 24, 1998.

**"Restoration Option"** means an Option that is granted in connection with the exercise of an Incentive Stock Option or a Nonqualified Stock Option as more particularly described in Section 6.10 herein.

**"Restricted Stock"** means an Award of Shares, subject to a Period of Restriction, that is granted to a Key Associate under Article 8 herein.

**"Restricted Stock Unit"** means an Award, subject to a Period of Restriction, that is granted to a Key Associate under Article 8 herein and is settled either (i) by the delivery of one (1) Share for each Restricted Stock Unit or (ii) in cash in an amount equal to the Fair Market Value of one (1) Share for each Restricted Stock Unit, all as specified in the applicable Award Agreement. The Award of a Restricted Stock Unit represents the mere promise of the Company to deliver a Share or the appropriate amount of cash, as applicable, at the end of the Period of Restriction (or such later date as provided by the Award Agreement) in accordance with and subject to the terms and conditions of the applicable Award Agreement, and is not intended to constitute a transfer of "property" within the meaning of Section 83 of the Code.

**"Return on Assets"** means "return on average assets" of the Company determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Stockholders or Annual Report on Form 10-K.

**"Return on Equity"** means "return on average common stockholders' equity" of the Company determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Stockholders or Annual Report on Form 10-K.

**"Shareholder Value Added"** means the "shareholder value added" performance measure of the Company for a year determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Stockholders or Annual Report on Form 10-K for the year. In that regard, Shareholder Value Added for a year equals the cash basis operating earnings for the year less a charge for the use of capital for the year. For purposes of any Award intended to satisfy the Performance-Based Exception incorporating Shareholder Value Added as a performance criteria, the Committee shall approve the charge for the use of capital for use in determining Shareholder Value Added for the year within the time required under Code Section 162(m).

**"Shares"** means the shares of common stock of the Company.

**"Stock Appreciation Right"** or "**SAR"** means an Award designated as an SAR that is granted to a Key Associate under Article 7 herein.

**"Subsidiary"** means any corporation, partnership, joint venture, affiliate, or other entity in which the Company owns more than fifty percent (50%) of the voting stock or voting ownership interest, as applicable, or any other business entity designated by the Committee as a Subsidiary for purposes of the Plan.

**"Total Revenue"** means the sum of (i) net interest income on a taxable equivalent basis of the Company and (ii) noninterest income of the Company, such amounts determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Stockholders or Annual Report on Form 10-K.

**"Total Stockholder Return"** means the percentage change of an initial investment in Shares over a specified period assuming reinvestment of all dividends during the period.

**Article 3. Administration**

**3.1 Authority of the Committee**. The Plan shall be administered by the Committee. Except as limited by law, or by the Certificate of Incorporation or Bylaws of the Company, and subject to the provisions herein, the Committee shall have full power to select Key Associates who shall participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend, or waive rules and regulations for the Plan's administration; and (subject to the provisions of Article 14 herein), amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan.

**3.2 Delegation**. To the extent permitted by applicable law, the Committee may delegate its authority as identified herein to any individual or committee of individuals (who need not be Directors), including without limitation the authority to make Awards to Key Associates who are not Insiders or Named Executive Officers. To the extent that the Committee delegates its authority to make Awards as provided by this Section 3.2, all references in the Plan to the Committee's authority to make Awards and determinations with respect thereto shall be deemed to include the Committee's delegate. Any such delegate shall serve at the pleasure of, and may be removed at any time by, the Committee.

**3.3 Decisions Binding**. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Board shall be final, conclusive and binding on all persons, including the Company, its stockholders, employees, Participants, and their estates and beneficiaries.

**Article 4. Shares Subject to the Plan**

**4.1 Number of Shares Available for Grants**. Subject to the provisions of this Article 4, the aggregate number of Shares that may be issued to Participants pursuant to Awards granted under the Plan shall not exceed the sum of (A) one hundred million (100,000,000) Shares plus (B) the number of Shares available for awards under the Prior Plan as of December 31, 2002 plus (C) any Shares that were subject to an award under the Prior Plan which award is canceled, terminates, expires or lapses for any reason from and after the Effective Date.

**4.2 Lapsed Awards**. If any Award is canceled, terminates, expires, or lapses for any reason, any Shares subject to such Award shall not count against the aggregate number of Shares that may be issued under the Plan set forth in Section 4.1 above.

**4.3 Shares Used to Pay Option Price and Withholding Taxes** If, in accordance with the terms of the Plan, a Participant pays the Option Price for an Option or satisfies any tax withholding

requirement in connection with the exercise of an Option by either tendering previously owned Shares or having the Company withhold Shares, then such Shares surrendered to pay the Option Price or used to satisfy such tax withholding requirements shall not count against the aggregate number of Shares that may be issued under the Plan set forth in Section 4.1 above.

**4.4 Other Items Not Included**. The following items shall not count against the aggregate number of Shares that may be issued under the Plan set forth in Section 4.1 above: (i) the payment in cash of dividends or dividend equivalents under any outstanding Award; (ii) any Award that is settled in cash rather than by issuance of Shares; or (iii) Awards granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who become Key Associates as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company or any Subsidiary.

**4.5 Award Limits**. Notwithstanding any provision herein to the contrary, the following provisions shall apply (subject to adjustment in accordance with Section 4.6 below):

(i) in no event shall a Participant receive an Award or Awards during any one (1) calendar year covering in the aggregate more than two million (2,000,000) Shares (whether such Award or Awards may be settled in Shares, cash or any combination of Shares and cash);

(ii) in no event shall there be granted during the term of the Plan Incentive Stock Options covering more than an aggregate of twenty million (20,000,000) Shares;

(iii) in no event shall there be granted during the term of the Plan Shares of Restricted Stock or Restricted Stock Units covering more than an aggregate of five million (5,000,000) Shares; provided, however, that the limitation of this subparagraph (iii) shall not apply to any Award of Restricted Stock or Restricted Stock Units either (A) described in subparagraph (iv) below or (B) which is earned solely on the basis of the achievement of performance goals; and

(iv) up to an aggregate of twenty-five million (25,000,000) Shares may be granted during the term of the Plan as Restricted Stock or Restricted Stock Units to Key Associates as a portion of their annual incentive compensation under the Company's Equity Incentive Plan (or any similar plan or program as determined by the Committee applicable to any Key Associate, including any such program applicable to an Insider or Named Executive Officer).

**4.6 Adjustments in Authorized Shares**. In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares which may be issued under the Plan and in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; provided, however, that the number of Shares subject to any Award shall always be a whole number.

**4.7 Source of Shares**. Shares issued under the Plan may be original issue shares, treasury stock or shares purchased in the open market or otherwise, all as determined by the Chief Financial Officer of the Company (or the Chief Financial Officer's designee) from time to time, unless otherwise determined by the Committee.

**Article 5. Eligibility and Participation**

**5.1 Eligibility**. Persons eligible to participate in this Plan are all Key Associates of the Company, as determined by the Committee, including Key Associates who are Directors, but excluding Directors who are not Key Associates.

**5.2 Actual Participation**. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Key Associates those to whom Awards shall be granted and shall determine the nature and amount of each Award.

**5.3 Non-U.S. Associates**. Notwithstanding any provision of the Plan to the contrary, in order to foster and promote achievement of the purposes of the Plan or to comply with provisions of laws in other countries in which the Company operates or has employees, the Committee, in its sole discretion, shall have the power and authority to (i) determine which Key Associates (if any) employed outside the United States are eligible to participate in the Plan, (ii) modify the terms and conditions of any Awards made to such Key Associates and (iii) establish subplans and modified Option exercise and other terms and procedures to the extent such actions may be necessary or advisable.

**Article 6. Stock Options**

**6.1 Grant of Options**. Subject to the terms and provisions of the Plan, Options may be granted to Key Associates in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

**6.2 Award Agreement**. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. The Award Agreement also shall specify whether the Option is intended to be an ISO within the meaning of Section 422 of the Code, or an NQSO whose grant is intended not to fall under Code Section 422, and whether the Option shall include any Restoration Options.

**6.3 Option Price**. The Option Price for each grant of an Option under this Plan shall be at least equal to one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted.

**6.4 Duration of Options**. Each Option shall expire at such time as the Committee shall determine at the time of grant; *provided*, *however*, that no Option shall be exercisable later than the tenth (10th) anniversary date of its grant.

**6.5 Exercise of Options**. Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve and which shall be set forth in the applicable Award Agreement, which need not be the same for each grant or for each Participant.

**6.6 Payment**. Options shall be exercised by the delivery of a notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares. To be effective, notice of exercise must be made in accordance with procedures established by the Company from time to time.

The Option Price due upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent, or (b) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price unless such Shares had been acquired by the Participant on the open market), or (c) by a combination of (a) and (b).

As soon as practicable after notification of exercise and full payment, the Company shall deliver the Shares to the Participant in an appropriate amount based upon the number of Shares purchased under the Option(s).

Notwithstanding the foregoing, the Committee also may allow (i) cashless exercises as permitted under Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or (ii) exercises by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

**6.7 Restrictions on Share Transferability**. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable Federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

**6.8 Termination of Employment**. Each Participant's Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination of employment. In that regard, if an Award Agreement permits exercise of an Option following the death of the Participant, the Award Agreement shall provide that such Option shall be exercisable to the extent provided therein by any person that may be empowered to do so under the Participant's will, or if the Participant shall fail to make a testamentary disposition of the Option or shall have died intestate, by the Participant's executor or other legal representative.

**6.9 Nontransferability of Options.**

(a) **Incentive Stock Options**. No ISO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant except to the extent otherwise permitted by applicable law.

(b) **Nonqualified Stock Options**. Except as otherwise provided in a Participant's Award Agreement, no NQSO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all NQSOs granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant.

**6.10 Restoration Options**. An Option may provide for the automatic grant of Restoration Options if the exercise price for the Option is paid by tendering previously-owned Shares pursuant to

Section 6.6 above or if the Participant tenders Shares to cover any tax withholding obligation pursuant to Section 15.2 below. The Restoration Option shall have the following additional terms and provisions: (i) the number of Shares subject to the Restoration Option will equal the number of previously-owned Shares tendered in the exercise of the related Option or to cover the tax withholding obligation, as applicable; (ii) the grant date of the Restoration Option will be the exercise date of the related Option; (iii) the Option Price per Share under a Restoration Option will be the Fair Market Value of a Share on the grant date for the Restoration Option; (iv) the term of the Restoration Option will be the original term of the related Option; (v) the Restoration Option will be either an Incentive Stock Option (to the maximum extent permitted under Section 422 of the Code) or a Nonqualified Stock Option consistent with the related Option; (vi) the Restoration Option will be subject to a vesting requirement of not less than one (1) year (subject to certain exceptions such as death, Disability, retirement, workforce reduction, job elimination or divestiture as may be specified in the related Option Award Agreement); (vii) no more than three (3) Restoration Options may be granted with respect to an Option; and (viii) the Restoration Option will have such other terms and provisions as the Committee may determine and as may be set forth in the related Option Award Agreement.

**6.11 No Rights**. A Participant granted an Option shall have no rights as a stockholder of the Company with respect to the Shares covered by such Option except to the extent that Shares are issued to the Participant upon the due exercise of the Option.

**6.12 No Repricing**. Except for adjustments made pursuant to Section 4.6, the Option Price for any outstanding Option granted under the Plan may not be decreased after the date of grant nor may any outstanding Option granted under the Plan be surrendered to the Company as consideration for the grant of a new Option with a lower exercise price without approval of the Company's stockholders.

**Article 7. Stock Appreciation Rights**

**7.1 Grant of SARs**. Subject to the terms and conditions of the Plan, SARs may be granted to Key Associates at any time and from time to time as shall be determined by the Committee. The Committee shall have complete discretion in determining the number of SARs granted to each Participant (subject to Article 4 herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs; provided, however, that Awards of SARs shall be limited Key Associates based outside the United States in circumstances where other forms of Award would not be appropriate under local laws or otherwise as determined by the Committee. The grant price of an SAR shall equal the Fair Market Value of a Share on the date of grant of the SAR.

**7.2 Exercise of SARs**. SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

**7.3 SAR Agreement**. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee shall determine.

**7.4 Term of SARs**. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion, provided, however, that such term shall not exceed ten (10) years.

**7.5 Payment of SAR Amount**. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The difference between the Fair Market Value of a Share on the date of exercise over the grant price; by

(b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee or as otherwise provided in the applicable Award Agreement, the payment upon SAR exercise shall be in cash, in Shares of equivalent value, or in some combination thereof.

**7.6 Other Restrictions**. Notwithstanding any other provision of the Plan, the Committee may impose such conditions on exercise of an SAR (including, without limitation, the right of the Committee to limit the time of exercise to specified periods) as may be required to satisfy the requirements of Section 16 (or any successor rule) of the Exchange Act or for any other purpose deemed appropriate by the Committee.

**7.7 Termination of Employment**. Each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment. In that regard, if an Award Agreement permits exercise of an SAR following the death of the Participant, the Award Agreement shall provide that such SAR shall be exercisable to the extent provided therein by any person that may be empowered to do so under the Participant's will, or if the Participant shall fail to make a testamentary disposition of the SAR or shall have died intestate, by the Participant's executor or other legal representative.

**7.8 Nontransferability of SARs**. Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

**7.9 No Rights**. A Participant granted an SAR shall have no rights as a stockholder of the Company with respect to the Shares covered by such SAR except to the extent that Shares are issued to the Participant upon the due exercise of the SAR.

**Article 8. Restricted Stock and Restricted Stock Units**

**8.1 Grant of Restricted Stock**. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock or Restricted Stock Units to eligible Key Associates in such amounts as the Committee shall determine.

**8.2 Restricted Stock Agreement**. Each grant of Restricted Stock or Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the Period or Periods of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine.

**8.3 Transferability**. Except as provided in this Article 8, the Shares of Restricted Stock or Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Award Agreement. All rights with

respect to the Restricted Stock or Restricted Stock Units granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant.

**8.4 Other Restrictions.** The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual), time-based restrictions on vesting following the attainment of the performance goals, and/or restrictions under applicable Federal or state securities laws.

The Company shall retain the Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the Period of Restriction.

**8.5 Settlement of Restricted Stock Units**. Any Restricted Stock Units that become payable in accordance with the terms and conditions of the applicable Award Agreement shall be settled in cash, Shares, or a combination of cash and Shares as determined by the Committee in its discretion or as otherwise provided for under the Award Agreement.

**8.6 Voting Rights**. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares. There shall be no voting rights with respect to Restricted Stock Units.

**8.7 Dividends and Other Distributions**. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may receive regular cash dividends paid with respect to the underlying Shares while the Restricted Stock is held by the Company. The Committee may apply any restrictions to the dividends that the Committee deems appropriate. The Committee, in its discretion, may also grant dividend equivalents rights with respect to earned but unpaid Restricted Stock Units as evidenced by the applicable Award Agreement.

**8.8 Termination of Employment.** Each Restricted Stock or Restricted Stock Unit Award Agreement shall set forth the extent to which the Participant shall have the right to receive unvested Restricted Shares or Restricted Stock Units following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all Shares of Restricted Stock or Restricted Stock Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment. In amplification but not limitation of the foregoing, in the case of an award of Restricted Stock or Restricted Stock Units to a Named Executive Officer which is intended to qualify for the Performance-Based Exception, the Award Agreement may provide that such Restricted Stock or Restricted Stock Units may become payable in the event of a termination of employment by reason of death, Disability or Change in Control, regardless of whether the related performance goal has been previously attained.

**8.9 Limitation on Vesting for Certain Awards**. Notwithstanding any provision of the Plan to the contrary, an Award of Restricted Stock or Restricted Stock Units that vests solely on the basis of the passage of time (e.g., not on the basis of any performance standards) shall not vest more quickly than ratably over the three (3) year period beginning on the first anniversary of the Award, except that the

Award may vest sooner under any of the following circumstances as more specifically set forth in the applicable Award Agreement: (i) the Participant's death, (ii) the Participant's Disability, (iii) the Participant's "retirement" as defined in the Award Agreement consistent with the Company's retirement policies and programs, (iv) a Participant's termination of employment with the Company and its Subsidiaries due to workforce reduction, job elimination or divestiture as determined by the Committee, (v) a Change in Control consistent with the provisions of Article 13 hereof or (vi) in connection with establishing the terms and conditions of employment of a Key Associate necessary for the recruitment of the Key Associate or as the result of a business combination or acquisition by the Company or any of its Subsidiaries. The provisions of this Section 8.9 shall not apply to any Award of Restricted Stock or Restricted Stock Units that is made to a Key Associate as a portion of the Key Associate's annual incentive compensation under the Company's Equity Incentive Plan (or any similar plan or program as determined by the Committee applicable to any Key Associate, including any such program applicable to an Insider or Named Executive Officer).

**Article 9. Performance Measures**

The performance measure(s) to be used for purposes of Awards to Named Executive Officers which are designed to qualify for the Performance-Based Exception shall be chosen from among the following alternatives:

- Earnings Per Share;
- Net Income;
- Operating Earnings Per Share
- Return On Assets;
- Return On Equity;
- Shareholder Value Added;
- Total Revenue; or
- Total Stockholder Return.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the preestablished performance goals;provided, however, that Awards which are designed to qualify for the Performance-Based Exception, and which are held by Named Executive Officers, may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward).

In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining stockholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

**Article 10. Beneficiary Designation**

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

**Article 11. Deferrals**

The Committee may permit a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR or the lapse or waiver of restrictions with respect to Restricted Stock or Restricted Stock Units. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals.

**Article 12. Rights of Key Associates**

**12.1 Employment**. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

For purposes of this Plan, a transfer of a Participant's employment between the Company and a Subsidiary, or between Subsidiaries, shall not be deemed to be a termination of employment. Upon such a transfer, the Committee may make such adjustments to outstanding Awards as it deems appropriate to reflect the changed reporting relationships.

**12.2 Participation**. No Key Associate shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

**Article 13. Change in Control**

**13.1 Treatment of Outstanding Awards.** Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

(a) Any and all outstanding Options and SARs held by persons employed with the Company or any Subsidiary on the date of the Change in Control shall become immediately exercisable, and shall remain exercisable throughout their entire term;

(b) Any restriction periods and restrictions imposed on outstanding Shares of Restricted Stock or Restricted Stock Units held by persons employed with the Company or any Subsidiary on the date of the Change in Control shall lapse;

(c) If applicable, the target payout opportunities attainable under all outstanding Awards of Restricted Stock or Restricted Stock Units held by persons employed with the Company or any Subsidiary on the date of the Change in Control

shall be deemed to have been fully earned for the entire performance period(s) as of the effective date of the Change in Control, and the vesting of all such Awards shall be accelerated as of the effective date of the Change in Control; and

(d) Subject to Article 14 herein, the Committee shall have the authority to make any modifications to the Awards as determined by the Committee to be appropriate before the effective date of the Change in Control.

**13.2 Limitation on Change-in-Control Benefits**. It is the intention of the Company and the Participants to reduce the amounts payable or distributable to a Participant hereunder if the aggregate Net After Tax Receipts (as defined below) to the Participant would thereby be increased, as a result of the application of the excise tax provisions of Section 4999 of the Code. Accordingly, anything in this Plan to the contrary notwithstanding, in the event that the certified public accountants regularly employed by the Company immediately prior to any "change" described below (the "Accounting Firm") shall determine that receipt of all Payments (as defined below) would subject the Participant to tax under Section 4999 of the Code, it shall determine whether some amount of Payments would meet the definition of a "Reduced Amount" (as defined below). If the Accounting Firm determines that there is a Reduced Amount, the aggregate Payments shall be reduced to such Reduced Amount in accordance with the provisions of Section 13.2(b) below.

(a) For purposes of this Section 13.2(a):

(i) A "Payment" shall mean any payment or distribution in the nature of compensation to or for the benefit of a Participant who is a "disqualified individual" within the meaning of Section 280G(c) of the Code and which is contingent on a "change" described in Section 280G(b)(2)(A)(i) of the Code with respect to the Company, whether paid or payable pursuant to this Plan or otherwise;

(ii) "Plan Payment" shall mean a Payment paid or payable pursuant to this Plan (disregarding this Section 13.2);

(iii) "Net After Tax Receipt" shall mean the Present Value of a Payment, net of all taxes imposed on the Participant with respect thereto under Sections 1 and 4999 of the Code, determined by applying the highest marginal rate under Section 1 of the Code which applied to the Participant's Federal taxable income for the immediately preceding taxable year;

(iv) "Present Value" shall mean such value determined in accordance with Section 280G(d)(4) of the Code; and

(v) "Reduced Amount" shall mean the smallest aggregate amount of Payments which (A) is less than the sum of all Payments and (B) results in aggregate Net After Tax Receipts which are equal to or greater than the Net After Tax Receipts which would result if all Payments were paid to or for the benefit of the Participant.

(b) If the Accounting Firm determines that aggregate Payments should be reduced to the Reduced Amount, the Committee shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof, and the Participant may then elect, in the Participant's sole discretion, which and how much of the Payments,

including without limitation Plan Payments, shall be eliminated or reduced (as long as after such election the Present Value of the aggregate Payments is equal to the Reduced Amount), and shall advise the Committee in writing of such election within ten (10) days of the Participant's receipt of notice. If no such election is made by the Participant within such ten (10) day period, the Committee may elect which of the Payments, including without limitation Plan Payments, shall be eliminated or reduced (as long as after such election the Present Value of the aggregate Payments is equal to the Reduced Amount) and shall notify the Participant promptly of such election. All determinations made by the Accounting Firm under this Section 13.2 shall be binding upon the Company and the Participant and shall be made within sixty (60) days immediately following the event constituting the "change" referred to above. As promptly as practicable following such determination, the Company shall pay to or distribute for the benefit of the Participant such Payments as are then due to the Participant under this Plan.

(c) At the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of the Participant pursuant to this Plan which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for the benefit of the Participant pursuant to this Plan could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based either upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant which the Accounting Firm believes has a high probability of success or controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment paid or distributed by the Company to or for the benefit of the Participant shall be treated for all purposes as a loan ab initio to the Participant which the Participant shall repay to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such loan shall be deemed to have been made and no amount shall be payable by the Participant to the Company if and to the extent such deemed loan and payment would not either reduce the amount on which the Participant is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes.

In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

**13.3 Termination, Amendment, and Modifications of Change-in-Control Provisions**. Notwithstanding any other provision of this Plan or any Award Agreement provision, the provisions of this Article 13 may not be terminated, amended, or modified on or after the date of a Change in Control to affect adversely any Award theretofore granted under the Plan without the prior written consent of the Participant with respect to said Participant's outstanding Awards; provided, however, the Board of Directors, upon recommendation of the Committee, may terminate, amend, or modify this Article 13 at any time and from time to time prior to the date of a Change in Control.

**Article 14. Amendment, Modification, and Termination**

**14.1 Amendment, Modification, and Termination**. The Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part; provided, however, that an

amendment to the Plan may be conditioned on the approval of the stockholders of the Company if and to the extent the Board determines that stockholder approval is necessary or appropriate.

**14.2 Awards Previously Granted**. No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

**14.3 Acceleration of Award Vesting; Waiver of Restrictions**. Notwithstanding any provision of this Plan or any Award Agreement provision to the contrary, the Committee, in its sole and exclusive discretion, shall have the power at any time to (i) accelerate the vesting of any Award granted under the Plan, including, without limitation, acceleration to such a date that would result in said Awards becoming immediately vested, or (ii) waive any restrictions of any Award granted under the Plan.

**14.4 No Repricing**. Nothing in the provisions of this Article 14 shall be construed to permit the repricing of any outstanding Option as otherwise prohibited by the provisions of Section 6.12.

**Article 15. Withholding**

**15.1 Tax Withholding**. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of this Plan.

**15.2 Share Withholding**. The Company may cause any tax withholding obligation described in Section 15.1 to be satisfied by the Company withholding Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. In the alternative, the Company may permit Participants to elect to satisfy the tax withholding obligation, in whole or in part, by either (i) having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction or (ii) tendering previously acquired Shares having an aggregate Fair Market Value equal to the minimum statutory total tax which could be imposed on the transaction (provided that the Shares which are tendered must have been held by the Participant for at least six (6) months prior to their tender unless such Shares had been acquired by the Participant on the open market). All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

**Article 16. Indemnification**

Provisions for the indemnification of officers and directors of the Company in connection with the administration of the Plan shall be as set forth in the Company's Certificate of Incorporation and Bylaws as in effect from time to time.

**Article 17. Successors**

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

**Article 18. Legal Construction**

**18.1 Gender and Number**. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

**18.2 Severability**. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

**18.3 Requirements of Law**. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

**18.4 Securities Law Compliance**. With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

**18.5 No Conflict**. Unless otherwise provided for by an Award Agreement, in the event of any conflict between the terms of the Plan and the terms of an Award Agreement, the terms of the Plan shall control.

**18.6 Governing Law**. To the extent not preempted by Federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

# Bank of America Corporation
# 2002 Associates Stock Option Plan

**1. Name and Purpose:**

This plan shall be known as the "Bank of America Corporation 2002 Associates Stock Option Plan" (the "Plan"). The Plan is intended to advance the interests of Bank of America Corporation (the "Corporation") and its Subsidiary Corporations by giving substantially all of their Associates (as defined below) a stake in the Corporation's future growth, thereby improving such Associates' long-term incentives and aligning their interests with those of the Corporation's shareholders. The term "Subsidiary Corporation" means any corporation, partnership, joint venture, affiliate, or other entity in which the Corporation owns more than fifty percent (50%) of the voting stock or voting ownership interest, as applicable, or any other entity designated by the Plan Administrator as a Subsidiary for purposes of the Plan. The Corporation and its Subsidiary Corporations are hereinafter referred to individually as a "Participating Employer" and collectively as the "Participating Employers." The term "Participant" means an Associate or former Associate, or the legal representative or estate of an incapacitated or deceased Associate or former Associate, who has outstanding an Award (as defined below) granted under the Plan.

**2. Shares Available for Options and SARs:**

The aggregate number of shares of the Corporation's Common Stock ("Common Stock") which may be issued and sold pursuant to options granted under the Plan ("Options") or stock appreciation rights granted under the Plan ("SARs") shall not exceed fifty-five million (55,000,000), subject to adjustment or substitution as provided in Paragraph 14. Options and SARs are hereinafter also referred to individually as an "Award" and collectively as "Awards." Any shares of Common Stock covered by an Award that lapses, expires, terminates or is canceled shall remain available for issuance pursuant to Awards granted under the Plan. Shares of Common Stock delivered under the Plan may be original issue shares, treasury shares or shares purchased in the open market or otherwise, all as determined by the Chief Financial Officer of the Corporation (or the Chief Financial Officer's designee) from time to time.

**3. Administration:**

The Plan shall be administered by the Corporate Personnel Executive of the Corporation (the "Plan Administrator"). Subject to the provisions of the Plan, the Plan Administrator shall have the power, authority, and sole and exclusive discretion to construe, interpret and administer the Plan, including, without limitation, the power and authority to make factual determinations relating to Plan entitlements. The Plan Administrator may appoint such agents as he or she may deem necessary for the effective performance of the Plan Administrator's duties, and may delegate to such agents such powers and duties, whether ministerial or discretionary, as the Plan Administrator may deem appropriate. The decisions of the Plan Administrator upon all matters within the scope of his or her authority shall be conclusive and binding on all parties, except to the extent otherwise provided by law.

**4. Eligibility:**

(a) An Option may be granted on February 1, 2002 (the "Grant Date") only to an Associate who is an Eligible Associate. The term "Associate" means a common law employee of a Participating Employer who is identified as an employee in the personnel records of such entity. Except as provided in subparagraphs (b) and (c) below, the term "Eligible Associate" means an Associate who on the Grant Date is (i) based in the United States, (ii) actively employed as a full-time Associate or a part-time Associate and (iii) has satisfied such other eligibility requirements as may be established in writing by the Plan Administrator.

(b) The term "Eligible Associate" shall not include any Associate who on the Grant Date is employed (i) in salary band 1, 2 or 3, or (ii) as an executive officer. An Associate who on the Grant Date is on an authorized leave of absence from a Participating Employer, including without limitation a leave of absence due to a short-term disability, shall be considered an Eligible Associate for purposes hereof if the Associate otherwise qualifies as an Eligible Associate; *provided*, *however*, that an Associate who on the Grant Date is entitled to receive benefits under a long-term disability plan maintained by the Participating Employers shall not be considered an Eligible Associate for purposes hereof.

(c) The Plan Administrator shall make any and all determinations as to an Associate's status as an Eligible Associate, including without limitation in connection with an Associate who is in the process of changing job status or position with the Participating Employers on the Grant Date. In addition and notwithstanding any provision of the Plan to the contrary, the Plan Administrator may exclude in advance of the Grant Date the Associates of any business unit or any other group of Associates of a Participating Employer from being eligible to receive any awards under the Plan.

**5. Granting of Options:**

(a) Subject to the provisions of this Paragraph 5, each Eligible Associate who is a full-time Associate on the Grant Date shall be granted on that date an Option to purchase four hundred (400) shares of Common Stock. Each Eligible Associate who is a part-time Associate on the Grant Date shall be granted on that date an Option to purchase two hundred (200) shares of Common Stock.

(b) Notwithstanding any provision of the Plan to the contrary, no Eligible Associate shall be granted more than one Option on the Grant Date, regardless of whether on the Grant Date such Eligible Associate is employed by more than one Participating Employer or in any multiple jobs with a single Participating Employer. The Plan Administrator shall make any and all determinations as to an Eligible Associate's status as a full-time or part-time Associate for purposes of this Paragraph 5. Any change in an Eligible Associate's job status or position with the Participating Employers after the

Grant Date shall not affect the grant of an Option to such Eligible Associate or any rights thereunder except as otherwise expressly provided in the Plan.

**6. Option Exercise Price:**

The option exercise price for each share of Common Stock covered by an Option shall be the Closing Price thereof on the Grant Date. The "Closing Price" of the Common Stock as of a given date shall mean the closing price of a share of Common Stock as reflected in the report of composite trading of New York Stock Exchange listed securities for that day (or, if no shares of Common Stock were publicly traded on that day, the immediately preceding day that shares of Common Stock were so traded) published in *The Wall Street Journal [Eastern Edition]* or in any other publication selected by the Plan Administrator; *provided*, *however*, that if the shares of Common Stock are misquoted or omitted by the selected publication(s), the Plan Administrator shall directly solicit the information from officials of the stock exchanges or from other informed independent market sources. If shares of Common Stock shall not have been publicly traded for more than ten (10) days immediately preceding such date, then the "Closing Price" of a share of Common Stock shall be determined by the Plan Administrator in such manner as he or she shall deem appropriate.

**7. Term of Options:**

All unexercised Options shall lapse and all rights of the Participants thereunder shall terminate on February 1, 2007 (unless earlier terminated pursuant to the provisions of Paragraph 8 and subject to the provisions of Paragraph 16), meaning that the Options must be exercised no later than the close of business on January 31, 2007.

**8. Vesting and Exercisability of Options:**

(a) If a Participant remains employed by the Participating Employers through February 1, 2006, such Participant's Option shall become fully (100%) vested on that date. Options shall become vested prior to February 1, 2006 only as provided in subparagraphs (b), (c), (d) and (e) of this Paragraph 8, Paragraph 14 or Paragraph 19. All vested Options shall be exercisable in the manner set forth in Paragraph 9 below.

(b) If after an Option is granted the Closing Price of the Common Stock equals or exceeds the option exercise price plus fifteen U.S. dollars ($15) (subject to adjustment pursuant to Paragraph 14) for at least ten (10) consecutive trading days prior to February 1, 2006, then the Option shall become fifty percent (50%) vested on the tenth (10th) such consecutive trading day and may be exercised to the extent vested in the manner described in Paragraph 9 below beginning on the eleventh ($11^{th}$) such consecutive trading day. If the Closing Price of the Common Stock equals or exceeds the option exercise price plus thirty U.S. dollars ($30) (subject to adjustment pursuant to Paragraph 14) for at least ten (10) consecutive trading days prior to February 1, 2006, then the Option shall become fully (100%) vested on the tenth (10th) such consecutive trading day

and may be exercised to the extent vested in the manner described in Paragraph 9 below beginning on the eleventh (11th) such consecutive trading day.

(c) The vesting and exercisability of an Option shall be affected by a Participant's termination of employment with the Participating Employers depending on the reason for such termination of employment as follows:

(i) If a Participant's employment with the Participating Employers shall terminate by reason of such Participant's disability (as defined below) or death, then (A) any Option held by such Participant on the date of such termination of employment shall become fully (100%) vested (to the extent not previously vested) and (B) the Participant may exercise the Option in the manner described in Paragraph 9 below at any time prior to the earlier of (x) the close of business on the three hundred and sixty-fifth (365th) day after the date of such termination of employment or (y) the end of the Option term set forth in Paragraph 7.

(ii) If a Participant's employment with the Participating Employers shall terminate by reason of such Participant's retirement (as defined below), then (A) any Option held by such Participant on the date of such termination of employment shall become fully (100%) vested (to the extent not previously vested) and (B) the Participant may exercise the Option in the manner described in Paragraph 9 below at any time prior to the end of the Option term set forth in Paragraph 7.

(iii) If a Participant's employment with the Participating Employers shall terminate by reason of workforce reduction or divestiture (as defined below), then (A) any Option held by such Participant on the date of such termination of employment shall become fifty percent (50%) vested if no portion of the Option is then vested or fully (100%) vested if the Option is already then fifty percent (50%) vested and (B) the Participant may exercise the Option in the manner described in Paragraph 9 below at any time prior to the earlier of (x) the close of business on the three hundred and sixty-fifth (365th) day after the date of such termination of employment or (y) the end of the Option term set forth in Paragraph 7.

(iv) If prior to becoming fully (100%) vested a Participant's employment with the Participating Employers shall terminate for any reason other than by reason of such Participant's retirement, disability or death, or on account of a workforce reduction or divestiture, then any Option held by such Participant at the time of such termination of employment, and all rights of the Participant thereunder, shall terminate to the extent not vested effective as of the date of such Participant's termination of employment. To the extent the Option is vested, the Participant may exercise the Option in the manner described in Paragraph 9 below at any time prior to the earlier of (A) the close of business on the ninetieth (90th)

day after the date of such termination of employment or (ii) the end of the Option term set forth in Paragraph 7.

(d) Notwithstanding any provision of the Plan to the contrary, an Option cannot be exercisable for a period of six months after the Grant Date, provided that an Option that becomes vested under Paragraph 8(c)(i), (ii) or (iii) above may be exercised on or after June 1, 2002. In the case of a termination of employment prior to the date that an Option may be first exercised in accordance with the preceding sentence, the three hundred and sixty-five (365) day period set forth in Paragraphs 8(c)(i) and (iii) above and the ninety (90) day period set forth in Paragraph 8(c)(iv) above shall commence on the first day that the Option becomes exercisable in accordance with the preceding sentence.

(e) If an Option is exercisable to any extent following a Participant's termination of employment as provided in subparagraph (c) above, then (i) if the Option is not exercised prior to the end of the applicable post-termination exercise period, the Option and all rights of the Participant thereunder shall terminate effective as of the end of said period, and (ii) if the Participant returns to employment during the post-termination exercise period, the Option shall continue to be exercisable to the extent vested during such period, but the Option shall not thereafter be restored or further vest for any reason.

(f) For purposes of this Paragraph 8, in the event of a Participant's death, such Participant's Option shall be exercisable, to the extent herein provided, by any person that may be empowered to do so under such Participant's will, or if the Participant shall fail to make a testamentary disposition of said Option or shall die intestate, by such Participant's executor or other legal representative. Death after termination of employment shall not affect the post-termination exercise period for the option otherwise provided for under Paragraph 8(c) above.

(g) For purposes of the Plan and notwithstanding any provision of the Plan to the contrary, a Participant shall not be deemed to have terminated employment with the Participating Employers (i) during the period such Participant is on an authorized leave of absence granted by a Participating Employer or (ii) as the result of such Participant's transfer of employment between or among Participating Employers or such Participant's change of position or responsibilities within the same Participating Employer. However, termination of employment shall be deemed to occur upon a change in ownership of the Participant's employer such that the Participant's employer ceases to be a Participating Employer, unless the Plan Administrator determines otherwise. In addition and notwithstanding any provision of the Plan to the contrary, the Plan Administrator may determine whether a Participant has terminated employment with the Participating Employers for purposes of the Plan in the event the Participant transfers employment to a business entity in which a Participating Employer has an ownership interest but which is not a Subsidiary Corporation.

(h) For purposes of this Paragraph 8, the following definitions shall apply:

*Disability* means "disability" as defined from time to time under any long-term disability plan of an Associate's Participating Employer or the expiration of an extended medical absence under the medical separation policy of the Associate's Participating Employer, to the extent such policy is applicable to the Associate under the personnel policy of the Associate's Participating Employer.

*Divestiture* means a termination of the Associate's employment with the Participating Employers as the result of a divestiture or sale of a business unit as determined by the Plan Administrator based on the personnel records of the Participating Employers.

*Retirement* means the termination of the Associate's employment with the Participating Employers, including by reason of death or disability, after the Associate (A) if based in the United States, has (x) attained at least age fifty (50), (y) completed at least fifteen (15) years of "vesting service" under The Bank of America Pension Plan (or any successor thereto) and (z) attained a combined age and years of "vesting service" equal to at least seventy-five (75) or (B) if based outside the United States, has attained at least age fifty (50) and satisfies the retirement policy of the Associate's Participating Employer, if any, which is applicable to the Associate as determined by the Plan Administrator from time to time.

*Workforce reduction* means the termination of the Associate's employment with the Participating Employers as a result of a labor force reduction, realignment or similar measure as determined by the Plan Administrator and (A) the Associate receives severance pay under the Corporate Severance Program (or any successor program) upon termination of employment, or (B) if not eligible to receive such severance pay, the Associate is notified in writing by an authorized officer of a Participating Employer that the termination is as a result of such action.

**9. Manner of Exercise:**

(a) An Option shall be exercised as hereinafter provided in this Paragraph 9 pursuant to such procedures (including without limitation procedures restricting the frequency or method of exercise) as shall be established by the Plan Administrator from time to time for the exercise of Options.

(b) The Participant shall submit an Option exercise request to the service center specifying the Option and number of shares of Common Stock being exercised. The exercise request shall also specify which of the following types of exercise the Participant is making (i) a regular Option exercise (sometimes referred to as "Exercise and Hold"), (ii) an Option exercise and sale of all shares of Common Stock being purchased through the Option exercise (sometimes referred to as "Exercise and Sell") or (iii) an Option exercise and sale of sufficient shares to cover the Option exercise price (and applicable withholding taxes and transaction fees) of the shares of Common Stock being purchased through the Option exercise, with the remainder of the shares of Common Stock to be issued to the Participant (sometimes referred to as "Sell to Cover"). If the Participant requests an Exercise and Hold, the Participant shall deliver the full Option exercise price in cash (together with an amount sufficient to pay applicable withholding taxes and any transaction fee) to the service center at the time of exercise. The service center shall immediately transfer such funds to the Corporation. As soon as practicable thereafter, the shares of Common Stock shall be delivered to the Participant. If the Participant requests an Exercise and Sell or a Sell to Cover, the service center shall sell the applicable number of shares of Common Stock as soon as practicable following receipt of such request and, upon settlement of the trade, transfer to the Corporation an amount equal to the Option exercise price for the shares of Common Stock being purchased through the Option exercise. As soon as practicable thereafter, the shares of Common Stock or proceeds from the sale of shares of Common Stock, as applicable (in either case less applicable withholding taxes and any transaction fees), shall be delivered to the Participant.

(c) The Plan Administrator may establish from time to time procedures for restricting the exercise of Options on any given day as the result of excessive volume of exercise requests or any other problem in the established system for processing Option exercise requests.

**10. Non-U.S. Associates:**

(a) Notwithstanding any provision of the Plan to the contrary, this Paragraph 10 shall apply to Associates who would qualify as an Eligible Associate, except for the fact that the Associate does not meet the requirement in Paragraph 4(a) that the Associate be based in the United States.

(b) The Plan Administrator shall determine whether it is feasible under local law, custom and practice to grant Options under the Plan to Associates described in subparagraph (a) above in each country outside the United States on the Grant Date. The Plan Administrator shall approve a schedule specifying by country whether an Option or SAR is to be granted under this Paragraph. The schedule may differentiate among categories of Associates (including international assignees) and locations within a country.

(c) If the Plan Administrator has determined on the schedule described in subparagraph (b) above that it is feasible to grant an Option or SAR at a non-U.S. location for the Grant Date, each Associate under this Paragraph 10 specified in the schedule shall be granted an Option or SAR, as applicable, on the Grant Date. Each such Option shall be granted under and shall be subject to the terms of the Plan as though the Associate were an Eligible Associate, except for such modifications or additional terms and conditions as the Plan Administrator deems appropriate under subparagraph (e) below. Each SAR shall be subject to subparagraph (d) below.

(d) An SAR shall confer on the holder a right to receive payment from the Corporation, upon exercise, equal to the product of (i) multiplied by (ii) below:

(i) The difference between the Closing Price of a share of Common Stock on the date of exercise over the Closing Price of a share of Common Stock on the Grant Date of the SAR.

(ii) The number of shares of Common Stock with respect to which the SAR is exercised.

SARs shall be settled in cash, unless the Plan Administrator determines that settlement should be in shares of Common Stock. Each SAR shall be subject to the terms of the Plan, as though the reference to the term "Option" in such section were a reference to the term "SAR," except for such modifications or additional terms and conditions as the Plan Administrator deems appropriate under subparagraph (e) below. The Participant shall exercise an SAR by submitting an SAR exercise request to the service center in the same manner as a request for an Option exercise and sale of all shares of Common Stock being exercised.

(e) In order to facilitate the making of any Award under this Paragraph 10, the Plan Administrator may provide for such modifications and additional terms and conditions ("special terms") in Awards to Participants who are employed by the a Participating Employer outside the United States (or who are foreign nationals temporarily within the United States) as the Plan Administrator may consider necessary or appropriate to accommodate differences in local law, policy or custom or to facilitate administration of the Plan. The special terms may provide that the grant of an Award is subject to (i) applicable governmental or regulatory approval or other compliance with local legal requirements and/or (ii) the execution by the Participant and return to the service center of a written instrument in the form specified by the Plan Administrator. In the event such conditions are not satisfied, the grant shall be void. The Plan Administrator may approve such appendices or supplements to or amendments, restatements, sub-plans, or alternative versions of the Plan as he or she may consider necessary or appropriate for purposes of implementing any special terms, without thereby affecting the terms of the Plan as in effect for any other purpose.

(f) No individual in any country shall have any right to receive an Award, except as expressly provided for under the Plan. All Awards made at any time are subject to the prior approval of the Plan Administrator.

**11. Nontransferability:**

No Award shall be transferable by a Participant other than by will or by the laws of descent and distribution. During a Participant's lifetime, the Award shall be exercisable only by the Participant, provided that in the event a Participant is incapacitated and unable to exercise such Participant's Option, such Participant's legal guardian or legal representative whom the Plan Administrator deems appropriate based on all applicable facts and circumstances may exercise such Participant's Award in accordance with the provisions of the Plan. Any purported transfer of any Award shall be null and void except as otherwise provided by this Paragraph 11.

**12. No Rights:**

A Participant shall have no rights or interests in any Award except as set forth in the Plan. The Plan does not confer upon any person any right with respect to the continuation of employment by the Participating Employers nor does it limit in any way the right of a Participating Employer to terminate employment at any time. A Participant shall have no rights as a shareholder of the Corporation with respect to the shares of Common Stock covered by an Award except to the extent that shares are issued to such Participant upon the due exercise of the Award.

**13. Legal Construction:**

(a) In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

(b) The granting of Awards and the issuance of shares of Common Stock under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(c) To the extent not preempted by Federal law, the Plan, and all Awards granted under the Plan, shall be construed in accordance with and governed by the laws of the State of Delaware.

(d) This document is a complete statement of the Plan. As of February 1, 2002, this document supersedes all prior plans, representations and proposals, written or oral, relating to the matters set forth herein. The Corporation shall not be bound by or liable to any person for any representation, promise or inducement made by any

employee or agent of it which is not embodied in this document or in any authorized written amendment to the Plan.

**14. Adjustments Upon Changes in Capitalization:**

(a) In the event that the outstanding shares of Common Stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Corporation or any other corporation, whether through reorganization, recapitalization, stock dividend, stock split, combination of shares, reclassification of the Common Stock, merger or consolidation, then the Award rights (including without limitation the number and kind of shares reserved for issuance under this Plan or covered by any Award, the number of shares of Common Stock to be covered by Awards set forth in Paragraph 5 and 13 and the option exercise price for any Award) shall be appropriately adjusted by the Plan Administrator. Comparable adjustments shall be made for each subsequent such change or exchange of Common Stock or any stock or other securities into which such Common Stock shall have been changed or exchanged.

(b) As of the effective date of any liquidation or dissolution of the Corporation, all unexercised Awards, and all rights thereunder, shall terminate;*provided*, *however*, that in the event of a liquidation or dissolution of the Corporation after May 31, 2002 and prior to February 1, 2006, then, notwithstanding any provision of the Plan to the contrary, all Awards shall become fully (100%) vested and exercisable during the thirty (30) day period immediately preceding the effective date of said liquidation or dissolution.

(c) The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Plan Administrator. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to an Award.

**15. Use of Proceeds:**

The proceeds from the sale of Common Stock pursuant to the Awards shall constitute general funds of the Corporation.

**16. Amendment, Modification and Termination of the Plan:**

The Corporation may, at any time and from time to time, alter, amend, suspend or terminate the Plan in any respect by action of the Board of Directors of the Corporation ("Board of Directors") or by an instrument in writing executed by the Plan Administrator. However, no such action by the Plan Administrator may (i) result in an Award being granted to an Associate who is then an executive officer of the Corporation or classified as a salary band 1, 2 or 3 (or similar classification) Associate, (ii) increase the number of shares reserved for issuance under Paragraph 2, (iii) materially increase the benefits conferred upon Eligible Associates under the Plan, or (iv) suspend or terminate the Plan. Notwithstanding the foregoing, no alteration,

amendment, suspension or termination of the Plan shall in any manner adversely affect an Award outstanding under the Plan without the consent of the Participant holding such Award.

**17. Effectiveness of the Plan:**

The Plan shall become effective February 1, 2002.

**18. Indemnification:**

To the extent permitted by applicable federal and state law, the Participating Employers shall indemnify and hold harmless the Plan Administrator and each employee of a Participating Employer acting pursuant to the direction of the Plan Administrator from and against any and all liability claims, demands, costs and expenses (including the costs and expenses of attorneys incurred in connection with the investigation or defense of claims) in any manner connected with or arising out of any actions or inactions in connection with the administration of the Plan except for any such actions or inactions which are not in good faith or which constitute willful misconduct.

**19. Change of Control:**

In the event of a Change of Control of the Corporation prior to February 1, 2006, all outstanding Awards shall become immediately fully (100%) vested and exercisable notwithstanding any provision of the Plan to the contrary but subject to the provisions of Paragraph 8(g). Following a Change of Control, (i) the surviving corporation or entity shall continue to be bound by the terms and provisions of the Plan and (ii) all unexercised Awards shall remain fully (100%) vested and exercisable in accordance with the provisions of the Plan subject to any adjustment described in Paragraph 14. For purposes hereof, "Change of Control" means, and shall be deemed to have occurred upon, any of the following events:

(a) The acquisition by any Person of Beneficial Ownership of twenty-five percent (25%) or more of either:

(i) The then-outstanding Common Stock (the "Outstanding Common Stock"); or

(ii) The combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of the Board of Directors (the "Outstanding Voting Securities");

*provided*, *however*, that the following acquisitions shall not constitute a Change in Control for purposes of this subparagraph (a): (A) any acquisition directly from the Corporation, (B) any acquisition by the Corporation or any of its Subsidiary Corporations, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any of its Subsidiary Corporations, or (D)

any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) below; or

(b) Individuals who, as of the February 1, 2002, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; *provided*, *however*, that any individual who becomes a member of the Board of Directors (a "Director") subsequent to February 1, 2002 and whose election, or whose nomination for election by the Corporation's shareholders, to the Board of Directors was either (i) approved by a vote of at least a majority of the Board of Directors then comprising the Incumbent Board or (ii) recommended by a Nominating Committee comprised entirely of Directors who are then Incumbent Board members shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934), other actual or threatened solicitation of proxies or consents or an actual or threatened tender offer; or

(c) Approval by the Corporation's shareholders of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless following such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be (*provided*, *however*, that for purposes of this clause (i), any shares of common stock or voting securities of such resulting corporation received by such Beneficial Owners in such Business Combination other than as the result of such Beneficial Owners' ownership of Outstanding Common Stock or Outstanding Voting Securities immediately prior to such Business Combination shall not be considered to be owned by such Beneficial Owners for the purposes of calculating their percentage of ownership of the outstanding common stock and voting power of the resulting corporation), (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from the Business Combination) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from the Business Combination or the combined voting power of the then outstanding voting securities of such corporation unless such Person owned twenty-five

percent (25%) or more of the Outstanding Common Stock or Outstanding Voting Securities immediately prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board of Directors, providing for such Business Combination; or

(d) Approval by the Corporation's shareholders of a complete liquidation or dissolution of the Corporation.

The term "Person" shall have the meaning ascribed to that term in Section 3(a)(9) of the Securities Exchange Act of 1934 and the term "Beneficial Ownership" (or "Beneficial Owners") shall have the meaning ascribed to that term in Rule 13d-3 of the General Rules and regulations under the Securities Exchange Act of 1934.

# TAKE OWNERSHIP!
# THE BANKAMERICA GLOBAL
# ASSOCIATE STOCK OPTION PROGRAM

Effective October 1, 1998

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# TAKE OWNERSHIP!
# THE BANKAMERICA GLOBAL
# ASSOCIATE STOCK OPTION PROGRAM

**Article 1. Establishment, Purpose, and Duration**

**1.1 Reorganization Agreement**. NationsBank Corporation, a North Carolina corporation (the "Company"), entered into an Agreement and Plan of Reorganization with BankAmerica Corporation, a Delaware corporation ("BankAmerica"), dated April 10, 1998 (the "Reorganization Agreement"). Pursuant to the Reorganization Agreement, the Company was reincorporated as a Delaware corporation and, following such reincorporation, BankAmerica merged into the Company and the Company was renamed "BankAmerica Corporation." References in this document to the Company include the Delaware corporation resulting from the consummation of the transactions contemplated by the Reorganization Agreement.

**1.2 Establishment of the Plan**. The Company hereby establishes Take Ownership! The BankAmerica Global Associate Stock Option Program (the "Plan"). The Plan provides for the grant of Options, and the grant of Stock Appreciation Rights in certain countries, to Eligible Associates of the Company and its Subsidiaries, as such terms are defined below.

**1.3 Purpose of the Plan.** The purpose of the Plan is to advance the interests of the Company and its shareholders by giving substantially all Associates of the Company and its Subsidiaries a stake in the Company's future growth in order to further create a culture of ownership and excellence among all Associates which will foster teamwork and customer service.

**1.4 Effective Date and Term of Plan.** The Plan shall be effective as of October 1, 1998 and Awards may be granted to Eligible Associates on and after that date. Unless the Board of Directors of the Company shall approve an extension or renewal of the Plan for such additional term as it may determine, no Awards shall be granted after September 30, 2001. However, all Awards granted under the Plan prior to such date shall remain in effect until such Awards shall have been satisfied, terminated, paid out, or expired, in accordance with the Plan and the terms of such Awards.

**Article 2. Definitions**

The following terms, when written with initial capital letters, will have the meanings stated below:

**2.1 "Associate"** means a common law employee of the Company or any Subsidiary who is identified as an employee in the personnel records of such entity.

**2.2 "Award"** means the grant of an Option or SAR under the Plan.

**2.3 "Beneficial Owner"** or **"Beneficial Ownership"** shall have the meaning ascribed to such term in Rule l3d-3 of the General Rules and Regulations under the Exchange Act.

**2.4 "Board"** or **"Board of Directors"** means the Board of Directors of the Company.

**2.5 "Change in Control"** of the Company means, and shall be deemed to have occurred upon, any of the following events:

(a) The acquisition by any Person of Beneficial Ownership of twenty-five percent (25%) or more of either:

(i) The then-outstanding Shares (the "Outstanding Shares"); or

(ii) The combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of Directors (the "Outstanding Voting Securities");

provided, however, that the following acquisitions shall not constitute a Change in Control for purposes of this subparagraph (a): (A) any acquisition directly from the Company, (B) any acquisition by the Company or any of its Subsidiaries, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries, or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) below; or

(b) Individuals who, as of the Effective Date, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual who becomes a Director subsequent to the Effective Date and whose election, or whose nomination for election by the Company's shareholders, to the Board of Directors was either (i) approved by a vote of at least a majority of the Directors then comprising the Incumbent Board or (ii) recommended by a Nominating Committee comprised entirely of Directors who are then Incumbent Board members shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A

promulgated under the Exchange Act), other actual or threatened solicitation of proxies or consents or an actual or threatened tender offer; or

(c) Approval by the Company's shareholders of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless following such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners, respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such Business Combination own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Shares and Outstanding Voting Securities, as the case may be (provided, however, that for purposes of this clause (i), any shares of common stock or voting securities of such resulting corporation received by such Beneficial Owners in such Business Combination other than as the result of such Beneficial Owners' ownership of Outstanding Shares or Outstanding Voting Securities immediately prior to such Business Combination shall not be considered to be owned by such Beneficial Owners for the purposes of calculating their percentage of ownership of the outstanding common stock and voting power of the resulting corporation), (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from the Business Combination) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from the Business Combination or the combined voting power of the then outstanding voting securities of such corporation unless such Person owned twenty-five percent (25%) or more of the Outstanding Shares or Outstanding Voting Securities immediately prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(d) Approval by the Company's shareholders of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred for purposes of this Plan as a result of the transactions contemplated by the Reorganization Agreement referred to in Section 1.1.

**2.6 "Code"** means the Internal Revenue Code of 1986, as amended from time to time. References to the Code shall include the valid and binding governmental regulations, court decisions and other regulatory and judicial authority issued or rendered thereunder.

**2.7 "Company"** means BankAmerica Corporation, a Delaware corporation (which is the resulting entity upon consummation of the transactions contemplated by the Reorganization Agreement referred to in Section 1.1), and any successor as provided in Section 7.6. Prior to the Effective Date, Company means NationsBank Corporation, a North Carolina corporation and the Delaware corporation resulting from its reincorporation.

**2.8 "Disability"** means (a) "disability" as defined from time to time under any long-term disability plan of the Company or Subsidiary or (b) the expiration of an extended medical absence under the medical separation policy of the Company or Subsidiary, to the extent such policy is applicable to the Participant under the personnel policy of the Participant's employer.

**2.9 "Effective Date"** means October 1, 1998.

**2.10 "Eligible Associate"** means, with respect to a particular Grant Date, an Associate described in Section 5.2.

**2.11 "Exchange Act"** means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

**2.12 "Fair Market Value"** of a Share on any date means the closing price of a Share as reflected in the report of composite trading of New York Stock Exchange listed securities for that day (or, if no Shares were publicly traded on that day, the immediately preceding day that Shares were so traded) published in The Wall Street Journal [Eastern Edition] or in any other publication selected by the Plan Administrator; provided, however, that if the Shares are misquoted or omitted by the selected publication(s), the Plan Administrator shall directly solicit the information from officials of the stock exchanges or from other informed independent market sources. If Shares shall not have been publicly traded for more than ten (10) days immediately preceding such date, then the Fair Market Value of a Share shall be determined by the Plan Administrator in such manner as it shall deem appropriate.

**2.13 "Grant Date"** means (a) for Associates based in the United States, the first business day in January 1999, 2000, and 2001, unless the Plan Administrator, with the approval of the Chief Executive Officer of the Company, determines otherwise, and (b) for Associates based outside the United States, each date selected from time to time by the Plan Administrator for the grant of Awards under the Plan.

**2.14 "Option"** means an option granted to an Associate to purchase Shares as described in Article 5 of the Plan.

**2.15 "Participant"** means an Associate or former Associate, or the legal representative or estate of an incapacitated or deceased Associate or former Associate, who has outstanding an Award granted under the Plan.

**2.16 "Person"** shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

**2.17 "Plan"** means the plan set forth in this document which, from and after the Effective Date, shall be known as Take Ownership! The BankAmerica Global Associate Stock Option Program, as the same may be amended from time to time.

**2.18 "Plan Administrator"** means the Principal Corporate Personnel Officer of the Company and its Subsidiaries.

**2.19 "Retirement"** means an Associate's termination of employment with the Company and its Subsidiaries at age 50 or later, provided the Associate satisfies (a) or (b) below:

(a) The Associate is based in the United States and (i) qualifies at such time for post-retirement medical benefits under an employee benefit plan of the Associate's employer or (ii) is employed by a Subsidiary which does not offer post-retirement medical benefits, or within an employment category which is not eligible for such benefits, but the Associate satisfies such age and service requirements as the Plan Administrator may, but need not, establish from time to time for purposes of this definition.

(b) The Associate is based outside the United States and satisfies the retirement policy of the Associate's employer, if any, which is applicable to the Associate as determined by the Plan Administrator from time to time in his or her sole discretion.

**2.20 "Service Center"** means the Take Ownership! Service Center, which is a unit of the Company or Subsidiary or a third party designated by the Plan Administrator to provide day-to-day administrative and brokerage services for the Plan.

**2.21 "Shares"** means the shares of common stock of the Company.

**2.22 "Stock Appreciation Right"** or **"SAR"** means a stock appreciation right with respect to Shares as described in Article 6.

**2.23 "Subsidiary"** means any corporation, partnership, joint venture, affiliate, or other entity in which the Company owns more than fifty percent (50%) of the voting stock or voting ownership interest, as applicable, or any other business entity designated by the Plan Administrator as a Subsidiary for purposes of the Plan.

**2.24 "United States"** means the fifty (50) states, Guam, Puerto Rico and the Virgin Islands.

**Article 3. Amendment and Administration**

**3.1 Amendment, Modification, and Termination.** The Company may, at any time and from time to time, alter, amend, suspend or terminate the Plan in any respect (except as provided in Section 3.2) by action of the Board or by an instrument in writing executed by the Plan Administrator. However, no such action by the Plan Administrator may (a) result in an Award being granted to an Associate who is then a member of the Policy Committee of the Company or classified as a salary band 1, 2 or 3 (or similar classification) Associate, (b) increase the number of shares reserved for issuance under Section 4.1, (c) materially increase the benefits conferred upon Eligible Associates under the Plan, (d) suspend or terminate the Plan, or (e) cause an Award to be granted after September 30, 2001.

**3.2 Awards Previously Granted.** No alteration, amendment, suspension or termination of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award. Notwithstanding the preceding sentence, the Company may alter or amend Section 5.6(d) prior to the date of a Change in Control.

**3.3 Plan Administrator.** The Plan shall be administered by the Plan Administrator. Subject to the provisions of the Plan, the Plan Administrator shall have the power, authority, and sole discretion to construe, interpret and administer the Plan, including, without limitation, the power and authority to make factual determinations relating to Plan entitlements. The Plan Administrator may appoint such agents as he or she may deem necessary for the effective performance of the Plan Administrator's duties, and may delegate to such agents such powers and duties, whether ministerial or discretionary, as the Plan Administrator may deem appropriate. The decisions of the Plan Administrator upon all matters within the scope of his or her authority shall be conclusive and binding on all parties, except to the extent otherwise provided by law.

**Article 4. Shares Subject to the Plan**

**4.1 Number of Shares Available for Awards.** One hundred twenty million (120,000,000) Shares are reserved for issuance under the Plan.

**4.2 Lapsed Awards.** If any Award granted under this Plan is canceled, terminates, expires, or lapses for any reason, any Shares subject to such Award again shall be available for the grant of an Award under the Plan, unless provided otherwise under Section 6.5 with respect to Awards made in a country outside the United States.

**4.3 Adjustments in Authorized Shares.** In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares which may be delivered under the Plan and in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan, as may be determined to be appropriate and equitable by the Plan Administrator, in his or her sole discretion to prevent dilution or enlargement of rights; provided, however, that the number of shares subject to any Award shall always be a whole number.

**4.4 Source of Shares.** Shares delivered under the Plan may be original issue shares, treasury stock or shares purchased in the open market or otherwise, all as determined by the Chief Financial Officer of the Company (or the Chief Financial Officer's designee) from time to time.

**Article 5. Award of Options**

**5.1 Award of Options on Grant Date**. Each Eligible Associate shall be awarded an Option on each Grant Date, subject to the provisions of the Plan and such other terms and conditions as the Plan Administrator may determine, to purchase the number of Shares determined under Section 5.3.

**5.2 Eligible Associates**. Each Associate employed by the Company or any Subsidiary on a Grant Date who meets all of the following requirements shall be an Eligible Associate with respect to an Option granted on that Grant Date:

(a) The Associate is based within the United States.

(b) The Associate has satisfied all minimum service requirements specified by the Plan Administrator.

(c) The Associate is not then a member of the Policy Committee of the Company or classified as a salary band 1, 2 or 3 (or similar classification as determined by the Plan Administrator) Associate.

(d) The Associate is not employed within a Subsidiary, or unit or division of one or more Subsidiaries or is in a group or class of Associates which the Plan Administrator has determined to be ineligible for such Grant Date.

**5.3 Number of Option Shares Awarded.** The Plan Administrator, with the approval of the Chief Executive Officer of the Company, shall determine, for each Grant Date, the number of Shares which may be purchased under the Option granted to each Eligible Associate. The Plan Administrator may make such determination based on the salary band, grade or job classification of the Eligible Associate, or on such other factors as he or she deems appropriate.

No Eligible Associate shall be granted more than one Option on a given Grant Date, regardless of whether on a Grant Date such Eligible Associate is employed in more than one capacity by the Company or any Subsidiary. Any change in an Eligible Associate's salary band, grade, job classification or other factor after a Grant Date shall not affect the Option granted to such Eligible Associate on such Grant Date or any rights thereunder except as provided in the following sentence or as otherwise expressly provided in the Plan. If an Eligible Associate has not been assigned a salary band, grade or job classification, or is in the process of changing his or her salary band, grade or job classification, the Plan Administrator shall have final authority to determine the appropriate salary band, grade or job classification applicable to the Associate for purposes of the Plan for the Grant Date.

**5.4 Option Price.** The purchase price per Share that must be paid to the Company upon the exercise of an Option shall be one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date of the Option.

**5.5 Expiration Date of Option.** Each Option shall expire on the fifth anniversary of the Grant Date of the Option, or, in the event of the Participant's termination of employment with the Company and its Subsidiaries (including termination due to the Participant's Retirement or death), such earlier date as specified in this Article. The Company, the Plan Administrator and the Service Center shall have no obligation to notify a Participant or his or her estate or legal representative of the impending or actual expiration of an Option.

**5.6 Option Vesting.**

(a) *Vesting Schedule.* Each Option granted to an Associate shall become vested and exercisable as follows:

(i) One-fourth of the Shares subject to the Option shall become vested and exercisable on the first anniversary of the Grant Date for the Option, provided the Associate remains in continuous employment with the Company and its Subsidiaries until that date.

(ii) An additional one-fourth of the Shares subject to the Option shall become vested and exercisable on the second anniversary of the Grant Date for the Option, provided the Associate remains in continuous employment with the Company and its Subsidiaries until that date.

(iii) The remaining Shares subject to the Option shall become vested and exercisable on the third anniversary of the Grant Date for the Option, provided the Associate remains in continuous employment with the Company and its Subsidiaries until that date.

(b) *Option Exercisable in Full Upon Termination Due to Retirement, Death or Disability.* Each Option granted to an Associate shall become fully (100%) vested and exercisable upon the occurrence of any of the following events, provided the Option was granted one year (365 days) or more prior to the occurrence of the event:

(i) The Associate's employment with the Company and its Subsidiaries ends as a result of the Associate's Retirement.

(ii) The Associate's employment with the Company and its Subsidiaries ends as a result of the Associate's death.

(iii) The Associate's employment with the Company and its Subsidiaries ends as a result of the Associate's Disability.

(c) *Option Exercisable in Part Upon Termination Due to Workforce Reduction, Realignment or Similar Measure or Divestiture.* Each Option granted to an Associate shall become vested and exercisable to the extent provided below upon the occurrence of any of the following events, provided the Option was granted one year (365 days) or more prior to the occurrence of the event:

(i) The Associate's employment with the Company and its Subsidiaries ends as a result of a workforce reduction, realignment or similar measure as determined by the Plan Administrator and (A) the Associate receives severance pay under the Associate Transition Program (or any successor program) upon termination of employment, or (B) if not eligible to receive such severance pay, the Associate is notified in writing by an authorized officer of the Company or Subsidiary that the termination is as a result of such action. Upon termination of an Associate's employment under the circumstances described in the preceding sentence, each Option shall become vested and exercisable to the extent the Option would have become vested and exercisable on the next anniversary of the Grant Date, had the Associate's employment continued until such date.

(ii) The Associate's employment with the Company and its Subsidiaries ends as a result of a sale of assets or the stock of a Subsidiary as determined by the Plan Administrator, provided that the Associate is notified in writing by an authorized officer of the Company or Subsidiary that the termination is as a result of such sale. Upon termination of an Associate's employment under the circumstances described in the preceding sentence, each Option shall become vested and exercisable to the extent the Option would have become vested and exercisable on the next anniversary of the Grant Date, had the Associate's employment continued until such date.

(d) *Option Exercisable in Full Upon Change in Control.* Each Option granted to an Associate shall become fully (100%) vested and exercisable upon the occurrence of a Change in Control.

(e) *Forfeiture.* To the extent an Option is not vested under this Section 5.6, it shall be cancelled immediately upon the Associate's termination of employment with the Company and its Subsidiaries. Options previously vested under this Section 5.6 may be forfeited pursuant to the provisions of Section 5.7(d).

**5.7 Exercise after Termination or Death.**

(a) *Exercise after Termination of Employment Other Than for Retirement, Death or Gross Misconduct.* Upon termination of an Associate's employment with the Company and its Subsidiaries for any reason (including, without limitation, due to the Associate's Disability), other than termination on account of Retirement, death, or gross misconduct, each Option to the extent then vested and exercisable shall remain vested and exercisable for a period of ninety (90) calendar days following the last day of employment, but not to exceed the fifth anniversary of the Grant Date of the Option. The Option shall be cancelled immediately upon the expiration of such period.

(b) *Exercise After Retirement*. Upon termination of an Associate's employment with the Company and its Subsidiaries due to the Associate's Retirement, each Option shall remain vested and exercisable for a period of one year (365 days) following the last day of employment, but not to exceed the fifth anniversary of the Grant Date of the Option. The Option shall be cancelled immediately upon the expiration of such period.

(c) *Exercise After Death*. Upon termination of an Associate's employment with the Company and its Subsidiaries due to the Associate's death, each Option shall remain vested and exercisable for a period of one year (365 days) following the date of the Associate's death, but not to exceed the fifth anniversary of the Grant Date of the Option. The Option shall be cancelled immediately upon the expiration of such period.

(d) *Termination Involving Gross Misconduct.* If an Associate is terminated by the Company or any Subsidiary for cause for gross misconduct as determined by the Plan Administrator, each Option granted to such Associate shall be immediately cancelled upon such termination of employment. Gross misconduct includes, but is not limited to, acts of dishonesty, such as theft, embezzlement, and falsification of the Company's or Subsidiary's records with intent to deceive; breach of trust; knowing violation of rules established by the Company or the Subsidiary; and any crime determined by the Company or the Subsidiary to result in termination of employment.

(e) *Effect of Return to Employment.* If a Participant returns to employment with the Company or any Subsidiary during the applicable post-termination exercise period, then the Option shall continue to be exercisable to the extent vested at the beginning of such period, but the Option shall not thereafter be restored or further vest for any reason.

**5.8 Option Statements**. Each grant of an Option shall be evidenced by an Option statement in such form as the Plan Administrator may from time to time determine. Each Option statement shall specify the number of Shares subject to the Option, the Option price and such other information as the Plan Administrator shall determine.

**5.9 Exercise of Option**. A Participant may exercise some or all of the Shares then vested and exercisable under an Option. The Plan Administrator may establish procedures (including procedures restricting the frequency or method of exercise) governing the exercise of Options. In general, subject to such specific provisions, a Participant shall exercise an Option as follows:

(a) *Types of Exercise.* The Participant shall submit an Option exercise request to the Service Center specifying the Option and number of Shares being exercised. The exercise request shall also specify which of the following types of exercise the Participant is making:

(i) A regular Option exercise.

(ii) An Option exercise and sale of all Shares being purchased through the Option exercise.

(iii) An Option exercise and sale of sufficient shares to cover the Option price (and applicable withholding taxes and transaction fees) of the Shares being purchased through the Option exercise, with the remainder of the Shares to be issued to the Participant.

(b) *Regular Option Exercise*. If the Participant requests a regular Option exercise under (a)(i) above, the Participant shall deliver the full Option price in cash (together with an amount sufficient to pay applicable withholding taxes and any transaction fee) to the Service Center at the time of exercise. The Service Center shall immediately transfer such funds to the Company. As soon as practicable thereafter, the Shares shall be delivered to the Participant.

(c) *Option Exercise and Sale of Shares*. If the Participant requests an Option exercise and sale of Shares under (a)(ii) or (iii) above, the Service Center shall sell the applicable number of Shares as soon as practicable following receipt of such request and, upon settlement of the trade, transfer to the Company an amount equal to the Option price for the Shares being purchased through the Option exercise. As soon as practicable thereafter, the Shares or proceeds from the sale of Shares, as applicable (in either case less applicable withholding taxes and any transaction fees), shall be delivered to the Participant.

(d) *Restrictions on Exercise*. The Plan Administrator may establish from time to time procedures for restricting the exercise of Awards on any given day as the result of excessive volume of exercise requests or any other problem in the established system for processing Award exercise requests.

**Article 6. Non-U.S. Associates**

**6.1 Applicability**. This Article shall apply to each Associate who would qualify as an Eligible Associate, except for the fact that the Associate does not meet the requirements of Section 5.2(a).

**6.2 Schedule of Countries Where Awards Are Feasible**. The Plan Administrator shall determine, in his or her sole discretion, whether it is feasible under local law, custom and practice to grant Awards under the Plan to Associates described in Section 6.1 in each country outside the United States on each Grant Date. The Plan Administrator shall approve a schedule specifying by country whether an Option or SAR is to be granted under this Article. The schedule may differentiate among categories of Associates (including international assignees) and locations within a country.

**6.3 Terms of Option and SAR**. If the Plan Administrator has determined on the schedule described in Section 6.2 that it is feasible to grant an Option or SAR at a non-U.S. location for a Grant Date, each Associate under this Article specified in the schedule shall be granted an Option or SAR, as applicable, on such Grant Date. Each such Option shall be granted under and shall be subject to the terms in Article 5 as though the Associate were an Eligible Associate, except for such modifications or additional terms and conditions as the Plan Administrator deems appropriate under Section 6.5. Each SAR shall be subject to Section 6.4.

**6.4 Stock Appreciation Rights**. An SAR shall confer on the holder a right to receive payment from the Company, upon exercise, equal to the product of (a) multiplied by (b) below:

(a) The difference between the Fair Market Value of a Share on the date of exercise over the Fair Market Value of a Share on the Grant Date of the SAR.

(b) The number of Shares with respect to which the SAR is exercised.

SARs shall be settled in cash, unless the Plan Administrator determines that settlement should be in Shares. Each SAR shall be subject to Sections 5.5 through 5.8, as though the reference to the term "Option" in such section were a reference to the term "SAR," except for such modifications or additional terms and conditions as the Plan Administrator deems appropriate under Section 6.5. The Participant shall exercise an SAR by submitting an SAR exercise request to the Service Center in the same manner as a request for an Option exercise and sale of all Shares being exercised.

**6.5 Special Terms**. In order to facilitate the making of any Award under this Article, the Plan Administrator may provide for such modifications and additional terms and conditions ("special terms") in Awards to Participants who are employed by the Company or any Subsidiary outside the United States (or who are foreign nationals temporarily within the United States) as the Plan Administrator may consider necessary or appropriate to accommodate differences in local law, policy or custom or to facilitate administration of the Plan. The special terms may provide that the grant of an Award is subject to (a) applicable governmental or regulatory approval or other compliance with local legal requirements and/or (b) the execution by the

Participant and return to the Service Center of a written instrument in the form specified by the Plan Administrator. In the event such conditions are not satisfied, the grant shall be void. The Plan Administrator may approve such appendices or supplements to or amendments, restatements, sub-plans, or alternative versions of the Plan as he or she may consider necessary or appropriate for purposes of implementing any special terms, without thereby affecting the terms of the Plan as in effect for any other purpose.

**6.6 No Acquired Rights**. No individual in any country shall have any right to receive an Award, except as expressly provided for under the Plan. All Awards made at any time are subject to the prior approval of the Plan Administrator.

**Article 7. Other Provisions**

**7.1 Nontransferability of Awards.** No Award may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, voluntarily or involuntarily, other than by will or by the laws of descent and distribution, and any attempt to do so shall be void. Notwithstanding anything contained in the preceding sentence, the Company shall have the right to offset from the exercise of any Award any amounts due and owing from the Participant to the Company or any Subsidiary to the extent permitted by law.

An Award granted to a Participant shall be exercisable during his or her lifetime only by such Participant or, in the event the Participant becomes legally incapacitated, the Participant's legal representative. After a Participant's death, an Award shall be exercisable by any person that may be empowered to do so under the deceased Participant's will, or if the Participant failed to make a testamentary disposition of the Award or shall die intestate, by such Participant's administrator or other legal representative with appropriate powers under applicable law.

**7.2 Rights as a Shareholder.** A Participant granted an Award shall have no rights as a shareholder of the Company with respect to the Shares covered by such Award except to the extent that Shares are issued to the Participant upon the exercise of the Award.

**7.3 Employment.** Nothing in the Plan shall interfere with or limit in any way the right of the Company and its Subsidiaries to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary.

For purposes of this Plan, a Participant's move between the Company and a Subsidiary, or between Subsidiaries, shall not be deemed to be a termination of employment. However, termination of employment shall be deemed to occur upon a change in ownership of the Participant's employer such that the Participant's employer ceases to be the Company or one of its Subsidiaries.

**7.4 Withholding Taxes.** The Company shall have the right to deduct or withhold from the proceeds of any exercise of an Award, including the delivery of Shares, an amount sufficient to cover withholding required by law for any federal, state or local taxes (including, without limitation, social insurance or other payroll levies outside the United States) or to take such other action as may be necessary to satisfy any such withholding obligations. Where Shares are used to satisfy required tax withholding, such shares shall be valued at the Fair Market Value as of the exercise date of the applicable Award.

**7.5 Indemnification.** Provisions for the indemnification of officers and directors of the Company and its Subsidiaries in connection with the administration of the Plan shall be as set forth in the Company's Certificate of Incorporation and Bylaws as in effect from time to time.

**7.6 Successors**. All obligations of the Company under the Plan with respect to Awards granted shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

**Article 8. Legal Construction**

**8.1 Gender and Number.** Unless the context plainly indicates otherwise, words in any gender include the other genders and the singular includes the plural and vice versa.

**8.2 Severability.** In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

**8.3 Requirements of Law.** The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

**8.4 Governing Law.** To the extent not preempted by Federal law, the Plan, and all Awards made under the Plan, shall be construed in accordance with and governed by the laws of the State of Delaware.

**8.5 Entire Plan**. This document is a complete statement of the Plan. As of its Effective Date this document supersedes all prior plans, representations and proposals, written or oral, relating to the matters set forth herein. The Company shall not be bound by or liable to any person for any representation, promise or inducement made by any employee or agent of it which is not embodied in this document or in any authorized written amendment to the Plan.

# BARNETT BANKS, INC.

## Barnett Employee Stock Option Plan

## ARTICLE I
## PURPOSE OF THE PLAN

The Barnett Banks, Inc., Barnett Employee Stock Option Plan is intended to enhance the profitability and value of the Company by providing performance-based incentives and additional equity ownership opportunities to Eligible Employees of the Company and its subsidiaries.

## ARTICLE II
## DEFINITIONS OF TERMS AND RULES OF CONSTRUCTION

**2.1** ***General Definitions***. As used herein, the following capitalized terms have the following respective meanings.

(a) ***"Award"*** means any Option granted to an Eligible Employee pursuant to Section 6.1 of the Plan, including all rights and interests that arise out of or are otherwise related to such Option.

(b) ***"Award Term Sheet"*** means the document provided to or otherwise made available to a Participant which describes the Award granted to the Participant and sets forth the terms, conditions and restrictions specific to the Award.

(c) ***"Board"*** means the Company's board of directors.

(d) ***"Committee"*** means a committee of the Company comprised of the Chief Executive Officer, the Chief Operating Officer and the Chief Human Resources Executive, or any other committee designated by the Board to administer the Plan.

(e) ***"Common Stock"*** means the Company's common stock, par value $2.00 per share.

(f) ***"Company"*** means Barnett Banks, Inc., and its successors.

(g) ***"Date of Grant"*** means the date of grant of an Award under the Plan as set forth on an Award Term Sheet.

(h) ***"Disability"*** means a disability which would entitle a Participant to receive a disability benefit under the Company's Long-Term Disability Plan, as from time to time in effect, whether or not the Participant is then participating in such plan.

(i) ***"Eligible Employee"*** means any person employed by the Company or one of its subsidiaries, other than a person eligible to participate in the Company's Supplemental Executive Retirement Plan on the Date of Grant.

(j) ***"Fair Market Value"*** means the average of the high and low prices of a share of Common Stock as reported on the New York Stock Exchange composite tape for a given date or, in the absence of sales on a given date, such average for the immediately preceding day on which such sales were reported.

(k) ***"Option"*** means an option granted under the Plan to purchase shares of Common Stock and having such terms, conditions and restrictions as the Committee determines.

(l) ***"Participant"*** means an Eligible Employee who is granted an Award under the Plan.

(m) ***"Plan"*** means this Barnett Banks, Inc., Barnett Employee Stock Option Plan, as amended from time to time.

(n) ***"Retirement"*** means retirement which entitles a Participant to a benefit as defined in the Retirement Plan of Barnett Banks, Inc., and its Affiliates, as such plan may be amended from time to time.

(o) ***"Share"*** means a share of Common Stock.

**2.2** ***Other Definitions***. Other capitalized terms used herein and not defined above are defined where they first appear.

**2.3** ***Conflicting Provisions***. In the event of any conflict or other inconsistency between the terms of the Plan and the terms of any Award Term Sheet, the terms of the Plan will control.

## ARTICLE III
## SHARES AVAILABLE FOR AWARDS UNDER THE PLAN

**3.1** ***Number of Shares***. An aggregate of up to 5,000,000 Shares are available for Awards and as a basis for calculating Awards under the Plan. Shares issued with respect to Awards may be new issue Common Stock or Common Stock purchased by the Company for use in the Plan, or any combination thereof, as the Company determines.

**3.2** ***Reusage of Shares***. Shares identified with Awards that for any reason terminate or expire unexercised will thereafter be available for other Awards under the Plan.

**3.3** ***Adjustments***. Any change in the number of outstanding shares of Common Stock occurring by reason of a stock split, stock dividend, spin-off, split-up, recapitalization or other similar event will be reflected proportionally in (a) the aggregate number of Shares available for Awards under the Plan, (b) the number of Shares identified with Awards then

outstanding, and (c) the purchase price of Awards then outstanding. The number of Shares, if any, identified with an Award, after giving effect to any such adjustment, will be rounded down to the nearest whole Share.

## ARTICLE IV
## PARTICIPATION IN THE PLAN

The Committee will have sole discretionary authority to select Participants from among Eligible Employees and determine the Award or Awards each Participant will receive. In making such selections and determinations, the Committee will consider such factors as it deems relevant to effect the purpose of the Plan. No Eligible Employee will be entitled to receive any additional Awards or otherwise further participate in the Plan solely because the Eligible Employee previously was granted an Award.

## ARTICLE V
## ADMINISTRATION OF THE PLAN

Subject to the terms of the Plan, the Committee will have sole discretionary authority to determine the category or categories of Eligible Employees to whom Awards will be granted, the type and amount of each Award to be granted to each Eligible Employee in such category or categories, the date of issuance and duration of each Award, the purchase price of each Award, and such other Award terms, conditions and restrictions as the Committee deems advisable. Notwithstanding anything in the Plan to the contrary, the Committee may delegate any or all of its authority under the Plan to such officers of the Company as the Committee may designate from time to time. All decisions of the Committee and any such officers made pursuant to the authority granted herein or delegated by the Committee will be final and binding on all parties.

## ARTICLE VI
## AWARDS

**6.1** ***Types***. The Committee may grant Options under the Plan having such terms, conditions and restrictions as the Committee determines.

**6.2** ***Price***. The Committee will determine the purchase price of each Share subject to an Option, provided that such purchase price will not be less than the Fair Market Value on the date the Option is granted.

**6.3** ***Exercise Term***. The Committee will determine the term of each Award, provided that (a) no Award will be exercisable after ten years from the Date of Grant and (b) no Award will be exercisable unless a registration statement for the Shares, if any, underlying the Award is then in effect under the Securities Act of 1933, as amended, or unless in the opinion of legal counsel registration under such act is not required.

**6.4** ***Payment of Purchase Price***. Upon exercise of an Option that requires a payment from the Participant to the Company, the amount due the Company may be paid by cash or such other method as the Committee determines.

**6.5** ***Award Term Sheet***. Each Award will be evidenced by an Award Term Sheet in such form and not inconsistent with the Plan as the Committee may approve from time to time. The Committee may include in each Award Term Sheet such terms and conditions it deems necessary or advisable, including the following: the terms, conditions and restrictions of the Award; the purchase price and acceptable methods of payment of the purchase price; the Award's duration; the effect on the Award of the Participant's death, Disability, Retirement or other termination of employment; and the restrictions against transfer, if any, on the Award or the Shares subject to the Award.

**6.6** ***Withholding Taxes***. The Company and its subsidiaries have the right to withhold, at the time any distribution is made under the Plan, whether in cash or in Shares, or at the time any Award is exercised, all amounts necessary to satisfy federal, state and local withholding requirements related to such distribution or exercise. Any required withholding may be satisfied by cash or the Company's withholding of Shares having a Fair Market Value equal to the amount required to be withheld, as provided in the Award Term Sheet.

## ARTICLE VII
## MISCELLANEOUS PROVISIONS

**7.1** ***Termination of Employment.***

*7.1.1 Due to Death, Disability or Retirement.* If a Participant ceases to be an Eligible Employee by reason of the Participant's death, Disability or Retirement, all of the Participant's Awards will immediately become exercisable and will continue to be exercisable until the earlier of twelve (12) months after such death, Disability or Retirement or the Awards' stated expiration date.

*7.1.2 Other than Due to Death, Disability or Retirement.* Except as otherwise determined by the Committee, if a Participant ceases to be an Eligible Employee for any reason other than death, Disability or Retirement, all of the Participant's Awards consisting of unexercised, vested shares will continue to be exercisable until the earlier of three (3) months after such eligibility ceases or the Awards' stated expiration date. All of the Participant's Awards consisting of unvested shares will immediately terminate without notice of any kind.

*7.1.3 Intercompany Transfers.* Transfers of a Participant's employment between the Company and a subsidiary or between subsidiaries will not by itself constitute termination of the Participant's Eligible Employee status for purposes of any Award.

***7.2*** ***Nontransferability***. Except as otherwise determined by the Committee, (a) an Award may be exercised during a Participant's lifetime only by the Participant or the Participant's legal guardian or legal representative, and (b) no Award may be assigned, hypothecated or otherwise transferred by the Participant to whom it was granted other than by will or pursuant to the laws of descent and distribution.

**7.3** ***"Change in Control"***. For the purposes of the Plan, a "Change in Control" of the Company shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) any person, as defined in Section 3(a)(9) of the Exchange Act, as such term is modified in Sections 13(d) and 14(d) of the Exchange Act (other than (A) any employee plan established by the Company, (B) the Company or any of its affiliates (as defined in Rule 12b-2 promulgated under the Exchange Act), (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by shareholders of the Company in substantially the same proportions as their ownership of the Company) (a "Person"), is or becomes the beneficial owner (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company) representing 25% or more of the combined voting power of the Company's then outstanding voting securities;

(ii) during any period of up to two consecutive years (not including any period prior to the effective date of this amendment) individuals who, at the beginning of such period, constitute the Board cease for any reason to constitute at least a majority thereof, provided that any person who becomes a director subsequent to the beginning of such period and whose nomination for election is approved by at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved (other than a director (A) whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act or (B) who was designated by a Person who has entered into an agreement with the Company to effect a transaction described in clause (i), (iii) or (iv) hereof) shall be deemed a director as of the beginning of such period;

(iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation (other than (A) a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereto, in combination with the ownership of any, trustee or other fiduciary holding securities under an employee benefit plan of any Corporation, at least 51% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner (as defined in clause (i) above), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities); or

(iv) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Upon the occurrence of an event constituting a "Change in Control" of the Company, all Awards will become immediately exercisable in full and all conditions or restrictions to the receipt thereof will immediately terminate.

**7.4** ***No Employment Contract***. Neither the adoption of the Plan nor the grant of any Award will (a) confer upon any Eligible Employee any right to continued employment with the Company or any subsidiary or (b) interfere in any way with the right of the Company or any subsidiary to terminate at any time the employment of any Eligible Employee.

**7.5** ***Amendment of Plan***. The Committee may at any time suspend, terminate or amend the Plan without necessity of notice in its sole discretion.

**7.6** ***Duration of the Plan***. The Plan will become effective upon its approval by the Board and, unless earlier terminated by the Board, will remain in effect until all Shares available for issuance under the Plan have been issued or is sooner terminated by the Committee.

**Exhibit 12**

**Bank of America Corporation and Subsidiaries**

**Ratio of Earning to Fixed Charges**
**Ratio of Earnings to Fixed Charges and Preferred Dividends**

| (Dollars in millions) | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 | 1998 |
| ***Excluding Interest on Deposits*** | | | | | |
| Income before income taxes | **$ 12,991** | $ 10,117 | $ 11,788 | $ 12,215 | $ 8,048 |
| Less: Equity in undistributed earnings of unconsolidated subsidiaries | **(6)** | (6) | (27) | (167) | 162 |
| Fixed charges: | | | | | |
| Interest expense | **5,804** | 9,117 | 13,806 | 10,084 | 9,479 |
| 1/3 of net rent expense(1) | **383** | 379 | 368 | 342 | 335 |
| Total fixed charges | **6,187** | 9,496 | 14,174 | 10,426 | 9,814 |
| Preferred dividend requirements | **6** | 7 | 9 | 10 | 40 |
| Fixed charges and preferred dividends | **6,193** | 9,503 | 14,183 | 10,436 | 9,854 |
| Earnings | **$ 19,172** | $ 19,607 | $ 25,935 | $ 22,474 | $ 18,024 |
| **Ratio of earnings to fixed charges** | **3.10** | 2.06 | 1.83 | 2.16 | 1.84 |
| **Ratio of earnings to fixed charges and preferred dividends** | **3.10** | 2.06 | 1.83 | 2.15 | 1.83 |

| (Dollars in millions) | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 1999 | 1998 |
| ***Including Interest on Deposits*** | | | | | |
| Income before income taxes | **$ 12,991** | $ 10,117 | $ 11,788 | $ 12,215 | $ 8,048 |
| Less: Equity in undistributed earnings of unconsolidated subsidiaries | **(6)** | (6) | (27) | (167) | 162 |
| Fixed charges: | | | | | |
| Interest expense | **11,238** | 18,003 | 24,816 | 19,086 | 20,290 |
| 1/3 of net rent expense(1) | **383** | 379 | 368 | 342 | 335 |
| Total fixed charges | **11,621** | 18,382 | 25,184 | 19,428 | 20,625 |
| Preferred dividend requirements | **6** | 7 | 9 | 10 | 40 |
| Fixed charges and preferred dividends | **11,627** | 18,389 | 25,193 | 19,438 | 20,665 |
| Earnings | **$ 24,606** | $ 28,493 | $ 36,945 | $ 31,476 | $ 28,835 |
| **Ratio of earnings to fixed charges** | **2.12** | 1.55 | 1.47 | 1.62 | 1.40 |
| **Ratio of earnings to fixed charges and preferred dividends** | **2.12** | 1.55 | 1.47 | 1.62 | 1.40 |

(1) Represents an appropriate interest factor.

*This report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as "expects," "anticipates," "believes," "estimates," other similar expressions or future or conditional verbs such as "will," "should," "would," and "could" are intended to identify such forward-looking statements. Readers of the Corporation's Annual Report should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report. The statements are representative only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement.*

*Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following: changes in general economic conditions and economic conditions in the geographic regions and industries in which the Corporation operates which may affect, among other things, the level of nonperforming assets, charge-offs, and provision expense; changes in the interest rate environment which may reduce interest margins and impact funding sources; changes in foreign exchange rates; adverse movements and volatility in debt and equity capital markets; changes in market rates and prices which may adversely impact the value of financial products including securities, loans, deposits, debt and derivative financial instruments and other similar financial instruments; unfavorable political conditions including acts or threats of terrorism and actions taken by governments in response to terrorism; litigation liabilities, including costs, expenses, settlements and judgments; changes in domestic or foreign tax laws, rules and regulations as well as Internal Revenue Service (IRS) or other governmental agencies' interpretations thereof; various monetary and fiscal policies and regulations, including those determined by the Federal Reserve Board, the Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation and state regulators; competition with other local, regional and international banks, thrifts, credit unions and other nonbank financial institutions; ability to grow core businesses; ability to develop and introduce new banking-related products, services and enhancements and gain market acceptance of such products; mergers and acquisitions and their integration into the Corporation; decisions to downsize, sell or close units or otherwise change the business mix of the Corporation; and management's ability to manage these and other risks.*

The Corporation is headquartered in Charlotte, North Carolina, operates in 21 states and the District of Columbia, and has offices located in 30 countries. The Corporation provides a diversified range of banking and certain non-banking financial services and products both domestically and internationally through four business segments: *Consumer and Commercial Banking, Asset Management, Global Corporate and Investment Banking* and *Equity Investments* .The following Management's Discussion and Analysis of Results of Operations and Financial Condition should be read in conjunction with the Statistical Information beginning on page 56. When a note to the consolidated financial statements is referred to in Management's Discussion and Analysis of Results of Operations and Financial Condition such as by the word "see," then such note is incorporated by reference into Management's Discussion and Analysis of Results of Operations and Financial Condition.

**Performance Overview**

Net income totaled $9.2 billion, or $5.91 per diluted common share in 2002, compared to $6.8 billion, or $4.18 per diluted common share in 2001. The return on average common shareholders' equity was 19.44 percent in 2002 compared to 13.96 percent in 2001. Goodwill was not expensed in 2002 as a result of a new rule issued by the Financial Accounting Standards Board (FASB). During 2001, we expensed $662 million or $0.38 per diluted common share associated with goodwill. Prior year results also included $1.25 billion, or $0.77 per diluted common share, of after-tax business exit charges in the third quarter of 2001.

In 2002, we saw continued strong financial performance in our *Consumer and Commercial Banking* business segment; however, a challenging economic environment for our market-sensitive businesses and credit quality issues in the *Global Corporate and Investment Banking* and *Asset Management* segments negatively impacted financial results.

In the fourth quarter of 2002, we increased our quarterly dividend to $0.64 per share bringing the 2002 total dividend to $2.44 per share. Our average total shareholder return (stock price appreciation and dividends paid) over the past three years was 15.9 percent, ranking us first in our peer group. Our one-year total shareholder return was 14.1 percent, second in our peer group. In addition, we repurchased 109 million shares and issued 50 million shares under employee plans in 2002, resulting in a net return of capital to our shareholders of $4.8 billion.

During 2002, we also experienced strong core business fundamentals in the areas of customer satisfaction and product/market performance that have created momentum for 2003.

Customer satisfaction continued to increase during the year, resulting in better retention and increased opportunities to deepen relationships with our customers. Delighted or highly satisfied customers, those who rate us a 9 or 10 on a 10-point scale, increased 10.4 percent from a year ago. An important factor driving the increase was a 24 percent reduction in errors reported by our customers.

On a net basis, we increased consumer checking accounts by approximately 528,000 in 2002 compared to a net increase of approximately 193,000 in 2001, driven by greater customer satisfaction, focused marketing and new products such as MyAccess Checking.™

Online banking is an important component in giving customers the flexibility to do banking in a fast and easy way, whenever it's most convenient. Our success continued in 2002 as our active online banking customers reached more than 4.7 million by the end of the year, a 63 percent increase. Active bill pay customers more than doubled during the year to nearly 1.8 million. Monthly, our customers pay 9.9 million bills online totaling $2.7 billion.

First mortgage originations reached $88.1 billion, as low mortgage interest rates drove refinance volume, coupled with expanded market coverage from our deployment of LoanSolutions.® Total consumer real estate originations, which include first and second mortgages and home equity lines, surpassed $100 billion in 2002. The introduction of LoanSolutions® into our banking centers has expedited the mortgage application process, enabling 7,300 personal bankers to, in minutes, match customers with the right products to meet their needs.

Despite a challenging market, we made significant market share gains in convertible and common stock offerings, mergers and acquisitions advisory services, and asset-backed securities in *Global Corporate and Investment Banking.*

In December 2002, we agreed to purchase a 24.9 percent stake in Grupo Financiero Santander Serfin (GFSS), the subsidiary of Santander Central Hispano in Mexico, for $1.6 billion. GFSS is the third-largest and most profitable banking organization in Mexico. The transaction is expected to close in the first quarter of 2003.

**Financial Highlights**

For the Corporation in total, the increase in net interest income was more than offset by the decline in noninterest income. The impact of higher levels of securities and residential mortgage loans, higher levels of core deposit funding, the margin impact of higher trading-related assets, consumer loan growth and the absence of 2001 losses associated with auto lease financing had a positive effect on net interest income. The securitization of subprime real estate loans and reduced commercial loan levels negatively impacted net interest income relative to 2001. The net interest yield improved seven basis points from a year ago, primarily due to a favorable shift in loan mix, higher levels of core deposit funding, the absence of 2001 losses associated with auto lease financing and higher levels of securities and residential mortgage loans, partially offset by the securitization of subprime real estate loans and higher-trading related assets.

Noninterest income declined $777 million as market conditions in 2002 negatively impacted our market-sensitive revenue. This decline was partially offset by strong performance in consumer-based fee income and gains recognized in our whole mortgage loan portfolio created by the interest rate fluctuations that occurred in 2002. Other noninterest income included gains from whole mortgage loan sales of $500 million in 2002 compared to $20 million in 2001. Gains on sales of securities were $630 million, an increase of $155 million from 2001.

The provision for credit losses decreased $590 million, due in part to $395 million in 2001 associated with exiting the subprime real estate lending business. Net charge-offs were down $547 million to $3.7 billion, or 1.10 percent of average loans and leases, a decrease of six basis points. Decreases in commercial – domestic and consumer finance net charge-offs and $635 million of charge-offs in 2001 related to exiting the subprime real estate lending business were partially offset by increases in credit card and commercial – foreign net charge-offs.

Nonperforming assets were $5.3 billion, or 1.53 percent of loans, leases and foreclosed properties at December 31, 2002, a $354 million increase from December 31, 2001. Nonperforming assets in the large corporate portfolio within *Global Corporate and Investment Banking* drove the increase, partially offset by credit quality improvement in the commercial portfolio within *Consumer and Commercial Banking.*

Noninterest expense declined $2.3 billion, as reductions in personnel expense and professional fees were partially offset by increased data processing and marketing expenses. Noninterest expense in 2001 included $1.3 billion of business exit costs, $662 million in goodwill amortization expense and $334 million of litigation expenses in fourth quarter 2001. Excluding these items in 2001, noninterest expense was relatively unchanged compared to the prior year.

Salaries expense declines were partially offset by increased employee benefit costs, which largely resulted from higher healthcare costs and the $69 million impact of a change in the expected long-term rate of return on plan assets to 8.5 percent for the Bank of America Pension Plan. Incentive compensation, primarily in the *Global Corporate and Investment Banking* business, declined consistent with reductions in market-sensitive revenues. In the fourth quarter of 2002, we also recorded a $128 million severance charge related to outsourcing and strategic alliances.

Reduced consulting and other professional fees reflected the increased use of in-house personnel for consulting and productivity-related activities. Data processing expense increases reflected the $45 million in costs associated with terminated contracts on discontinued software licenses in the third quarter of 2002 as well as higher volumes of online bill pay activity, check imaging and higher item processing and check clearing expenses. Marketing expense increased in 2002 as we expanded our advertising campaign. Advertising efforts primarily focused on card, mortgage, online banking and bill pay.

Income tax expense was $3.7 billion resulting in an effective tax rate of 28.8 percent. During 2002, we reached a settlement with the IRS generally covering tax years ranging from 1984 to 1999 but including returns as far back as 1971. As a result of this settlement, the Corporation recorded a $488 million reduction in income tax expense.

**TABLE 1 Five-Year Summary of Selected Financial Data[1]**

| (Dollars in millions, except per share information) | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net interest income | **$ 20,923** | $ 20,290 | $ 18,349 | $ 18,127 | $ 18,298 |
| Noninterest income | **13,571** | 14,348 | 14,582 | 14,179 | 12,189 |
| Total revenue | **34,494** | 34,638 | 32,931 | 32,306 | 30,487 |
| Provision for credit losses | **3,697** | 4,287 | 2,535 | 1,820 | 2,920 |
| Gains on sales of securities | **630** | 475 | 25 | 240 | 1,017 |
| Noninterest expense | **18,436** | 20,709 | 18,633 | 18,511 | 20,536 |
| Income before income taxes | **12,991** | 10,117 | 11,788 | 12,215 | 8,048 |
| Income tax expense | **3,742** | 3,325 | 4,271 | 4,333 | 2,883 |
| Net income | **9,249** | 6,792 | 7,517 | 7,882 | 5,165 |
| Average common shares issued and outstanding (in thousands) | **1,520,042** | 1,594,957 | 1,646,398 | 1,726,006 | 1,732,057 |
| Average diluted common shares issued and outstanding (in thousands) | **1,565,467** | 1,625,654 | 1,664,929 | 1,760,058 | 1,775,760 |
| **Performance ratios** | | | | | |
| Return on average assets | **1.40**% | 1.05% | 1.12% | 1.28% | 0.88% |
| Return on average common shareholders' equity | **19.44** | 13.96 | 15.96 | 16.93 | 11.56 |
| Total equity to total assets (at year end) | **7.62** | 7.80 | 7.42 | 7.02 | 7.44 |
| Total average equity to total average assets | **7.19** | 7.49 | 7.02 | 7.55 | 7.67 |
| Dividend payout ratio | **40.07** | 53.44 | 45.02 | 40.54 | 50.18 |
| **Per common share data** | | | | | |
| Earnings | **$ 6.08** | $ 4.26 | $ 4.56 | $ 4.56 | $ 2.97 |
| Diluted earnings | **5.91** | 4.18 | 4.52 | 4.48 | 2.90 |
| Cash dividends paid | **2.44** | 2.28 | 2.06 | 1.85 | 1.59 |
| Book value | **33.49** | 31.07 | 29.47 | 26.44 | 26.60 |
| **Average balance sheet** | | | | | |
| Total loans and leases | **$ 336,819** | $ 365,447 | $ 392,622 | $ 362,783 | $ 347,840 |
| Total assets | **662,401** | 649,547 | 671,573 | 616,838 | 584,487 |
| Total deposits | **371,479** | 362,653 | 353,294 | 341,748 | 345,485 |
| Long-term debt | **60,207** | 64,638 | 65,338 | 52,619 | 45,098 |
| Trust preferred securities | **5,838** | 4,984 | 4,955 | 4,955 | 4,871 |
| Common shareholders'equity | **47,552** | 48,609 | 47,057 | 46,527 | 44,467 |
| Total shareholders'equity | **47,613** | 48,678 | 47,132 | 46,601 | 44,829 |
| **Risk-based capital ratios (at year end)** | | | | | |
| Tier 1 capital | **8.22**% | 8.30% | 7.50% | 7.35% | 7.06% |
| Total capital | **12.43** | 12.67 | 11.04 | 10.88 | 10.94 |
| Leverage ratio | **6.29** | 6.56 | 6.12 | 6.26 | 6.22 |
| **Market price per share of common stock** | | | | | |
| Closing | **$ 69.57** | $ 62.95 | $ 45.88 | $ 50.19 | $ 60.13 |
| High | **77.08** | 65.54 | 61.00 | 76.38 | 88.44 |
| Low | **53.98** | 45.00 | 36.31 | 47.63 | 44.00 |

(1) As a result of the adoption of SFAS 142 on January 1, 2002, the Corporation no longer amortizes goodwill. Goodwill amortization expense was $662, $635, $635 and $633 in 2001, 2000, 1999 and 1998, respectively.

**Supplemental Financial Data**

In managing our business, we use certain non-GAAP (generally accepted accounting principles) performance measures and ratios, including financial information on an operating basis, shareholder value added, taxable-equivalent net interest income and core net interest income. We also calculate certain measures, such as the net interest yield and the efficiency ratio, on a taxable-equivalent basis. Other companies may define or calculate supplemental financial data differently. See Table 2 for supplemental financial data and corresponding reconciliations to GAAP financial measures for the five most recent years.

Supplemental financial data presented on an operating basis is a non-GAAP basis of presentation that excludes exit, merger and restructuring charges. Table 2 includes earnings, earnings per share, shareholder value added, return on assets, return on equity, efficiency ratio and dividend payout ratio presented on an operating basis. Management believes that the exclusion of the exit, merger and restructuring charges provides a meaningful period-to-period comparison and is more reflective of normalized operations.

Shareholder value added (SVA) is a key non-GAAP measure of performance used in managing our growth strategy orientation and that strengthens our focus on generating long-term growth and shareholder value. SVA is used in measuring performance of our different business units and is an integral component for allocating resources. Each business segment has a goal for growth in SVA reflecting the individual segment's business and customer strategy. Investment resources and initiatives are aligned with these SVA growth goals during the planning and forecasting process. Investment, relationship and profitability models all have SVA as a key measure to support the implementation of SVA growth goals. SVA is defined as cash basis earnings on an operating basis less a charge for the use of capital. Cash basis earnings is net income adjusted to exclude amortization of intangibles. The charge for the use of capital is calculated by multiplying 12 percent (management's estimate of the shareholders' minimum required rate of return on capital invested) by average total common shareholders' equity at the corporate level and by average allocated equity at the business segment level. Equity is allocated to the business segments using a risk-adjusted methodology for each segment's credit, market, country and operational risk. In 2002, we did not make any significant changes to the methodology used to allocate the cost of capital. Effective January 2003, the Corporation will charge 11 percent for the use of capital. Management believes that this decrease better reflects the changes in investors' expected returns in a lower growth rate environment. SVA increased 22 percent to $3.8 billion in 2002 compared to the prior year, due to both the $547 million increase in operating cash basis earnings and the $1.1 billion reduction in average common shareholders' equity. For additional discussion of SVA, see Business Segment Operations beginning on page 30.

Management reviews net interest income on a taxable-equivalent basis. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a taxable-equivalent basis is also used in the calculation of the efficiency ratio and the net interest yield. The efficiency ratio, which is calculated by dividing noninterest expense by total revenue, measures how much it costs to produce one dollar of revenue. Net interest income on a taxable-equivalent basis is also used in our business segment reporting.

Additionally, management reviews "core net interest income," which adjusts reported net interest income on a taxable-equivalent basis for the impact of trading-related activities and loans originated by the Corporation and sold into revolving credit card and commercial securitizations. Noninterest income, rather than net interest income, is recorded for assets that have been securitized as the Corporation takes on the role of servicer and records servicing income and gains or losses on securitizations, where appropriate. For purposes of internal analysis, management combines trading-related net interest income with trading account profits, as discussed in the *Global Corporate and Investment Banking* business segment discussion beginning on page 34, as trading strategies are evaluated based on total revenue.

Core net interest income increased $344 million in 2002. This increase was driven by the impact of higher levels of securities and residential mortgage loans, higher levels of core deposit funding, consumer loan growth and the absence of 2001 losses associated with auto lease financing. The securitization of the subprime real estate loans and reduced commercial loan levels negatively impacted core net interest income relative to 2001.

Core average earning assets decreased $13.1 billion in 2002, primarily due to exiting unprofitable commercial loan relationships, the decline in subprime real estate loans (net of the remaining securitization) and auto lease financing, partially offset by higher levels of securities and residential mortgage loans.

The core net interest yield increased 20 basis points in 2002, mainly due to a favorable shift in loan mix, higher levels of core deposit funding, the absence of 2001 losses associated with auto lease financing and higher levels of securities and residential mortgage loans, partially offset by the impact of the securitization of subprime real estate loans.

**TABLE 2 Supplemental Financial Data and Reconciliations to GAAP Financial Measures**

| (Dollars in millions, except per share information) | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Operating basis[1,2]** | | | | | |
| Operating earnings | **$ 9,249** | $ 8,042 | $ 7,863 | $ 8,240 | $ 6,490 |
| Operating earnings per share | **6.08** | 5.04 | 4.77 | 4.77 | 3.73 |
| Diluted operating earnings per share | **5.91** | 4.95 | 4.72 | 4.68 | 3.64 |
| Shareholder value added | **3,760** | 3,087 | 3,081 | 3,544 | 2,056 |
| Return on average assets | **1.40**% | 1.24% | 1.17% | 1.34% | 1.11% |
| Return on average common shareholders'equity | **19.44** | 16.53 | 16.70 | 17.70 | 14.54 |
| Efficiency ratio (taxable-equivalent basis) | **52.55** | 55.47 | 54.38 | 55.30 | 61.15 |
| Dividend payout ratio | **40.07** | 45.13 | 43.04 | 38.77 | 39.90 |
| **Net interest income** | | | | | |
| ***Taxable-equivalent basis data*** | | | | | |
| Net interest income | **$21,511** | $20,633 | $18,671 | $18,342 | $18,461 |
| Total revenue | **35,082** | 34,981 | 33,253 | 32,521 | 30,650 |
| Net interest yield | **3.75**% | 3.68% | 3.20% | 3.45% | 3.69% |
| Efficiency ratio (taxable-equivalent basis) | **52.55** | 59.20 | 56.03 | 56.92 | 67.00 |
| ***Core basis data[3]*** | | | | | |
| Core net interest income | **$20,063** | $19,719 | $18,546 | $18,583 | n/a |
| Average core earnings assets | **455,200** | 468,317 | 506,898 | 472,329 | n/a |
| Core net interest yield | **4.41**% | 4.21% | 3.66% | 3.93% | n/a |
| **Reconciliation of net income to operating earnings** | | | | | |
| Net income | **$ 9,249** | $ 6,792 | $ 7,517 | $ 7,882 | $ 5,165 |
| Exit charges | **—** | 1,700 | — | — | — |
| Merger and restructuring charges | **—** | — | 550 | 525 | 1,795 |
| Related income tax benefit | **—** | (450) | (204) | (167) | (470) |
| Operating earnings | **9,249** | 8,042 | 7,863 | 8,240 | 6,490 |
| **Reconciliation of EPS to operating EPS** | | | | | |
| Earnings per share | **$ 6.08** | $ 4.26 | $ 4.56 | $ 4.56 | $ 2.97 |
| Exit charges, net of tax benefit | **—** | 0.78 | — | — | — |
| Merger and restructuring charges, net of tax benefit | **—** | — | 0.21 | 0.21 | 0.76 |
| Operating earnings per share | **6.08** | 5.04 | 4.77 | 4.77 | 3.73 |
| **Reconciliation of diluted EPS to diluted operating EPS** | | | | | |
| Diluted earnings per share | **$ 5.91** | $ 4.18 | $ 4.52 | $ 4.48 | $ 2.90 |
| Exit charges, net of tax benefit | **—** | 0.77 | — | — | — |
| Merger and restructuring charges, net of tax benefit | **—** | — | 0.20 | 0.20 | 0.74 |
| Diluted operating earnings per share | **5.91** | 4.95 | 4.72 | 4.68 | 3.64 |
| **Reconciliation of net income to shareholder value added** | | | | | |
| Net income | **$ 9,249** | $ 6,792 | $ 7,517 | $ 7,882 | $ 5,165 |
| Amortization expense | **218** | 878 | 864 | 888 | 902 |
| Exit charges, net of tax benefit | **—** | 1,250 | — | — | — |
| Merger and restructuring charges, net of tax benefit | **—** | — | 346 | 358 | 1,325 |
| Capital charge | **(5,707)** | (5,833) | (5,646) | (5,584) | (5,336) |
| Shareholder value added | **3,760** | 3,087 | 3,081 | 3,544 | 2,056 |

(1) Operating basis excludes exit, merger and restructuring charges. Exit charges in 2001 represented provision for credit losses of $395 and noninterest expense of $1,305, both of which were related to the exit of certain consumer finance businesses. Merger and restructuring charges were $550, $525 and $1,795 in 2000, 1999 and 1998, respectively.

(2) As a result of the adoption of SFAS 142 on January 1, 2002, the Corporation no longer amortizes goodwill. Goodwill amortization expense was $662, $635, $635 and $633 in 2001, 2000, 1999 and 1998, respectively.

(3) Information not available for 1998.

**Complex Accounting Estimates and Principles**

The Corporation's significant accounting principles are described in Note 1 of the consolidated financial statements and are essential to understanding Management's Discussion and Analysis of Results of Operations and Financial Condition. Some of the Corporation's accounting principles require significant judgment to estimate values of either assets or liabilities. In addition, certain accounting principles require significant judgment in applying the complex accounting principles to individual transactions to determine the most appropriate treatment. We have established procedures and processes to facilitate making the judgments necessary to prepare financial statements.

The following is a summary of the more judgmental and complex accounting estimates and principles. In each area, we have identified the variables most important in the estimation process. Management has used the best information available to make the estimations necessary to value the related assets and liabilities. Actual performance that differs from our estimates and future changes in the key variables could change future valuations and impact net income.

**Allowance for Credit Losses**

The allowance for credit losses is management's best estimate of the probable incurred credit losses in the lending portfolio and is discussed in further detail in the Credit Risk Management section beginning on page 41. The Corporation performs periodic and systematic detailed reviews of its lending portfolio to identify and estimate the inherent

risks and assess the overall collectibility. These reviews include loss forecast modeling based on historical experiences and current events and conditions as well as individual loan valuations. In each analysis, numerous portfolio and economic assumptions are made.

**Principal Investing**

Principal Investing within the *Equity Investments* segment, discussed in more detail in Business Segment Operations, is comprised of a diversified portfolio of investments in privately held and publicly traded companies at all stages, from start-up to buyout. Some of these companies may need access to additional cash to support their long-term business models. Market conditions as well as company performance may impact whether such funding is sourced from private investors or via capital markets. As of December 31, 2002, we had non-public investments of $5.4 billion.

**Trading Assets and Liabilities**

The Corporation engages in a variety of trading-related activities that are either for clients or our own accounts. The management process related to the trading positions is discussed in detail in the Market Risk Management section beginning on page 49. Positions recorded on the balance sheet are valued at fair value and the majority of the positions are based on or derived from actively quoted markets prices or rates. Valuations for trading account assets and liabilities are obtained from actively traded markets where valuations can be obtained from quoted market prices or observed transactions. The most significant factor affecting the valuation of trading assets or liabilities is the lack of liquidity, where trading in a position or a market sector has slowed significantly or ceased and quotes may not be available. Liquidity situations generally are triggered by the market's perception of credit regarding a single company or a specific market sector, for example airlines or sub-prime. In these instances, valuations are derived from the limited market information available and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more of the rating agencies. Valuations for derivative assets and liabilities not traded on an exchange, or over the counter, are obtained using mathematical models that require inputs of external rates and prices to generate continuous yield or pricing curves used to value the position. This "pricing risk" is greater for positions with either option-based or longer dated attributes where inputs are not readily available and model-based extrapolations of rate and price scenarios are used to generate valuations. In these situations, this risk is mitigated through the use of valuation adjustments.

**Accrued Taxes**

Management estimates tax expense based on the amount it expects to owe various tax authorities. Taxes are discussed in more detail in Note 18 of the consolidated financial statements. Accrued taxes represent the net estimated amount due or to be received from taxing authorities. In estimating accrued taxes, management assesses the relative merits and risks of the appropriate tax treatment of transactions taking into account statutory, judicial and regulatory guidance in the context of our tax position.

**Goodwill**

The nature and accounting for goodwill is discussed in detail in Notes 1 and 9 of the consolidated financial statements. Assigned goodwill is subject to a market value recoverability test that records a loss if the value of goodwill is less than the amount recorded in the financial statements. Estimating the value of goodwill requires assumptions regarding future cash flows and comparable business valuations.

**Accounting Standards**

Our accounting for hedging activities, securitizations and off-balance sheet special purpose entities requires significant judgment in interpreting and applying the accounting principles related to these matters. Judgments include, but are not limited to, the determination of whether a financial instrument or other contract meets the definition of a derivative in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) and the applicable hedge criteria, the accounting for the transfer of financial assets and extinguishments of liabilities in accordance with Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125" (SFAS 140) and the determination of when certain special purpose entities should be consolidated in the Corporation's balance sheet and statement of income. For a more complete discussion of these principles, see Notes 1, 5 and 8 of the consolidated financial statements.

The remainder of management's discussion and analysis of the Corporation's results of operations and financial position should be read in conjunction with the consolidated financial statements and related notes presented on pages 72 through 111. See Note 1 for Recently Issued Accounting Pronouncements.

**Business Segment Operations**

We provide to our clients both traditional banking and nonbanking financial products and services through four business segments: *Consumer and Commercial Banking, Asset Management, Global Corporate and Investment Banking* and *Equity Investments.*

In managing our four business segments, we evaluate results using both financial and non-financial measures. Financial measures consist primarily of revenue, net income and shareholder value added. Non-financial measures include, but are not limited to, market share and customer satisfaction. Total revenue includes net interest income on a taxable-equivalent basis and noninterest income. The net interest income of the business segments includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Net interest income also reflects an allocation of net interest income generated by certain assets and liabilities used in our asset and liability management (ALM) activities.

From time to time we refine the business segment strategy and reporting. As we continued to refine our business segment strategy in 2001, we moved a portion of our thirty-year mortgage portfolio from the *Consumer and Commercial Banking* segment to *Corporate Other.* The mortgages designated solely for ALM activities were moved to *Corporate Other* to reflect the fact that management decisions regarding this portion of the mortgage portfolio are driven by corporate ALM considerations and not by the business segments' management. In the first quarter of 2002, certain commercial lending businesses in

the process of liquidation were transferred from *Consumer and Commercial Banking* to *Corporate Other,* and in the third quarter of 2001, certain consumer finance businesses in the process of liquidation (subprime real estate, auto leasing and manufactured housing) were transferred from *Consumer and Commercial Banking* to *Corporate Other.*

See Note 20 of the consolidated financial statements for additional business segment information, reconciliations to consolidated amounts and information on *Corporate Other*. Certain prior period amounts have been reclassified between segments and their components to conform to the current period presentation.

Table 3 presents selected financial information for the business segments for 2002 and 2001.

**TABLE 3 Business Segment Summary**

| (Dollars in millions) | Total Corporation | | Consumer and Commercial Banking[1] | | Asset Management[1] | |
|---|---|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 |
| Net interest income[2] | **$ 21,511** | $ 20,633 | **$ 14,538** | $ 13,243 | **$ 774** | $ 742 |
| Noninterest income[3] | **13,571** | 14,348 | **8,451** | 7,815 | **1,625** | 1,733 |
| Total revenue | **35,082** | 34,981 | **22,989** | 21,058 | **2,399** | 2,475 |
| Provision for credit losses | **3,697** | 4,287 | **1,805** | 1,582 | **318** | 121 |
| Noninterest expense[4] | **18,436** | 20,709 | **11,558** | 11,410 | **1,473** | 1,537 |
| Net income | **9,249** | 6,792 | **6,088** | 4,953 | **404** | 522 |
| Shareholder value added | **3,760** | 3,087 | **4,054** | 3,286 | **113** | 312 |
| Return on average equity | **19.4%** | 14.0% | **33.1%** | 25.9% | **16.3%** | 23.5% |
| Efficiency ratio (taxable-equivalent basis) | **52.6** | 59.2 | **50.3** | 54.2 | **61.4** | 62.1 |
| Net interest yield (taxable-equivalent basis) | **3.75** | 3.68 | **5.05** | 5.01 | **3.24** | 2.91 |
| Average: | | | | | | |
| Total loans and leases | **$336,819** | $365,447 | **$183,341** | $178,116 | **$23,251** | $24,381 |
| Total assets | **662,401** | 649,547 | **312,011** | 290,038 | **25,409** | 26,764 |
| Total deposits | **371,479** | 362,653 | **283,261** | 266,035 | **12,030** | 11,897 |
| Common equity/Allocated equity | **47,552** | 48,609 | **18,406** | 19,159 | **2,474** | 2,223 |
| Year end: | | | | | | |
| Total loans and leases | **342,755** | 329,153 | **187,068** | 182,158 | **22,263** | 24,692 |
| Total assets | **660,458** | 621,764 | **339,959** | 304,558 | **24,891** | 26,811 |
| Total deposits | **386,458** | 373,495 | **297,653** | 280,962 | **13,305** | 12,208 |

| (Dollars in millions) | Global Corporate and Investment Banking[1] | | Equity Investments[1] | | Corporate Other | |
|---|---|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 |
| Net interest income[2] | **$ 4,992** | $ 4,727 | **$ (152)** | $(150) | **$ 1,359** | $ 2,071 |
| Noninterest income[3] | **3,841** | 4,859 | **(281)** | 179 | **(65)** | (238) |
| Total revenue | **8,833** | 9,586 | **(433)** | 29 | **1,294** | 1,833 |
| Provision for credit losses[5] | **1,209** | 1,292 | **7** | 8 | **358** | 1,284 |
| Noninterest expense[4,5] | **4,977** | 5,369 | **94** | 214 | **334** | 2,179 |
| Net income (loss) | **1,723** | 1,956 | **(329)** | (115) | **1,363** | (524) |
| Shareholder value added | **421** | 519 | **(582)** | (388) | **(246)** | (642) |
| Return on average equity | **15.5%** | 14.9% | **(15.5)%** | (4.9)% | **n/m** | n/m |
| Efficiency ratio (taxable-equivalent basis) | **56.4** | 56.0 | **n/m** | n/m | **n/m** | n/m |
| Net interest yield (taxable-equivalent basis) | **2.48** | 2.45 | **n/m** | n/m | **n/m** | n/m |
| Average: | | | | | | |
| Total loans and leases | **$62,934** | $82,321 | **$ 440** | $ 477 | **$66,853** | $80,152 |
| Total assets | **241,325** | 232,366 | **6,179** | 6,583 | **77,477** | 93,796 |
| Total deposits | **64,769** | 66,983 | **—** | 13 | **11,419** | 17,725 |
| Common equity/Allocated equity[6] | **11,121** | 13,164 | **2,123** | 2,365 | **13,428** | 11,698 |
| Year end: | | | | | | |
| Total loans and leases | **57,569** | 68,215 | **437** | 433 | **75,418** | 53,655 |
| Total assets | **219,938** | 195,817 | **6,064** | 6,315 | **69,606** | 88,263 |
| Total deposits | **67,216** | 66,532 | **—** | — | **8,284** | 13,793 |

n/m = not meaningful

(1) There were no material intersegment revenues among the segments.

(2) Net interest income is presented on a taxable-equivalent basis.

(3) Noninterest income in 2001 included the $83 SFAS 133 transition adjustment net loss which was included in trading account profits. The components of the transition adjustment by segment were a gain of $4 for Consumer and Commercial Banking, a gain of $19 for Global Corporate and Investment Banking and a loss of $106 for

Corporate Other.

(4) The Corporation adopted SFAS 142 on January 1, 2002. Accordingly, no goodwill amortization was recorded in 2002.

(5) Corporate Other includes exit charges consisting of provision for credit losses of $395 and noninterest expense of $1,305 related to the exit of certain consumer finance businesses in the third quarter of 2001.

(6) Corporate Other also included unallocated capital of $12.5 billion and $9.4 billion in 2002 and 2001, respectively.

**Consumer and Commercial Banking**

*Consumer and Commercial Banking* provides a wide range of products and services to individuals, small businesses and middle market companies through multiple delivery channels.

The major components of *Consumer and Commercial Banking* are *Banking Regions, Consumer Products and Commercial Banking.*

*Banking Regions* serves consumer households and small businesses in 21 states and the District of Columbia through its network of 4,208 banking centers, 13,013 ATMs, telephone, and Internet channels on www.bankofamerica.com. *Banking Regions* provides a wide range of products and services, including deposit products such as checking, money market savings accounts, time deposits and IRAs, debit card products and credit products such as home equity, mortgage and personal auto loans. It also provides treasury management, credit services, community investment, check card, e-commerce and brokerage services to nearly two million small business relationships across the franchise. *Banking Regions* also includes *Premier Banking*, which provides high-touch banking and investment solutions to affluent clients with balances up to $3 million.

*Consumer Products* provides specialized services such as the origination, fulfillment and servicing of residential mortgage loans, issuance and servicing of credit cards, direct banking via telephone and Internet, student lending and certain insurance services. *Consumer Products* also provides retail finance and floorplan programs to marine, RV and auto dealerships.

*Commercial Banking* provides commercial lending and treasury management services primarily to middle market companies with annual revenue between $10 million and $500 million. These services are available through relationship manager teams as well as through alternative channels such as the telephone via the commercial service center and the Internet by accessing Bank of America Direct. *Commercial Banking* also includes the Real Estate Banking Group, which provides project financing and treasury management to private developers, homebuilders and commercial real estate firms across the U.S. *Commercial Banking* also provides lending and investing services to develop low- and moderate-income communities.

*Consumer and Commercial Banking* drove our financial results in 2002 as total revenue increased $1.9 billion, or nine percent. Net income rose $1.1 billion, or 23 percent. The increase in net income and lower economic capital, as a result of reductions in commercial loan levels in specific industries, drove the 23 percent increase in shareholder value added.

Throughout the year our *Consumer and Commercial Banking* strategy has been to attract, retain and deepen customer relationships. A critical component of that strategy includes improvement of customer satisfaction. Customers reporting that they were delighted with their service increased 10.4 percent during the year. As a result of this improvement, we added 528,000 net new checking accounts for the year, which exceeded our goal, compared to 193,000 for 2001. Access to our services through on-line banking which saw a 63 percent increase in customers, our network of domestic banking centers, ATMs, telephone and internet channels, and our product innovations such as an expedited mortgage application process through LoanSolutions® were factors contributing to revenue growth and success with our customers.

A favorable shift in loan mix from commercial to credit card and residential mortgage, overall loan and deposit growth and the results of ALM activities contributed to the $1.3 billion, or ten percent, increase in net interest income. These increases were partially offset by the compression of deposit interest margins.

Net interest income was positively impacted by the $5.2 billion, or three percent, increase in average loans and leases compared to 2001. Average on-balance sheet credit card outstandings increased 29 percent, primarily due to balance transfers, the reduction in voluntary attrition and an increase in new advances on previously securitized balances that are recorded on the Corporation's balance sheet after the revolving period of the securitization. Average residential mortgage loans increased 38 percent primarily driven by the refinancing environment that began in the fourth quarter of 2001. Offsetting these increases was a decline in average commercial loans of 12 percent driven by liquidations, lower hold levels, reduced utilization of existing facilities and soft loan demand.

Deposit growth also positively impacted net interest income. Higher consumer deposit balances due to significant growth in net checking accounts, increased money market accounts due to an emphasis on total relationship balances and customer preference for stable investments in these uncertain economic times drove the $17.2 billion, or seven percent, increase in average deposits to $283.3 billion in 2002.

**Significant Noninterest Income Components**

| (Dollars in millions) | **2002** | 2001 |
|---|---|---|
| Service charges | **$ 4,070** | $ 3,779 |
| Card income | **2,620** | 2,422 |
| Mortgage banking income | **751** | 593 |

Increases in service charges, card income and mortgage banking income drove the $636 million, or eight percent, increase in noninterest income. These increases were partially offset by a decrease in trading account profits within *Consumer Products*. In 2002, a trading loss of $24 million was recorded compared to a trading gain of $165 million in the prior year. The amount recorded in trading account profits represents the net mark-to-market adjustments on certain mortgage banking assets and the related derivative instruments. See Note 1 of the consolidated financial statements for additional information on mortgage banking assets.

Both corporate and consumer service charges attributed to the $291 million, or eight percent, increase in service charges. Corporate service charges increased $163 million, or 17 percent, as customers opted to pay service charges rather than maintain additional deposit balances in the lower rate environment. Increased customer account

charges, partially offset by the impact of new and existing customers choosing accounts with lower or no service charges drove the $128 million, or five percent, increase in consumer service charges.

Increases in both debit and credit card income drove the eight percent increase in card income. The increase in debit card income within *Banking Regions* of $143 million, or 22 percent, was driven by increases in purchase volumes. Higher annual, late, cash advance and overlimit fees partially offset by the impact of reduced securitized balances attributed to the $55 million, or three percent, increase in credit card income within *Consumer Products.* Card income included activity from the securitized portfolio of $168 million and $193 million in 2002 and 2001, respectively. Noninterest income, rather than net interest income, is recorded for assets that have been securitized as we take on the role of servicer and record servicing income and gains or losses on securitizations, where appropriate. New advances under these previously securitized balances will be recorded on our balance sheet after the revolving period of the secu-ritization, which has the effect of increasing loans on our balance sheet and increasing net interest income and charge-offs, with a corresponding reduction in noninterest income.

An increase in net mortgage production income driven by higher mortgage sales, partially offset by declines in servicing volume due to portfolio run-off were the main contributors to the $158 million, or 27 percent, increase in mortgage banking income within *Consumer Products.* An increase in total production of first mortgage loans originated of $11.5 billion to $88.1 billion in 2002, is primarily attributed to the current refinancing boom and the successful deployment of LoanSolutions.® These factors more than offset our decision in the second quarter of 2001 to exit the correspondent loan origination channel in an effort to focus on the retail channel. We believe the retail channel allows us to be more customer focused and deepen our relationships with our customers as well as being more profitable. First mortgage loan origination volume was composed of approximately $60.0 billion of retail loans and $28.1 billion of wholesale loans in 2002. Retail first mortgage origination volume was 68 percent of total volume in 2002 compared to 61 percent in 2001. An increase in mortgage prepayments resulting from the significant decrease in mortgage interest rates during 2002 drove the $28.4 billion decline in the average portfolio of first mortgage loans serviced to $283.0 billion in 2002. Total consumer real estate originations surpassed $100 billion in 2002. Mortgage banking assets declined $1.8 billion or 46 percent from a year ago also due to higher prepayments in the lower interest rate environment.

Higher provision in the credit card loan portfolio, partially offset by a decline in provision within *Commercial Banking* resulted in a $223 million, or 14 percent, increase in the provision for credit losses. The increase in credit card provision was primarily attributable to the increase in average on-balance sheet outstandings, portfolio seasoning of outstandings from new account growth in 2000 and 2001 and a weaker economic environment. Seasoning refers to the length of time passed since an account was opened. The reduction in the *Commercial Banking* provision was driven by the reduction in average commercial loans and leases and improved credit quality during 2002.

Noninterest expense increased slightly, primarily attributable to increases in processing/support costs (which included increases related to e-commerce and debit card processing), marketing and promotional fees, data processing expense and personnel expense as well as the change in assumptions for the Bank of America Pension Plan. The increase in marketing and promotional fees for the segment was primarily due to increased advertising and marketing investments in mortgage, online banking and bill pay and card products. The increase in data processing expense was primarily due to costs associated with terminated contracts on discontinued software licenses and due to an increase in online bill payers. An increase in employee benefits expense for the segment and an increase in incentive compensation due to higher mortgage production drove the increase in personnel expense. See Note 16 of the consolidated financial statements for additional discussion of the change in assumption for the Bank of America Pension Plan. These increases were partially offset by the elimination of goodwill amortization. Goodwill amortization expense in 2001 was $452 million.

**Asset Management**

*Asset Management* includes the *Private Bank*, *Banc of America Investments* and *Banc of America Capital Management.* The *Private Bank's* goal is to assist individuals and families in building and preserving their wealth by providing investment, fiduciary, comprehensive credit and banking expertise to high-net-worth clients. *Banc of America Investments* provides investment, securities and financial planning services and includes both the full-service network of investment advisors and an extensive on-line investor service. *Banc of America Capital Management* is an asset management organization serving the needs of institutional clients, high-net-worth individuals and retail customers. *Banc of America Capital Management* manages money and distribution channels, provides investment solutions, offers institutional separate accounts and wrap programs and provides advice to clients through asset allocation expertise and software.

Despite the 23 percent drop in the S&P 500 Index from a year ago, total revenue only declined $76 million, or three percent, in 2002. Net income decreased $118 million, or 23 percent. The decrease in net income drove the 64 percent decline in shareholder value added.

During 2002, *Asset Management* grew its distribution capabilities to better serve the financial needs of its clients across the franchise, surpassing its goal of increasing the number of advisors by more than 20 percent. In addition, we continue to enhance the financial planning tools used to assist clients with their financial goals, and these financial planning tools have received industry recognition in the market place.

**Client Assets**

| | December 31 | |
|---|---|---|
| (Dollars in billions) | **2002** | 2001 |
| Assets under management | **$ 310.3** | $ 314.2 |
| Client brokerage assets | **90.9** | 99.4 |
| Assets in custody | **46.6** | 46.9 |
| **Total client assets** | **$ 447.8** | $ 460.5 |

Assets under management, which consist largely of mutual funds, equities and bonds, generate fees based on a percentage of their market value. Compared to the prior year, assets under management remained relatively flat, as the decline in equity funds due to the weakened economic environment was partially offset by an increase in money market and other short-term fixed income funds. Client brokerage assets, a source of commission revenue, decreased $8.5 billion, or nine percent, compared to the prior year. Client brokerage assets consist largely of investments in bonds, mutual funds, annuities and equities. Assets in custody represent trust assets managed for customers. Trust assets encompass a broad range of asset types including real estate, private company ownership interest, personal property and investments.

Net interest income increased $32 million, or four percent, primarily due to results of ALM activities, partially offset by the impact of declines in loan balances and loan yields. Average loans and leases declined $1.1 billion, or five percent.

**Significant Noninterest Income Components**

| (Dollars in millions) | **2002** | 2001 |
|---|---|---|
| Asset management fees[1] | **$ 1,087** | $ 1,129 |
| Brokerage income | **435** | 450 |
| **Total investment and brokerage services** | **$ 1,522** | $ 1,579 |

(1) Includes personal and institutional asset management fees, mutual fund fees and fees earned on assets in custody.

The increase in net interest income was offset by a $108 million, or six percent, decline in noninterest income. This decline was primarily due to a decrease in investment and brokerage services activities, which reflected the current market environment. Declines in personal asset management fees and brokerage income more than offset an increase in mutual fund fees.

Provision expense increased $197 million, driven principally by the charge-off of one large credit in the *Private Bank*.

The elimination of goodwill amortization of $51 million and lower revenue-related incentive compensation of $44 million were the primary drivers of the $64 million, or four percent, decrease in noninterest expense. These decreases were partially offset by increased expenses related to the growth of the segment's distribution capabilities.

**Global Corporate and Investment Banking**

*Global Corporate and Investment Banking* provides a broad range of financial services such as investment banking, capital markets, trade finance, treasury management, lending, leasing and financial advisory services to domestic and international corporations, financial institutions and government entities. Clients are supported through offices in 30 countries in four distinct geographic regions: U.S. and Canada; Asia; Europe, Middle East and Africa; and Latin America. Products and services provided include loan origination, merger and acquisition advisory, debt and equity underwriting and trading, cash management, derivatives, foreign exchange, leasing, leveraged finance, structured finance and trade services.

*Global Corporate and Investment Banking* offers clients a comprehensive range of global capabilities through three components: *Global Investment Banking, Global Credit Products* and *Global Treasury Services.*

*Global Investment Banking* includes the Corporation's investment banking activities and risk management products. *Global Investment Banking* underwrites and makes markets in equity securities, high-grade and high-yield corporate debt securities, commercial paper, and mortgage-backed and asset-backed securities as well as provides correspondent clearing services for other securities broker/dealers and prime-brokerage services. Debt and equity securities research, loan syndications, mergers and acquisitions advisory services and private placements are also provided through *Global Investment Banking.*

In addition, *Global Investment Banking* provides risk management solutions for our global customer base using interest rate, equity, credit and commodity derivatives, foreign exchange, fixed income and mortgage-related products. In support of these activities, the businesses will take positions in these products and capitalize on market-making activities. The *Global Investment Banking* business also takes an active role in the trading of fixed income securities and is a primary dealer in the U.S. as well as in several international locations.

*Global Credit Products* provides credit and lending services for our clients with our corporate industry-focused portfolios, which also include leasing. *Global Credit Products* is also responsible for actively managing loan and counterparty risk in our portfolios using available risk mitigation techniques, including credit default swaps.

*Global Treasury Services* provides the technology, strategies and integrated solutions to help financial institutions, government agencies and our corporate clients manage their operations and cash flows on a local, regional, national and global level.

Total revenue within *Global Corporate and Investment Banking* declined $753 million, or eight percent, primarily driven by a decline in trading–related revenue. Net income decreased $233 million, or 12 percent. The decline in cash basis earnings, partially offset by lower economic capital due to reductions in loan levels, drove the 19 percent decline in shareholder value added.

Net interest income increased by $265 million, or six percent, as a result of higher net interest income from trading related activities and the results of ALM activities. Partially offsetting this increase were lower levels of commercial loans. Average loans and leases declined $19.4 billion, or 24 percent to $62.9 billion.

**Significant Noninterest Income Components**

| (Dollars in millions) | **2002** | 2001 |
|---|---|---|
| Service charges | **$ 1,170** | $ 1,130 |
| Investment and brokerage services | **636** | 473 |
| Investment banking income | **1,481** | 1,526 |
| Trading account profits | **830** | 1,818 |

Noninterest income declined $1.0 billion, or 21 percent, due to a sharp decline in trading account profits and a decline in investment banking income, partially offset by increases in investment and brokerage services and service charges. Service charges increased four percent to $1.2 billion as many corporate customers chose to pay higher fees rather than increase deposit balances in the lower rate environment. Investment and brokerage services increased 35 percent to $636 million primarily driven by a shift to commissions based on a fixed rate rather than a variable spread. Commissions based on a fixed rate are recorded in investment and brokerage services while those based on variable spread are recorded in trading account profits.

Trading-related net interest income as well as trading account profits in noninterest income ("trading-related revenue") are presented in the following table as they are both considered in evaluating the overall profitability of our trading activities.

**Trading-related Revenue in Global Corporate and Investment Banking**

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| Net interest income | **$ 1,970** | $ 1,609 |
| Trading account profits | **830** | 1,818 |
| **Total trading-related revenue** | **$ 2,800** | $ 3,427 |
| **Revenue by product** | | |
| Foreign exchange | **$ 530** | $ 541 |
| Interest rate | **886** | 923 |
| Credit[(1)] | **914** | 887 |
| Equities | **384** | 906 |
| Commodities | **86** | 170 |
| **Total trading-related revenue** | **$ 2,800** | $ 3,427 |

(1) Credit includes credit fixed income, credit derivatives and hedges of credit exposure.

Trading-related revenue decreased $627 million in 2002, as the $988 million decrease in trading account profits was partially offset by a $361 million increase in the net interest income. The overall decrease was primarily due to a decline in revenue from equity products of $522 million, which was attributable to a slowdown in market activities and a shift to commissions based on a fixed rate rather than a variable spread. Revenue from commodities contracts also contributed to the decline with a decrease of $84 million, attributable to prior year gains that resulted from the prior year's volatile markets.

**Investment Banking Income in Global Corporate and Investment Banking**

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| **Investment banking income** | | |
| Securities underwriting | **$ 721** | $ 796 |
| Syndications | **427** | 395 |
| Advisory services | **288** | 251 |
| Other | **45** | 84 |
| **Total** | **$ 1,481** | $ 1,526 |

Overall, investment banking fees were strong relative to another year of declining market conditions. Market share gains were achieved in nearly all debt and equity capital raising services with our most significant market share gains in high grade originations and convertible bond offerings. These market share gains served to minimize the decline of $45 million, or three percent, in investment banking income. The market for securities underwriting continued to decline, resulting in a $75 million decrease in securities underwriting fees, which was partially offset by increases in market share gains. Despite a smaller market for syndication fees, we continued to increase market share, which drove an increase in syndication fees of $32 million. Advisory services income increased $37 million, primarily due to increases in fees from restructuring Clients' balance sheets.

The adverse economic environment in 2001 continued throughout 2002. While provision expense declined in 2002, we continued to be impacted by elevated loss levels, including sporadic, large borrower defaults. Declining loan levels and higher than normal recoveries softened the negative impact of the weakened economic environment. In addition to credit losses reflected in provision expense, included in other income in 2002 were losses from writedowns of approximately $82 million related to partnership interests in leveraged leases to the airline industry.

Noninterest expense declined by $392 million, or seven percent, driven by lower market-based compensation and the elimination of goodwill amortization. Goodwill amortization expense in 2001 was $117 million.

It is anticipated that 2003 will be another challenging year for the investment banking industry. We will continue to monitor market developments and take actions necessary to adjust resources accordingly to maintain our focus on revenue, net income and shareholder value added.

**Equity Investments**

*Equity Investments* includes *Principal Investing*, which is comprised of a diversified portfolio of investments in privately held and publicly traded companies at all stages, from start-up to buyout. Investments are made on both a direct and indirect basis in the U.S. and overseas. Direct investing activity focuses on advising portfolio companies on strategic directions and providing access to the Corporation's global resources. Indirect investments represent passive limited partnership commitments to funds managed by experienced third party private equity investors who act as general partners. *Equity Investments* also includes the Corporation's strategic alliances and investment portfolio.

For 2002, both revenue and net income in *Principal Investing* decreased substantially, primarily due to higher *Principal Investing* impairment charges. The equity investment portfolio in *Principal Investing* remained relatively flat at $5.7 billion in 2002.

Net interest income consists primarily of the internal funding cost associated with the carrying value of investments.

**Equity Investment Gains in Principal Investing**

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| Cash gains | **$ 432** | $ 425 |
| Impairments | **(708)** | (335) |
| Fair value adjustments | **(10)** | (40) |
| **Total** | **$ (286)** | $ 50 |

Noninterest income primarily consists of equity investment gains (losses). Weakness in equity markets in 2002 and a $140 million gain in the strategic investments portfolio in the first quarter of 2001 related to the sale of an interest in the Star Systems ATM network were the primary drivers for the decline in equity investment gains (losses). Impairments recorded in both 2002 and 2001 were driven by continuing depressed levels of economic activity across many sectors and a lack of liquidity in the private or public equity markets which were compounded in 2001 by the terrorist attack on September 11. The Corporation recognized a reduction in values of certain equity positions primarily within the technology, media and telecom portfolios as well as value adjustments across many other industries both domestically and internationally.

**Risk Management**

**Overview**

Our corporate governance structure enables us to manage all major aspects of our business through an integrated planning and review process that includes strategic, financial, associate and risk planning. We derive our revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return is evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. Our business exposes us to four major risks: liquidity, credit, market and operational.

Liquidity risk is the inability to accommodate liability maturities and withdrawals, fund asset growth and otherwise meet contractual obligations at reasonable market rates. Credit risk is the inability of a customer to meet its repayment or delivery obligations. Market risk is the fluctuation in asset values caused by changes in market prices and yields. Operational risk is the potential for loss resulting from events involving people, processes, technology, legal issues, external events, execution, regulatory or reputation.

**Board Committees**

Our governance structure begins with our Board of Directors. The Board of Directors evaluates risk through the Chief Executive Officer (CEO) and three Board committees:

- Finance Committee reviews market, credit, liquidity and operational risk
- Asset Quality Committee reviews credit risk
- Audit Committee reviews scope and coverage of external and corporate audit activities

**Three Lines of Defense**

Management has established control processes and procedures to align risk-taking and risk management throughout our organization. These control processes and procedures are designed around “three lines of defense”: lines of business; Risk Management joined by other units such as Finance and Legal; and Corporate Audit.
The lines of business are responsible for identifying, quantifying, mitigating and managing all risks. Except for trading-related business activities within *Global Corporate Investment Banking*, interest rate risk associated with our business activities is managed centrally in the Corporate Treasury function. Line of business management makes and executes the business plan, which puts it closest to the changing nature of risks and therefore best able to take actions to manage and mitigate those risks. Our management processes, structures and policies help us comply with laws and regulations and provide clear lines of sight for decision-making and accountability. Wherever practical, we attempt to house decision-making authority as close to the customer as possible.

The Risk Management organization translates approved business plans into approved limits, approves requests for changes to those limits, approves transactions as appropriate and works closely with business units to establish and monitor risk parameters. Each of the four business segments has a Risk Executive assigned to it who is responsible for oversight for all risks of the line of business.

Corporate Audit provides an independent assessment of our management systems and internal control systems. Corporate Audit activities are designed to provide reasonable assurance that resources are adequately protected; significant financial, managerial and operating information is complete, accurate, and reliable; and employees’ actions are in compliance with Corporate policies, standards, procedures, and applicable laws and regulations.

**Senior Management Committees**

To ensure our risk management goals and objectives are accomplished, oversight of our risk-taking and risk management activities is conducted through three senior management committees.

The Risk and Capital Committee (RCC) establishes long-term strategy and short-term operating plans. RCC also establishes the risk appetite through corporate performance measures, capital allocations, aggregate risk levels, and overall capital planning. RCC reviews actual performance to plan and actual risk incurred to forecasted risk levels, including information regarding credit, market and operational risk.

The Asset and Liability Committee (ALCO), a subcommittee of the Finance Committee, reviews portfolio hedging used for managing liquidity, market and credit portfolio risks as well as interest rate risk inherent in our balance sheet and trading risk inherent in our customer and proprietary trading portfolio. ALCO approves Value at Risk (VAR) limits for various trading activities in the Corporation.

The Credit Risk Committee (CRC) establishes corporate credit practices and limits, including industry and country concentration limits, approval requirements and exceptions. CRC also reviews business asset quality results versus plan, portfolio management, hedging results and the adequacy of the allowance for credit losses.

**Risk Management Controls**

We use various controls to manage risks at the line of business level and corporate-wide. For example, our planning and forecasting process facilitates analysis of results versus plan and provides early indication of unplanned risk levels. Various line of business risk committees and forums are comprised of line personnel, Risk Management and other groups responsible for the internal control infrastructure (i.e. Finance, Legal, Compliance, Tax and/or Corporate Audit). Limits, the amount of exposure that may be taken in a product, relationship, region or industry, are set based on metrics thereby aligning our risk goals with those of each line of business. Models are used to estimate market and net interest income sensitivity. Modeling is used to estimate both expected and unexpected credit losses for each product and line of business. We employ hedging strategies to reduce concentrations and improve portfolio granularity and to manage interest rate risk in the portfolio. We have continued to strengthen the linkage between the associate performance management process and individual compensation to help associates work toward corporate wide goals. Finally, compliance plays a significant role in aiding our business units in risk management.

Formal processes used in managing risk only represent one side of the equation. Corporate culture and the actions of our associates are critical to effective risk management. Through our recently updated Code of Ethics, we set a high standard for our associates. The Code of Ethics provides a framework for all of our associates to conduct themselves with the highest integrity in the delivery of their product or service to our customers.

The following sections, Liquidity Risk Management, Credit Risk Management beginning on page 41, Market Risk Management beginning on page 49 and Operational Risk Management beginning on page 53, address in more detail the specific procedures, measures and analyses of the four categories of risk that we manage.

**Liquidity Risk Management**

**Liquidity Risk**

Liquidity is the ongoing ability to accommodate liability maturities and withdrawals, fund asset growth and otherwise meet contractual obligations through generally unconstrained access to funding at reasonable market rates. Liquidity management involves maintaining ample and diverse funding capacity, liquid assets and other sources of cash to accommodate fluctuations in asset and liability levels due to business shocks or unanticipated events.

We manage liquidity at two primary levels. The first level is the liquidity of the parent company, which is the holding company that owns the banking and non-banking subsidiaries. The second level is the liquidity of the banking subsidiaries. The management of liquidity at both levels is essential because the parent company and banking subsidiaries each have different funding needs and sources and each are subject to certain regulatory guidelines and requirements. The Finance Committee is responsible for establishing our liquidity policy as well as approving operating and contingency procedures and monitoring liquidity on an ongoing basis, both of which may be delegated to ALCO. Corporate Treasury is responsible for planning and executing our funding activities and strategy.

A primary objective of liquidity risk management is to provide a planning mechanism for unanticipated changes in the demand or need of liquidity created by customer behavior or capital market conditions. In order to achieve this objective, liquidity management and business unit activities are managed consistent with a strategy of funding stability, flexibility and diversity. We emphasize maximizing and preserving customer deposits and other customer-based funding sources. Deposit rates and levels are monitored, and trends and significant changes are reported to ALCO and the Finance Committee. Deposit marketing strategies are reviewed for consistency with our liquidity policy objectives. Asset securitization also enhances funding diversity and stability and is considered a critical source of contingency funding.
We develop and maintain contingency funding plans that separately address the parent company and banking subsidiaries liquidity. These plans evaluate market-based funding capacity under various levels of market conditions and specify actions and procedures to be implemented under liquidity stress. Further, these plans address alternative sources of liquidity, measure the overall ability to fund our operations and define roles and responsibilities for effectively managing liquidity through a problem period.

Our borrowing costs and ability to raise funds are directly impacted by our credit ratings and changes thereto. The credit ratings of the Corporation and Bank of America, N.A. are reflected in the table below.

**TABLE 4 Credit Ratings**

| | Bank of America Corporation | | | Bank of America, N.A. | |
|---|---|---|---|---|---|
| | Commercial Paper | Senior Debt | Subordinated Debt | Short-Term | Long-Term |
| Moody's | P-1 | Aa2 | Aa3 | P-1 | Aa1 |
| S & P | A-1 | A+ | A | A-1+ | AA- |
| Fitch, Inc. | F1+ | AA- | A+ | F1+ | AA |

Primary sources of funding for the parent company include dividends received from its banking subsidiaries and proceeds from the issuance of senior and subordinated debt, commercial paper and equity. Primary uses of funds for the parent company include repayment of maturing debt and commercial paper, share repurchases, dividends paid to shareholders and subsidiary funding.

Parent company liquidity is maintained at levels sufficient to fund holding company and non-bank affiliate operations during various stress scenarios in which access to normal funding sources is disrupted. The primary measure used in assessing the parent company's liquidity is "Time to Required Funding" in a stress environment. This measure assumes that the parent company is unable to generate funds from debt or equity issuance, receives no dividend income from subsidiaries, and no longer pays dividends to shareholders. Projected liquidity demands are met with available liquidity until the liquidity is exhausted. Under this scenario, the amount of time which elapses before the current liquid assets are exhausted is considered the Time to Required Funding. ALCO approves the target range set for this metric and monitors adherence to the target. In order to remain in the target range, management uses the Time to Required Funding measurement to determine the timing and extent of future debt issuances and other actions.

Primary sources of funding for the banking subsidiaries include customer deposits, wholesale funding and asset securitizations and sales. Primary uses of funds for the banking subsidiaries include repayment of maturing obligations and growth in the core and discretionary asset portfolios, including loan demand. Our discretionary portfolio consists of securities, certain residential mortgages held for asset and liability management purposes, and our swap portfolio.

ALCO regularly reviews the funding plan for the banking subsidiaries and focuses on maintaining prudent levels of wholesale borrowing. Also for the banking subsidiaries, expected wholesale borrowing capacity over a 12-month horizon compared to current outstandings is evaluated using a variety of business environments. These environments have differing earnings performance, customer relationship and ratings scenarios. Funding exposure related to our role as liquidity provider to certain off-balance sheet financing entities is also measured under a stress scenario. In this measurement, ratings are downgraded such that the off-balance sheet financing entities are not able to issue commercial paper and backup facilities that we provide are drawn upon. In addition, potential draws on credit facilities to issuers with ratings below a certain level are analyzed to assess potential funding exposure.

Our primary business activities allow us to obtain funds from our customers in many ways and require us to provide funds to our customers in many different forms. A key element of our success is the ability to balance the cash provided from our deposit base and the capital markets against cash used in our activities.

Our customers' demand for loans and deposits can be seen by assessing our average balance sheet. One ratio used to monitor trends is the "loan to domestic deposit" (LTD) ratio. Our LTD ratio trend is positive evidence of our improving liquidity position. The ratio was 97 percent at December 31, 2002. Just two years ago, our LTD ratio was 126 percent. The following provides information regarding our deposit and funding activities and needs, followed by a discussion of our customer lending activity and needs.

We originate loans both for retention on the balance sheet and for distribution. As part of our originate-to-distribute strategy, commercial loan originations are distributed through syndication structures and residential mortgages originated by the mortgage group are frequently distributed in the secondary market. In addition, in connection with our balance sheet management activities, from time to time we may retain mortgage loans originated as well as purchase and sell loans based on our assessment of new market conditions.

**TABLE 5 Average Balance Sheet**

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| **Assets** | | |
| Time deposits and other short-term investments | **$ 10,038** | $ 6,723 |
| Fed funds sold and reverse repos | **45,640** | 35,202 |
| Trading account assets | **79,562** | 66,418 |
| Securities | **75,298** | 60,372 |
| Loans and leases | **336,819** | 365,447 |
| Other assets | **115,044** | 115,385 |
| **Total assets** | **$ 662,401** | $ 649,547 |
| **Liabilities and equity** | | |
| Domestic interest-bearing deposits | **$ 225,464** | $ 215,171 |
| Foreign interest-bearing deposits | **36,549** | 49,952 |
| Short-term borrowings | **104,153** | 92,476 |
| Trading account liabilities | **31,600** | 29,995 |
| Debt and trust preferred securities | **66,045** | 69,622 |
| Noninterest-bearing deposits | **109,466** | 97,529 |
| Other liabilities | **41,511** | 46,124 |
| Shareholders'equity | **47,613** | 48,678 |
| **Total liabilities and equity** | **$ 662,401** | $ 649,547 |

**Deposits and Other Funding Sources**

Deposits, a key source of funding, increased in 2002. We typically categorize our deposits into either core or market-based deposits. Core deposits, which are generally customer-based, are an important stable, low-cost funding source and typically react more slowly to interest rate changes than market-based deposits. Core deposits exclude negotiable CDs, public funds, other domestic time deposits and foreign interest-bearing deposits. Our core deposits were up seven percent from a year ago. The increase was due to significant growth in net checking accounts, increased money market accounts due to an emphasis on total relationship balances and customer preference for stable investments in these uncertain economic times. The decline in consumer CDs and IRAs was primarily driven by a change in product mix to money market and other deposit accounts. Market-based deposit funding was down from a year ago as we were able to utilize more core deposits to fund loans and other assets. Deposits on average represented 56 percent of total sources of funds during both 2002 and 2001.

**TABLE 6 Average Deposits**

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| **Deposits by type** | | |
| Domestic interest-bearing: | | |
| Savings | **$ 21,691** | $ 20,208 |
| NOW and money market accounts | **131,841** | 114,657 |
| Consumer CDs & IRAs | **67,695** | 74,458 |
| Negotiable CDs & other time deposits | **4,237** | 5,848 |
| Total domestic interest-bearing | **225,464** | 215,171 |
| Foreign interest-bearing: | | |
| Banks located in foreign countries | **15,464** | 23,397 |
| Governments & official institutions | **2,316** | 3,615 |
| Time, savings & other | **18,769** | 22,940 |
| Total foreign interest-bearing | **36,549** | 49,952 |
| Total interest-bearing | **262,013** | 265,123 |
| Noninterest-bearing | **109,466** | 97,529 |
| **Total deposits** | **$ 371,479** | $ 362,652 |
| **Core and market-based deposits** | | |
| Core deposits | **$ 330,693** | $ 306,852 |
| Market-based deposits | **40,786** | 55,800 |
| **Total deposits** | **$ 371,479** | $ 362,652 |

Additional sources of funds include short-term borrowings, long-term debt and shareholders' equity. Short-term borrowings, a relatively low-cost source of funds, were up as proceeds from repurchase agreements were used to fund asset growth. Long-term debt of $9.4 billion was issued during the year. Repayments of long-term debt were $14.5 billion in 2002.

**Obligations and Commitments**

The Corporation has contractual obligations to make future payments on debt and lease agreements. These types of obligations are more fully discussed in Notes 11, 12 and 13 of the consolidated financial statements.

Table 7 presents total debt and lease obligations at December 31, 2002.

**TABLE 7 Debt and Lease Obligations**

| | December 31, 2002 | | |
|---|---|---|---|
| (Dollars in millions) | Due in 1 Year or Less | Thereafter | Total |
| Debt and capital leases[(1)] | $8,219 | $ 52,926 | $61,145 |
| Trust preferred securities[(1)] | — | 6,031 | 6,031 |
| Operating lease obligations | 1,166 | 6,212 | 7,378 |
| **Total** | $9,385 | $ 65,169 | $74,554 |

(1) Includes principal payments only.

Many of our lending relationships contain both funded and unfunded elements. The funded portion is represented by the average balance sheet levels. The unfunded component of these commitments is not recorded on our balance sheet until a draw is made under the loan facility. Loan commitments declined as a reduction in commercial commitments of $13.2 billion was partially offset by a $4.4 billion increase in consumer commitments.

These commitments, as well as guarantees, are more fully discussed in Note 13 of the consolidated financial statements.

The following table summarizes the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date.

**TABLE 8 Credit Extension Commitments**

| | December 31, 2002 | | |
|---|---|---|---|
| (Dollars in millions) | Expires in 1 Year or Less | Thereafter | Total |

| | | | |
|---|---|---|---|
| Loan commitments[1] | $ 98,101 | $ 114,603 | $ 212,704 |
| Standby letters of credit and financial guarantees | 20,002 | 10,835 | 30,837 |
| Commercial letters of credit | 2,674 | 435 | 3,109 |
| **Legally binding commitments** | 120,777 | 125,873 | 246,650 |
| Credit card lines | 73,779 | — | 73,779 |
| **Total** | $ 194,556 | $ 125,873 | $ 320,429 |

(1) Equity commitments of $2.2 billion and $2.5 billion primarily related to obligations to fund existing venture capital equity investments were included in loan commitments at December 31, 2002 and 2001, respectively.

**Off-Balance Sheet Financing Entities**

In addition to traditional lending, we also support our customers' financing needs by facilitating their access to the commercial paper markets. These markets provide an attractive, lower-cost financing alternative for our customers. Our customers sell assets, such as high-grade trade or other receivables or leases, to a commercial paper financing entity, which in turn issues high-grade short-term commercial paper that is collateralized by the assets sold. Additionally, some customers receive the benefit of commercial paper financing rates related to certain lease arrangements. We facilitate these transactions and collect fees from the financing entity for the services it provides (including administration, trust services and marketing the commercial paper).

We receive fees for providing combinations of liquidity, standby letters of credit (SBLCs) or similar loss protection commitments, and derivatives to the commercial paper financing entities. These forms of asset support are senior to the first layer of asset support provided by customers through over-collateralization. The rating agencies require that a certain percentage of the commercial paper entity's assets be supported by both the seller's over-collateralization and our SBLC in order to receive their respective investment rating. The SBLC would be drawn on only when the over-collateralization provided by the seller is not sufficient to cover losses of the related asset. Liquidity commitments made to the commercial paper entity are designed to fund scheduled redemptions of commercial paper if there is a market disruption or the new commercial paper cannot be issued to fund the redemption of the maturing commercial paper. The liquidity facility has the same legal priority as the commercial paper. We do not enter into any other form of guarantee with these entities.

We manage our credit risk on these commitments by subjecting them to our normal underwriting and risk management processes. At December 31, 2002 and 2001, the Corporation had off-balance sheet liquidity commitments and SBLCs to these financing entities of $34.2 billion and $36.1 billion, respectively. Substantially all of these liquidity commitments and SBLCs mature within one year. These amounts are included in Table 8. Net revenues earned from fees associated with these financing entities were approximately $484 million and $256 million for 2002 and 2001, respectively.

We generally do not purchase any commercial paper issued by these financing entities other than during the underwriting process when we act as issuing agent nor do we purchase any of the commercial paper for our own account. We do not consolidate these types of entities based on the accounting guidance contained in ARB No. 51, "Consolidated Financial Statements", SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries", EITF Issue No. D-14, "Transactions Involving Special Purpose Entities", and EITF Issue No. 90-15, "Impact of Nonsubstantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions". Derivative instruments related to these entities are marked to market through the statement of income. SBLCs and liquidity commitments are accounted for pursuant to SFAS No. 5, "Accounting for Contingencies"(SFAS 5), and are discussed further in Note 13 to the consolidated financial statements.

In January 2003, the FASB issued a new rule that addresses off-balance sheet financing entities. As a result, we expect that we will have to consolidate our multi-seller asset backed conduits beginning in the third quarter of 2003, as required by the rule. As of December 31, 2002, the assets of these entities were approximately $25.0 billion. The actual amount that will be consolidated is dependent on actions taken by the Corporation and our customers between December 31, 2002 and the third quarter of 2003. Management is assessing alternatives with regards to these entities including restructuring the entities and/or alternative sources of cost-efficient funding for our customers and expects that the amount of assets consolidated will be less than the $25.0 billion due to these actions and those of our customers. Revenues from administration, liquidity, letters of credit and other services provided to these entities were approximately $121 million in 2002 and $125 million in 2001. The new rule requires that for entities to be consolidated that those assets be initially recorded at their carrying amounts at the date the requirements of the new rule first apply. If determining carrying amounts as required is impractical, then the assets are to be measured at fair value the first date the new rule applies. Any difference between the net amount added to the Corporation's balance sheet and the amount of any previously recognized interest in the newly consolidated entity shall be recognized as the cumulative effect of an accounting change. Had we adopted the rule in 2002, there would have been no material impact to net income. See Note 1 of the consolidated financial statements for a discussion regarding the new rule in 2003.

In addition, to control our capital position, diversify funding sources and provide customers with commercial paper investments, from time to time we will sell assets to off-balance sheet commercial paper entities. The commercial paper entities are special purpose entities that have been isolated beyond our reach or that of our creditors, even in the event of bankruptcy or other receivership. Assets sold to the entities consist primarily of high-grade corporate or municipal bonds, collateralized debt obligations and asset-backed securities. These entities issue collateralized commercial paper to third party market participants and passive derivative instruments to us. Assets sold to the entities typically have an investment rating ranging from Aaa/AAA to Aa/AA. We may provide liquidity, SBLCs or similar loss protection commitments to the entity, or we may enter into a derivative with the entity in which we assume certain risks. The liquidity facility and derivative have the same legal standing with the commercial paper.

The derivative provides interest rate, currency and a pre-specified amount of credit protection to the entity in exchange for the commercial paper rate. This derivative is provided for in the legal documents and helps to alleviate any cash flow mismatches. In some cases, if an asset's rating declines below a certain investment quality as evidenced by its investment rating or defaults, we are no longer exposed to the risk of loss. At that time, the commercial paper holders assume the risk of loss. In other cases, we agree to assume all of the credit exposure related to the referenced asset. Legal documents for each entity specify asset quality levels that require the entity to automatically dispose of the asset once the asset falls below the specified quality rating. At the time the asset is disposed, we are required to reimburse the entity for any credit-related losses depending on the pre-specified level of protection provided.

We also receive fees for the services we provide to the entities, and we manage any credit or market risk on commitments or derivatives through normal underwriting and risk management processes. Derivative activity related to these entities is included in Note 5 of the consolidated financial statements. At December 31, 2002 and 2001, the Corporation had off-balance sheet liquidity commitments, SBLCs and other financial guarantees to the financing entities of $4.5 billion and $4.3 billion, respectively. Substantially all of these liquidity commitments, SBLCs and other financial guarantees mature within one year. These amounts are included in Table 8. Net revenues earned from fees associated with these entities were $37 million and $49 million in 2002 and 2001, respectively.

We generally do not purchase any of the commercial paper issued by these types of financing entities other than during the underwriting process when we act as issuing agent nor do we purchase any of the commercial paper for our own account. We do not consolidate these types of entities because they are considered Qualified Special Purpose Entities as defined in SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". Derivative instruments related to these entities are marked to market through the statement of income. SBLCs and liquidity commitments are accounted for pursuant to SFAS 5 and are discussed further in Note 13 to the consolidated financial statements.

Because we provide liquidity and credit support to these financing entities, our credit ratings and changes thereto will affect the borrowing cost and liquidity of these entities. In addition, significant changes in counterparty asset valuation and credit standing may also affect the liquidity of the commercial paper issuance. Disruption in the commercial paper markets may result in our having to fund under these commitments and SBLCs discussed above. We manage these risks, along with all other credit and liquidity risks, within our policies and practices. See Notes 1 and 8 of the consolidated financial statements for additional discussion of off-balance sheet financing entities.

**Capital Management**

The final component of liquidity risk is capital management, which focuses on the level of shareholders' equity. Period-end shareholders' equity increased from a year ago, driven by net income, shares issued under employee plans and unrealized gains on securities. These increases were offset by share repurchases and dividends paid. The net impact of share repurchases and issuances under employee plans to earnings per share was $0.11 per share in 2002. We anticipate that future share repurchases will at least equal shares issued under our various stock option plans. See Note 14 of the consolidated financial statements for additional disclosures related to repurchase programs.

As a regulated financial services company, we are governed by certain regulatory capital requirements. The regulatory Tier 1 Capital Ratio was 8.22 percent at December 31, 2002, a decrease of eight basis points from a year ago. The minimum Tier 1 Ratio required is four percent. At December 31, 2002, the Corporation was classified as well-capitalized for regulatory purposes, the highest classification.

Our current estimate of the possible impact on our capital ratios of the FASB's new rule on accounting for off-balance sheet financing entities, as previously discussed, is 25-30 basis points. For additional information on the regulatory capital ratios along with a description of the components of risk-based capital, capital adequacy requirements and prompt corrective action provisions, see Note 15 of the consolidated financial statements.

On October 23, 2002, the Board approved a $0.04 per share, or seven percent, increase in the quarterly common dividend. This increase brings the common dividend to $0.64 per share for the fourth quarter of 2002 and $2.44 for the year ended December 31, 2002.

The Corporation from time to time sells put options on its common stock to independent third parties. The put option program was undertaken with the goal of partially offsetting the cost of share repurchases. At December 31, 2002, there were 6.5 million put options outstanding with exercise prices ranging from $61.86 per share to $70.72 per share, which expire from February 2003 to July 2003. Should the outstanding options at December 31, 2002 be exercised in the future, the per-share cost to the Corporation, net of the premium already received, will range from $54.87 to $64.07, or a weighted average of $58.68. The closing market price of the Corporation's common stock on December 31, 2002 was $69.57 per share.

Economic capital is allocated to business units based on an assessment of risk. The allocated amount of capital varies according to the characteristics of the individual product offerings within the business units. Capital is allocated separately based on the following types of risk: credit, market and operational. Average total economic capital allocated to business units was $35.1 billion in 2002 and $39.2 billion in 2001. Average unallocated economic capital (not allocated to business units) was $12.5 billion in 2002 and $9.4 billion in 2001.

**Credit Risk Management**

Credit risk arises from the inability of a customer to meet its repayment obligation. Credit risk exists in our outstanding loans and leases, derivative assets, letters of credit and financial guarantees, acceptances and unfunded loan commitments. For additional information on derivatives and credit extension commitments, see Notes 5 and 13 of the consolidated financial statements. Credit exposure (defined to include loans and leases, letters of credit, derivatives, acceptances, assets held for sale and binding unfunded commitments) associated with a client represents the maximum loss potential arising from all these product classifications. Our commercial and consumer credit extension and review procedures take into account credit exposures that are both funded and unfunded.
We manage credit risk associated with our business activities based on the risk profile of the borrower, repayment source and the nature of underlying collateral given current events and conditions. At a macro level we segregate our loans in two major groups – commercial and consumer.

**Commercial Portfolio Credit Risk Management**

Commercial credit risk management begins with an assessment of the credit risk profile of an individual borrower (or counterparty) based on an analysis of the borrower's financial position in conjunction with current industry and economic or geopolitical trends. As part of the overall credit risk assessment of a borrower, each commercial credit exposure is assigned a risk rating and is subject to approval based on existing credit approval standards. Risk ratings are a factor in determining the level of assigned economic capital and the allowance for credit losses. Credit decisions are determined by the lines of business with approvals from Risk Management. In making decisions regarding credit we consider risk rating, collateral, and industry and single name concentration limits while also balancing the total client relationship and SVA.

Credit exposures are continuously monitored by both lines of business and Risk Management personnel for possible adjustment if there has been a change in a borrower/counterparty's ability to perform under its obligations. Additionally, we manage the size of our credit exposure through syndications, loan sales, credit derivatives and securitizations. These activities play an important role in reducing credit exposures where it has been determined that credit risk concentrations are unacceptable or for other risk mitigation purposes.

Banc of America Strategic Solutions, Inc. (SSI) is a wholly-owned subsidiary of the Corporation which manages problem asset resolution and the coordination of exit strategies, if applicable, including bulk sales, collateralized debt obligations and other resolutions of domestic and international commercial distressed assets. For additional discussion, see "Problem Loan Management" on page 48.

**Consumer Portfolio Credit Risk Management**

Credit risk management for consumer credit occurs throughout a borrower's credit cycle. Statistical techniques are used to establish product pricing, risk appetite, operating processes and metrics to balance risks and rewards appropriately. Consumer exposure is grouped by product and other attributes for purposes of evaluating credit risk. Statistical models are built using detailed behavioral and demographic information from external sources such as credit bureaus as well as extensive internal historical experience. These models form the foundation of our consumer credit risk management process and are used extensively to determine approve/decline credit decisions, collections management, portfolio management, adequacy of the allowance for credit losses and economic capital allocation for credit risk.

Table 9 presents outstanding loans and leases.

**TABLE 9 Outstanding Loans and Leases[(1)]**

| (Dollars in millions) | December 31 2002 | | 2001 | |
|---|---|---|---|---|
| Commercial – domestic | **$ 105,053** | **30.6%** | $ 118,205 | 35.9% |
| Commercial – foreign | **19,912** | **5.8** | 23,039 | 7.0 |
| Commercial real estate – domestic | **19,910** | **5.8** | 22,271 | 6.8 |
| Commercial real estate – foreign | **295** | **0.1** | 383 | 0.1 |
| Total commercial | **145,170** | **42.3** | 163,898 | 49.8 |
| Residential mortgage | **108,197** | **31.6** | 78,203 | 23.8 |
| Home equity lines | **23,236** | **6.8** | 22,107 | 6.7 |
| Direct/Indirect consumer | **31,068** | **9.1** | 30,317 | 9.2 |
| Consumer finance | **8,384** | **2.4** | 12,652 | 3.9 |
| Credit card | **24,729** | **7.2** | 19,884 | 6.0 |
| Foreign consumer | **1,971** | **0.6** | 2,092 | 0.6 |
| Total consumer | **197,585** | **57.7** | 165,255 | 50.2 |
| **Total** | **$ 342,755** | **100.0%** | $ 329,153 | 100.0% |

(1) The Corporation used credit derivatives to provide credit protection (single name credit default swaps, basket credit default swaps and CLOs) for loan counterparties in the amounts of $16.7 billion and $14.5 billion at December 31, 2002 and 2001, respectively.

**Concentrations of Credit Risk**

Portfolio credit risk is evaluated toward a goal that concentrations of credit exposure do not result in unacceptable levels of risk. Concentrations of credit exposure can be measured in various ways including industry, product, geography and customer relationship. Risk due to borrower concentrations is more prevalent in the commercial portfolio and is categorized into various perspectives within the domestic and foreign commercial portfolio. We review non-real estate commercial loans by industry and real estate loans by geographic location and by property type. Additionally, within our international portfolio, we also evaluate borrowings by region and by country. Tables 10, 11 and 12 summarize these concentrations.

While we have experienced improvement in certain portfolios during these uncertain times, most notably in the *Commercial Banking* loan portfolio, we also have witnessed how the negative economic environment has impacted certain industries, particularly in our large corporate loan portfolio. Such industries have and are continuing to experience heightened distress, particularly the telecommunications, media, merchant power and merchant energy sectors (included in the utilities and energy industries) and domestic scheduled airline sector (included in the transportation industry). Further, the poor global economic environment has negatively impacted various regions and certain countries continue to experience significant distress, specifically Brazil and Argentina.

Table 10 reflects significant industry non-real estate outstanding commercial loans and leases by Standard and Poor's industry classifications.

**TABLE 10 Significant Industry Non-Real Estate Outstanding Commercial Loans and Leases**

| (Dollars in millions) | December 31 2002 | 2001 |
|---|---|---|
| Retailing | **$ 10,165** | $ 10,651 |
| Diversified financials | **8,344** | 7,916 |
| Leisure and sports, hotels and restaurants | **8,139** | 9,193 |
| Transportation | **8,030** | 9,508 |
| Materials | **7,972** | 10,399 |
| Food, beverage and tobacco | **7,335** | 8,543 |
| Capital goods | **7,088** | 9,691 |
| Commercial services and supplies | **6,449** | 7,637 |
| Media | **5,911** | 5,244 |
| Utilities | **5,590** | 4,860 |
| Education and government | **5,206** | 4,936 |
| Health care equipment and services | **3,912** | 4,809 |
| Telecommunications services | **3,105** | 4,560 |
| Energy | **3,076** | 3,800 |
| Consumer durables and apparel | **2,591** | 3,725 |

| | | |
|---|---|---|
| Religious and social organizations | **2,426** | 2,213 |
| Banks | **1,881** | 2,999 |
| Insurance | **1,616** | 2,113 |
| Technology hardware and equipment | **1,368** | 2,527 |
| Food and drug retailing | **1,344** | 1,603 |
| Other[1] | **23,417** | 24,317 |
| **Total** | **$ 124,965** | $ 141,244 |

(1) Other includes $5,134 and $6,032 of loans outstanding to individuals and Trusts representing 1.5 percent and 1.8 percent of total loans outstanding at December 31, 2002 and 2001 respectively.

A measure of the risk diversification is the distribution of loans by loan size. Over 99 percent of the non-real estate outstanding commercial loans and leases are less than $50 million, representing 86 percent of total non-real estate outstanding commercial loans and leases.

Table 11 presents outstanding commercial real estate loans by geographic region and by property type. The amounts presented do not include outstanding loans and leases which were made on the general creditworthiness of the borrower, for which real estate was obtained as security and for which the ultimate repayment of the credit is not dependent on the sale, lease, rental or refinancing of the real estate. Accordingly, the outstandings presented do not include commercial loans secured by owner-occupied real estate. As depicted in the table, we believe the commercial real estate portfolio is well-diversified in terms of both geographic region and property type.

Over 99 percent of the commercial real estate loans outstanding are less than $50 million, representing 95 percent of total commercial real estate loan outstandings.

**TABLE 11 Outstanding Commercial Real Estate Loans**

| (Dollars in millions) | December 31 2002 | 2001 |
|---|---|---|
| **By Geographic Region[1]** | | |
| California | **$ 4,769** | $ 5,225 |
| Southwest | **2,945** | 3,239 |
| Florida | **2,424** | 2,399 |
| Northwest | **2,067** | 2,363 |
| Midwest | **1,696** | 1,688 |
| Mid-Atlantic | **1,332** | 1,430 |
| Carolinas | **1,324** | 1,472 |
| Midsouth | **1,166** | 1,276 |
| Geographically diversified | **1,075** | 1,950 |
| Northeast | **667** | 750 |
| Other states | **445** | 478 |
| Non-US | **295** | 384 |
| **Total** | **$ 20,205** | $ 22,654 |
| **By Property Type** | | |
| Office buildings | **$ 3,953** | $ 4,567 |
| Apartments | **3,556** | 3,797 |
| Residential | **3,153** | 3,157 |
| Shopping centers/retail | **2,400** | 2,754 |
| Industrial/warehouse | **1,884** | 2,011 |
| Land and land development | **1,307** | 1,501 |
| Hotels/motels | **853** | 1,186 |
| Multiple use | **718** | 694 |
| Miscellaneous commercial | **378** | 289 |
| Unsecured | **356** | 433 |
| Other | **1,352** | 1,881 |
| Non-US | **295** | 384 |
| **Total** | **$ 20,205** | $ 22,654 |

(1) Distributions based on geographic location of collateral.

**Foreign Portfolio**

Table 12 sets forth total foreign exposure by region at December 31, 2002 and 2001. Total regional foreign exposure is defined to include credit exposure plus securities and other investments. Reported exposure includes both gross local country exposure and cross-border exposure. Gross local country exposure includes amounts payable to the Corporation by residents of the country in which the credit is booked, regardless of the currency in which the claim is denominated. Management does not net local funding or liabilities against local country exposures as allowed by the FFIEC. Cross-border exposure includes amounts payable to the Corporation by residents of countries outside of the country where the credit is booked, regardless of the currency in which the claim is denominated.

**TABLE 12 Regional Foreign Exposure and Selected Emerging Markets Exposure[1]**

| (Dollars in millions) | Total Regional Foreign Exposure at December 31 2002 | 2001 |
|---|---|---|
| **Regional Foreign Exposure** | | |
| Asia | **$ 13,912** | $ 14,546 |
| Europe | **43,034** | 40,087 |
| Africa | **80** | 128 |
| Middle East | **435** | 571 |
| Latin America | **3,915** | 6,371 |
| Other[2] | **8,709** | 9,447 |

| | | |
|---|---|---|
| **Total** | **$ 70,085** | $ 71,150 |
| **Selected Emerging Markets** | | |
| Asia | **$ 10,296** | $ 11,301 |
| Central and Eastern Europe | **364** | 393 |
| Latin America | **3,915** | 6,371 |
| **Total** | **$ 14,575** | $ 18,065 |

(1) Exposures for Asia and Latin America have been reduced by $12 and $763, respec- tively, at December 31, 2002, and $10 and $573, respectively, at December 31, 2001. Such amounts represent the fair value of U.S. Treasury securities held as collateral outside the country of exposure.

(2) Other includes Canada, Australia, New Zealand, Bermuda, Cayman Islands and supranational entities.

Our total foreign exposure was $70.1 billion at December 31, 2002, a decrease of $1.1 billion from December 31, 2001. Our foreign exposure was concentrated in Western Europe, which accounted for $42.7 billion, or 61 percent of total foreign exposure. Growth in exposure in Western Europe in 2002 was across a broad base of diverse products and industries.

Foreign exposure to entities in countries defined as emerging markets was $14.6 billion, or 21 percent of total foreign exposure, with the bulk of the emerging markets exposure in Asia ($10.3 billion). The decrease in foreign exposure in Asia is primarily due to Hong Kong with a decrease of $451 million and India with a decrease of $407 million. The decrease in foreign exposure in Latin America is primarily due to Brazil with a decrease of $1.3 billion and Mexico with a decrease of $638 million.

The Corporation has been devoting particular attention to Argentina and Brazil, which have been significantly impacted by negative global economic pressure.

Throughout 2001, Argentina's economy and political environmental deteriorated sharply, finally ending in December 2001 with the collapse of the Argentine peso. As a result of these events, at the end of 2001, the Argentine government defaulted on its obligations and during all of 2002, local companies faced serious difficulties servicing their debt. In response to the economic climate in Argentina, the Corporation reduced its credit exposure in the country in 2002 by $280 million to $465 million. Of that $465 million, $339 million represented traditional credit exposure (loans, letters of credit, etc.) predominantly to Argentine subsidiaries of foreign multinational corporations. Additional credit exposure was attributable to $62 million in Argentina government bonds. Net charge-offs in 2002 totaled $113 million. The allowance for credit losses associated with outstanding loans and leases related to Argentina was $154 million at December 31, 2002.

In response to uncertain economic conditions in Brazil, the Corporation has reduced its credit exposure by 53 percent to $1.2 billion at December 31, 2002. The decline was due to loan maturities and lower level of local issuer risk. Of this amount, $562 million represented traditional credit exposure (loans, letters of credit, etc.) and $290 million was Brazilian government securities. Derivatives exposure totaled $55 million. The allowance for credit losses related to Brazil consisted of $60 million related to traditional credit exposure. An additional $6 million is reserved for derivatives exposure.

**Nonperforming Assets and Net Charge-offs**

We routinely review the loan and lease portfolio to determine if any credit exposure should be placed on nonperforming status. An asset is placed on nonperforming status when it is determined that principal and interest are not expected to be fully collected in accordance with its contractual terms. Nonperforming asset levels, presented in Table 13, continue to be adversely affected by the weakened economic environment. Sales of nonperforming assets during 2002 totaled $543 million, comprised of $296 million of nonperforming commercial loans, $105 million of nonperforming residential mortgage loans and $142 million of foreclosed properties.

In 2001 and continuing in 2002 sporadic large single company events and issues in certain industries have impacted nonperform-ing assets and consequently our provision for credit losses. These losses resulted from a multitude of factors including business failures as a result of financial reporting fraud, the prolonged weak economic environment and industry specific issues. It is difficult to predict the timing of such event risk and as a consequence the timing and amount of loss potential is more difficult to estimate.

Nonperforming commercial – domestic loans decreased $342 million to 2.65 percent of commercial – domestic loans at December 31, 2002 from 2.64 percent at December 31, 2001. Nonperforming commercial – foreign loans increased $898 million to 6.83 percent of commercial – foreign loans at December 31, 2002 from 2.00 percent at December 31, 2001. The increase was primarily attributable to media and telecommunications services firms located in Western Europe and in Latin America.

Credit exposure to companies in the telecommunications service industry that were in bankruptcy at December 31, 2002 totaled $190 million, with associated reserves of $44 million. Net charge-offs associated with credit exposure to these telecommunications services companies were $105 million for 2002.

At December 31, 2002 and 2001, Argentine nonperforming loans were $278 million and $40 million, respectively. Nonperforming loans in Brazil were $90 million at December 31, 2002 compared to $2 million at December 31, 2001.

Within the consumer portfolio, nonperforming loans increased $54 million to $733 million, or 0.37 percent of consumer loans, at December 31, 2002 from $679 million or 0.41 percent at December 31, 2001, primarily due to higher levels of residential mortgage loans being held in the portfolio, partially offset by the sale of nonperforming residential mortgage loans during the first quarter of 2002.

The Corporation also had approximately $4 million and $48 million of troubled debt restructured loans at December 31, 2002 and 2001, respectively, that were accruing interest and were not included in nonperforming assets.

**TABLE 13 Nonperforming Assets[(1)]**

| | December 31 | |
|---|---|---|
| (Dollars in millions) | **2002** | 2001 |
| Commercial – domestic | **$ 2,781** | $ 3,123 |
| Commercial – foreign | **1,359** | 461 |
| Commercial real estate – domestic | **161** | 240 |
| Commercial real estate – foreign | **3** | 3 |
| Total commercial | **4,304** | 3,827 |
| Residential mortgage | **612** | 556 |
| Home equity lines | **66** | 80 |
| Direct/Indirect consumer | **30** | 27 |
| Consumer finance | **19** | 9 |
| Foreign consumer | **6** | 7 |
| Total consumer | **733** | 679 |
| Total nonperforming loans | **5,037** | 4,506 |
| **Foreclosed properties** | **225** | 402 |
| **Total nonperforming assets** | **$ 5,262** | $ 4,908 |

(1) In 2002, $668 in interest income was contractually due on nonperforming loans and troubled debt restructured loans. Of this amount, $193 was actually recorded as interest income in 2002.

Table 14 presents the additions to and reductions in nonperforming assets in the commercial and consumer portfolios during 2002 and 2001.

**TABLE 14 Nonperforming Assets Activity**

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| **Balance, January 1** | **$ 4,908** | $ 5,457 |
| **Commercial** | | |
| Additions to nonperforming assets: | | |
| New nonaccrual loans and foreclosed properties | **4,963** | 4,797 |
| Advances on loans | **244** | 197 |
| Total commercial additions | **5,207** | 4,994 |
| Reductions in nonperforming assets: | | |
| Paydowns, payoffs and sales | **(2,171)** | (2,065) |
| Returns to performing status | **(149)** | (313) |
| Charge-offs[1] | **(2,354)** | (2,289) |
| Total commercial reductions | **(4,674)** | (4,667) |
| Total commercial net additions to nonperforming assets | **533** | 327 |
| **Consumer** | | |
| Additions to nonperforming assets: | | |
| New nonaccrual loans and foreclosed properties | **1,694** | 2,723 |
| Total consumer additions | **1,694** | 2,723 |
| Reductions in nonperforming assets: | | |
| Paydowns, payoffs and sales | **(957)** | (881) |
| Returns to performing status | **(886)** | (1,360) |
| Charge-offs[1] | **(107)** | (261) |
| Transfers (to) from assets held for sale[2,3] | **77** | (1,097) |
| Total consumer reductions | **(1,873)** | (3,599) |
| Total consumer net reductions in nonperforming assets | **(179)** | (876) |
| Total net additions to (reductions in) nonperforming assets | **354** | (549) |
| **Balance, December 31** | **$ 5,262** | $ 4,908 |

(1) Certain loan products, including commercial credit card, consumer credit card and consumer non-real estate loans, are not classified as nonperforming; therefore, the charge-offs on these loans are not included above.

(2) Includes assets held for sale that were foreclosed and transferred to foreclosed properties.

(3) Transfers in 2001 were primarily related to the exit of the subprime real estate lending business.

Commercial – domestic loans past due 90 days or more and still accruing interest were $223 million and $215 million at December 31, 2002 and 2001, respectively. Consumer loans past due 90 days or more and still accruing interest were $541 million and $459 million at December 31, 2002 and 2001, respectively.

As a matter of corporate practice, we do not discuss specific client relationships; however, due to the publicity and interest surrounding Enron Corporation and its related entities (Enron), we made an exception. In the fourth quarter of 2001, our total exposure to Enron was $503 million before a charge-off of $210 million, as well as a $21 million write-off of Enron securities related to a collateralized loan obligation. During 2002, the Corporation had an additional $48 million of charge-offs related to Enron. The Corporation's exposure (after charge-offs) related to Enron was $185 million and $272 million at December 31, 2002 and 2001, respectively, of which $136 million and $184 million was secured. Nonperforming loans related to Enron were $159 million and $226 million at December 31, 2002 and 2001, respectively.

The Corporation also has other assets that represent possible credit risk. Included in Other Assets are loans held for sale and leveraged lease partnership interests of $13.8 billion and $387 million, respectively, at December 31, 2002 and $8.4 billion and $485 million, respectively, at December 31, 2001. Included in these balances are nonperforming loans held for sale and leveraged lease partnership interests of $118 million and $2 million, respectively, at December 31, 2002 and $1.0 billion and $0, respectively, at December 31, 2001.

The Corporation utilizes actual loan net charge-offs in its analysis of the adequacy of the allowance for credit losses. Net charge-offs are presented in Table 15.

Commercial – domestic loan net charge-offs decreased $478 million in 2002 compared to 2001, primarily due to lower domestic gross charge-offs in *Global Corporate and Investment Banking* and *Commercial Banking* and higher recoveries, partially offset by charge-offs related to one large credit in the *Private Bank*.

Commercial – foreign loan net charge-offs increased $313 million in 2002 compared to 2001, primarily due to charge-offs in emerging markets including Argentina, as well as in telecommunications services, media, and utilities industries in Western Europe.

Net charge-offs on consumer finance loans decreased $771 million in 2002 compared to 2001, primarily due to $635 million in exit-related charge-offs in the third quarter of 2001 as well as continued runoff in the portfolio.

Credit card net charge-offs increased $422 million to $1.1 billion in 2002 compared to 2001. The increase in net charge-offs was primarily a result of portfolio seasoning of outstandings from new account growth in 2000 and 2001, new advances on previously securitized balances, and a weaker economic environment. New advances under these previously securitized balances are recorded on our balance sheet after the revolving period of the securitization, which has the effect of increasing loans on our balance sheet, increasing net interest income and increasing charge-offs, with a corresponding reduction in noninterest income.

**Allowance for Credit Losses**

To help us identify credit risks and assess the overall collectibility of our lending portfolios, we conduct periodic and systematic detailed reviews. The allowance for credit losses represents management's estimate of probable losses in the portfolio.

Within the allowance, reserves are allocated to each product type based on specific and formula components, as well as a general reserve. See Note 1 of the consolidated financial statements for additional discussion on the Corporation's allowance for credit losses.

The specific component of the allowance for credit losses covers those commercial loans that are our nonperforming or impaired. An allowance is established when the discounted cash flows (or collateral value or observable market price) is lower than the carrying value of that loan. For purposes of computing the specific loss component of the allowance, larger impaired loans are evaluated individually and smaller impaired loans are evaluated as a pool using historical loss experience for the respective product type and risk rating of the loan. In Table 17, this component of the allowance is characterized as commercial impaired.

The formula component of the allocated allowance covers performing commercial loans and leases, letters of credit and consumer loans. The allowance for commercial loans and letters of credit is established by credit type by analyzing historical loss experience, by internal risk rating, current economic conditions and performance trends within each portfolio segment. The formula component allowance for consumer loans is based on aggregated portfolio segment evaluations generally by credit product type. Loss forecast models are utilized for consumer products which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies and credit scores. These components of the allowance are characterized as commercial non-impaired and total consumer, respectively, in Table 17.

A general portion of allowance for credit losses is maintained to cover uncertainties that affect our estimate of probable losses. These uncertainties include the imprecision inherent in the forecasting methodologies, certain industry and geographic concentrations (including global economic uncertainty) and exposures related to legally binding commitments that have not yet been drawn. Management assesses each of these components to determine the overall level of the general portion. The relationship of the general component to the total allowance for credit losses may fluctuate from period to period. Management evaluates the adequacy of the allowance for credit losses based on the combined total of specific, formula and general components.

The Corporation monitors differences between estimated and actual incurred credit losses. This monitoring process includes periodic assessments by senior management of credit portfolios and the models used to estimate incurred losses in those portfolios.

Additions to the allowance for credit losses are made by charges to the provision for credit losses. Credit exposures (excluding derivatives) deemed to be uncollectible are charged against the allowance for credit losses. Table 15 presents a rollforward of the allowance for credit losses. Recoveries of previously charged off amounts are credited to the allowance for credit losses. The provision for credit losses was $3.7 billion and $4.3 billion for 2002 and 2001, respectively. The allowance for credit losses was $6.9 billion at December 31, 2002 and 2001. The allowance for credit losses as a percentage of total outstanding loans and leases was 2.00 percent at December 31, 2002 compared to 2.09 percent at December 31, 2001.

Table 15 presents the activity in the allowance for credit losses for 2002 and 2001.

**TABLE 15 Allowance for Credit Losses**

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| **Balance, January 1** | **$ 6,875** | $ 6,838 |
| **Loans and leases charged off** | | |
| Commercial – domestic | **(1,793)** | (2,120) |
| Commercial – foreign | **(566)** | (249) |
| Commercial real estate – domestic | **(45)** | (46) |
| Total commercial | **(2,404)** | (2,415) |
| Residential mortgage | **(56)** | (39) |
| Home equity lines | **(40)** | (32) |
| Direct/Indirect consumer | **(355)** | (389) |
| Consumer finance[1] | **(333)** | (1,137) |
| Credit card | **(1,210)** | (753) |
| Other consumer domestic | **(57)** | (73) |
| Foreign consumer | **(5)** | (6) |
| Total consumer | **(2,056)** | (2,429) |
| Total loans and leases charged off | **(4,460)** | (4,844) |
| **Recoveries of loans and leases previously charged off** | | |
| Commercial – domestic | **322** | 171 |
| Commercial – foreign | **45** | 41 |
| Commercial real estate – domestic | **8** | 7 |
| Total commercial | **375** | 219 |
| Residential mortgage | **14** | 13 |
| Home equity lines | **14** | 13 |
| Direct/Indirect consumer | **145** | 139 |
| Consumer finance | **78** | 111 |
| Credit card | **116** | 81 |
| Other consumer domestic | **21** | 23 |
| Foreign consumer | **—** | 1 |
| Total consumer | **388** | 381 |
| Total recoveries of loans and leases previously charged off | **763** | 600 |
| Net charge-offs | **(3,697)** | (4,244) |
| Provision for credit losses[2] | **3,697** | 4,287 |
| Other, net | **(24)** | (6) |
| **Balance, December 31** | **$ 6,851** | $ 6,875 |
| Loans and leases outstanding at December 31 | **$342,755** | $329,153 |
| Allowance for credit losses as a percentage of loans and leases outstanding at December 31 | **2.00%** | 2.09% |
| Average loans and leases outstanding during the year | **$336,819** | $365,447 |
| Net charge-offs as a percentage of average outstanding loans and leases during the year | **1.10%** | 1.16% |
| Allowance for credit losses as a percentage of nonperforming loans at December 31 | **136.01** | 152.58 |
| Ratio of the allowance for credit losses at December 31 to net charge-offs | **1.85** | 1.62 |

(1) Includes $635 related to the exit of the subprime real estate lending business in 2001.

(2) Includes $395 related to the exit of the subprime real estate lending business in 2001.

For reporting purposes, the Corporation allocates its allowance across products; however, the allowance is available to absorb all credit losses without restriction. Table 16 represents our current allocation by product type and Table 17 presents an allocation by component.

During the fourth quarter of 2002, the Corporation updated historic loss rate factors used in estimating the allowance for loan losses to incorporate more current information. The most significant result was a decrease in the allowance for commercial – domestic real estate and an increase in the allowance for commercial – domestic loans.

**TABLE 16 Allocation of the Allowance for Credit Losses**

| | December 31 | |
|---|---|---|
| (Dollars in millions) | **2002** | 2001 |
| Commercial – domestic | **$ 2,392** | $ 1,974 |
| Commercial – foreign | **886** | 766 |
| Commercial real estate – domestic | **439** | 924 |
| Commercial real estate – foreign | **9** | 8 |
| Total commercial | **3,726** | 3,672 |
| Residential mortgage | **108** | 145 |
| Home equity lines | **49** | 83 |
| Direct/Indirect consumer | **361** | 367 |
| Consumer finance | **323** | 433 |
| Credit card | **1,031** | 821 |
| Foreign consumer | **9** | 10 |
| Total consumer | **1,881** | 1,859 |
| General | **1,244** | 1,344 |
| **Total** | **$ 6,851** | $ 6,875 |

**TABLE 17 Allocation of the Allowance for Credit Losses**

| | December 31 | | | |
|---|---|---|---|---|
| | **2002** | | 2001 | |
| (Dollars in millions) | **Amount** | **Percent** | Amount | Percent |
| Commercial non-impaired | **$2,807** | **41.0%** | $2,909 | 42.3% |
| Commercial impaired | **919** | **13.4** | 763 | 11.1 |
| Total commercial | **3,726** | **54.4** | 3,672 | 53.4 |
| Total consumer | **1,881** | **27.5** | 1,859 | 27.0 |
| General | **1,244** | **18.2** | 1,344 | 19.5 |
| **Total** | **$6,851** | **100%** | $6,875 | 100% |

While the allowance for commercial credit losses remained relatively flat at $3.7 billion, individual product reserves changed as a result of updated reserve rates based on a review of performance trends and portfolio deterioration. Commercial–domestic reserves increased $418 million year-to-year to end at $2.4 billion on December 31, 2002. This reflects an increased reserve rate partially offset by a $13.2 billion decrease in loans between December 31, 2002 and December 31, 2001. Similarly, commercial-foreign reserves increased $120 million reflecting increased reserve rates due to portfolio deterioration and partially offset by a $3.1 billion decrease in the portfolio. Reserves for commercial real estate-domestic loans decreased $485 million from December 31, 2001 due to updated reserve rates based on portfolio performance and a loan portfolio reduction of $2.4 billion since December 31, 2001. Specific reserves on impaired loans increased $156 million in 2002 reflecting an increase in our investment in specific loans considered impaired which was $4.1 billion at December 31, 2002 compared to $3.9 billion at December 31, 2001. Commercial –domestic impaired loans declined $585 million to $2.6 billion at December 31, 2002 compared to December 31, 2001. Commercial – foreign impaired loans increased $854 million to $1.4 billion. Commercial real estate impaired loans decreased $81 million to $159 million.

The allowance for credit losses in the consumer portfolio was $1.9 billion at December 31, 2002, consistent with December 31, 2001. Growth in the credit card and residential mortgage portfolios was offset by the application of updated performance trends that decreased consumer real estate reserve rates. Management expects continued growth in the credit card portfolio.

General reserves at December 31, 2002 were $1.2 billion, down $100 million from December 31, 2001, representing approximately 18 percent of the total allowance for credit losses. Management reviewed and adjusted the margin of imprecision and the binding unfunded loan commitment components of the general reserve due to updated information and factors. Partially offsetting these adjustments were increases to industry concentration components.

**Problem Loan Management**

In 2001, the Corporation realigned certain problem loan management activities into a wholly-owned subsidiary, Banc of America Strategic Solutions, Inc. (SSI). SSI was established to better align the management of commercial loan credit workout operations. The Corporation believes that economic returns will improve with more effective and efficient management processes afforded a closely aligned end-to-end function. The Corporation believes that economic returns will be maximized by assisting borrowing companies in refinancing with other lenders or through the capital markets, facilitating the sale of entire borrowing companies or certain assets/subsidiaries, negotiating

traditional restructurings using borrowing company cash flows to repay debts, selling individual assets in the secondary market when the market prices are attractive relative to assessed collateral values and by executing collateralized debt obligations or otherwise disposing of assets in bulk. From time to time, the Corporation may contribute or sell certain loans to SSI.

In September 2001, Bank of America, N.A. (BANA), a wholly-owned subsidiary of the Corporation, contributed to SSI, a consolidated subsidiary of BANA, commercial loans with a gross book balance of $3.2 billion in exchange for a class of preferred and for a class of common stock of SSI. For financial reporting under GAAP, the loan contribution was accounted for at carryover book basis as appropriate for entities under common control, and there was no change in the designation or measurement of the loans because the individual loan resolution strategies were not affected by the realignment or contribution. From time to time, management may identify certain loans to be considered for accelerated disposition. At that time, such loans or pools of loans would be redesignated as held for sale and remeasured at lower of cost or market.

The loan contribution was effected as an exchange for tax purposes. As is common in workout situations, the loans had a tax basis higher than their fair market value. Under the Internal Revenue Code (the Code), SSI received a carryover tax basis in the contributed loans. In addition, under the Code, the aggregate tax basis of the class of preferred and the class of common stock received in the exchange was equal to the basis of the loans contributed. Under the Code, the preferred stock's allocated tax basis was equal to its fair market value and the common stock was allocated the remaining tax basis, resulting in a tax basis in excess of its fair market value and book basis. We took into account the tax loss which results from the difference in tax basis and fair market value, recognized on the sale of this class of common stock to an unrelated third party, as well as the carryover tax basis in the contributed loans. The Corporation believes that recognition of the tax loss continues to be appropriate.

During September 2002, commercial loans with a gross book balance of $2.7 billion were sold to SSI. For tax purposes, under the Code, the sale was treated as a taxable exchange. The tax and accounting treatment of this sale had no financial statement impact on the Corporation because the sale was a transfer among entities under common control, and there was no change in the individual loan resolution strategies.

**Market Risk Management**

Market risk is the potential loss due to adverse changes in market prices and yields. Market risk is inherent in most of the Corporation's operating positions and/or activities including customers' loans, deposits, securities and long-term debt (interest rate risk), trading assets and liability positions and derivatives. Our market-sensitive assets and liabilities are generated through our customer and proprietary trading operations, asset/liability management activities and to a lesser degree from our mortgage banking activities. Loans and deposits generated through our traditional banking business generate interest income and expense, respectively, and the value of the cash flows change based on general economic levels, most importantly, the level of interest rates.

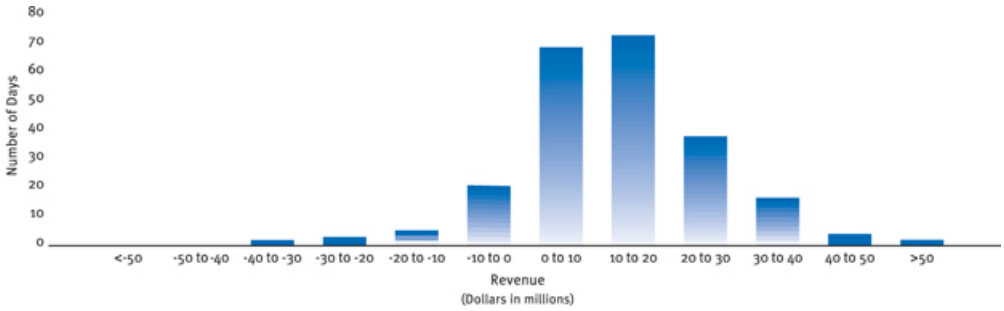
We manage trading risk within our proscribed risk appetite using hedging techniques. Trading positions are subject to all primary risk drivers, including interest rate, foreign exchange, equity and commodity. Trading positions are reported at market value with changes reflected in income, which is the estimated current cash exchange value. Our traditional banking loan and deposit products are non-trading positions and are reported at amortized cost for assets or the amount owed for liabilities and not market value. While existing accounting rules require a historical cost view of traditional banking assets and liabilities, these positions are still subject to changes in economic value based on varying market conditions. The effect of changes in the economic value of our loans and deposits is reflected in the levels of future income and expense produced by these positions versus levels that would be generated by current levels of interest rates. To hedge this risk, we use various financial instruments, both on- and off-balance sheet, to manage the risk, commonly referred to as ALM.

**Trading Risk Management**

Trading revenues (including trading account profits and related net interest income) represent the amount earned from our trading positions, which include trading account assets and liabilities, derivative positions and mortgage banking assets. Trading positions are taken in a diverse range of financial instruments and markets and are marked to market. Most are recorded based on actively quoted market prices or values. The remaining positions are recorded based on management's assessment of market value using market indicators and mathematical models. Trading profit can be volatile and is largely driven by general market conditions and customer demand. Profit is dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment.

A histogram of daily revenue or loss is a simple graphic depicting trading volatility and tracking success of trading-related revenue. Trading-related revenue encompasses both proprietary trading and customer-related activities. In 2002, positive trading-related revenue was recorded for 215 of 251 trading days. Furthermore, of the 36 days that showed negative revenue, only 12 were greater than $10 million, and the largest loss was $32 million.

**Histogram of Daily Trading-Related Revenue**
**Twelve Months Ended December 31, 2002**



To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. At a portfolio and corporate level, we use Value at Risk (VAR) modeling and stress testing. VAR is a key limit used to measure market risk. Trader limits and VAR are used to manage day-to-day risks and are subject to testing where we compare expected performance to actual performance. This testing provides us a real life view of our model's predictive accuracy. All limit excesses are communicated to senior management.

A VAR model estimates a range of hypothetical scenarios within which the next day's profit or loss is expected. These estimates are impacted by the nature of the positions in the portfolio and the correlation within the portfolio. Within any VAR model, there are significant and numerous assumptions that will differ from company to company. Our VAR model assumes a 99 percent confidence level. Statistically this means that over a three to five year period, one out of 100 trading days, or on average, two to three times a year, losses will exceed the model-calculated range. Actual losses did not exceed VAR in 2002 or 2000 but exceeded it once in 2001.

There are numerous assumptions and estimates associated with modeling, and actual results could differ. In addition to the review of our assumptions with senior management, we mitigate these uncertainties through close monitoring and by examining and updating assumptions on an ongoing basis. If the results of our analysis indicate higher than expected levels of risk, proactive measures are taken to adjust risk levels.

Table 18 presents actual daily VAR for both 2002 and 2001.

**TABLE 18 Trading Activities Market Risk**

| | 2002 | | | 2001 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | **Average VAR [1]** | **High VAR [2]** | **Low VAR [2]** | Average VAR [1] | High VAR [2] | Low VAR [2] |
| Foreign exchange | **$ 3.2** | **$ 7.1** | **$ 0.5** | $ 7.2 | $12.8 | $ 1.9 |
| Interest rate | **28.8** | **40.3** | **17.3** | 34.3 | 47.0 | 23.0 |
| Credit[3] | **14.8** | **21.6** | **6.5** | 10.9 | 17.3 | 3.0 |
| Real estate/mortgage[4] | **19.2** | **61.6** | **2.5** | 33.2 | 55.5 | 8.8 |
| Equities | **8.8** | **18.2** | **4.3** | 15.4 | 25.1 | 8.9 |
| Commodities | **9.2** | **15.4** | **3.4** | 4.3 | 10.9 | 0.9 |
| Total trading portfolio | **40.1** | **69.8** | **19.2** | 52.7 | 69.9 | 35.8 |

(1) The average VAR for the total portfolio is less than the sum of the VARs of the individual portfolios due to risk offsets arising from the diversification of the portfolio.

(2) The high and low for the total portfolio may not equal the sum of the individual components as the highs or lows of the individual portfolios may have occurred on different trading days.

(3) Credit includes credit fixed income, credit derivatives, hedges of credit exposure and mortgage banking assets.

(4) Real estate/mortgage, which is included in the credit category in the Trading related revenue table in Note 4 of the consolidated financial statements, includes capital market real estate and mortgage banking certificates.

During the fourth quarter of 2002, we completed an enhancement of our methodology used in the VAR risk aggregation calculation. This approach utilizes historical market conditions over the last three years to derive estimates of trading risk and provides for the natural aggregation of trading risk across different groups. Historically, we used a mathematical method to allocate risk across different trading groups that did not assume the benefit of correlation across markets. This change resulted in a lower VAR calculation in 2002. Prior year VAR amounts have not been restated to reflect this change.

***Stress Testing***

Because the very nature of a VAR model suggests results can exceed our estimates, we "stress test" our portfolio. Stress testing estimates the value change in our trading portfolio due to abnormal market movements. Various stress scenarios are run regularly against the trading portfolio to verify that, even under extreme market moves, the Corporation will preserve its capital; to determine the effects of significant historical or hypothetical events; and to determine the effects of specific, extreme hypothetical, but plausible events. The results of the stress scenarios are calculated daily and reported to senior management as part of the regular reporting process. The results of certain specific, extreme hypothetical scenarios are presented to ALCO periodically. Examples of these specific stress scenarios include calculating the effects on the overall portfolio of an extreme Federal Reserve Board tightening or easing of interest rates, the effects of a prolonged conflict in the Middle East and a recession in Japan and its corresponding ripple effects globally.

In addition, for interest rate sensitive products and portfolios, we gauge the interest rate sensitivity through the use of a DV01 (Dollar Value of One Basis Point) method, which computes the impact of a one basis point (or 1/100 or 0.01 percent) movement in interest rates. The calculations are done on individual portfolios and at the aggregate level. This method is a useful tool for risk management, particularly at the individual trader level, but must be complemented with other tools.

**Interest Rate Risk Management**

Our ALM process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to our non-trading financial instruments.

Our overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to our net interest income caused by changes in market interest rates. In managing interest rate risk of our non-trading financial instruments we look at two broad portfolios – non-discretionary and discretionary. The non-discretionary portfolio consists of our customer-driven loan and deposit positions and securities required to support legal and regulatory requirements. To manage the resulting interest rate sensitivity of the non-discretionary portfolio, we utilize a discretionary portfolio of securities, residential mortgage loans and derivatives. Strategically positioning our discretionary portfolio allows us to manage the interest rate sensitivity in our non-discretionary portfolio.

Complex sensitivity simulations are used to estimate the impact on net interest income of numerous interest rate scenarios, balance sheet trends and strategies. These simulations estimate levels of short-term financial instruments, securities, loans, deposits, borrowings and ALM derivative instruments. In addition, these simulations incorporate assumptions about balance sheet dynamics such as loan and deposit growth and pricing, changes in funding mix and asset and liability repricing and maturity characteristics. In addition to net interest income sensitivity simulations, market value sensitivity measures are also utilized.

The Balance Sheet Management division maintains a net interest income forecast utilizing different rate scenarios, including a most likely scenario. The most likely scenario is designed around an economic forecast that is meant to estimate our expectation of the most likely path of rates for the upcoming horizon. The Balance Sheet Management division constantly updates the net interest income forecast for changing assumptions and differing outlooks based on actual results.

Net interest income risk is measured based on rate shocks over different time horizons versus a current stable interest rate environment. Assumptions used in these calculations are similar to those used in our corporate planning and forecasting process. The overall interest rate risk position and strategies are reviewed on an ongoing basis with ALCO and other committees as appropriate. Table 19 provides our estimated net interest income at risk over the subsequent year from December 31, 2002 and 2001 resulting from a 100 basis point gradual (over 12 months) increase or decrease in interest rates.

**TABLE 19 Estimated Net Interest Income at Risk**

| | -100 bp | +100 bp |
|---|---|---|
| **December 31, 2002** | **(2.4)%** | **1.5%** |
| December 31, 2001 | (0.8) | 0.4 |

*Securities*

The securities portfolio is integral to our ALM activities. The decision to purchase or sell securities is based upon the current assessment of economic and financial conditions, including the interest rate environment, liquidity and regulatory requirements and on- and off- balance sheet positions. The securities portfolio at December 31, 2002 ended down from a year ago. In 2002, we purchased securities of $146 billion, sold $137 billion and received paydowns of $25 billion. During the year, we continuously monitored the interest rate risk position of the portfolio and repositioned the securities portfolio in order to manage convexity risk and to take advantage of interest rate fluctuations. Through sales of the securities portfolio, we realized $630 million in gains on sales of securities during the year.

*Residential Mortgage Portfolio*

We repositioned the discretionary mortgage loan portfolio to manage prepayment risk resulting from the unusually low rate environment. The residential mortgages designated solely for ALM activities grew primarily through whole loan purchase activity. In 2002, we purchased $55.0 billion of residential mortgages in the wholesale market for our discretionary portfolio and interest rate risk management. During the same period, we sold $22.7 billion of whole mortgage loans and recognized $500 million in gains on the sales.

*Interest Rate and Foreign Exchange Derivative Contracts*

Interest rate derivative contracts and foreign exchange derivative contracts are utilized in our ALM process. We use derivatives as an efficient, low-cost tool to manage our interest rate risk. We use derivatives to hedge or offset the changes in cash flows or market values of our balance sheet. See Note 5 of the consolidated financial statements for additional information on the Corporation's hedging activities.

Our interest rate contracts are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards. In addition, we use foreign currency contracts to manage the foreign exchange risk associated with foreign-denominated assets and liabilities, as well as our equity investments in foreign subsidiaries. Table 20 reflects the notional amounts, fair value, weighted average receive fixed and pay fixed rates, expected maturity and estimated duration of our ALM derivatives at December 31, 2002 and 2001. Management believes the fair value of the ALM interest rate and foreign exchange portfolios should be viewed in the context of the combined discretionary and non-discretionary portfolios.

**TABLE 20 Asset and Liability Management Interest Rate and Foreign Exchange Contracts**

| (Dollars in millions, average estimated duration in years) | December 31, 2002 Fair Value | Expected Maturity Total | 2003 | 2004 | 2005 | 2006 | 2007 | Thereafter | Average Estimated Duration |
|---|---|---|---|---|---|---|---|---|---|
| **Open interest rate contracts** | | | | | | | | | |
| Total receive fixed swaps | $ 4,449 | | | | | | | | 4.89 |
| Notional amount | | $116,520 | $ 3,132 | $ 3,157 | $ 5,719 | $14,078 | $16,213 | $ 74,221 | |
| Weighted average receive rate | | 4.29% | 1.76% | 3.17% | 4.66% | 4.50% | 3.90% | 4.46% | |
| Total pay fixed swaps | (1,825) | | | | | | | | 4.07 |
| Notional amount | | $ 61,680 | $10,083 | $ 5,694 | $ 7,993 | $15,068 | $ 6,735 | $ 16,107 | |
| Weighted average pay rate | | 3.60% | 1.64% | 2.46% | 3.90% | 3.17% | 3.62% | 5.48% | |
| Basis swaps | (3) | | | | | | | | |
| Notional amount | | $ 15,700 | $ — | $ 9,000 | $ 500 | $ 4,400 | $ — | $ 1,800 | |
| Total swaps | 2,621 | | | | | | | | |
| Option products | 650 | | | | | | | | |
| Net notional amount[1] | | $ 48,374 | $ 1,000 | $ 6,767 | $40,000 | $ — | $ — | $ 607 | |
| Futures and forward rate contracts | (88) | | | | | | | | |
| Net notional amount[1] | | $ 8,850 | $(6,150) | $15,000 | | | | | |
| Total open interest rate contracts | 3,183 | | | | | | | | |
| **Closed interest rate contracts[2, 3]** | 955 | | | | | | | | |
| **Net interest rate contract position** | 4,138 | | | | | | | | |
| **Open foreign exchange contracts** | 313 | | | | | | | | |
| Notional amount | | $ 4,672 | $ 78 | $ 648 | $ 102 | $ 1,581 | $ 96 | $ 2,167 | |
| **Total ALM contracts** | $ 4,451 | | | | | | | | |

| (Dollars in millions, average estimated duration in years) | December 31, 2001 Fair Value | Expected Maturity Total | 2002 | 2003 | 2004 | 2005 | 2006 | Thereafter | Average Estimated Duration |
|---|---|---|---|---|---|---|---|---|---|
| **Open interest rate contracts** | | | | | | | | | |
| Total receive fixed swaps | $ 784 | | | | | | | | 4.68 |
| Notional amount | | $64,472 | $ 1,510 | $ 266 | $10,746 | $8,341 | $9,608 | $ 34,001 | |
| Weighted average receive rate | | 5.74% | 7.04% | 8.27% | 5.31% | 5.79% | 5.37% | 5.89% | |
| Total pay fixed swaps | (322) | | | | | | | | 2.26 |
| Notional amount | | $21,445 | $11,422 | $4,319 | $ 122 | $2,664 | $ 60 | $ 2,858 | |
| Weighted average pay rate | | 3.97% | 2.61% | 4.21% | 6.09% | 6.77% | 5.83% | 6.34% | |
| Basis swaps | — | | | | | | | | |
| Notional amount | | $15,700 | $ — | $ — | $ 9,000 | $ 500 | $4,400 | $ 1,800 | |
| Total swaps | 462 | | | | | | | | |
| Option products | 907 | | | | | | | | |
| Net notional amount[1] | | $ 7,000 | $ — | $7,000 | | | | | |
| Total open interest rate contracts | 1,369 | | | | | | | | |
| **Closed interest rate contracts[2, 3]** | 1,071 | | | | | | | | |
| **Net interest rate contract position** | 2,440 | | | | | | | | |
| **Open foreign exchange contracts** | (285) | | | | | | | | |
| Notional amount | | $ 6,968 | $ 465 | $ 283 | $ 576 | $1,180 | $2,335 | $ 2,129 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total ALM contracts** | $2,155 | | | | | | | | |

(1) Reflects the net of long and short positions.

(2) Represents the unamortized net realized deferred gains associated with closed contracts. As a result, no notional amount is reflected for expected maturity.

(3) The amount of unamortized net realized deferred gains associated with closed ALM swaps was $923 and $966 at December 31, 2002 and 2001, respectively. The amount of unamortized net realized deferred gains associated with closed ALM options was $21 and $114 at December 31, 2002 and 2001, respectively. The amount of unamortized net realized deferred gains (losses) associated with closed ALM futures and forward contracts was $11 and $(9) at December 31, 2002 and 2001, respectively. There were no unamortized net realized deferred gains or losses associated with closed foreign exchange contracts at December 31, 2002 and 2001. Of these unamortized net realized deferred gains, $234 was included in accumulated other comprehensive income and the remainder is primarily included as a basis adjustment of long-term senior debt at December 31, 2002.

Consistent with our strategy of managing interest rate sensitivity, the net receive fixed interest rate swap position increased by $11.8 billion to $54.8 billion at December 31, 2002. This increase primarily occurred in the last half of 2002. Option products in our ALM process may include option collars or spread strategies, which involve the buying and selling of options on the same underlying security or interest rate index. These strategies may involve caps, floors and options on index futures contracts.

The Corporation adopted SFAS 133 on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. We have not significantly altered our overall interest rate risk management objective and strategy as a result of adopting SFAS 133. For further information on SFAS 133, see Note 1 of the consolidated financial statements.

**Mortgage Banking Risk**

Mortgage production activities create unique interest rate and prepayment risk between the loan commitment date (pipeline) and the date the loan is sold to the secondary market. To manage interest rate risk, we enter into various financial instruments including interest rate swaps, forward delivery contracts, Euro dollar futures and option contracts. The notional amount of such contracts was $25.3 billion at December 31, 2002 with associated net unrealized losses of $224 million. At December 31, 2001, the notional amount of such contracts was $27.8 billion with associated net unrealized gains of $69 million. These contracts have an average expected maturity of less than 90 days.

Prepayment risk represents the loss in value associated with a high rate loan paying off in a low rate environment and the loss of servicing value when loans prepay. We manage prepayment risk using various financial instruments including purchased options and swaps. The notional amounts of such contracts at December 31, 2002 and 2001 were $53.1 billion and $65.1 billion, respectively. The related unrealized gain was $955 million and $301 million at December 31, 2002 and 2001, respectively. These amounts are included in the Derivatives table in Note 5 of the consolidated financial statements. See Note 1 for additional discussion of these financial instruments in the mortgage banking assets section.

**Operational Risk Management**

Operational risk is the potential for loss resulting from events involving people, processes, technology, legal/regulatory issues, external events, execution and reputation. Successful operational risk management is particularly important to a diversified financial services company like ours because of the very nature, volume and complexity of our various businesses.

In keeping with the corporate governance structure, the lines of businesses are responsible for all the risks within the business including operational risks. Such risks are managed through corporate wide or business segment specific policies and procedures, controls and monitoring tools. Examples of these include personnel management practices, data reconciliation processes, fraud management units, transaction processing monitoring and analysis, systems interruptions and new product introduction processes.

The Corporate Operational Risk Executive, reporting to the Chief Risk Officer, provides oversight to accelerate and facilitate consistency of effective policies, best practices, controls and monitoring tools for managing and assessing all types of operational risks across the company. The Operational Risk Executive also works with the business segment executives and their risk counterparts to implement appropriate policies, processes and assessments at the segment level. In addition, the Corporate Audit group places special emphasis on operational risk management processes, at both the corporate and segment levels, in its assessments and testing.

Operational risks fall into two major categories, business specific and corporate-wide affecting all business lines. Operational Risk Management plays a different role in each category. For business specific risks, Operational Risk Management works with the segments to ensure consistency in policies, processes, and assessments. With respect to corporate-wide risks, such as information security, business recovery, legal and compliance, Operational Risk Management assesses the risks, develops a consolidated corporate view and communicates that view to the business level.

At the business segment level, there are four business segment risk executives that are responsible for oversight of all operational risks in the business segments they support. In their management of these specific risks, they utilize corporate-wide operational risk policies, processes, and assessments. A specific example is our management of outsourced activities. To ensure that we meet our business segment objectives and manage the risks associated with these activities, vendor contracts contain specific corporate standards that allow for the tracking of service performance levels. In addition, we also have our Corporate Audit group perform independent assessments of vendor management processes and key vendor processes, the latter including on-site work at our more significant vendors.

To manage corporate-wide risks, we maintain specialized support groups, such as Legal, Information Security, Business Recovery, Supply Chain Management, Finance, Compliance and Technology and Operations. These groups assist the lines of business in the development and implementation of risk management practices specific to the needs of the individual businesses. An example of such an effort is our company-wide implementation of the anti-money laundering aspects of the USA Patriot Act.

Operational Risk Management working in conjunction with senior business segment executives, has developed two key tools to help manage, monitor, and summarize operational risk. The first tool the businesses and executive management utilize is a company-wide quarterly self-assessment process, which identifies and evaluates the status of risk issues, including mitigation plans if appropriate. The goal of this process, which originates at the segment level, is to ensure that the overall operating environment for segments is being continuously assessed and appropriately enhanced for changing conditions. This self-assessment is also used for identifying emerging operational risk issues and determining how they should be managed – at the business segment or corporate level. The risks identified in this process are also integrated into our quarterly financial forecasting process. The second process is a metrics review of key risk indicators. Each business has identified metrics for each category of operational risk noted above. The resulting review is used to identify trends and issues on both a corporate and a segment level.

The approach described above allows the Corporation to have a discipline that anticipates and mitigates the losses from operational risks.

**2001 Compared to 2000**

The following discussion and analysis provides a comparison of the Corporation's results of operations for 2001 and 2000. This discussion should be read in conjunction with the consolidated financial statements and related notes on pages 72 through 111. In addition, Tables 1 and 2 contain financial data to supplement this discussion.

**Overview**

Net income totaled $6.8 billion, or $4.18 per common share (diluted), in 2001 compared to $7.5 billion, or $4.52 per common share (diluted), in 2000. The return on average common shareholders' equity was 13.96 percent in 2001 compared to 15.96 percent in 2000.

Earnings excluding charges related to the Corporation's strategic decision to exit certain consumer finance businesses in 2001 and restructuring in 2000 were $8.0 billion, or $4.95 per common share (diluted), in 2001 compared to $7.9 billion, or $4.72 per common share (diluted), in 2000. Excluding these charges, the return on average common shareholders' equity was 16.53 percent in 2001 compared to 16.70 percent in 2000. Shareholder value added (SVA), which excludes exit and restructuring charges, remained essentially unchanged at $3.1 billion. For additional information on the use of non-GAAP financial measures and reconciliations to corresponding GAAP measures, see the Supplemental Financial Data section beginning on page 27.

Total revenue was $34.6 billion, an increase of $1.7 billion from 2000. Net interest income increased $1.9 billion to $20.3 billion. The increase was primarily due to changes in interest rates on the Corporation's asset and liability positions and investment portfolio repositioning, an increased trading-related contribution, higher deposit and equity levels and a favorable shift in loan mix. These factors were partially offset by the impact of the money market deposit pricing initiative and a decrease in auto lease financing contributions.

Noninterest income was $14.3 billion, a $234 million decrease. Service charges increased $401 million, or nine percent, driven by higher business volumes and corporate customers opting to pay higher fees rather than maintain additional deposit balances in the lower rate environment. Income from investment and brokerage services increased $183 million, or ten percent, largely due to higher corporate investment and brokerage services, new asset management business and the completed acquisition of Marsico Capital Management LLC (Marsico), partially offset by lower broker activity due to decreased trade volume. Mortgage banking income increased $81 million, or 16 percent, primarily reflecting higher origination activity and increased gains from higher loan sales to the secondary market, partially offset by increased prepayments on mortgage loans as a result of the declining interest rate environment. Investment banking income increased $67 million, or four percent, as strong growth in fixed income origination was offset by weaker demand for syndications, equity underwriting and advisory services. Equity investment gains decreased $763 million, or 72 percent, driven by the weaker equity markets. Card income increased $192 million, or nine percent, primarily due to new account growth in both credit and debit card and increased purchase volume on existing accounts. Trading account profits decreased $81 million, or four percent, as the SFAS 133 transition adjustment net loss and declines in trading results in Corporate Treasury were offset by improved trading results in *Global Corporate and Investment Banking* and favorable net mark-to-market adjustments on mortgage banking certificates and the related derivative instruments.

The provision for credit losses increased $1.8 billion in 2001 and included $395 million associated with exiting the subprime real estate lending business. Net charge-offs increased $1.8 billion to $4.2 billion or 1.16 percent of average loans and leases, primarily due to credit quality deterioration in the commercial – domestic portfolio and an increase in credit card charge-offs as well as $635 million in charge- offs associated with exiting the subprime real estate lending business.

Nonperforming assets were $4.9 billion, or 1.49 percent of loans, leases and foreclosed properties at December 31, 2001, a $549 million decrease from December 31, 2000. The decrease was primarily a result of the transfer of $1.2 billion of nonperforming subprime real estate loans to loans held for sale as well as nonperforming loan sales, partially offset by increases in the commercial – domestic loan portfolio that resulted from credit deterioration as companies were affected by the weakening economic environment. The allowance for credit losses totaled $6.9 billion or 2.09 percent of total loans and leases at December 31, 2001, a 35 basis point increase from 1.74 percent of total loans and leases at December 31, 2000.

Noninterest expense increased $2.1 billion, primarily driven by business exit costs of $1.30 billion in 2001, higher personnel, litigation, professional fees, data processing and marketing expenses, partially offset by the restructuring charge in 2000. Higher personnel expense was driven by a $150 million severance charge in the fourth quarter of 2001 related to ongoing efficiency improvement programs, higher revenue-related incentive compensation and increased salaries expense. The Corporation recorded $334 million in litigation expense in the fourth quarter of 2001 related to small settlements and an addition to the legal reserve to cover increased exposure to existing litigation. Higher professional fees reflected the increase in initiatives related to the Corporation's strategy to improve customer satisfaction, the launch of a company-wide Six Sigma quality and productivity program and implementation of a new integrated planning process.

A tax benefit of $418 million, generated as a result of the Corporation's realignment of certain problem loan management activities into a wholly-owned subsidiary (SSI), resulted in a 17 percent effective tax rate for the fourth quarter of 2001. The effective tax rates for 2001 and 2000 were 32.9 percent and 36.2 percent, respectively. For additional information on SSI, see "Problem Loan Management" beginning on page 48.

**Business Segment Operations**

*Consumer and Commercial Banking*

Total revenue increased $1.6 billion, or eight percent, in 2001 compared to 2000. Net interest income increased $856 million, or seven percent, due to a favorable shift in loan mix, overall loan and deposit growth and the Corporation's treasury asset and liability activities. This increase was partially offset by the impact of the money market deposit pricing initiative as the Corporation offered more competitive money market savings rates. Noninterest income increased $736 million, or 10 percent, driven by a nine percent increase in service charges, a nine percent increase in card income and strong mortgage banking revenue. Net income in 2001 rose $478 million, or 11 percent, due to the increases in net interest income and noninterest income discussed above, partially offset by an increase in the provision for credit losses and a four percent increase in noninterest expense. The provision for credit losses increased $551 million, or 53 percent, reflecting higher charge-offs in the commercial and credit card loan portfolios.

*Asset Management*

Total revenue remained flat at $2.5 billion in 2001, as the increase in net interest income was offset by a decline in noninterest income. Net interest income increased $78 million, or 12 percent, due to the Corporation's treasury asset and liability activities and growth in the commercial and residential mortgage loan portfolios. Noninterest income decreased $68 million, or four percent, as a decline in other income was partially offset by an increase in investment and brokerage services income. The increase in investment and brokerage services income was due to new asset management business and the completed acquisition of Marsico, partially offset by lower broker activity due to decreased trade volume. Net income decreased $66 million, or 11 percent, in 2001, primarily due to a $74 million increase in provision expense largely related to one loan that was charged off in the second quarter of 2001 and increased noninterest expense. Noninterest expense increased $75 million, or five percent, reflecting investments in new private banking offices, the acquisition of Marsico and personnel supporting the revenue growth initiatives, partially offset by one-time business divestiture expenditures in 2000. Assets under management increased $36.1 billion, or 13 percent, primarily driven by the growth in money market funds and the addition of the remaining Marsico Funds.

*Global Corporate and Investment Banking*

In 2001, total revenue increased $1.1 billion, or 14 percent, primarily due to $663 million, or 24 percent, growth in trading-related revenue. Net interest income increased $912 million, or 24 percent, as a result of higher trading-related activities and the Corporation's treasury asset and liability activities, partially offset by lower commercial loan levels. Noninterest income increased $230 million, or five percent, as increases in investment and brokerage services, corporate service charges, trading account profits and investment banking income were partially offset by a decline in other income. Net income increased $133 million, or seven percent, in 2001 as revenue growth was partially offset by higher credit-related costs and noninterest expense. The provision for credit losses increased $540 million to $1.3 billion due to credit quality deterioration in the commercial – domestic loan portfolio of Global Credit Products. A $373 million, or seven percent, increase in noninterest expense was primarily due to higher market-related incentives and other expenses in line with revenue growth.

*Equity Investments*

In 2001, both revenue and net income decreased substantially primarily due to lower equity investment gains. Equity investment gains decreased $753 million to $240 million. Principal Investing recorded cash gains of $425 million, offset by impairment charges of $335 million and fair value adjustment losses of $40 million. Equity investment gains in the strategic investments portfolio included $140 million in the first quarter of 2001 related to the sale of an interest in the Star Systems ATM network.

**Statistical Financial Information**
Bank of America Corporation and Subsidiaries

**TABLE I Average Balances and Interest Rates – Taxable-Equivalent Basis**

| (Dollars in millions) | 2002 Average Balance | 2002 Interest Income/ Expense | 2002 Yield/ Rate | 2001 Average Balance | 2001 Interest Income/ Expense | 2001 Yield/ Rate | 2000 Average Balance | 2000 Interest Income/ Expense | 2000 Yield/ Rate |
|---|---|---|---|---|---|---|---|---|---|
| **Earning assets** | | | | | | | | | |
| Time deposits placed and other short-term investments | **$ 10,038** | **$ 243** | **2.42%** | $ 6,723 | $ 318 | 4.73% | $ 4,863 | $ 336 | 6.91% |
| Federal funds sold and securities purchased under agreements to resell | **45,640** | **870** | **1.91** | 35,202 | 1,414 | 4.02 | 42,021 | 2,354 | 5.60 |
| Trading account assets | **79,562** | **3,860** | **4.85** | 66,418 | 3,653 | 5.50 | 48,938 | 2,751 | 5.62 |
| Securities[1] | **75,298** | **4,100** | **5.44** | 60,372 | 3,761 | 6.23 | 84,211 | 5,111 | 6.07 |
| Loans and leases[2]: | | | | | | | | | |
| Commercial – domestic | **109,724** | **7,370** | **6.72** | 133,569 | 9,879 | 7.40 | 148,168 | 12,025 | 8.12 |
| Commercial – foreign | **21,287** | **824** | **3.87** | 26,492 | 1,567 | 5.90 | 29,316 | 2,114 | 7.21 |
| Commercial real estate – domestic | **21,161** | **1,043** | **4.93** | 24,607 | 1,700 | 6.91 | 25,878 | 2,299 | 8.88 |
| Commercial real estate – foreign | **408** | **17** | **4.23** | 348 | 20 | 6.08 | 304 | 27 | 8.87 |
| Total commercial | **152,580** | **9,254** | **6.06** | 185,016 | 13,166 | 7.12 | 203,666 | 16,465 | 8.08 |
| Residential mortgage | **97,204** | **6,423** | **6.61** | 81,472 | 5,920 | 7.27 | 91,091 | 6,754 | 7.41 |
| Home equity lines | **22,807** | **1,213** | **5.32** | 22,013 | 1,625 | 7.38 | 19,492 | 1,748 | 8.97 |
| Direct/Indirect consumer | **30,264** | **2,145** | **7.09** | 30,374 | 2,466 | 8.12 | 30,915 | 2,689 | 8.70 |
| Consumer finance | **10,533** | **856** | **8.12** | 27,709 | 2,242 | 8.09 | 34,956 | 2,917 | 8.35 |
| Credit card | **21,410** | **2,195** | **10.25** | 16,641 | 1,879 | 11.29 | 10,279 | 1,241 | 12.07 |
| Foreign consumer | **2,021** | **74** | **3.68** | 2,222 | 127 | 5.80 | 2,223 | 195 | 8.77 |
| Total consumer | **184,239** | **12,906** | **7.01** | 180,431 | 14,259 | 7.90 | 188,956 | 15,544 | 8.23 |
| Total loans and leases | **336,819** | **22,160** | **6.58** | 365,447 | 27,425 | 7.50 | 392,622 | 32,009 | 8.15 |
| Other earning assets | **26,164** | **1,517** | **5.80** | 26,154 | 2,065 | 7.90 | 10,812 | 926 | 8.57 |
| Total earning assets[3] | **573,521** | **32,750** | **5.71** | 560,316 | 38,636 | 6.90 | 583,467 | 43,487 | 7.45 |
| Cash and cash equivalents | **21,166** | | | 22,542 | | | 24,766 | | |
| Other assets, less allowance for credit losses | **67,714** | | | 66,689 | | | 63,340 | | |
| **Total assets** | **$662,401** | | | $649,547 | | | $671,573 | | |
| **Interest-bearing liabilities** | | | | | | | | | |
| Domestic interest-bearing deposits: | | | | | | | | | |
| Savings | **$ 21,691** | **138** | **0.64** | $ 20,208 | 213 | 1.05 | $ 23,452 | 314 | 1.34 |
| NOW and money market deposit accounts | **131,841** | **1,369** | **1.04** | 114,657 | 2,498 | 2.18 | 99,927 | 2,941 | 2.94 |
| Consumer CDs and IRAs | **67,695** | **2,968** | **4.39** | 74,458 | 3,853 | 5.17 | 77,409 | 4,205 | 5.43 |
| Negotiable CDs, public funds and other time deposits | **4,237** | **128** | **3.03** | 5,848 | 290 | 4.96 | 7,626 | 481 | 6.31 |
| Total domestic interest-bearing deposits | **225,464** | **4,603** | **2.04** | 215,171 | 6,854 | 3.19 | 208,414 | 7,941 | 3.81 |
| Foreign interest-bearing deposits[4]: | | | | | | | | | |
| Banks located in foreign countries | **15,464** | **442** | **2.86** | 23,397 | 1,053 | 4.49 | 18,788 | 1,130 | 6.01 |
| Governments and official institutions | **2,316** | **43** | **1.86** | 3,615 | 152 | 4.21 | 8,922 | 513 | 5.75 |
| Time, savings and other | **18,769** | **346** | **1.84** | 22,940 | 827 | 3.62 | 26,024 | 1,423 | 5.47 |
| Total foreign interest-bearing deposits | **36,549** | **831** | **2.27** | 49,952 | 2,032 | 4.07 | 53,734 | 3,066 | 5.71 |
| Total interest-bearing deposits | **262,013** | **5,434** | **2.07** | 265,123 | 8,886 | 3.35 | 262,148 | 11,007 | 4.20 |
| Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings | **104,153** | **2,089** | **2.01** | 92,476 | 4,167 | 4.51 | 131,492 | 7,957 | 6.05 |
| Trading account liabilities | **31,600** | **1,261** | **3.99** | 29,995 | 1,155 | 3.85 | 23,843 | 892 | 3.74 |
| Long-term debt and trust preferred securities | **66,045** | **2,455** | **3.72** | 69,622 | 3,795 | 5.45 | 70,293 | 4,960 | 7.06 |
| Total interest-bearing liabilities[3] | **463,811** | **11,239** | **2.42** | 457,216 | 18,003 | 3.94 | 487,776 | 24,816 | 5.09 |
| Noninterest-bearing sources: | | | | | | | | | |
| Noninterest-bearing deposits | **109,466** | | | 97,529 | | | 91,146 | | |
| Other liabilities | **41,511** | | | 46,124 | | | 45,519 | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Shareholders'equity | **47,613** | | | 48,678 | | | 47,132 | | |
| **Total liabilities and shareholders' equity** | **$662,401** | | | $649,547 | | | $671,573 | | |
| Net interest spread | | | **3.29** | | | 2.96 | | | 2.36 |
| Impact of noninterest-bearing sources | | | **0.46** | | | 0.72 | | | 0.84 |
| **Net interest income/yield on earning assets** | | **$ 21,511** | **3.75**% | | $ 20,633 | 3.68% | | $ 18,671 | 3.20% |

(1) The average balance and yield on securities are based on the average of historical amortized cost balances.

(2) Nonperforming loans are included in the respective average loan balances. Income on such nonperforming loans is recognized on a cash basis.

(3) Interest income includes the impact of interest rate risk management contracts, which increased (decreased) interest income on the underlying assets $1,983, $978 and $(48) in 2002, 2001 and 2000, respectively. These amounts were substantially offset by corresponding decreases or increases in the income earned on the underlying assets. Interest expense includes the impact of interest rate risk management contracts, which (increased) decreased interest expense on the underlying liabilities $(141), $63 and $(36) in 2002, 2001 and 2000, respectively. These amounts were substantially offset by corresponding decreases or increases in the interest paid on the underlying liabilities. For further information on interest rate contracts, see Interest Rate Risk Management.

(4) Primarily consists of time deposits in denominations of $100,000 or more.

**TABLE II Analysis of Changes in Net Interest Income – Taxable-Equivalent Basis**

| (Dollars in millions) | From 2001 to 2002 Due to Change in [1] Volume | Rate | Net Change | From 2000 to 2001 Due to Change in [1] Volume | Rate | Net Change |
|---|---|---|---|---|---|---|
| **Increase (decrease) in interest income** | | | | | | |
| Time deposits placed and other short-term investments | **$ 157** | **$ (232)** | **$ (75)** | $ 129 | $ (147) | $ (18) |
| Federal funds sold and securities purchased under agreements to resell | **421** | **(965)** | **(544)** | (383) | (557) | (940) |
| Trading account assets | **723** | **(516)** | **207** | 982 | (80) | 902 |
| Securities | **930** | **(591)** | **339** | (1,446) | 96 | (1,350) |
| Loans and leases: | | | | | | |
| Commercial – domestic | **(1,759)** | **(750)** | **(2,509)** | (1,179) | (967) | (2,146) |
| Commercial – foreign | **(311)** | **(432)** | **(743)** | (204) | (343) | (547) |
| Commercial real estate – domestic | **(238)** | **(419)** | **(657)** | (114) | (485) | (599) |
| Commercial real estate – foreign | **5** | **(8)** | **(3)** | 4 | (11) | (7) |
| Total commercial | | | **(3,912)** | | | (3,299) |
| Residential mortgage | **1,147** | **(644)** | **503** | (717) | (117) | (834) |
| Home equity lines | **58** | **(470)** | **(412)** | 227 | (350) | (123) |
| Direct/Indirect consumer | **(9)** | **(312)** | **(321)** | (46) | (177) | (223) |
| Consumer finance | **(1,390)** | **4** | **(1,386)** | (603) | (72) | (675) |
| Credit card | **538** | **(222)** | **316** | 768 | (130) | 638 |
| Foreign consumer | **(10)** | **(43)** | **(53)** | — | (68) | (68) |
| Total consumer | | | **(1,353)** | | | (1,285) |
| Total loans and leases | | | **(5,265)** | | | (4,584) |
| Other earning assets | **2** | **(550)** | **(548)** | 1,315 | (176) | 1,139 |
| Total interest income | | | **(5,886)** | | | (4,851) |
| **Increase (decrease) in interest expense** | | | | | | |
| Domestic interest-bearing deposits: | | | | | | |
| Savings | **15** | **(90)** | **(75)** | (43) | (58) | (101) |
| NOW and money market deposit accounts | **376** | **(1,505)** | **(1,129)** | 430 | (873) | (443) |
| Consumer CDs and IRAs | **(353)** | **(532)** | **(885)** | (162) | (190) | (352) |
| Negotiated CDs, public funds and other time deposits | **(80)** | **(82)** | **(162)** | (112) | (79) | (191) |
| Total domestic interest-bearing deposits | | | **(2,251)** | | | (1,087) |
| Foreign interest-bearing deposits: | | | | | | |
| Banks located in foreign countries | **(359)** | **(252)** | **(611)** | 276 | (353) | (77) |
| Governments and official institutions | **(54)** | **(55)** | **(109)** | (305) | (56) | (361) |
| Time, savings and other | **(148)** | **(333)** | **(481)** | (168) | (428) | (596) |
| Total foreign interest-bearing deposits | | | **(1,201)** | | | (1,034) |
| Total interest-bearing deposits | | | **(3,452)** | | | (2,121) |
| Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings | **530** | **(2,608)** | **(2,078)** | (2,362) | (1,428) | (3,790) |
| Trading account liabilities | **62** | **44** | **106** | 230 | 33 | 263 |
| Long-term debt and trust preferred securities | **(196)** | **(1,144)** | **(1,340)** | (45) | (1,120) | (1,165) |
| Total interest expense | | | **(6,764)** | | | (6,813) |
| **Net increase in net interest income** | | | **$ 878** | | | $ 1,962 |

[1] The changes for each category of interest income and expense are divided between the portion of change attributable to the variance in volume or rate for that category. The change in rate/volume variance has been allocated to the rate variance.

**TABLE III Core Net Interest Income**

| (Dollars in millions) | **2002** | 2001 | 2000 | 1999 |
|---|---|---|---|---|
| **Net interest income** | | | | |
| As reported on a taxable-equivalent basis | **$ 21,511** | $ 20,633 | $ 18,671 | $ 18,342 |
| Less: Trading-related net interest income | **(1,970)** | (1,609) | (1,044) | (688) |
| Add: Impact of revolving securitizations | **522** | 695 | 919 | 929 |
| **Core net interest income** | **$ 20,063** | $ 19,719 | $ 18,546 | $ 18,583 |
| **Average earning assets** | | | | |
| As reported | **$573,521** | $560,316 | $583,467 | $531,511 |
| Less: Trading-related earning assets | **(124,593)** | (102,111) | (89,921) | (73,028) |
| Add: Impact of revolving securitizations | **6,272** | 10,112 | 13,352 | 13,846 |
| **Core average earning assets** | **$455,200** | $468,317 | $506,898 | $472,329 |
| **Net interest yield on earning assets** | | | | |
| As reported | **3.75%** | 3.68% | 3.20% | 3.45% |
| Add: Impact of trading-related activities | **0.60** | 0.47 | 0.38 | 0.40 |
| Add: Impact of revolving securitizations | **0.06** | 0.06 | 0.08 | 0.08 |
| **Core net interest yield on earning assets** | **4.41%** | 4.21% | 3.66% | 3.93% |

**TABLE IV Selected Loan Maturity Data[1]**

| | December 31, 2002 | | | |
|---|---|---|---|---|
| (Dollars in millions) | Due in 1 Year or Less | Due After 1 Year Through 5 Years | Due After 5 Years | Total |
| Commercial – domestic | $37,656 | $41,831 | $19,665 | $ 99,152 |
| Commercial real estate – domestic | 9,066 | 8,345 | 2,499 | 19,910 |
| Foreign[2] | 14,324 | 2,562 | 807 | 17,693 |
| **Total selected loans** | $61,046 | $52,738 | $22,971 | $136,755 |
| Percent of total | 44.6% | 38.6% | 16.8% | 100.0% |
| Sensitivity of loans to changes in interest rates for loans due after one year: | | | | |
| Fixed interest rates | | $ 6,780 | $11,380 | |
| Floating or adjustable interest rates | | 45,958 | 11,591 | |
| **Total** | | $52,738 | $22,971 | |

(1) Loan maturities are based on the remaining maturities under contractual terms.

(2) Loan maturities include consumer and commercial foreign loans.

**TABLE V Short-Term Borrowings**

| (Dollars in millions) | 2002 Amount | 2002 Rate | 2001 Amount | 2001 Rate | 2000 Amount | 2000 Rate |
|---|---|---|---|---|---|---|
| **Federal funds purchased** | | | | | | |
| At December 31 | **$ 5,167** | **1.15%** | $ 5,487 | 1.45% | $ 4,612 | 5.92% |
| Average during year | **5,470** | **1.63** | 6,267 | 3.99 | 4,506 | 6.44 |
| Maximum month-end balance during year | **9,663** | — | 8,718 | — | 7,149 | — |
| **Securities sold under agreements to repurchase** | | | | | | |
| At December 31 | **59,912** | **1.44** | 42,240 | 1.25 | 44,799 | 6.26 |
| Average during year | **67,751** | **1.73** | 54,826 | 4.01 | 79,217 | 5.93 |
| Maximum month-end balance during year | **99,313** | — | 70,674 | — | 90,062 | — |
| **Commercial paper** | | | | | | |
| At December 31 | **114** | **1.20** | 1,558 | 1.99 | 6,955 | 6.54 |
| Average during year | **1,025** | **1.73** | 4,156 | 4.91 | 9,645 | 6.41 |
| Maximum month-end balance during year | **1,946** | — | 7,410 | — | 10,762 | — |
| **Other short-term borrowings** | | | | | | |
| At December 31 | **25,120** | **1.29** | 20,659 | 2.13 | 35,243 | 5.97 |
| Average during year | **29,907** | **2.71** | 27,227 | 5.56 | 38,124 | 6.18 |
| Maximum month-end balance during year | **41,235** | — | 39,391 | — | 45,271 | — |

**TABLE VI Debt and Lease Obligations**

| (Dollars in millions) | December 31, 2002 Due in 1 Year or Less | Due After 1 Year Through 3 Years | Due After 3 Years Through 5 Years | Due After 5 Years | Total |
|---|---|---|---|---|---|
| Long-term debt and capital leases[1] | $8,219 | $17,005 | $12,723 | $23,198 | $61,145 |
| Trust preferred securities[1] | — | — | — | 6,031 | 6,031 |
| Operating lease obligations | 1,166 | 2,174 | 1,864 | 2,174 | 7,378 |
| **Total debt and lease obligations** | $9,385 | $19,179 | $14,587 | $31,403 | $74,554 |

(1) Includes principal payments only.

**TABLE VII Credit Extension Commitments**

| (Dollars in millions) | December 31, 2002 | | | | |
|---|---|---|---|---|---|
| | Expires in 1 Year or Less | Expires After 1 Year Through 3 Years | Expires After 3 Years Through 5 Years | Expires After 5 Years | Total |
| Loan commitments[1] | $ 98,101 | $45,321 | $27,616 | $41,666 | $212,704 |
| Standby letters of credit and financial guarantees | 20,002 | 6,440 | 985 | 3,410 | 30,837 |
| Commercial letters of credit | 2,674 | 162 | 1 | 272 | 3,109 |
| **Legally binding commitments** | 120,777 | 51,923 | 28,602 | 45,348 | 246,650 |
| Credit card lines | 73,779 | — | — | — | 73,779 |
| **Total** | $194,556 | $51,923 | $28,602 | $45,348 | $320,429 |

(1) Equity commitments of $2.2 billion and $2.5 billion primarily related to obligations to fund existing venture capital investments were included in loan commitments at December 31, 2002 and 2001, respectively.

**TABLE VIII Outstanding Loans and Leases[1]**

| (Dollars in millions) | December 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2002** | | 2001 | | 2000 | | 1999 | | 1998 | |
| | **Amount** | **Percent** | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| Commercial – domestic | $105,053 | 30.6 | $118,205 | 35.9 | $146,040 | 37.2 | $143,450 | 38.7 | $137,422 | 38.5 |
| Commercial – foreign | 19,912 | 5.8 | 23,039 | 7.0 | 31,066 | 7.9 | 27,978 | 7.5 | 31,495 | 8.8 |
| Commercial real estate – domestic | 19,910 | 5.8 | 22,271 | 6.8 | 26,154 | 6.7 | 24,026 | 6.5 | 26,912 | 7.5 |
| Commercial real estate – foreign | 295 | 0.1 | 383 | 0.1 | 282 | 0.1 | 325 | 0.1 | 301 | 0.1 |
| Total commercial | 145,170 | 42.3 | 163,898 | 49.8 | 203,542 | 51.9 | 195,779 | 52.8 | 196,130 | 54.9 |
| Residential mortgage | 108,197 | 31.6 | 78,203 | 23.8 | 84,394 | 21.5 | 81,860 | 22.1 | 73,608 | 20.6 |
| Home equity lines | 23,236 | 6.8 | 22,107 | 6.7 | 21,598 | 5.5 | 17,273 | 4.7 | 15,653 | 4.4 |
| Direct/Indirect consumer | 31,068 | 9.1 | 30,317 | 9.2 | 29,859 | 7.6 | 31,997 | 8.6 | 31,918 | 8.9 |
| Consumer finance | 8,384 | 2.4 | 12,652 | 3.9 | 36,398 | 9.3 | 32,490 | 8.8 | 23,992 | 6.7 |
| Credit card | 24,729 | 7.2 | 19,884 | 6.0 | 14,094 | 3.6 | 9,019 | 2.4 | 12,425 | 3.5 |
| Foreign consumer | 1,971 | 0.6 | 2,092 | 0.6 | 2,308 | 0.6 | 2,244 | 0.6 | 3,602 | 1.0 |
| Total consumer | 197,585 | 57.7 | 165,255 | 50.2 | 188,651 | 48.1 | 174,883 | 47.2 | 161,198 | 45.1 |
| **Total** | $342,755 | 100.0 | $329,153 | 100.0 | $392,193 | 100.0 | $370,662 | 100.0 | $357,328 | 100.0 |

(1) The Corporation used credit derivatives to provide credit protection (single name credit default swaps, basket credit default swaps and CLOs) for loan counterparties in the amounts of $16.7 billion and $14.5 billion at December 31, 2002 and 2001, respectively.

**TABLE IX Selected Emerging Markets**

| (Dollars in millions) | Loans and Loan Commitments | Other Financing[1] | Derivative Assets | Securities/ Other Investments[2] | Total Cross-Border Exposure[3] | Gross Local Country Exposure[4] | Total Foreign Exposure December 31, 2002 | Increase/ (Decrease) from December 31, 2001 |
|---|---|---|---|---|---|---|---|---|
| **Region/Country** | | | | | | | | |
| **Asia** | | | | | | | | |
| China | $ 80 | $ 14 | $ 54 | $ 35 | $ 183 | $ 61 | **$ 244** | $ (31) |
| Hong Kong[5] | 157 | 56 | 82 | 109 | 404 | 3,400 | **3,804** | (451) |
| India | 405 | 48 | 70 | 32 | 555 | 818 | **1,373** | (407) |
| Indonesia | 82 | — | 17 | 15 | 114 | 6 | **120** | (155) |
| Korea (South) | 154 | 322 | 20 | 8 | 504 | 732 | **1,236** | 26 |
| Malaysia | 9 | 3 | 1 | 2 | 15 | 225 | **240** | (106) |
| Pakistan | 7 | — | — | — | 7 | — | **7** | (12) |
| Philippines | 30 | 31 | 4 | 10 | 75 | 81 | **156** | (166) |
| Singapore | 170 | 7 | 86 | 10 | 273 | 1,395 | **1,668** | 270 |
| Taiwan | 294 | 205 | 35 | 52 | 586 | 503 | **1,089** | 176 |
| Thailand | 36 | 10 | 19 | 26 | 91 | 172 | **263** | (125) |
| Other | 3 | 17 | 1 | — | 21 | 75 | **96** | (24) |
| Total | $ 1,427 | $ 713 | $ 389 | $ 299 | $ 2,828 | $ 7,468 | **$10,296** | $(1,005) |
| **Central and Eastern Europe** | | | | | | | | |
| Russian Federation | $ — | $ — | $ — | $ 5 | $ 5 | $ — | **$ 5** | $ 5 |
| Turkey | 30 | 9 | — | 19 | 58 | — | **58** | (69) |
| Other | 14 | 23 | 45 | 191 | 273 | 28 | **301** | 35 |
| Total | $ 44 | $ 32 | $ 45 | $ 215 | $ 336 | $ 28 | **$ 364** | $ (29) |
| **Latin America** | | | | | | | | |
| Argentina | $ 249 | $ 47 | $ 2 | $ 78 | $ 376 | $ 89 | **$ 465** | $ (280) |
| Brazil | 298 | 240 | 55 | 152 | 745 | 430 | **1,175** | (1,299) |
| Chile | 118 | 9 | 8 | 6 | 141 | — | **141** | (108) |
| Colombia | 76 | 6 | 5 | 1 | 88 | — | **88** | (51) |
| Mexico | 708 | 168 | 128 | 400 | 1,404 | 185 | **1,589** | (638) |
| Venezuela | 105 | 4 | 6 | 114 | 229 | 3 | **232** | (9) |
| Other | 104 | 89 | 3 | 29 | 225 | — | **225** | (71) |
| Total | $ 1,658 | $ 563 | $ 207 | $ 780 | $ 3,208 | $ 707 | **$ 3,915** | $(2,456) |
| **Total** | $ 3,129 | $ 1,308 | $ 641 | $ 1,294 | $ 6,372 | $ 8,203 | **$14,575** | $(3,490) |

(1) Includes acceptances, standby letters of credit, commercial letters of credit and formal guarantees.

(2) Amounts outstanding in the table above for Philippines, Argentina, Mexico, Venezuela and Latin America Other have been reduced by $12, $90, $505, $131 and $37, respectively, at December 31, 2002, and $10, $0, $436, $105 and $32, respectively, at December 31, 2001. Such amounts represent the fair value of U.S. Treasury securities held as collateral outside the country of exposure.

(3) Cross-border exposure includes amounts payable to the Corporation by residents of countries other than the one in which the credit is booked, regardless of the currency in which the claim is denominated, consistent with FFIEC reporting rules.

(4) Gross local country exposure includes amounts payable to the Corporation by residents of countries in which the credit is booked, regardless of the currency in which the claim is denominated. Management does not net local funding or liabilities against local exposures as allowed by the FFIEC.

(5) Gross local country exposure to Hong Kong consisted of $1,828 of consumer loans and $1,572 of commercial exposure at December 31, 2002. The consumer loans were collateralized primarily by residential real estate. The commercial exposure was primarily to local clients and was diversified across many industries.

**TABLE X Nonperforming Assets[1]**

| (Dollars in millions) | At December 31 | | | | |
|---|---|---|---|---|---|
| | **2002** | 2001 | 2000 | 1999 | 1998 |
| **Nonperforming loans** | | | | | |
| Commercial – domestic | **$ 2,781** | $ 3,123 | $ 2,777 | $ 1,163 | $ 812 |
| Commercial – foreign | **1,359** | 461 | 486 | 486 | 314 |
| Commercial real estate – domestic | **161** | 240 | 236 | 191 | 299 |
| Commercial real estate – foreign | **3** | 3 | 3 | 3 | 4 |
| Total commercial | **4,304** | 3,827 | 3,502 | 1,843 | 1,429 |
| Residential mortgage | **612** | 556 | 551 | 529 | 722 |
| Home equity lines | **66** | 80 | 32 | 46 | 50 |
| Direct/Indirect consumer | **30** | 27 | 19 | 19 | 21 |
| Consumer finance | **19** | 9 | 1,095 | 598 | 246 |
| Foreign consumer | **6** | 7 | 9 | 7 | 14 |
| Total consumer | **733** | 679 | 1,706 | 1,199 | 1,053 |
| Total nonperforming loans | **5,037** | 4,506 | 5,208 | 3,042 | 2,482 |
| **Foreclosed properties** | **225** | 402 | 249 | 163 | 282 |
| **Total nonperforming assets** | **$ 5,262** | $ 4,908 | $ 5,457 | $ 3,205 | $ 2,764 |
| Nonperforming assets as a percentage of: | | | | | |
| Total assets | **0.80%** | 0.79% | 0.85% | 0.51% | 0.45% |
| Outstanding loans, leases and foreclosed properties | **1.53** | 1.49 | 1.39 | 0.86 | 0.77 |
| Nonperforming loans as a percentage of outstanding loans and leases | **1.47** | 1.37 | 1.33 | 0.82 | 0.69 |

(1) In 2002, $668 in interest income was contractually due on nonperforming loans and troubled debt restructured loans. Of this amount, $193 was actually recorded as interest income in 2002.

**TABLE XI Allowance for Credit Losses**

| (Dollars in millions) | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Balance, January 1** | **$ 6,875** | $ 6,838 | $ 6,828 | $ 7,122 | $ 6,778 |
| **Loans and leases charged off** | | | | | |
| Commercial – domestic | **(1,793)** | (2,120) | (1,412) | (820) | (714) |
| Commercial – foreign | **(566)** | (249) | (117) | (161) | (262) |
| Commercial real estate – domestic | **(45)** | (46) | (31) | (19) | (21) |
| Commercial real estate – foreign | **—** | — | (1) | (1) | — |
| Total commercial | **(2,404)** | (2,415) | (1,561) | (1,001) | (997) |
| Residential mortgage | **(56)** | (39) | (36) | (35) | (33) |
| Home equity lines | **(40)** | (32) | (29) | (24) | (27) |
| Direct/Indirect consumer | **(355)** | (389) | (395) | (434) | (486) |
| Consumer finance[1] | **(333)** | (1,137) | (512) | (445) | (594) |
| Credit card | **(1,210)** | (753) | (392) | (571) | (857) |
| Other consumer domestic | **(57)** | (73) | (66) | (52) | (43) |
| Foreign consumer | **(5)** | (6) | (4) | (20) | (13) |
| Total consumer | **(2,056)** | (2,429) | (1,434) | (1,581) | (2,053) |
| Total loans and leases charged off | **(4,460)** | (4,844) | (2,995) | (2,582) | (3,050) |
| **Recoveries of loans and leases previously charged off** | | | | | |
| Commercial – domestic | **322** | 171 | 125 | 109 | 97 |
| Commercial – foreign | **45** | 41 | 31 | 17 | 20 |
| Commercial real estate – domestic | **8** | 7 | 18 | 25 | 21 |
| Commercial real estate – foreign | **—** | — | 3 | — | — |
| Total commercial | **375** | 219 | 177 | 151 | 138 |
| Residential mortgage | **14** | 13 | 9 | 7 | 4 |
| Home equity lines | **14** | 13 | 9 | 12 | 10 |
| Direct/Indirect consumer | **145** | 139 | 149 | 150 | 138 |
| Consumer finance | **78** | 111 | 178 | 170 | 186 |
| Credit card | **116** | 81 | 54 | 76 | 93 |
| Other consumer domestic | **21** | 23 | 18 | 13 | 11 |
| Foreign consumer | **—** | 1 | 1 | 3 | 3 |
| Total consumer | **388** | 381 | 418 | 431 | 445 |
| Total recoveries of loans and leases previously charged off | **763** | 600 | 595 | 582 | 583 |
| Net charge-offs | **(3,697)** | (4,244) | (2,400) | (2,000) | (2,467) |
| Provision for credit losses[2] | **3,697** | 4,287 | 2,535 | 1,820 | 2,920 |
| Other, net | **(24)** | (6) | (125) | (114) | (109) |
| **Balance, December 31** | **$ 6,851** | $ 6,875 | $ 6,838 | $ 6,828 | $ 7,122 |
| Loans and leases outstanding at December 31 | **$342,755** | $329,153 | $392,193 | $370,662 | $357,328 |
| Allowance for credit losses as a percentage of loans and leases outstanding at December 31 | **2.00%** | 2.09% | 1.74% | 1.84% | 1.99% |
| Average loans and leases outstanding during the year | **$336,819** | $365,447 | $392,622 | $362,783 | $347,840 |
| Net charge-offs as a percentage of average outstanding loans and leases during the year | **1.10%** | 1.16% | 0.61% | 0.55% | 0.71% |
| Allowance for credit losses as a percentage of nonperforming loans at December 31 | **136.01** | 152.58 | 131.30 | 224.48 | 287.01 |
| Ratio of the allowance for credit losses at December 31 to net charge-offs | **1.85** | 1.62 | 2.85 | 3.41 | 2.89 |

(1) Includes $635 related to the exit of the subprime real estate lending business in 2001.

(2) Includes $395 related to the exit of the subprime real estate lending business in 2001.

**TABLE XII Allocation of the Allowance for Credit Losses**

| | At December 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2002** | | 2001 | | 2000 | | 1999 | | 1998 | |
| (Dollars in millions) | **Amount** | **Percent** | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| Commercial – domestic | **$ 2,392** | **34.9** | $ 1,974 | 28.7 | $ 1,993 | 29.1 | $ 1,875 | 27.4 | $ 1,540 | 21.6 |
| Commercial – foreign | **886** | **12.9** | 766 | 11.1 | 796 | 11.6 | 930 | 13.6 | 1,327 | 18.6 |
| Commercial real estate – domestic | **439** | **6.4** | 924 | 13.5 | 989 | 14.5 | 927 | 13.6 | 925 | 13.0 |
| Commercial real estate – foreign | **9** | **0.2** | 8 | 0.1 | 7 | 0.1 | 11 | 0.2 | — | — |
| Total commercial | **3,726** | **54.4** | 3,672 | 53.4 | 3,785 | 55.3 | 3,743 | 54.8 | 3,792 | 53.2 |
| Residential mortgage | **108** | **1.6** | 145 | 2.1 | 151 | 2.2 | 160 | 2.3 | 137 | 1.9 |
| Home equity lines | **49** | **0.7** | 83 | 1.2 | 77 | 1.1 | 60 | 0.9 | 46 | 0.6 |
| Direct/Indirect consumer | **361** | **5.3** | 367 | 5.4 | 320 | 4.7 | 355 | 5.2 | 474 | 6.7 |
| Consumer finance | **323** | **4.7** | 433 | 6.3 | 722 | 10.6 | 712 | 10.4 | 711 | 10.0 |
| Credit card | **1,031** | **15.0** | 821 | 11.9 | 549 | 8.0 | 348 | 5.1 | 501 | 7.0 |
| Foreign consumer | **9** | **0.1** | 10 | 0.1 | 11 | 0.2 | 11 | 0.2 | 26 | 0.4 |
| Total consumer | **1,881** | **27.4** | 1,859 | 27.0 | 1,830 | 26.8 | 1,646 | 24.1 | 1,895 | 26.6 |
| General | **1,244** | **18.2** | 1,344 | 19.6 | 1,223 | 17.9 | 1,439 | 21.1 | 1,435 | 20.2 |
| **Total** | **$ 6,851** | **100.0** | $ 6,875 | 100.0 | $ 6,838 | 100.0 | $ 6,828 | 100.0 | $ 7,122 | 100.0 |

**TABLE XIII Exposure Exceeding One Percent of Total Assets[1,2]**

| (Dollars in millions) | December 31 | Public Sector | Banks | Private Sector | Total Exposure | Exposure as a Percentage of Total Assets |
|---|---|---|---|---|---|---|
| United Kingdom | **2002** | **$ 167** | **$3,554** | **$11,320** | **$15,041** | **2.28%** |
| | 2001 | 139 | 2,807 | 8,889 | 11,835 | 1.90 |
| | 2000 | 355 | 1,962 | 6,167 | 8,484 | 1.32 |
| Germany | **2002** | **363** | **2,898** | **3,761** | **7,022** | **1.06** |
| | 2001 | 2,118 | 2,571 | 2,251 | 6,940 | 1.12 |
| | 2000 | 2,188 | 2,249 | 2,062 | 6,499 | 1.01 |
| Canada | **2002** | **933** | **682** | **4,045** | **5,660** | **0.86** |
| | 2001 | 652 | 331 | 4,385 | 5,368 | 0.86 |
| | 2000 | 1,038 | 409 | 5,973 | 7,420 | 1.16 |
| Japan | **2002** | **2,191** | **537** | **888** | **3,616** | **0.55** |
| | 2001 | 1,319 | 676 | 889 | 2,884 | 0.46 |
| | 2000 | 4,925 | 599 | 883 | 6,407 | 1.00 |

(1) Exposure includes cross-border claims by the Corporation's foreign offices as follows: loans, accrued interest receivable, acceptances, time deposits placed, trading account assets, securities, derivative assets, other interest-earning investments and other monetary assets. Amounts also include unused commitments, standby letters of credit, commercial letters of credit and formal guarantees.

(2) Sector definitions are based on the FFIEC instructions for preparing the Country Exposure Report.

**TABLE XIV Trading Risk and Return**

**Daily VAR and Trading-Related Revenue**

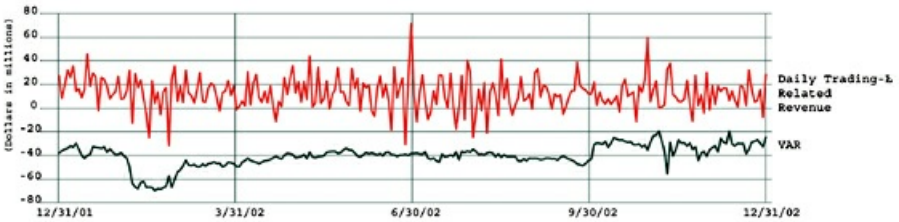



**TABLE XV Non-Exchange Traded Commodity Contracts**

| (Dollars in millions) | Asset Positions | Liability Positions |
|---|---|---|
| Net fair value of contracts outstanding at January 1, 2002 | $ 1,328 | $ 1,010 |
| Effects of legally enforceable master netting agreements | 2,625 | 2,625 |
| Gross fair value of contracts outstanding at January 1, 2002 | 3,953 | 3,635 |
| Contracts realized or otherwise settled | (2,238) | (2,068) |
| Fair value of new contracts | 3,211 | 3,403 |
| Other changes in fair value | (10) | (53) |
| Gross fair value of contracts outstanding at December 31, 2002 | 4,916 | 4,917 |
| Effects of legally enforceable master netting agreements | (3,452) | (3,452) |
| Net fair value of contracts outstanding at December 31, 2002 | $ 1,464 | $ 1,465 |

**TABLE XVI Non-Exchange Traded Commodity Contract Maturities**

| | December 31, 2002 | |
|---|---|---|
| (Dollars in millions) | Asset Positions | Liability Positions |
| Maturity less than 1 year | $ 2,385 | $ 2,570 |
| Maturity 1-3 years | 1,806 | 1,679 |
| Maturity 4-5 years | 282 | 226 |
| Maturity in excess of 5 years | 443 | 442 |
| Gross fair value of contracts | $ 4,916 | $ 4,917 |
| Effects of legally enforceable master netting agreements | (3,452) | (3,452) |
| Net fair value of contracts | $ 1,464 | $ 1,465 |

**TABLE XVII Selected Quarterly Financial Data[1]**

| (Dollars in millions, except per share information) | 2002 Quarters | | | | 2001 Quarters | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fourth** | Third | Second | First | Fourth | Third | Second | First |
| **Income statement** | | | | | | | | |
| Net interest income | **$ 5,374** | $ 5,302 | $ 5,094 | $ 5,153 | $ 5,417 | $ 5,204 | $ 5,030 | $ 4,639 |
| Noninterest income | **3,430** | 3,220 | 3,481 | 3,440 | 3,398 | 3,429 | 3,741 | 3,780 |
| Total revenue | **8,804** | 8,522 | 8,575 | 8,593 | 8,815 | 8,633 | 8,771 | 8,419 |
| Provision for credit losses | **1,165** | 804 | 888 | 840 | 1,401 | 1,251 | 800 | 835 |
| Gains (losses) on sales of securities | **304** | 189 | 93 | 44 | 393 | 97 | (7) | (8) |
| Noninterest expense | **4,832** | 4,620 | 4,490 | 4,494 | 5,324 | 5,911 | 4,821 | 4,654 |
| Income before income taxes | **3,111** | 3,287 | 3,290 | 3,303 | 2,483 | 1,568 | 3,143 | 2,922 |
| Income tax expense | **497** | 1,052 | 1,069 | 1,124 | 426 | 727 | 1,120 | 1,052 |
| Net income | **2,614** | 2,235 | 2,221 | 2,179 | 2,057 | 841 | 2,023 | 1,870 |
| Average common shares issued and outstanding (in thousands) | **1,499,557** | 1,504,017 | 1,533,783 | 1,543,471 | 1,570,083 | 1,599,692 | 1,601,537 | 1,608,890 |
| Average diluted common shares issued and outstanding (in thousands) | **1,542,482** | 1,546,347 | 1,592,250 | 1,581,848 | 1,602,886 | 1,634,063 | 1,632,964 | 1,631,099 |
| **Performance ratios** | | | | | | | | |
| Return on average assets | **1.49%** | 1.33% | 1.38% | 1.39% | 1.25% | 0.52% | 1.24% | 1.17% |
| Return on average common shareholders'equity | **21.58** | 19.02 | 18.47 | 18.64 | 16.70 | 6.78 | 16.67 | 15.86 |
| Total equity to total assets (period end) | **7.62** | 7.31 | 7.48 | 7.77 | 7.80 | 7.83 | 7.88 | 8.02 |
| Total average equity to total average assets | **6.91** | 6.97 | 7.47 | 7.44 | 7.50 | 7.66 | 7.43 | 7.38 |
| Dividend payout ratio | **36.76** | 40.25 | 41.40 | 42.48 | 45.53 | 106.49 | 44.35 | 48.14 |
| **Per common share data** | | | | | | | | |
| Earnings | **$ 1.74** | $ 1.49 | $ 1.45 | $ 1.41 | $ 1.31 | $ 0.52 | $ 1.26 | $ 1.16 |
| Diluted earnings | **1.69** | 1.45 | 1.40 | 1.38 | 1.28 | 0.51 | 1.24 | 1.15 |
| Cash dividends paid | **0.64** | 0.60 | 0.60 | 0.60 | 0.60 | 0.56 | 0.56 | 0.56 |
| Book value | **33.49** | 32.07 | 31.47 | 31.15 | 31.07 | 31.66 | 30.75 | 30.47 |
| **Average balance sheet** | | | | | | | | |
| Total loans and leases | **$ 343,099** | $ 340,484 | $ 335,684 | $ 327,801 | $ 333,354 | $ 357,726 | $ 383,500 | $ 387,889 |
| Total assets | **695,468** | 669,149 | 646,599 | 637,678 | 651,797 | 642,184 | 655,557 | 648,698 |
| Total deposits | **381,381** | 373,933 | 365,986 | 364,403 | 368,171 | 363,328 | 363,348 | 355,618 |
| Common shareholders'equity | **48,015** | 46,592 | 48,213 | 47,392 | 48,850 | 49,134 | 48,640 | 47,794 |
| Total shareholders'equity | **48,074** | 46,652 | 48,274 | 47,456 | 48,916 | 49,202 | 48,709 | 47,866 |
| **Risk-based capital ratios (period end)** | | | | | | | | |
| Tier 1 capital | **8.22%** | 8.13% | 8.09% | 8.48% | 8.30% | 7.95% | 7.90% | 7.65% |
| Total capital | **12.43** | 12.38 | 12.42 | 12.93 | 12.67 | 12.12 | 12.09 | 11.84 |
| Leverage ratio | **6.29** | 6.35 | 6.47 | 6.72 | 6.56 | 6.59 | 6.50 | 6.41 |
| **Market price per share of common stock** | | | | | | | | |
| Closing | **$ 69.57** | $ 63.80 | $ 70.36 | $ 68.02 | $ 62.95 | $ 58.40 | $ 60.03 | $ 54.75 |
| High | **71.99** | 71.94 | 77.08 | 69.61 | 64.99 | 65.54 | 62.18 | 55.94 |
| Low | **53.98** | 57.90 | 66.82 | 57.51 | 52.10 | 50.25 | 48.65 | 45.00 |

(1) As a result of the adoption of SFAS 142 on January 1, 2002, the Corporation no longer amortizes goodwill. Goodwill amortization expense was $160, $165, $169 and $168 in the fourth, third, second and first quarters, respectively, of 2001.

**TABLE XVIII Quarterly Average Balances and Interest Rates – Taxable-Equivalent Basis**

| (Dollars in millions) | Fourth Quarter 2002 Average Balance | Fourth Quarter 2002 Interest Income/ Expense | Fourth Quarter 2002 Yield/ Rate | Third Quarter 2002 Average Balance | Third Quarter 2002 Interest Income/ Expense | Third Quarter 2002 Yield/ Rate | Second Quarter 2002 Average Balance | Second Quarter 2002 Interest Income/ Expense | Second Quarter 2002 Yield/ Rate | First Quarter 2002 Average Balance | First Quarter 2002 Interest Income/ Expense | First Quarter 2002 Yield/ Rate | Fourth Quarter 2001 Average Balance | Fourth Quarter 2001 Interest Income/ Expense | Fourth Quarter 2001 Yield/ Rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Earning assets** | | | | | | | | | | | | | | | |
| Time deposits placed and other short-term investments | $ 8,853 | $ 56 | 2.49 % | $ 10,396 | $ 63 | 2.41 % | $ 10,673 | $ 63 | 2.37 % | $ 10,242 | $ 61 | 2.43 % | $ 7,255 | $ 64 | 3.47 % |
| Federal funds sold and securities purchased under agreements to resell | 49,169 | 208 | 1.68 | 40,294 | 178 | 1.76 | 48,426 | 270 | 2.23 | 44,682 | 215 | 1.94 | 38,825 | 253 | 2.60 |
| Trading account assets | 84,181 | 994 | 4.71 | 85,129 | 1,017 | 4.76 | 78,113 | 961 | 4.93 | 70,613 | 888 | 5.06 | 67,535 | 920 | 5.43 |
| Securities[1] | 83,751 | 1,078 | 5.15 | 76,484 | 1,120 | 5.85 | 67,291 | 939 | 5.59 | 73,542 | 963 | 5.24 | 71,454 | 1,090 | 6.10 |
| Loans and leases[2]: | | | | | | | | | | | | | | | |
| Commercial – domestic | 105,333 | 1,777 | 6.70 | 106,039 | 1,728 | 6.47 | 111,522 | 1,887 | 6.78 | 116,160 | 1,978 | 6.90 | 121,399 | 2,138 | 6.99 |
| Commercial – foreign | 20,538 | 180 | 3.48 | 21,256 | 206 | 3.85 | 21,454 | 212 | 3.97 | 21,917 | 226 | 4.17 | 23,789 | 278 | 4.63 |
| Commercial real estate – domestic | 20,359 | 245 | 4.77 | 20,576 | 265 | 5.10 | 21,486 | 258 | 4.83 | 22,251 | 275 | 5.01 | 23,051 | 316 | 5.45 |
| Commercial real estate – foreign | 426 | 4 | 3.93 | 425 | 4 | 3.92 | 393 | 5 | 5.14 | 389 | 4 | 4.00 | 375 | 4 | 4.49 |
| Total commercial | 146,656 | 2,206 | 5.97 | 148,296 | 2,203 | 5.90 | 154,855 | 2,362 | 6.12 | 160,717 | 2,483 | 6.26 | 168,614 | 2,736 | 6.44 |
| Residential mortgage | 108,019 | 1,699 | 6.28 | 104,590 | 1,733 | 6.61 | 94,726 | 1,602 | 6.77 | 81,104 | 1,389 | 6.88 | 78,366 | 1,385 | 7.05 |
| Home equity lines | 23,347 | 300 | 5.10 | 23,275 | 314 | 5.35 | 22,579 | 305 | 5.41 | 22,010 | 294 | 5.42 | 22,227 | 340 | 6.07 |
| Direct/Indirect consumer | 30,643 | 523 | 6.76 | 30,029 | 530 | 7.01 | 30,021 | 542 | 7.25 | 30,360 | 550 | 7.34 | 30,363 | 583 | 7.61 |
| Consumer finance | 8,943 | 174 | 7.75 | 10,043 | 201 | 7.97 | 11,053 | 226 | 8.20 | 12,134 | 255 | 8.46 | 13,035 | 296 | 9.04 |
| Credit card | 23,535 | 613 | 10.33 | 22,263 | 583 | 10.38 | 20,402 | 510 | 10.01 | 19,383 | 490 | 10.26 | 18,656 | 498 | 10.58 |
| Foreign consumer | 1,956 | 17 | 3.48 | 1,988 | 19 | 3.83 | 2,048 | 19 | 3.71 | 2,093 | 19 | 3.71 | 2,093 | 21 | 4.02 |
| Total consumer | 196,443 | 3,326 | 6.74 | 192,188 | 3,380 | 7.00 | 180,829 | 3,204 | 7.10 | 167,084 | 2,997 | 7.24 | 164,740 | 3,123 | 7.54 |
| Total loans and leases | 343,099 | 5,532 | 6.41 | 340,484 | 5,583 | 6.52 | 335,684 | 5,566 | 6.65 | 327,801 | 5,480 | 6.76 | 333,354 | 5,859 | 6.99 |
| Other earning assets | 32,828 | 417 | 5.07 | 27,461 | 387 | 5.61 | 22,005 | 353 | 6.42 | 22,231 | 358 | 6.52 | 36,782 | 707 | 7.67 |
| Total earning assets[3] | 601,881 | 8,285 | 5.48 | 580,248 | 8,348 | 5.73 | 562,192 | 8,152 | 5.81 | 549,111 | 7,965 | 5.86 | 555,205 | 8,893 | 6.37 |
| Cash and cash equivalents | 21,242 | | | 20,202 | | | 21,200 | | | 22,037 | | | 23,182 | | |
| Other assets, less allowance for credit losses | 72,345 | | | 68,699 | | | 63,207 | | | 66,530 | | | 73,410 | | |
| **Total assets** | $695,468 | | | $669,149 | | | $646,599 | | | $637,678 | | | $651,797 | | |
| **Interest-bearing liabilities** | | | | | | | | | | | | | | | |
| Domestic interest-bearing deposits: | | | | | | | | | | | | | | | |
| Savings | $ 22,142 | $ 35 | 0.63 % | $ 22,047 | $ 36 | 0.64 % | $ 21,841 | $ 34 | 0.64 % | $ 20,716 | $ 33 | 0.64 % | $ 20,132 | $ 42 | 0.83 % |
| NOW and money market deposit accounts | 137,229 | 325 | 0.94 | 132,939 | 362 | 1.08 | 129,856 | 346 | 1.07 | 127,218 | 335 | 1.07 | 121,758 | 426 | 1.39 |
| Consumer CDs and IRAs | 66,266 | 728 | 4.36 | 67,179 | 746 | 4.40 | 68,015 | 764 | 4.51 | 69,359 | 730 | 4.27 | 71,895 | 898 | 4.96 |
| Negotiable CDs, public funds and other time deposits | 3,400 | 17 | 1.97 | 4,254 | 51 | 4.73 | 4,635 | 30 | 2.43 | 4,671 | 32 | 2.82 | 5,196 | 44 | 3.39 |
| Total domestic interest-bearing deposits | 229,037 | 1,105 | 1.91 | 226,419 | 1,195 | 2.09 | 224,347 | 1,174 | 2.10 | 221,964 | 1,130 | 2.06 | 218,981 | 1,410 | 2.56 |
| Foreign interest-bearing deposits[4]: | | | | | | | | | | | | | | | |
| Banks located in foreign countries | 15,286 | 104 | 2.70 | 17,044 | 123 | 2.85 | 14,048 | 108 | 3.10 | 15,464 | 107 | 2.79 | 20,771 | 170 | 3.22 |
| Governments and official institutions | 1,737 | 7 | 1.68 | 2,188 | 10 | 1.85 | 2,449 | 12 | 1.89 | 2,904 | 14 | 1.96 | 2,965 | 20 | 2.74 |
| Time, savings and other | 17,929 | 76 | 1.68 | 18,686 | 86 | 1.83 | 18,860 | 90 | 1.91 | 19,620 | 93 | 1.93 | 21,858 | 113 | 2.06 |
| Total foreign interest-bearing deposits | 34,952 | 187 | 2.12 | 37,918 | 219 | 2.29 | 35,357 | 210 | 2.38 | 37,988 | 214 | 2.29 | 45,594 | 303 | 2.63 |
| Total interest-bearing deposits | 263,989 | 1,292 | 1.94 | 264,337 | 1,414 | 2.12 | 259,704 | 1,384 | 2.14 | 259,952 | 1,344 | 2.10 | 264,575 | 1,713 | 2.57 |
| Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings | 123,434 | 558 | 1.79 | 108,281 | 526 | 1.93 | 97,579 | 529 | 2.17 | 86,870 | 477 | 2.23 | 87,291 | 700 | 3.18 |
| Trading account liabilities | 30,445 | 289 | 3.77 | 33,038 | 342 | 4.11 | 31,841 | 344 | 4.34 | 31,066 | 285 | 3.72 | 29,921 | 268 | 3.55 |
| Long-term debt and trust preferred securities | 65,702 | 609 | 3.71 | 64,880 | 601 | 3.71 | 65,940 | 633 | 3.84 | 67,694 | 612 | 3.62 | 68,141 | 707 | 4.15 |
| Total interest-bearing liabilities[3] | 483,570 | 2,748 | 2.26 | 470,536 | 2,883 | 2.44 | 455,064 | 2,890 | 2.55 | 445,582 | 2,718 | 2.47 | 449,928 | 3,388 | 2.99 |
| Noninterest-bearing sources: | | | | | | | | | | | | | | | |
| Noninterest-bearing deposits | 117,392 | | | 109,596 | | | 106,282 | | | 104,451 | | | 103,596 | | |
| Other liabilities | 46,432 | | | 42,365 | | | 36,979 | | | 40,189 | | | 49,357 | | |
| Shareholders'equity | 48,074 | | | 46,652 | | | 48,274 | | | 47,456 | | | 48,916 | | |
| **Total liabilities and shareholders ' equity** | $695,468 | | | $669,149 | | | $646,599 | | | $637,678 | | | $651,797 | | |
| Net interest spread | | | 3.22 | | | 3.29 | | | 3.26 | | | 3.39 | | | 3.38 |
| Impact of noninterest-bearing sources | | | 0.44 | | | 0.46 | | | 0.49 | | | 0.46 | | | 0.57 |
| **Net interest income/yield on earning assets** | | $ 5,537 | 3.66 % | | $ 5,465 | 3.75 % | | $ 5,262 | 3.75 % | | $ 5,247 | 3.85 % | | $ 5,505 | 3.95 % |

(1) The average balance and yield on securities are based on the average of historical amortized cost balances

(2) Nonperforming loans are included in the respective average loan balances. Income on such nonperforming loans is recognized on a cash basis.

(3) Interest income includes the impact of interest rate risk management contracts, which increased interest income on the underlying assets $517, $397, $509 and $560 in the fourth, third, second and first quarters of 2002 and $473 in the fourth quarter of 2001, respectively. These amounts were substantially offset by corresponding decreases in the income earned on the underlying assets. Interest expense includes the impact of interest rate risk management contracts, which (increased) decreased interest expense on the underlying liabilities $(62), $(69), $(65) and $55 in the fourth, third, second and first quarters of 2002 and $(40) in the fourth quarter of 2001, respectively. These amounts were substantially offset by corresponding decreases or increases in the interest paid on the underlying liabilities. For further information on interest rate contracts, see Interest Rate Risk Management.

(4) Primarily consists of time deposits in denominations of $100,000 or more.

**Report of Management**
Bank of America Corporation and Subsidiaries

The management of Bank of America Corporation is responsible for the preparation, integrity and objectivity of the consolidated financial statements of the Corporation. The consolidated financial statements and notes have been prepared by the Corporation in accordance with accounting principles generally accepted in the United States of America and, in the judgment of management, present fairly the Corporation's financial position and results of operations. The financial information contained elsewhere in this report is consistent with that in the consolidated financial statements. The financial statements and other financial information in this report include amounts that are based on management's best estimates and judgments giving due consideration to materiality.

The Corporation maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Management recognizes that even a highly effective internal control system has inherent risks, including the possibility of human error and the circumvention or overriding of controls, and that the effectiveness of an internal control system can change with circumstances. However, management believes that the internal control system provides reasonable assurance that errors or irregularities that could be material to the consolidated financial statements are prevented or would be detected on a timely basis and corrected through the normal course of business. As of December 31, 2002, management believes that the internal controls are in place and operating effectively.

The Corporate Audit Division reviews, evaluates, monitors and makes recommendations on both administrative and accounting control and acts as an integral, but independent, part of the system of internal controls.

The independent accountants were engaged to perform an independent audit of the consolidated financial statements. In determining the nature and extent of their auditing procedures, they have evaluated the Corporation's accounting policies and procedures and the effectiveness of the related internal control system. An independent audit provides an objective review of management's responsibility to report operating results and financial condition. Their report appears on page 71.

The Board of Directors discharges its responsibility for the Corporation's consolidated financial statements through its Audit Committee. The Audit Committee has direct oversight responsibility best estimates and judgments giving due for corporate audit and the independent accountants and meets periodically with these groups and management to discuss the scope and results of their work, the adequacy of internal accounting controls management's and the quality of financial reporting.

/s/ **KENNETH D. LEWIS**

**Kenneth D. Lewis**
**Chairman, President and Chief Executive Officer**

/s/ **JAMES H. HANCE, JR.**

**James H. Hance, Jr.**
**Vice Chairman and Chief Financial Officer**

**Report of Independent Accountants**
Bank of America Corporation and Subsidiaries

To the Board of Directors and Shareholders of Bank of America Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in shareholder's equity and of cash flows present fairly, in all material respects, the financial position of Bank of America Corporation and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

**Charlotte, North Carolina**
January 15, 2003

**Consolidated Statement of Income**
Bank of America Corporation and Subsidiaries

| (Dollars in millions, except per share information) | Year Ended December 31 2002 | 2001 | 2000 |
|---|---|---|---|
| **Interest income** | | | |
| Interest and fees on loans and leases | **$ 22,030** | $ 27,279 | $ 31,869 |
| Interest and dividends on securities | **4,035** | 3,706 | 4,976 |
| Federal funds sold and securities purchased under agreements to resell | **870** | 1,414 | 2,354 |
| Trading account assets | **3,811** | 3,623 | 2,725 |
| Other interest income | **1,415** | 2,271 | 1,241 |
| Total interest income | **32,161** | 38,293 | 43,165 |
| **Interest expense** | | | |
| Deposits | **5,434** | 8,886 | 11,007 |
| Short-term borrowings | **2,089** | 4,167 | 7,957 |
| Trading account liabilities | **1,260** | 1,155 | 892 |
| Long-term debt | **2,455** | 3,795 | 4,960 |
| Total interest expense | **11,238** | 18,003 | 24,816 |
| **Net interest income** | **20,923** | 20,290 | 18,349 |
| **Noninterest income** | | | |
| Consumer service charges | **2,986** | 2,865 | 2,654 |
| Corporate service charges | **2,290** | 2,078 | 1,889 |
| Total service charges | **5,276** | 4,943 | 4,543 |
| Consumer investment and brokerage services | **1,544** | 1,546 | 1,466 |
| Corporate investment and brokerage services | **693** | 566 | 463 |
| Total investment and brokerage services | **2,237** | 2,112 | 1,929 |
| Mortgage banking income | **751** | 593 | 512 |
| Investment banking income | **1,545** | 1,579 | 1,512 |
| Equity investment gains (losses) | **(280)** | 291 | 1,054 |
| Card income | **2,620** | 2,422 | 2,229 |
| Trading account profits | **778** | 1,842 | 1,923 |
| Other income | **644** | 566 | 880 |
| Total noninterest income | **13,571** | 14,348 | 14,582 |
| **Total revenue** | **34,494** | 34,638 | 32,931 |
| **Provision for credit losses** | **3,697** | 4,287 | 2,535 |
| **Gains on sales of securities** | **630** | 475 | 25 |
| **Noninterest expense** | | | |
| Personnel | **9,682** | 9,829 | 9,400 |
| Occupancy | **1,780** | 1,774 | 1,682 |
| Equipment | **1,124** | 1,115 | 1,173 |
| Marketing | **753** | 682 | 621 |
| Professional fees | **525** | 564 | 452 |
| Amortization of intangibles | **218** | 878 | 864 |
| Data processing | **1,017** | 776 | 667 |
| Telecommunications | **481** | 484 | 527 |
| Other general operating | **2,856** | 3,302 | 2,697 |
| Business exit costs | **—** | 1,305 | — |
| Restructuring charges | **—** | — | 550 |
| Total noninterest expense | **18,436** | 20,709 | 18,633 |
| **Income before income taxes** | **12,991** | 10,117 | 11,788 |
| **Income tax expense** | **3,742** | 3,325 | 4,271 |
| **Net income** | **$ 9,249** | $ 6,792 | $ 7,517 |
| **Net income available to common shareholders** | **$ 9,244** | $ 6,787 | $ 7,511 |
| **Per common share information** | | | |
| Earnings | **$ 6.08** | $ 4.26 | $ 4.56 |
| Diluted earnings | **$ 5.91** | $ 4.18 | $ 4.52 |
| Dividends | **$ 2.44** | $ 2.28 | $ 2.06 |
| **Average common shares issued and outstanding (in thousands)** | **1,520,042** | 1,594,957 | 1,646,398 |

See accompanying notes to consolidated financial statements.

**Consolidated Balance Sheet**

Bank of America Corporation and Subsidiaries

| (Dollars in millions) | December 31 2002 | 2001 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 24,973** | $ 26,837 |
| Time deposits placed and other short-term investments | **6,813** | 5,932 |
| Federal funds sold and securities purchased under agreements to resell (includes **$44,779** and $27,910 pledged as collateral) | **44,878** | 28,108 |
| Trading account assets (includes **$35,515** and $22,550 pledged as collateral) | **63,996** | 47,344 |
| Derivative assets | **34,310** | 22,147 |
| Securities: | | |
| Available-for-sale (includes **$32,919** and $37,422 pledged as collateral) | **68,122** | 84,450 |
| Held-to-maturity, at cost (market value –**$1,001** and $1,009) | **1,026** | 1,049 |
| Total securities | **69,148** | 85,499 |
| Loans and leases | **342,755** | 329,153 |
| Allowance for credit losses | **(6,851)** | (6,875) |
| Loans and leases, net of allowance for credit losses | **335,904** | 322,278 |
| Premises and equipment, net | **6,717** | 6,414 |
| Mortgage banking assets | **2,110** | 3,886 |
| Goodwill | **11,389** | 10,854 |
| Core deposit intangibles and other intangibles | **1,095** | 1,294 |
| Other assets | **59,125** | 61,171 |
| **Total assets** | **$660,458** | $621,764 |
| **Liabilities** | | |
| Deposits in domestic offices: | | |
| Noninterest-bearing | **$122,686** | $112,064 |
| Interest-bearing | **232,320** | 220,703 |
| Deposits in foreign offices: | | |
| Noninterest-bearing | **1,673** | 1,870 |
| Interest-bearing | **29,779** | 38,858 |
| Total deposits | **386,458** | 373,495 |
| Federal funds purchased and securities sold under agreements to repurchase | **65,079** | 47,727 |
| Trading account liabilities | **25,574** | 19,452 |
| Derivative liabilities | **23,566** | 14,868 |
| Commercial paper and other short-term borrowings | **25,234** | 22,217 |
| Accrued expenses and other liabilities | **17,052** | 27,459 |
| Long-term debt | **61,145** | 62,496 |
| Trust preferred securities | **6,031** | 5,530 |
| **Total liabilities** | **610,139** | 573,244 |
| Commitments and contingencies (Note Thirteen) | | |
| Shareholders' equity | | |
| Preferred stock, $0.01 par value; authorized – 100,000,000 shares; issued and outstanding –**1,356,749** and 1,514,478 shares | **58** | 65 |
| Common stock, $0.01 par value; authorized – 5,000,000,000 shares; issued and outstanding –**1,500,691,103** and 1,559,297,220 shares | **496** | 5,076 |
| Retained earnings | **48,517** | 42,980 |
| Accumulated other comprehensive income | **1,232** | 437 |
| Other | **16** | (38) |
| **Total shareholders' equity** | **50,319** | 48,520 |
| **Total liabilities and shareholders' equity** | **$660,458** | $621,764 |

See accompanying notes to consolidated financial statements.

**Consolidated Statement of Changes in Shareholders' Equity**

Bank of America Corporation and Subsidiaries

| (Dollars in millions, shares in thousands) | Preferred Stock | Common Stock Shares | Common Stock Amount | Retained Earnings | Accumulated Other Comprehensive Income (Loss)[1] | Other | Total Shareholders' Equity | Comprehensive Income |
|---|---|---|---|---|---|---|---|---|
| **Balance, December 31, 1999** | $ 77 | 1,677,273 | $11,671 | $ 35,681 | $ (2,658) | $(339) | $44,432 | |
| Net income | | | | 7,517 | | | 7,517 | $ 07,517 |
| Net unrealized gains on available-for-sale and marketable equity securities | | | | | 1,910 | | 1,910 | 1,910 |
| Net unrealized gains on foreign currency translation adjustments | | | | | 2 | | 2 | 2 |
| Cash dividends: | | | | | | | | |
| Common | | | | (3,382) | | | (3,382) | |
| Preferred | | | | (6) | | | (6) | |
| Common stock issued under employee plans | | 3,781 | 68 | | | 226 | 294 | |
| Common stock repurchased | | (67,577) | (3,256) | | | | (3,256) | |
| Conversion of preferred stock | (5) | 177 | 5 | | | | | |
| Other | | (22) | 125 | 5 | | (13) | 117 | |
| **Balance, December 31, 2000** | $ 72 | 1,613,632 | $ 8,613 | $ 39,815 | $ (746) | $(126) | $47,628 | $ 9,429 |
| Net income | | | | 6,792 | | | 6,792 | $ 6,792 |
| Net unrealized gains on available-for-sale and marketable equity securities | | | | | 80 | | 80 | 80 |
| Net unrealized gains on foreign currency translation adjustments | | | | | 15 | | 15 | 15 |
| Net gains on derivatives | | | | | 1,088 | | 1,088 | 1,088 |
| Cash dividends: | | | | | | | | |
| Common | | | | (3,627) | | | (3,627) | |
| Preferred | | | | (5) | | | (5) | |
| Common stock issued under employee plans | | 27,301 | 1,059 | | | 62 | 1,121 | |
| Common stock repurchased | | (81,939) | (4,716) | | | | (4,716) | |
| Conversion of preferred stock | (7) | 298 | 7 | | | | | |
| Other | | 5 | 113 | 5 | | 26 | 144 | |
| **Balance, December 31, 2001** | $ 65 | 1,559,297 | $ 5,076 | $ 42,980 | $ 437 | $ (38) | $48,520 | $ 7,975 |
| Net income | | | | **9,249** | | | **9,249** | **$ 9,249** |
| Net unrealized gains on available-for-sale and marketable equity securities | | | | | **974** | | **974** | **974** |
| Net unrealized gains on foreign currency translation adjustments | | | | | **3** | | **3** | **3** |
| Net losses on derivatives | | | | | **(93)** | | **(93)** | **(93)** |
| Cash dividends: | | | | | | | | |
| Common | | | | **(3,704)** | | | **(3,704)** | |
| Preferred | | | | **(5)** | | | **(5)** | |
| Common stock issued under employee plans | | **50,004** | **2,611** | | | **21** | **2,632** | |
| Common stock repurchased | | **(108,900)** | **(7,466)** | | | | **(7,466)** | |
| Conversion of preferred stock | **(7)** | **265** | **7** | | | | | |
| Other | | **25** | **268** | **(3)** | **(89)** | **33** | **209** | **(89)** |
| **Balance, December 31, 2002** | **$ 58** | **1,500,691** | **$ 496** | **$ 48,517** | **$ 1,232** | **$ 16** | **$50,319** | **$ 10,044** |

(1) Accumulated Other Comprehensive Income (Loss) consisted of net unrealized gains (losses) on available-for-sale and marketable equity securities of $494, $(480) and $(560) at December 31, 2002, 2001 and 2000, respectively; foreign currency translation adjustments of $(168), $(171) and $(186) at December 31, 2002, 2001 and 2000, respectively; and net gains on derivatives of $995 and $1,088 at December 31, 2002 and 2001, respectively.

See accompanying notes to consolidated financial statements.

**Consolidated Statement of Cash Flows**
Bank of America Corporation and Subsidiaries

| (Dollars in millions) | Year Ended December 31 2002 | 2001 | 2000 |
|---|---|---|---|
| **Operating activities** | | | |
| Net income | **$ 9,249** | $ 6,792 | $ 7,517 |
| Reconciliation of net income to net cash provided by (used in) operating activities: | | | |
| Provision for credit losses | **3,697** | 4,287 | 2,535 |
| Gains on sales of securities | **(630)** | (475) | (25) |
| Business exit costs | **—** | 1,305 | — |
| Restructuring charges | **—** | — | 550 |
| Depreciation and premises improvements amortization | **886** | 854 | 920 |
| Amortization of intangibles | **218** | 878 | 864 |
| Deferred income tax (benefit) expense | **(377)** | (385) | 647 |
| Net (increase) decrease in trading and hedging instruments | **(12,357)** | (19,865) | 819 |
| Net increase in other assets | **(6,880)** | (14,336) | (11,294) |
| Net increase (decrease) in accrued expenses and other liabilities | **(11,345)** | 5,004 | 1,934 |
| Other operating activities, net | **5,532** | 3,228 | (958) |
| Net cash provided by (used in) operating activities | **(12,007)** | (12,713) | 3,509 |
| **Investing activities** | | | |
| Net increase in time deposits placed and other short-term investments | **(881)** | (484) | (685) |
| Net (increase) decrease in federal funds sold and securities purchased under agreements to resell | **(16,770)** | (53) | 9,857 |
| Proceeds from sales of available-for-sale securities | **137,702** | 125,824 | 34,671 |
| Proceeds from maturities of available-for-sale securities | **26,777** | 11,722 | 6,396 |
| Purchases of available-for-sale securities | **(146,010)** | (126,537) | (19,132) |
| Proceeds from maturities of held-to-maturity securities | **43** | 145 | 380 |
| Proceeds from sales and securitizations of loans and leases | **28,068** | 10,781 | 15,751 |
| Other changes in loans and leases, net | **(37,184)** | 18,201 | (42,720) |
| Purchases and originations of mortgage banking assets | **(919)** | (1,148) | (208) |
| Net purchases of premises and equipment | **(939)** | (835) | (642) |
| Proceeds from sales of foreclosed properties | **142** | 353 | 260 |
| (Acquisition) divestiture of business activities, net | **(110)** | (417) | 843 |
| Net cash provided by (used in) investing activities | **(10,081)** | 37,552 | 4,771 |
| **Financing activities** | | | |
| Net increase in deposits | **12,963** | 9,251 | 17,155 |
| Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase | **17,352** | (1,684) | (25,150) |
| Net increase (decrease) in commercial paper and other short-term borrowings | **3,017** | (19,981) | (5,376) |
| Proceeds from issuance of long-term debt and trust preferred securities | **10,850** | 14,853 | 23,451 |
| Retirement of long-term debt and trust preferred securities | **(15,364)** | (20,619) | (11,078) |
| Proceeds from issuance of common stock | **2,632** | 1,121 | 294 |
| Common stock repurchased | **(7,466)** | (4,716) | (3,256) |
| Cash dividends paid | **(3,709)** | (3,632) | (3,388) |
| Other financing activities, net | **(66)** | (51) | (343) |
| Net cash provided by (used in) financing activities | **20,209** | (25,458) | (7,691) |
| Effect of exchange rate changes on cash and cash equivalents | **15** | (57) | (65) |
| Net increase (decrease) in cash and cash equivalents | **(1,864)** | (676) | 524 |
| Cash and cash equivalents at January 1 | **26,837** | 27,513 | 26,989 |
| **Cash and cash equivalents at December 31** | **$ 24,973** | $ 26,837 | $27,513 |
| **Supplemental cash flow disclosures** | | | |
| Cash paid for interest | **$ 11,253** | $ 19,257 | $24,241 |
| Cash paid for income taxes | **3,999** | 3,121 | 2,130 |

Net transfers of loans and leases from loans held for sale (included in other assets) to the loan portfolio amounted to $8,468 and $247 in 2002 and 2000, respectively. Net transfers of loans and leases from the loan portfolio to loans held for sale amounted to $428 in 2001.

Loans transferred to foreclosed properties amounted to $285, $533 and $305 in 2002, 2001 and 2000, respectively.

There were no loans and loans held for sale securitized and retained in the available-for-sale portfolio in 2002. Loans and loans held for sale securitized and retained in the available-for-sale securities portfolio amounted to $29,985 and $2,483 in 2001 and 2000, respectively.

See accompanying notes to consolidated financial statements.

**Notes to Consolidated Financial Statements**
Bank of America Corporation and Subsidiaries

Bank of America Corporation and its subsidiaries (the Corporation) through its banking and nonbanking subsidiaries, provide a diverse range of financial services and products throughout the U.S. and in selected international markets. At December 31, 2002, the Corporation operated its banking activities primarily under two charters: Bank of America, N.A. and Bank of America, N.A. (USA).

**NOTE 1 Significant Accounting Principles**

**Principles of Consolidation and Basis of Presentation**

The consolidated financial statements include the accounts of the Corporation and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Results of operations of companies purchased are included from the dates of acquisition. Certain prior period amounts have been reclassified to conform to current year classifications. Assets held in an agency or fiduciary capacity are not included in the consolidated financial statements. The Corporation accounts for investments in companies that it owns a voting interest of 20 percent to 50 percent and for which it may have significant influence over operating and financing decisions using the equity method of accounting. These investments are included in other assets and the Corporation's proportionate share of income or loss is included in equity investment gains.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates made by management are discussed in these notes as applicable and in Complex Accounting Estimates and Principles beginning on page 29.

**Recently Issued Accounting Pronouncements**

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46 "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" (FIN 46). FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements. FIN 46 is effective immediately for VIEs created after January 31, 2003 and is effective beginning in the third quarter of 2003 for VIEs created prior to issuance of the interpretation.

As a result, Management expects that the Corporation will have to consolidate its multi-seller asset backed conduits. As of December 31, 2002, the assets of these entities were approximately $25.0 billion. The actual amount that will be consolidated is dependent on actions taken by the Corporation and its customers between December 31, 2002 and the third quarter of 2003. Management is assessing alternatives with regards to these entities including restructuring the entities and/or alternative sources of cost-efficient funding for our customers and expects that the amount of assets consolidated will be less than the $25.0 billion due to these actions and those of our customers. The new rule requires that for entities to be consolidated that those assets be initially recorded at their carrying amounts at the date the requirements of the new rule first apply. If determining carrying amounts as required is impractical, then the assets are to be measured at fair value the first date the new rule applies. Any difference between the net amount added to the Corporation's balance sheet and the amount of any previously recognized interest in the newly consolidated entity shall be recognized as the cumulative effect of an accounting change. Management is currently evaluating the impact of this new rule on the financial statements. See Note 8 for additional disclosure regarding these types of entities.

Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123," (SFAS 148) was adopted by the Corporation on January 1, 2003. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS 123) to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Under the provisions of SFAS 148, the Corporation is transitioning to the fair value-based method of accounting for stock-based employee compensation costs using the prospective method. Under the prospective method, all stock options granted under plans before the adoption date will continue to be accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," (APB 25) unless these stock options are modified or settled subsequent to adoption. SFAS 148 will be effective for all stock option awards granted in 2003 and thereafter. Management estimates that the impact of this new accounting will be approximately $115 million additional pre-tax compensation expense in 2003. Prior to January 1, 2003, the Corporation accounted for its stock-based employee compensation plans under the recognition and measurement provisions of APB 25. Under APB 25, the Corporation accounted for stock options using the intrinsic value method and no compensation expense was recognized as the grant price was equal to the strike price. Under the fair value method, stock option compensation expense is measured on the date of grant using an option-pricing model. The option-pricing model is based on certain assumptions and changes to those assumptions may result in different fair value estimates.

In accordance with SFAS 123, the Corporation provides disclosures as if the Corporation had adopted the fair value-based method of measuring all outstanding employee stock options in 2002, 2001 and 2000 as indicated in the following table. The disclosure requirement of SFAS 123 recognizes the impact of all outstanding employee stock options while the prospective method that the Corporation intends to follow under SFAS 148 recognizes the impact of only newly issued employee stock options.

| | As Reported | | | Pro Forma | | |
|---|---|---|---|---|---|---|
| (Dollars in millions, except per share data) | **2002** | 2001 | 2000 | **2002** | 2001 | 2000 |
| Net income | **$9,249** | $6,792 | $7,517 | **$8,836** | $6,441 | $7,215 |
| Net income available to common shareholders | **9,244** | 6,787 | 7,511 | **8,831** | 6,436 | 7,209 |
| Earnings per common share | **6.08** | 4.26 | 4.56 | **5.81** | 4.04 | 4.38 |
| Diluted earnings per common share | **5.91** | 4.18 | 4.52 | **5.64** | 3.96 | 4.34 |

In determining the pro forma disclosures above, the fair value of options granted was estimated on the date of grant using the Black-Scholes option-pricing model and assumptions appropriate to each plan. The Black-Scholes model was developed to estimate the fair value of traded options, which have different characteristics than employee stock options, and changes to the subjective assumptions used in the model can result in materially different fair value estimates. The weighted average grant date fair values of the options granted during 2002, 2001 and 2000 were based on the following assumptions:

| | Risk-Free Interest Rates | | | Dividend Yield | | |
|---|---|---|---|---|---|---|
| | **2002** | 2001 | 2000 | **2002** | 2001 | 2000 |
| Key Employee Stock Plan | **5.00%** | 5.05% | 6.74% | **4.76%** | 4.50% | 4.62% |
| Broad-based plans | **4.14** | 4.89 | 6.57 | **4.37** | 5.13 | 4.62 |

| | Expected Lives (Years) | | | Volatility | | |
|---|---|---|---|---|---|---|
| | **2002** | 2001 | 2000 | **2002** | 2001 | 2000 |
| Key Employee Stock Plan | **7** | 7 | 7 | **26.86%** | 26.68% | 25.59% |
| Broad-based plans | **4** | 4 | 4 | **31.02** | 31.62 | 30.27 |

Compensation expense under the fair-value based method is recognized over the vesting period of the related stock options. Accordingly, the pro forma results of applying SFAS 123 in 2002, 2001 and 2000 may not be indicative of future amounts.

In November 2002, the Emerging Issues Task Force (EITF) finalized the minutes to its discussion of EITF Issue 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-3), which included clarification of the FASB staff's view that an entity should not recognize an unrealized gain or loss at inception of a derivative instrument unless the fair value of that instrument is obtained from a quoted market price in an active market or is otherwise evidenced by comparison to other observable current market transactions or based on a valuation technique incorporating observable market data. This view is applicable to all derivative instruments held for trading purposes entered into on or after November 21, 2002. EITF 02-3 did not have a material impact on the Corporation's results of operations or financial condition.

FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees," (FIN 45) was issued in November 2002. FIN 45 requires that a liability be recognized at the inception of certain guarantees for the fair value of the obligation, including the ongoing obligation to stand ready to perform over the term of the guarantee. Guarantees, as defined in FIN 45, include contracts that contingently require the Corporation to make payments to a guaranteed party based on changes in an underlying that is related to an asset, liability or equity security of the guaranteed party, performance guarantees, indemnification agreements or indirect guarantees of indebtedness of others. This new accounting is effective for certain guarantees issued or modified after December 31, 2002. In addition, FIN 45 requires certain additional disclosures that are located in Notes 8 and 13. Management does not expect that the adoption of FIN 45 will have a material impact on the Corporation's results of operations or financial condition.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," (SFAS 142). SFAS 142 became effective for the Corporation on January 1, 2002 and primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS 142 requires that goodwill be recorded at the reporting unit level. The Corporation defines reporting units as an operating segment or one level below. The Corporation has evaluated the lives of intangible assets as required by SFAS 142 and no change was made regarding lives upon adoption. SFAS 142 prohibits the amortization of goodwill but requires that it be tested for impairment at least annually at the reporting unit level. Goodwill was tested for impairment and no impairment charges were recorded.

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of Effective Date of Financial Accounting Standards Board Statement No. 133," and Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities — an amendment of FASB Statement No. 133," was adopted by the Corporation on January 1, 2001. The impact of adopting SFAS 133 to net income was a loss of $52 million (net of related income tax benefits of $31 million) and a net transition gain of $9 million (net of related income taxes of $5 million) included in other comprehensive income on January 1, 2001.

On January 8, 2003, the Federal Financial Institutions Examination Council (FFIEC) issued guidance on "Account Management and Loss Allowance Guidance for Credit Card Lending." This guidance addresses account management, allowance for loan losses and fee recognition practices for institutions that offer credit card programs. The Corporation is in compliance with the material portions set forth in this guidance. Therefore, it will not have an impact on the results of operations or financial condition.

**Cash and Cash Equivalents**

Cash on hand, cash items in the process of collection and amounts due from correspondent banks and the Federal Reserve Bank are included in cash and cash equivalents.

**Securities Purchased under Agreements to Resell and Securities Sold under Agreements to Repurchase**

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. The Corporation's policy is to obtain the use of securities purchased under agreements to resell. The market value of the underlying securities, which collateralize the related receivable on agreements to resell, is monitored, including accrued interest. Additional collateral is requested when deemed appropriate.

**Collateral**

The Corporation has accepted collateral that it is permitted by contract or custom to sell or repledge. At December 31, 2002, the fair value of this collateral was approximately $47.9 billion of which $29.9 billion was sold or repledged. At December 31, 2001, the fair value of this collateral was approximately $30.4 billion of which $21.5 billion was sold or repledged. The primary source of this collateral is reverse repurchase agreements. The Corporation pledges securities as collateral in transactions that are primarily repurchase agreements, public and trust deposits, treasury tax and loan and other short-term borrowings. This collateral can be sold or repledged by the counterparties to the transactions.

In addition, the Corporation obtains collateral in connection with its derivative activities. Required collateral levels vary depending on the credit risk rating and the type of counterparty. Generally, the Corporation accepts collateral in the form of cash, U.S. Treasury securities and other marketable securities.

**Trading Instruments**

Financial instruments utilized in trading activities are stated at fair value. Fair value is generally based on quoted market prices. If quoted market prices are not available, fair values are estimated based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics. Realized and unrealized gains and losses are recognized in trading account profits.

**Derivatives and Hedging Activities**

All derivatives are recognized on the balance sheet at fair value, taking into consideration the effects of legally enforceable master netting agreements which allow the Corporation to settle positive and negative positions with the same counterparty on a net basis. For exchange traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics. The Corporation designates a derivative as held for trading or hedging purposes when it enters into a derivative contract. Derivatives designated as held for trading activities are included in the Corporation's trading portfolio with changes in fair value reflected in trading account profits. Some credit derivatives used by the Corporation do not qualify for hedge accounting under SFAS 133 and despite being effective economic hedges, changes in these derivatives are included in trading account profits.

The Corporation formally documents at inception all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions as required by SFAS 133. Additionally, the Corporation uses regression analysis at the hedge's inception and quarterly thereafter to assess whether the derivative used in its hedging transaction is expected to be or has been highly effective in offsetting changes in the fair value or cash flows of the hedged items. The Corporation discontinues hedge accounting when it is determined that a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value in earnings.

The Corporation uses its derivatives designated for hedging activities as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The Corporation primarily manages interest rate and foreign currency exchange rate sensitivity through the use of derivatives. Fair value hedges are used to limit the Corporation's exposure to changes in the fair value of its fixed interest bearing assets or liabilities that are due to interest rate volatility. Cash flow hedges are used to minimize the variability in cash flows of interest-bearing assets or liabilities or anticipated transactions caused by interest rate fluctuations. Changes in the fair value of derivatives designated for hedging activities that are highly effective as hedges are recorded in earnings or other comprehensive income, depending on whether the hedging relationship satisfies the criteria for a fair value or cash flow hedge, respectively. A highly effective hedging relationship is one in which the Corporation achieves offsetting changes in fair value or cash flows between 80 percent and 120 percent for the risk being hedged. Hedge ineffectiveness and gains and losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in earnings. SFAS 133 retains certain concepts under Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," (SFAS 52) for foreign currency exchange hedging. Consistent with SFAS 52, the Corporation records changes in the fair value of derivatives used as hedges of the net investment in foreign operations as a component of other comprehensive income.

The Corporation from time-to-time purchases or issues financial instruments containing embedded derivatives. The embedded derivative is separated from the host contract and carried at fair value if the economic characteristics of the derivative are not clearly and closely related to the economic characteristics of the host contract. To the extent that the Corporation cannot reliably identify and measure the embedded derivative, the entire contract is carried at fair value on the balance sheet with changes in fair value reflected in earnings.

If a derivative instrument in a fair value hedge is terminated or the hedge designation removed, the difference between a hedged item's then carrying amount and its face amount is recognized into income over the original hedge period. Similarly, if a derivative instrument in a cash flow hedge is terminated or the hedge designation removed, related amounts accumulated in other comprehensive income are reclassified into earnings in the same period during which the hedged item affects income.

**Securities**

Debt securities are classified based on management's intention on the date of purchase and recorded on the balance sheet as of the trade date. Debt securities which management has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Securities that are bought and held principally for the purpose of resale in the near term are classified as trading instruments and are stated at fair value with unrealized gains and losses included in trading account profits. All other debt securities are classified as available-for-sale and carried at fair value with net unrealized gains and losses included in shareholder's equity on an after-tax basis.

Interest and dividends on securities, including amortization of premiums and accretion of discounts, are included in interest income. Realized gains and losses from the sales of securities are determined using the specific identification method.

Marketable equity securities, which are included in other assets, are carried at fair value. Net unrealized gains and losses are included in shareholders' equity, net of tax; income is included in noninterest income. Venture capital investments for which there are active market quotes are carried at estimated fair value, subject to liquidity discounts, sales restrictions or regulatory rules. Net unrealized gains and losses are recorded in noninterest income. Venture capital investments for which there are not active market quotes are initially valued at cost. Subsequently, these investments are adjusted to reflect changes in valuation as a result of initial public offerings or other-than-temporary declines in value.

**Loans and Leases**

Loans are reported at their outstanding principal balances net of any unearned income, charge-offs, unamortized deferred fees and costs on originated loans and premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are deferred and recognized as adjustments to income over the lives of the related loans. Unearned income, discounts and premiums are amortized to income using methods that approximate the interest method.

The Corporation provides equipment financing to its customers through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments receivable plus estimated residual value of the leased property, less unearned income. Leveraged leases, which are a form of financing lease, are carried net of non-recourse debt. Unearned income on leveraged and direct financing leases is amortized over the lease terms by methods that approximate the interest method.

**Allowance for Credit Losses**

The allowance for losses is management's estimate of probable losses in the lending portfolios. Additions to the allowance for credit losses are made by charges to the provision for credit losses. Credit exposures, excluding derivatives assets, deemed to be uncollectible are charged against the allowance for credit losses. Recoveries of previously charged off amounts are credited to the allowance for credit losses.

The Corporation performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectibility of those portfolios. The allowance on certain homogeneous loan portfolios, which generally consist of consumer loans, is based on aggregated portfolio segment evaluations generally by product type. Loss forecast models are utilized for these segments which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies and credit scores. The remaining portfolios are reviewed on an individual loan basis. Loans subject to individual reviews are analyzed and segregated by risk according to the Corporation's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions and performance trends within specific portfolio segments, and any other pertinent information (including individual valuations on nonperforming loans in accordance with Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," (SFAS 114)) result in the estimation of the allowances for credit losses.

If necessary, a specific allowance for credit losses is established for individual impaired commercial loans. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. Once a loan has been identified as individually impaired, management measures impairment in accordance with SFAS 114. Individually impaired loans are measured based on the present value of payments expected to be received, observable market prices, or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral. If the recorded investment in impaired loans exceeds the measure of estimated fair value, a specific allowance is established as a component of the allowance for credit losses.

Portions of the allowance for credit losses are allocated to cover the estimated probable incurred credit losses in each loan and lease category based on the results of the Corporation's detail review process described above. The allocated portion continues to be weighted toward the commercial loan portfolio, which reflects a higher level of nonperforming loans and the potential for higher individual losses. The remaining or general portion of the allowance for credit losses, determined separately from the procedures outlined above, addresses certain industry and geographic concentrations, including global economic conditions and binding unfunded commitments, as well as, a component for the margins of imprecision in our estimation models. Due to the subjectivity involved in the determination of the general portion of the allowance for credit losses, the relationship of the general component to the total allowance for credit losses may fluctuate from period to period. Management evaluates the adequacy of the allowance for credit losses based on the combined total of the allocated and general components.

**Nonperforming Loans**

Commercial loans and leases that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including loans that are individually identified as being impaired, are generally classified as nonperforming loans unless well secured and in the process of collection. Loans whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial difficulties, without compensation on restructured loans, are classified as nonperforming until the loan is performing for an adequate period of time under the restructured agreement. In situations where the Corporation does not receive adequate compensation, the restructuring is considered a troubled debt restructuring. Interest accrued but not collected is reversed when a commercial loan is classified as nonperforming. Interest collections on commercial nonperforming loans and leases for which the ultimate collectibility of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when received.

Credit card loans are charged off at 180 days past due or 60 days from notification of bankruptcy filing and are not classified as nonperforming. Unsecured consumer loans and deficiencies in non real estate secured loans are charged off at 120 days past due and not classified as nonperforming. Real estate secured consumer loans are placed on nonaccrual and classified as nonperforming at 90 days past due. The amount deemed uncollectible on real estate secured loans is charged off at 180 days past due.

**Loans Held for Sale**

Loans held for sale include residential mortgage, loan syndications, and to a lesser degree commercial real estate, consumer finance and other loans, and are carried at the lower of aggregate cost or market value. Loans held for sale are included in other assets.

**Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized primarily using the straight-line method over the estimated useful lives of the assets. Estimated lives range up to 40 years for buildings, up to 12 years for furniture and equipment and the shorter of lease term or estimated useful life for leasehold improvements.

**Mortgage Banking Assets**

In the first quarter of 2001, the Corporation amended certain of its Mortgage Selling and Servicing Contracts whereby its previously reported mortgage servicing rights were bifurcated into a mortgage servicing right (MSR) and Excess Spread Certificates (the Certificates). The servicing component represents the contractually specified servicing fees net of the fair market value of the cost to service, and the Certificates represent a retained financial interest in certain cash flows of the underlying mortgage loans. The MSR and the Certificates are classified as mortgage banking assets (MBAs). The Certificates are carried at estimated fair value with the corresponding adjustment reported in trading account profits. The Corporation seeks to manage changes in value of the Certificates due to changes in prepayment rates by entering into derivative financial instruments such as purchased options and interest rate swaps. The derivative instruments are carried at estimated fair value with the corresponding adjustment reported in trading account profits. The Corporation values the Certificates using an option-adjusted spread model which requires several key components including, but not limited to, proprietary prepayment models and term structure modeling via Monte Carlo simulation. The fair value of MBAs was $2.1 billion and $3.9 billion at December 31, 2002 and 2001, respectively. Total loans serviced approximated $264.5 billion, $320.8 billion and $335.9 billion at December 31, 2002, 2001 and 2000 respectively, including loans serviced on behalf of the Corporation's banking subsidiaries.

The Corporation allocated the total cost of mortgage loans originated for sale or purchased between the cost of the loans, and when applicable, the Certificates and the MSRs based on the relative fair values of the loans, the Certificates and the MSR. MSR acquired separately are capitalized at cost. The Corporation recorded $884 million, $1.1 billion and $836 million of MBAs during 2002, 2001 and 2000, respectively. The cost of MSR was amortized in proportion to and over the estimated period that servicing revenues were recognized. Amortization was $540 million during 2000.

Mortgage banking income includes certificate and servicing fees, gains from selling originated mortgages, ancillary servicing income, mortgage production fees and gains and losses on sales to the secondary market.

**Goodwill and Other Intangibles**

Net assets of companies acquired in purchase transactions are recorded at fair value at the date of acquisition, as such, the historical cost basis of individual assets and liabilities are adjusted to reflect their fair value. Identified intangibles are amortized on an accelerated or straight-line basis over the period benefited. Goodwill is not amortized but is reviewed for potential impairment on an annual basis at the reporting unit level. The impairment test is performed in two phases. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting (as defined in SFAS 142) with the carrying amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. In 2002, goodwill was tested for impairment and no impairment charges were recorded.

Other intangible assets are evaluated for impairment if events and circumstances indicate a possible impairment. Such evaluation of other intangible assets is based on undiscounted cash flow projections. At December 31, 2002, intangible assets included in the Consolidated Balance Sheet consist primarily of core deposit intangibles that are amortized using an estimated range of anticipated lives of 6 to 20 years.

**Special Purpose Financing Entities**

In the ordinary course of business, the Corporation supports its customers financing needs by facilitating these customer's access to different funding sources, assets and risks. In addition, the Corporation utilizes certain financing arrangements to meet its balance sheet management, funding, liquidity, and market or credit risk management needs. These financing entities may be in the form of corporations, partnerships or limited liability companies, or trusts and are not consolidated in the Corporation's balance sheet. The majority of these activities are basic term or revolving securitization vehicles such as credit cards or mortgages. These vehicles are generally funded through term-amortizing debt structures designed to be paid off based on the underlying cash flows of the assets securitized.

*Securitizations*

The Corporation securitizes, sells and services interests in residential mortgage, consumer finance, commercial and credit card loans. When the Corporation securitizes assets, it may retain interest-only strips, one or more subordinated tranches and, in some cases, a cash reserve account, all of which are considered retained interests in the securitized assets. Gains upon sale of the assets depend, in part, on the Corporation's allocation of the previous carrying amount of the assets to the retained interests. Previous carrying amounts are allocated in proportion to the relative fair values of the assets sold and interests retained.

Quoted market prices, if available, are used to obtain fair values. Generally, quoted market prices for retained interests are not available; therefore, the Corporation estimates fair values based upon the present value of the associated expected future cash flows. This may require management to estimate credit losses, prepayment speeds, forward yield curves, discount rates and other factors that impact the value of retained interests.

The excess cash flows expected to be received over the amortized cost of the retained interest is recognized as interest income using the effective yield method. If the fair value of the retained interest has declined below its carrying amount and there has been an adverse change in estimated contractual cash flows of the underlying assets, then such decline is determined to be other-than-temporary and the retained interest is written down to fair value with a corresponding adjustment to earnings.

*Other Special Purpose Financing Entities*

Other Special Purpose Financing Entities are generally funded with short-term commercial paper and are similarly paid down through the cash flow or sale of the underlying assets. These financing entities are usually contractually limited to a narrow range of activities that facilitate the transfer of or access to various types of assets or financial instruments and provide the investors in the transaction protection from creditors of the Corporation in the event of bankruptcy or receivership of the Corporation. In certain situations, the Corporation provides liquidity commitments and/or loss protection agreements. See Note 13 for further discussion.

The Corporation evaluates whether these entities should be consolidated by applying generally accepted accounting principles and interpretations that generally provide that a financing entity is not consolidated if both the control and risks and rewards of the assets in the financing entity are not retained by the Corporation. In determining whether the financing entity should be consolidated, the Corporation considers whether the entity is a qualifying special-purpose entity (QSPE) as defined in Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125," (SFAS 140). For non-consolidation, SFAS 140 requires that the financing entity be legally isolated, bankruptcy remote and beyond the control of the seller, which generally applies to securitizations. For non-QSPE structures, the Securities and Exchange Commission and the EITF also have issued guidance regarding consolidation of financing entities. Such guidance applies to certain transactions and requires an assessment of whether sufficient risks and rewards of ownership have passed based on assessing the voting rights, control of the entity and the existence of substantive third party equity investment. For additional information on the consolidation of financing entities, see Recently Issued Accounting Pronouncements in Note 1. As part of its normal risk management activities, the Corporation enters into certain transactions that are facilitated through a special purpose entity (SPE). The Corporation consolidates certain of these SPEs when it believes, under the current accounting guidance, that consolidation is appropriate.

For further discussion on Special Purpose Financing Entities see Note 8.

**Income Taxes**

There are two components of income tax expense: current and deferred. Current income tax expense approximates cash to be paid or refunded for taxes for the applicable period. Deferred tax assets and liabilities are recognized due to differences in the basis of assets and liabilities as measured by tax laws and their basis as reported in the financial statements. Deferred tax expense or benefit is then recognized for the change in deferred tax liabilities or assets between periods.

Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with certain temporary differences, tax operating loss carryforwards and tax credits will be realized. A valuation allowance is recorded for the amount of the deferred tax items for which it is more likely than not that realization will not occur.

**Retirement Benefits**

The Corporation has established qualified retirement plans covering substantially all full-time and certain part-time employees. Pension expense under these plans is charged to current operations and consists of several components of net pension cost based on various actuarial assumptions regarding future experience under the plans.

In addition, the Corporation and its subsidiaries have established unfunded supplemental benefit plans and supplemental executive retirement plans for selected officers of the Corporation and its subsidiaries that provide benefits that cannot be paid from a qualified retirement plan due to Internal Revenue Code restrictions. These plans

are nonqualified under the Internal Revenue Code and assets used to fund benefit payments are not segregated from other assets of the Corporation; therefore, in general, a participant's or beneficiary's claim to benefits under these plans is as a general creditor.

In addition, the Corporation and its subsidiaries have established several postretirement healthcare and life insurance benefit plans.

**Other Comprehensive Income**

The Corporation records unrealized gains and losses on available-for-sale debt securities and marketable equity securities, foreign currency translation adjustments, related hedges of net investments in foreign operations and gains and losses on cash flow hedges in other comprehensive income in shareholders' equity. Gain and losses on available-for-sale securities are reclassified to net income as the gains or losses are realized upon sale of the securities. Other-than-temporary impairment charges are reclassified to net income at the time of the charge. Translation gains or losses on foreign currency translation adjustments are reclassified to net income upon the sale or liquidation of investments in foreign operations. Gains or losses on derivatives are reclassified to net income as the hedged item affects earnings.

**Earnings Per Common Share**

Earnings per common share is computed by dividing net income available to common shareholders by the weighted average common shares issued and outstanding. For diluted earnings per common share, net income available to common shareholders can be affected by the conversion of the registrant's convertible preferred stock. Where the effect of this conversion would have been dilutive, net income available to common shareholders is adjusted by the associated preferred dividends. This adjusted net income is divided by the weighted average number of common shares issued and outstanding for each period plus amounts representing the dilutive effect of stock options outstanding and the dilution resulting from the conversion of the registrant's convertible preferred stock, if applicable. The effects of convertible preferred stock and stock options are excluded from the computation of diluted earnings per common share in periods in which the effect would be antidilutive. Dilutive potential common shares are calculated using the treasury stock method.

**Foreign Currency Translation**

Assets, liabilities and operations of foreign branches and subsidiaries are recorded based on the functional currency of each entity. For certain of the foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated, for consolidation purposes, at current exchange rates from the local currency to the reporting currency, the U.S. dollar. The resulting gains or losses are reported as a component of accumulated other comprehensive income (loss) within shareholders' equity on an after-tax basis. When the foreign entity is not a free-standing operation or is in a hyperinflationary economy, the functional currency used to measure the financial statements of a foreign entity is the U.S. dollar. In these instances, the resulting gains and losses are included in income.

**Co-Branding Credit Card Arrangements**

The Corporation has co-brand arrangements that entitle a cardholder to earn airline frequent-flyer points based on purchases made with the card. These arrangements have remaining terms not exceeding six years. The Corporation may pay one-time fees which would be deferred ratably over the term of the arrangement. The Corporation makes monthly payments to the co-brand partners based on the volume of cardholders' purchases and on the number of points awarded to cardholders. Such payments are expensed as incurred and are recorded as contra-revenue.

**NOTE 2 Exit and Restructuring Charges**

**Exit Charges**

On August 15, 2001, the Corporation announced that it was exiting its auto leasing and subprime real estate lending businesses. As a result of this strategic decision, the Corporation recorded pre-tax exit charges in the third quarter of 2001 of $1.7 billion ($1.3 billion after-tax) consisting of provision for credit losses of $395 million and non-interest expense of $1.3 billion. Business exit costs within noninterest expense consisted of the write-off of goodwill of $685 million, auto lease residual charges of $400 million, real estate servicing asset charges of $145 million and other transaction costs of $75 million.

The subprime real estate loan portfolio was securitized in the fourth quarter of 2001. Approximately $82 million of subprime real estate loans remain in loans held for sale in other assets at December 31, 2002. At the exit date, the auto lease portfolio was approximately 495,000 units with total residual exposure of $6.8 billion. At December 31, 2002, approximately 227,000 units remained with a residual exposure of $3.0 billion.

**Restructuring Charges**

As part of its productivity and investment initiatives announced on July 28, 2000, the Corporation recorded a pre-tax charge of $550 million ($346 million after-tax) in the third quarter of 2000. Of the $550 million restructuring charge, approximately $475 million was used to cover severance and related costs and approximately $75 million was used for other costs related to process change and channel consolidation. At December 31, 2002, the restructuring reserve had been utilized.

**NOTE 3 Securities**

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale and held-to-maturity debt securities at December 31, 2002, 2001 and 2000 were:

| (Dollars in millions) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **Available-for-sale debt securities** | | | | |
| **2002** | | | | |
| U.S. Treasury securities and agency debentures | **$ 691** | **$ 20** | **$ —** | **$ 711** |
| Mortgage-backed securities | **58,813** | **847** | **5** | **59,655** |
| Foreign sovereign securities | **2,235** | **30** | **103** | **2,162** |
| Other taxable securities | **2,691** | **25** | **38** | **2,678** |
| Total taxable | **64,430** | **922** | **146** | **65,206** |
| Tax-exempt securities | **2,824** | **96** | **4** | **2,916** |
| **Total** | **$67,254** | **$ 1,018** | **$ 150** | **$68,122** |
| **2001** | | | | |
| U.S. Treasury securities and agency debentures | $ 1,271 | $ 17 | $ 8 | $ 1,280 |
| Mortgage-backed securities | 73,546 | 381 | 826 | 73,101 |
| Foreign sovereign securities | 3,213 | 54 | 123 | 3,144 |
| Other taxable securities | 4,739 | 11 | 108 | 4,642 |
| Total taxable | 82,769 | 463 | 1,065 | 82,167 |
| Tax-exempt securities | 2,324 | 5 | 46 | 2,283 |
| Total | $85,093 | $ 468 | $ 1,111 | $84,450 |
| **2000** | | | | |
| U.S. Treasury securities and agency debentures | $17,318 | $ 12 | $ 520 | $16,810 |
| Mortgage-backed securities | 37,745 | 54 | 372 | 37,427 |
| Foreign sovereign securities | 4,252 | 7 | 108 | 4,151 |
| Other taxable securities | 4,786 | 6 | 104 | 4,688 |
| Total taxable | 64,101 | 79 | 1,104 | 63,076 |
| Tax-exempt securities | 1,541 | 43 | 9 | 1,575 |
| Total | $65,642 | $ 122 | $ 1,113 | $64,651 |
| **Held-to-maturity debt securities** | | | | |
| **2002** | | | | |
| Mortgage-backed securities | **$ 3** | **$ —** | **$ —** | **$ 3** |
| Foreign sovereign securities | **788** | **10** | **49** | **749** |
| Other taxable securities | **45** | **4** | **—** | **49** |
| Total taxable | **836** | **14** | **49** | **801** |
| Tax-exempt securities | **190** | **10** | **—** | **200** |
| **Total** | **$ 1,026** | **$ 24** | **$ 49** | **$ 1,001** |
| **2001** | | | | |
| U.S. Treasury securities and agency debentures | $ 5 | $ — | $ — | $ 5 |
| Mortgage-backed securities | 5 | — | — | 5 |
| Foreign sovereign securities | 797 | 5 | 54 | 748 |
| Other taxable securities | 26 | 1 | — | 27 |
| Total taxable | 833 | 6 | 54 | 785 |
| Tax-exempt securities | 216 | 9 | 1 | 224 |
| Total | $ 1,049 | $ 15 | $ 55 | $ 1,009 |
| **2000** | | | | |
| U.S. Treasury securities and agency debentures | $ 39 | $ — | $ — | $ 39 |
| Mortgage-backed securities | 66 | — | — | 66 |
| Foreign sovereign securities | 800 | 5 | 69 | 736 |
| Other taxable securities | 27 | — | — | 27 |
| Total taxable | 932 | 5 | 69 | 868 |

| | | | | |
|---|---|---|---|---|
| Tax-exempt securities | 255 | 11 | 1 | 265 |
| Total | $ 1,187 | $ 16 | $ 70 | $ 1,133 |

At December 31, 2002, net unrealized gains on available-for-sale debt securities and marketable equity securities included in shareholder's equity were $494 million, net of the related income tax expense of $266 million. At December 31, 2001, net unrealized losses on these securities were $480 million, net of the related income tax benefit of $311 million.

Excluding securities issued by the U.S. government and its agencies and corporations, there were no investments in securities from one issuer that exceeded 10 percent of consolidated shareholders' equity at December 31, 2002 or 2001.

Securities are pledged or assigned to secure borrowed funds, government and trust deposits and for other purposes. The carrying value of pledged securities was $32.9 billion and $37.4 billion at December 31, 2002 and 2001, respectively.

The expected maturity distribution and yields of the Corporation's securities portfolio at December 31, 2002 are summarized below. Actual maturities may differ from the contractual or expected maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

| | Due in 1 Year or Less | | Due After 1 Year Through 5 Years | | Due After 5 Years Through 10 Years | | Due After 10 Years | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield |
| **Fair value of available-for-sale debt securities** | | | | | | | | | | |
| U.S. Treasury securities and agency debentures | $ 85 | 2.77% | $ 551 | 3.40% | $ 53 | 4.61% | $ 22 | 5.66% | $ 711 | 3.49% |
| Mortgage-backed securities | 4 | 6.41 | 27,394 | 5.37 | 30,536 | 5.83 | 1,721 | 6.12 | 59,655 | 5.63 |
| Foreign sovereign securities | 680 | 2.63 | 430 | 8.57 | — | — | 1,052 | 5.01 | 2,162 | 4.97 |
| Other taxable securities | 188 | 3.42 | 803 | 5.50 | 89 | 7.18 | 1,598 | 5.95 | 2,678 | 5.68 |
| Total taxable | 957 | 2.81 | 29,178 | 5.38 | 30,678 | 5.83 | 4,393 | 5.79 | 65,206 | 5.59 |
| Tax-exempt securities[1] | 6 | 7.32 | 20 | 6.89 | 1,059 | 6.31 | 1,831 | 6.85 | 2,916 | 6.66 |
| Total | $ 963 | 2.84% | $29,198 | 5.38% | $31,737 | 5.85% | $6,224 | 6.10% | $68,122 | 5.63% |
| **Amortized cost of available-for-sale debt securities** | $ 976 | | $28,788 | | $31,340 | | $6,150 | | $67,254 | |
| **Amortized cost of held-to-maturity debt securities** | | | | | | | | | | |
| Mortgage-backed securities | $ — | —% | $ 3 | 1.87% | $ — | —% | $ — | —% | $ 3 | 2.42% |
| Foreign sovereign securities | 6 | 2.54 | 14 | 3.47 | 9 | 2.40 | 759 | 7.12 | 788 | 6.96 |
| Other taxable securities | — | — | — | — | — | — | 45 | 3.68 | 45 | 3.69 |
| Total taxable | 6 | 2.54 | 17 | 3.19 | 9 | 2.40 | 804 | 6.93 | 836 | 6.77 |
| Tax-exempt securities[1] | 30 | 11.13 | 71 | 9.41 | 49 | 8.10 | 40 | 6.12 | 190 | 8.66 |
| Total | $ 36 | 9.60% | $ 88 | 8.21% | $ 58 | 7.18% | $ 844 | 6.89% | $ 1,026 | 7.12% |
| **Fair value of held-to-maturity debt securities** | $ 37 | | $ 93 | | $ 61 | | $ 810 | | $ 1,001 | |

(1) Yield of tax-exempt securities calculated on a taxable-equivalent basis.

The components of gains and losses on sales of securities for the years ended December 31, 2002, 2001 and 2000 were:

| (Dollars in millions) | **2002** | 2001 | 2000 |
|---|---|---|---|
| Gross gains | **$ 1,035** | $ 1,074 | $ 123 |
| Gross losses | **405** | 599 | 98 |
| Net gains on sales of securities | **$ 630** | $ 475 | $ 25 |

The income tax expense attributable to realized net gains on securities sales was $220 million, $166 million and $9 million in 2002, 2001 and 2000, respectively.

**NOTE 4 Trading Activities**

**Trading-Related Revenue**

Trading account profits represent the net amount earned from the Corporation's trading positions, which include trading accounts assets and liabilities as well as derivative positions and mortgage banking certificates. Trading account profits, as reported in the Consolidated Statement of Income, does not include the net interest income recognized on trading positions or the related funding charge or benefit.

Trading account profits and trading-related net interest income ("trading-related revenue") are presented in the following table as they are both considered in evaluating the overall profitability of the Corporation's trading positions. Trading-related revenue is derived from foreign exchange spot, forward and cross-currency contracts, fixed income and equity securities, and derivative contracts in interest rates, equities, credit and commodities.

| (Dollars in millions) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Trading account profits – as reported[1] | **$ 778** | $1,842 | $1,923 |
| Trading-related net interest income[2] | **1,970** | 1,609 | 1,023 |
| **Total trading-related revenue** | **$2,748** | $3,451 | $2,946 |
| **Trading-related revenue by product** | | | |
| Foreign exchange | **$ 530** | $ 541 | $ 536 |
| Interest rate | **839** | 784 | 773 |
| Credit[3] | **893** | 1,054 | 392 |
| Equities | **400** | 902 | 1,174 |
| Commodities | **86** | 170 | 71 |
| **Total trading-related revenue** | **$2,748** | $3,451 | $2,946 |

(1) Includes $83 transition adjustment net loss in 2001 recorded as a result of adoption of SFAS 133.

(2) Presented on a taxable-equivalent basis.

(3) Credit includes credit fixed income, credit derivatives, hedges of credit exposure and mortgage banking assets.

**Trading Account Assets and Liabilities**

The fair values of the components of trading account assets and liabilities at December 31, 2002 and 2001 were:

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| **Trading account assets** | | |
| U.S. government & agency securities | **$19,875** | $15,009 |
| Foreign sovereign debt | **8,752** | 6,809 |
| Corporate & other debt securities | **14,280** | 11,596 |
| Equity securities | **5,380** | 2,976 |
| Mortgage-backed securities | **5,917** | 3,070 |
| Other | **9,792** | 7,884 |
| **Total** | **$63,996** | **$47,344** |
| **Trading account liabilities** | | |
| U.S. government & agency securities | **$ 8,531** | $ 4,121 |
| Foreign sovereign debt | **3,465** | 3,096 |
| Corporate & other debt securities | **3,032** | 1,501 |
| Equity securities | **4,825** | 6,151 |
| Other | **5,721** | 4,583 |
| **Total** | **$25,574** | $19,452 |

**NOTE 5 Derivatives**

The Corporation designates a derivative as held for trading or hedging purposes when it enters into a derivative contract. Derivatives utilized by the Corporation include swaps, financial futures and forward settlement contracts, and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Financial futures and forward settlement contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date and rate or price. An option contract is an agreement that conveys to the purchaser the right, but not the obligation, to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined rate or price during a period or at a time in the future. Option agreements can be transacted on organized exchanges or directly between parties. The Corporation also provides credit derivatives to customers who wish to hedge existing credit exposures or take on credit exposure to generate revenue.

**Credit Risk Associated with Derivative Activities**

Credit risk associated with derivatives is measured as the net replacement cost should the counterparties with contracts in a gain position to the Corporation completely fail to perform under the terms of those contracts assuming no recoveries of underlying collateral. In managing derivative credit risk, both the current exposure, which is the replacement cost of contracts on the measurement date, as well as an estimate of the potential change in value of contracts over their remaining lives are considered. In managing credit risk associated with its derivative activities, the Corporation deals primarily with commercial banks, broker-dealers and corporations. To minimize credit risk, the Corporation enters into legally enforceable master netting agreements, which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon occurrence of certain events. In addition, the Corporation reduces credit risk by obtaining collateral based on individual assessment of counterparties. The determination of the need for and the levels of collateral will vary depending on the Corporation's credit risk rating of the counterparty. Generally, the Corporation accepts collateral in the form of cash, U.S. Treasury securities and other marketable securities. The Corporation held $16.7 billion of collateral on derivative positions, of which $11.4 billion could be applied against credit risk at December 31, 2002.

A portion of the derivative activity involves exchange-traded instruments. Exchange-traded instruments conform to standard terms and are subject to policies set by the exchange involved, including counterparty approval, margin requirements and security deposit requirements. Management believes the credit risk associated with these types of

instruments is minimal.

The following table presents the contract / notional and credit risk amounts at December 31, 2002 and 2001 of the Corporation's derivative positions held for trading and hedging purposes. These derivative positions are primarily executed in the over-the-counter market. The credit risk amounts presented in the following table do not consider the value of any collateral held but take into consideration the effects of legally enforceable master netting agreements.

| **Derivatives**[1] | **December 31, 2002** | | December 31, 2001 | |
|---|---|---|---|---|
| (Dollars in millions) | **Contract/ Notional** | **Credit Risk** | Contract/ Notional | Credit Risk |
| **Interest rate contracts** | | | | |
| Swaps | **$ 6,781,629** | **$ 18,981** | $ 5,267,608 | $ 9,550 |
| Futures and forwards | **2,510,259** | **283** | 1,663,109 | 67 |
| Written options | **973,113** | **—** | 678,242 | — |
| Purchased options | **907,999** | **3,318** | 704,159 | 2,165 |
| **Foreign exchange contracts** | | | | |
| Swaps | **175,680** | **2,460** | 140,778 | 2,274 |
| Spot, futures and forwards | **724,039** | **2,535** | 654,026 | 2,496 |
| Written options | **81,263** | **—** | 57,963 | — |
| Purchased options | **80,395** | **452** | 55,050 | 496 |
| **Equity contracts** | | | | |
| Swaps | **16,830** | **679** | 14,504 | 562 |
| Futures and forwards | **48,470** | **—** | 46,970 | 44 |
| Written options | **19,794** | **—** | 21,009 | — |
| Purchased options | **23,756** | **2,885** | 28,902 | 2,511 |
| **Commodity contracts** | | | | |
| Swaps | **11,776** | **1,117** | 6,600 | 1,152 |
| Futures and forwards | **3,478** | **—** | 2,176 | — |
| Written options | **12,158** | **—** | 8,231 | — |
| Purchased options | **19,115** | **347** | 8,219 | 199 |
| **Credit derivatives** | **92,098** | **1,253** | 57,182 | 631 |
| **Total derivative assets** | | **$ 34,310** | | $ 22,147 |

(1) Includes both long and short derivative positions.

The average fair value of derivative assets for 2002 and 2001 was $25.3 billion and $19.8 billion, respectively. The average fair value of derivative liabilities for 2002 and 2001 was $17.3 billion and $17.4 billion, respectively.

**Asset and Liability Management (ALM) Activities**

Interest rate contracts and foreign exchange contracts are utilized in the Corporation's ALM process. The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation. Interest income and interest expense on hedged variable-rate assets and liabilities, respectively, increases or decreases as a result of interest rate fluctuations. Gains and losses on the derivative instruments that are linked to these hedged assets and liabilities are expected to substantially offset this variability in earnings.

Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow the Corporation to effectively manage its interest rate risk position. Non-leveraged generic interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments based on the contractual underlying notional amount. Basis swaps involve the exchange of interest payments based on the contractual underlying notional amounts, where both the pay rate and the receive rate are floating rates based on different indices. Option products primarily consist of caps, floors, swaptions and options on index futures contracts. Futures contracts used for ALM activities are primarily index futures providing for cash payments based upon the movements of an underlying rate index.

The Corporation uses foreign currency contracts to manage the foreign exchange risk associated with certain foreign-denominated assets and liabilities, as well as the Corporation's equity investments in foreign subsidiaries. Foreign exchange contracts, which include spot, futures and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Foreign exchange option contracts are similar to interest rate option contracts except that they are based on currencies rather than interest rates. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

**Fair Value and Cash Flow Hedges**

The Corporation uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its fixed-rate assets and liabilities due to fluctuations in interest rates and exchange rates. The Corporation also uses these types of contracts to protect against changes in the cash flows of its variable-rate assets and liabilities and anticipated transactions. In 2002, the Corporation recognized in the Consolidated Statement of Income a net loss of $22 million (included in interest income) which represented the ineffective portion of fair value hedges. In 2001, there were no material gains or losses recognized which represented the ineffective portion of fair value hedges. In 2002, the Corporation recognized in the Consolidated Statement of Income a net loss of $28 million (included in interest income and mortgage banking income) which represented the ineffective portion of cash flow hedges. In 2001, there were no significant gains or losses recognized which represented the ineffective portion of cash flow hedges. At December 31, 2002 and 2001, the Corporation has determined that there were no hedging positions where it was probable that certain forecasted transactions may not occur within the originally designated time period.

For cash flow hedges, gains and losses on derivative contracts reclassified from accumulated other comprehensive income to current period earnings are included in the line item in the Consolidated Statement of Income in which the hedged item is recorded and in the same period the hedged item affects earnings. Deferred net gains on derivative instruments of approximately $521 million (pre-tax) included in accumulated other comprehensive income at December 31, 2002 are expected to be reclassified into earnings during the next twelve months. These net gains reclassified into earnings are expected to increase income or reduce expense on the hedged items.

**Hedges of Net Investments in Foreign Operations**

The Corporation uses forward exchange contracts, currency swaps and nonderivative cash instruments that provide an economic hedge on its net investments in foreign operations against adverse movements in foreign currency exchange rates. In 2002 and 2001, the Corporation experienced net foreign currency pre-tax gains of $103 million and pre-tax losses of $138 million, respectively, related to its net investments in foreign operations. These gains and losses were recorded as a component of the foreign currency translation adjustment in other comprehensive income. These gains and losses were largely offset by net pre-tax losses of $102 million and net pre-tax gains of $132 million related to derivative and non-derivative instruments designated as hedges of this currency exposure during these same periods.

## NOTE 6 Outstanding Loans and Leases

Outstanding loans and leases at December 31, 2002 and 2001 were:

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| Commercial – domestic | **$ 105,053** | $ 118,205 |
| Commercial – foreign | **19,912** | 23,039 |
| Commercial real estate – domestic | **19,910** | 22,271 |
| Commercial real estate – foreign | **295** | 383 |
| Total commercial | **145,170** | 163,898 |
| Residential mortgage | **108,197** | 78,203 |
| Home equity lines | **23,236** | 22,107 |
| Direct/Indirect consumer | **31,068** | 30,317 |
| Consumer finance | **8,384** | 12,652 |
| Credit card | **24,729** | 19,884 |
| Foreign consumer | **1,971** | 2,092 |
| Total consumer | **197,585** | 165,255 |
| **Total** | **$ 342,755** | $ 329,153 |

The following table presents the recorded investment in specific loans that were considered individually impaired in accordance with SFAS 114 at December 31, 2002 and 2001:

| (Dollars in millions) | 2002 | 2001 |
|---|---|---|
| Commercial – domestic | **$ 2,553** | $ 3,138 |
| Commercial – foreign | **1,355** | 501 |
| Commercial real estate – domestic | **157** | 240 |
| Commercial real estate – foreign | **2** | — |
| **Total impaired loans** | **$ 4,067** | $ 3,879 |

The average recorded investment in certain impaired loans for 2002, 2001, and 2000 was approximately $3.9 billion, $3.7 billion and $3.0 billion, respectively. At December 31, 2002 and 2001, the recorded investment in impaired loans requiring an allowance for credit losses was $4.0 billion and $3.1 billion, and the related allowance for credit losses was $919 million and $763 million, respectively. For 2002, 2001 and 2000, interest income recognized on impaired loans totaled $156 million, $195 million and $174 million, respectively, all of which was recognized on a cash basis.

At December 31, 2002 and 2001, nonperforming loans, including certain loans which were considered impaired, totaled $5.0 billion and $4.5 billion, respectively. In addition, included in other assets was $120 million and $1.0 billion of nonperforming assets at December 31, 2002 and 2001, respectively.

Foreclosed properties amounted to $225 million and $402 million at December 31, 2002 and 2001, respectively. The cost of carrying foreclosed properties amounted to $7 million, $15 million and $12 million in 2002, 2001, and 2000, respectively.

**NOTE 7 Allowance for Credit Losses**

The table below summarizes the changes in the allowance for credit losses on loans and leases for 2002, 2001 and 2000:

| (Dollars in millions) | **2002** | 2001 | 2000 |
|---|---|---|---|
| Balance, January 1 | **$ 6,875** | $ 6,838 | $ 6,828 |
| Loans and leases charged off | **(4,460)** | (4,844) | (2,995) |
| Recoveries of loans and leases previously charged off | **763** | 600 | 595 |
| Net charge-offs | **(3,697)** | (4,244) | (2,400) |
| Provision for credit losses | **3,697** | 4,287 | 2,535 |
| Other, net | **(24)** | (6) | (125) |
| **Balance, December 31** | **$ 6,851** | $ 6,875 | $ 6,838 |

**NOTE 8 Special Purpose Financing Entities**

The Corporation securitizes assets and may retain a portion or all of the securities, subordinated tranches, interest only strips and, in some cases, a cash reserve account, all of which are considered retained interests in the securitized assets. Those assets may be serviced by the Corporation or by third parties to whom the servicing has been sold. See Note 1 for a more detailed discussion of securitizations.

**Mortgage Banking**

In conjunction with or shortly after closing, the Corporation securitizes the majority of its mortgage loan originations. In 2002 and 2001, the Corporation converted a total of $53.7 billion (including $2.8 billion originated by other entities on behalf of the Corporation) and $52.9 billion, respectively, of residential first mortgages into mortgage-backed securities issued through Fannie Mae, Freddie Mac, Ginnie Mae and Bank of America Mortgage Securities. The Corporation did not retain any of the securities issued in 2002. At December 31, 2002, $1.8 billion of securities issued prior to 2002 had been retained. At December 31, 2001, the Corporation had retained $9.7 billion in securities. These retained interests are valued using quoted market values.

For 2002, the Corporation reported $480 million in gains on loans converted into securities and sold, of which $408 million was from loans originated by the Corporation and $72 million was from loans originated by other entities on behalf of the Corporation. For 2001, the Corporation reported $637 million in gains on loans converted into securities and sold. At December 31, 2002, the Corporation had recourse obligations of $5.9 billion with varying terms up to seven years on loans that had been securitized and sold.

In addition to the retained interests in the securities, the Corporation has retained the servicing asset and Excess Spread Certificates (the Certificates) from securitized mortgage loans (see the Mortgage Banking Assets section of Note 1). Mortgage Certificate and servicing fee income on all loans serviced, including securitizations, was $944 million and $1.1 billion in 2002 and 2001, respectively.

The Certificates of $2.1 billion at December 31, 2002 compared to $3.9 billion at December 31, 2001 are classified as mortgage banking assets and marked to market with the unrealized gains or losses recorded in trading account profits. The fair value of the Certificates decreased primarily due to an increase in mortgage prepayments and expected future prepayments, that resulted primarily from a significant decrease in mortgage interest rates. At December 31, 2002, key economic assumptions and the sensitivities of the fair value of the Certificates to immediate changes in those assumptions were analyzed. The sensitivity analysis included the impact on fair value of modeled prepayment and discount rate changes under favorable and adverse conditions. A decrease of 10 percent and 20 percent in modeled prepayments would result in an increase in value ranging from $188 million to $406 million, and an increase in modeled prepayments of 10 percent and 20 percent would result in a decrease in value ranging from $163 million to $305 million. A decrease of 100 and 200 basis points in the discount rate would result in an increase in value ranging from $87 million to $182 million, and an increase in the discount rate of 100 and 200 basis points would result in a decrease in value ranging from $80 million to $153 million. See Note 1 for additional disclosures related to the Certificates.

**Other Securitizations**

In December 2001, in conjunction with the strategic decision to exit the subprime real estate lending business, the Corporation securitized $17.5 billion of subprime real estate loans in two bond-insured transactions and retained all of the related AAA-rated securities in the available-for-sale portfolio. During 2002, the Corporation re-securitized and sold $10.4 billion of those securities to third parties. At December 31, 2002, $3.5 billion of the AAA-rated securities remained in the available-for-sale portfolio.

The Corporation has provided protection on a subset of one consumer finance securitization in the form of a guarantee with a maximum payment of $220 million that is only paid out if over-collateralization is not sufficient to absorb losses and certain other conditions are met. The Corporation projects no payments will be due over the life of the contract, which is approximately seven years.

Key economic assumptions used in measuring the fair value of certain residual interests (included in other assets) in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are as follows:

| (Dollars in millions) | Credit Card | | Consumer Finance[1] | | Commercial - Domestic[2] |
|---|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 | 2001 |
| **Carrying amount of residual interests (at fair value)** | **$123** | $146 | **$ 395** | $ 469 | $ 78 |
| **Balance of unamortized securitized loans[3]** | **4,732** | 7,302 | **15,545** | 22,288 | 1,954 |
| **Weighted-average life to call (in years)** | **1.47** | 1.88 | **3.04** | 3.25 | 0.22 |
| **Revolving structures – annual payment rate** | **14.2%** | 14.4% | | | 30.0% |
| **Amortizing structures – annual constant prepayment rate:** | | | | | |
| **Fixed rate loans** | | | **9.3-29.1%** | 8.1-24.5% | |
| **Adjustable rate loans** | | | **27.0%** | 27.0% | |
| Impact on fair value of 100 bps favorable change | **$ 3** | $ 4 | **$ —** | $ 15 | $ — |
| Impact on fair value of 200 bps favorable change | **7** | 9 | **2** | 33 | — |
| Impact on fair value of 100 bps adverse change | **(3)** | (3) | **(1)** | (11) | — |
| Impact on fair value of 200 bps adverse change | **(5)** | (7) | **(2)** | (18) | — |
| **Expected credit losses[4]** | **5.6%** | 7.8% | **4.2-10.0%** | 3.9-10.0% | 1.5% |
| Impact on fair value of 10% favorable change | **$ 6** | $ 15 | **$ 40** | $ 42 | $ 7 |
| Impact on fair value of 25% favorable change | **15** | 37 | **115** | 120 | 8 |
| Impact on fair value of 10% adverse change | **(7)** | (15) | **(36)** | (35) | (7) |
| Impact on fair value of 25% adverse change | **(16)** | (37) | **(79)** | (77) | (8) |
| **Residual cash flows discount rate (annual rate)** | **6.0%** | 6.0% | **15.0-30.0%** | 15.0-30.0% | 6.0% |
| Impact on fair value of 100 bps favorable change | **$ —** | $ — | **$ 14** | $ 16 | $ — |
| Impact on fair value of 200 bps favorable change | **—** | 1 | **29** | 33 | — |
| Impact on fair value of 100 bps adverse change | **—** | — | **(13)** | (15) | — |
| Impact on fair value of 200 bps adverse change | **—** | (1) | **(26)** | (29) | — |

(1) Consumer finance includes subprime real estate loan and manufactured housing loan securitizations, which are all serviced by third parties.

(2) Commercial-domestic includes the 1997 securitization of commercial loans, which matured during 2002.

(3) Balances represent securitized loans at December 31, 2002 and 2001. At December 31, 2002 and 2001, the Corporation retained in the available-for-sale portfolio $3.5 billion and $17.5 billion, respectively, of the AAA-rated bonds created from the December 2001 subprime real estate loan securitizations.

(4) Annual rates of expected credit losses are presented for credit card and commercial – domestic securitizations. Cumulative lifetime rates of expected credit losses (incurred plus projected) are presented for consumer finance loans. 2001 cumulative lifetime credit loss rates for consumer finance have been restated to include interest accrued but not collected from the borrower.

The sensitivities in the preceding table and related to the Certificates are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the Corporation has the ability to hedge interest rate risk associated with retained residual positions. The above sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

Static pool net credit losses are considered in determining the value of retained interests. Static pool net credit losses include actual incurred plus projected credit losses divided by the original-balance of each securitization pool. Prior year expected static pool net credit loss disclosures have been restated to include interest accrued but not collected from the borrower. Expected static pool net credit losses at December 31, 2002 were 6.86, 8.28, 6.69, 5.30, 4.87 and 6.27 percent for 2001, 1999, 1998, 1997, 1996 and 1995, respectively. Expected static pool net credit losses at December 31, 2001 were 6.86, 6.39, 6.60, 4.95, 4.60 and 6.48 percent for 2001, 1999, 1998, 1997, 1996 and 1995, respectively.

Proceeds from collections reinvested in revolving credit card securitizations were $16.1 billion and $19.4 billion in 2002 and 2001, respectively. Other cash flows received from retained interests, which represent amounts received on retained interests by the transferor other than servicing fees such as cash flows from interest-only strips, were $451 million and $605 million in 2002 and 2001, respectively, for credit card securitizations.

The Corporation reviews its loan and lease portfolio on a managed basis. Managed loans and leases are defined as on-balance sheet loans and leases as well as securitized credit card loans. New advances under these previously securitized balances will be recorded on the Corporation's balance sheet after the revolving period of the securitization, which has the effect of increasing loans on the Corporation's balances sheet and increasing net interest income and charge-offs, with a corresponding reduction in noninterest income. Portfolio balances, delinquency and historical loss amounts of the managed loan and lease portfolio for 2002 and 2001 were as follows:

| | **December 31, 2002** | | | December 31, 2001 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | **Total Principal Amount of Loans and Leases** | **Principal Amount of Loans Past Due 90 Days or More[1]** | **Principal Amount of Nonperforming Loans** | Total Principal Amount of Loans and Leases | Principal Amount of Loans Past Due 90 Days or More[1] | Principal Amount of Nonperforming Loans |
| Commercial – domestic | **$ 105,053** | **$ 132** | **$ 2,781** | $ 120,159 | $ 175 | $ 3,123 |
| Commercial – foreign | **19,912** | **—** | **1,359** | 23,039 | 6 | 461 |
| Commercial real estate – domestic | **19,910** | **91** | **161** | 22,271 | 40 | 240 |
| Commercial real estate – foreign | **295** | **—** | **3** | 383 | — | 3 |
| Total commercial | **145,170** | **223** | **4,304** | 165,852 | 221 | 3,827 |
| Residential mortgage | **108,197** | **—** | **612** | 78,203 | 14 | 556 |
| Home equity lines | **23,236** | **—** | **66** | 22,107 | — | 80 |
| Direct/Indirect consumer | **31,068** | **56** | **30** | 30,317 | 67 | 27 |
| Consumer finance | **8,384** | **61** | **19** | 12,652 | 46 | 9 |
| Credit card | **29,461** | **502** | **—** | 27,186 | 475 | — |
| Foreign consumer | **1,971** | **—** | **6** | 2,092 | — | 7 |
| Total consumer | **202,317** | **619** | **733** | 172,557 | 602 | 679 |
| **Total managed loans and leases** | **347,487** | **$ 842** | **$ 5,037** | 338,409 | $ 823 | $ 4,506 |
| Loans in revolving securitizations | **(4,732)** | | | (9,256) | | |
| **Total held loans and leases** | **$ 342,755** | | | $ 329,153 | | |

| | **Year Ended December 31, 2002** | | | Year Ended December 31, 2001 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | **Average Loans and Leases Outstanding** | **Loans and Leases Net Losses** | **Net Loss Ratio[2]** | Average Loans and Leases Outstanding | Loans and Leases Net Losses | Net Loss Ratio[2] |
| Commercial – domestic | **$ 110,073** | **$1,471** | **1.34%** | $ 135,750 | $1,949 | 1.44% |
| Commercial – foreign | **21,287** | **521** | **2.45** | 26,492 | 208 | 0.78 |
| Commercial real estate – domestic | **21,161** | **37** | **0.18** | 24,607 | 39 | 0.16 |
| Commercial real estate – foreign | **408** | **—** | **—** | 348 | — | — |
| Total commercial | **152,929** | **2,029** | **1.33** | 187,197 | 2,196 | 1.17 |
| Residential mortgage | **97,204** | **42** | **0.04** | 81,472 | 26 | 0.03 |
| Home equity lines | **22,807** | **26** | **0.11** | 22,013 | 19 | 0.09 |
| Direct/Indirect consumer | **30,264** | **210** | **0.69** | 30,374 | 250 | 0.82 |
| Consumer finance | **10,533** | **255** | **2.42** | 27,709 | 1,026 | 3.70 |
| Credit card | **27,352** | **1,443** | **5.28** | 24,637 | 1,174 | 4.76 |
| Other consumer – domestic | **—** | **36** | **n/m** | — | 50 | n/m |
| Foreign consumer | **2,021** | **5** | **0.25** | 2,222 | 5 | 0.22 |
| Total consumer | **190,181** | **2,017** | **1.06** | 188,427 | 2,550 | 1.35 |
| **Total managed loans and leases** | **343,110** | **$4,046** | **1.18%** | 375,624 | $4,746 | 1.26% |
| Loans in revolving securitizations | **(6,291)** | | | (10,177) | | |
| **Total held loans and leases** | **$ 336,819** | | | $ 365,447 | | |

n/m = not meaningful

(1) Excludes consumer real estate loans (which are placed on non performing status at 90 days past due).

(2) The net loss ratio is calculated by dividing managed loans and leases net losses by average managed loans and leases outstanding for each loan and lease category.

**Variable Interest Entities**

In January 2003, the FASB issued a new rule that addresses off-balance sheet financing entities. As a result, the Corporation expects that it will have to consolidate its multi-seller asset backed conduits beginning in the third quarter of 2003, as required by the rule. As of December 31, 2002, the assets of these entities were approximately $25.0 billion. The actual amount that will be consolidated is dependent on actions taken by the Corporation and its customers between December 31, 2002 and the third quarter of 2003. Management is assessing alternatives with regards to these entities including restructuring the entities and/or alternative sources of cost-efficient funding for the Corporation's customers and expects that the amount of assets consolidated will be less than the $25.0 billion due to these actions and those of its customers. Revenues from administration, liquidity, letters of credit and other services provided to these entities were approximately $121 million in 2002 and $125 million in 2001. The new rule requires that for entities to be consolidated that those assets be initially recorded at their carrying amounts at the date the requirements of the new rule first apply. If determining carrying amounts as required is impractical, then the assets are to be measured at fair value the first date the new rule applies. Any difference between the net amount added to the Corporation's balance sheet and the amount of any previously recognized interest in the newly consolidated entity shall be recognized as the cumulative effect of an accounting change. Had the Corporation adopted the rule in 2002, there would have been no material impact to net income. See Note 1 of the consolidated financial statements for a discussion regarding management's estimated impact of the new rule in 2003. At December 31, 2002, the Corporation's liquidity and letter of credit exposure associated with the multi-seller conduits administered by the Corporation was approximately $21.3 billion. Management does not believe losses resulting from its administration of these conduits will be material.

Additionally, the Corporation has significant involvement with other VIEs that it will not likely consolidate because it is not considered the primary beneficiary. In all cases, the Corporation does not absorb the majority of the entities' losses nor does it receive a majority of the entities' expected residual returns, or both. These entities facilitate client transactions, and the Corporation functions as administrator for all of these and provides either liquidity and letters of credit or derivatives to the VIE. Total assets of these entities at December 31, 2002 were approximately $11.1 billion; revenues associated with administration, liquidity, letters of credit and other services were approximately $341 million in 2002. At December 31, 2002, the Corporation's loss exposure associated with these VIEs was approximately $5.1 billion. Management does not believe losses resulting from its involvement with these entities will be material.

The Corporation consolidates certain SPEs under current accounting guidance when it believes that consolidation is appropriate. At December 31, 2002, assets of consolidated SPEs were approximately $2.9 billion.

See Note 1 for additional discussion of special purpose financing entities.

**NOTE 9 Goodwill and Other Intangibles**

In accordance with SFAS 142, no goodwill amortization was recorded in 2002. Goodwill amortization expense in 2001 was $662 million. Net income in 2001 was $6.8 billion or $4.26 per share ($4.18 per share diluted). Net income adjusted to exclude goodwill amortization expense would have been $7.4 billion or $4.64 per share ($4.56 per share diluted) in 2001. The impact of goodwill amortization on net income in 2001 was $616 million or $0.38 per share (basic and diluted). Goodwill amortization expense in 2000 was $635 million. Net income in 2000 was $7.5 billion or $4.56 per share ($4.52 per share diluted). Net income adjusted to exclude goodwill amortization expense would have been $8.1 billion or $4.93 per share ($4.88 per share diluted) in 2000. The impact of goodwill amortization on net income in 2000 was $602 million or $0.37 per share ($0.36 per share diluted).

At December 31, 2002 and 2001, goodwill was $7.7 billion in *Consumer and Commercial Banking*, $2.0 billion in *Global Corporate and Investment Banking* and $134 million in *Equity Investments*. Goodwill in *Asset Management* at December 31, 2002 and 2001 was $1.5 billion and $943 million, respectively, reflecting a $550 million addition representing final contingent consideration in connection with the acquisition of the remaining 50 percent of Marsico Capital Management, LLC in 2001 for $1.1 billion. All conditions related to this contingent consideration have been met.

The gross carrying value and accumulated amortization related to core deposit intangibles and other intangibles at December 31, 2002 and 2001 are presented below:

| | **December 31, 2002** | | December 31, 2001 | |
|---|---|---|---|---|
| (Dollars in millions) | **Gross Carrying Value** | **Accumulated Amortization** | Gross Carrying Value | Accumulated Amortization |
| Core deposit intangibles | **$ 1,495** | **$ 726** | $ 1,495 | $ 566 |
| Other intangibles | **757** | **431** | 730 | 365 |
| **Total** | **$ 2,252** | **$ 1,157** | $ 2,225 | $ 931 |

Amortization expense on core deposit intangibles and other intangibles was $218 million, $216 million and $229 million in 2002, 2001 and 2000, respectively. The Corporation estimates that aggregate amortization expense will be $212 million for 2003, $209 million for 2004, $208 million for 2005, $207 million for 2006 and $118 million for 2007.

**NOTE 10 Deposits**

The Corporation had domestic certificates of deposit of $100 thousand or greater totaling $23.0 billion and $27.1 billion at December 31, 2002 and 2001, respectively. The Corporation had other domestic time deposits of $100 thousand or greater totaling $977 million and $904 million at December 31, 2002 and 2001, respectively. Foreign office certificates of deposit and other time deposits of $100 thousand or greater totaled $16.4 billion and $28.0 billion at December 31, 2002 and 2001, respectively.

The following table presents the maturities of domestic certificates of deposit of $100 thousand or greater and of other domestic time deposits of $100 thousand or greater at December 31, 2002.

| (Dollars in millions) | Within 3 months | Within 3-6 months | Within 6-12 months | Thereafter | Total |
|---|---|---|---|---|---|
| CDs of $100 thousand or greater | $10,393 | $4,500 | $3,727 | $ 4,367 | $22,987 |
| Other time deposits of $100 thousand or greater | 73 | 90 | 84 | 730 | 977 |

At December 31, 2002, the scheduled maturities for total time deposits were as follows:

| (Dollars in millions) | |
|---|---|
| Due in 2003 | $82,972 |
| Due in 2004 | 5,514 |
| Due in 2005 | 3,761 |
| Due in 2006 | 1,426 |
| Due in 2007 | 3,391 |
| Thereafter | 1,474 |
| Total | $98,538 |

**NOTE 11 Short-Term Borrowings and Long-Term Debt**

**Short-Term Borrowings**

Bank of America Corporation and certain other subsidiaries issue commercial paper. Commercial paper outstanding at December 31, 2002 was $114 million compared to $1.6 billion at December 31, 2001.

Bank of America, N.A. maintains a domestic program to offer up to a maximum of $50.0 billion, at any one time, of bank notes with fixed or floating rates and maturities of at least seven days from the date of issue. Short-term bank notes outstanding under this program totaled $1.0 billion at December 31, 2002 compared to $2.5 billion at December 31, 2001. These short-term bank notes, along with Treasury tax and loan notes, term federal funds purchased and commercial paper, are reflected in commercial paper and other short-term borrowings in the Consolidated Balance Sheet.

**Long-Term Debt**

The following table presents long-term debt at December 31, 2002 and December 31, 2001:

| (Dollars in millions) | December 31 2002 | 2001 |
|---|---|---|
| **Notes issued by Bank of America Corporation[1,2]** | | |
| Senior notes | | |
| Fixed, ranging from 0.73% to 9.25%, due 2003 to 2028 | **$ 7,896** | $ 1,029 |
| Floating, ranging from 1.05% to 4.38%, due 2003 to 2041 | **19,294** | 22,526 |
| Subordinated notes | | |
| Fixed, ranging from 4.80% to 10.88%, due 2003 to 2032 | **14,158** | 9,926 |
| Floating, ranging from 0.98% to 2.60%, due 2003 to 2037 | **5,167** | 10,795 |
| Total notes issued by Bank of America Corporation | **$46,515** | $44,276 |
| **Notes issued by Bank of America, N.A. and other subsidiaries[1,2]** | | |
| Senior notes | | |
| Fixed, ranging from 1.51% to 8.50%, due 2003 to 2014 | **$ 2,223** | $ 893 |
| Floating, ranging from 0.25% to 5.92%, due 2003 to 2027 | **3,229** | 6,643 |
| Subordinated notes | | |
| Fixed, ranging from 7.88% to 10.78%, due 2003 to 2004 | **401** | 400 |
| Floating, 1.38%, due 2019 | **8** | 8 |
| Total notes issued by Bank of America, N.A. and other subsidiaries | **$ 5,861** | $ 7,944 |
| **Other debt** | | |
| Advances from the Federal Home Loan Bank – Georgia | **$ 2,749** | $ 2,250 |
| Advances from the Federal Home Loan Bank – Oregon | **5,992** | 5,996 |
| Floating rate asset backed certificates – Bank of America, N.A. | **—** | 2,000 |
| Other | **28** | 30 |
| Total other debt | **$ 8,769** | $10,276 |
| **Total** | **$61,145** | $62,496 |

(1) Fixed-rate and floating-rate classifications as well as interest rates include the effect of interest rate swap contracts.

(2) Rates and maturity dates reflect outstanding debt as of December 31, 2002.

The majority of the floating rates are based on three- and six-month London InterBank Offered Rates (LIBOR). Bank of America Corporation and Bank of America, N.A. maintain various domestic and international debt programs to offer both senior and subordinated notes. The notes may be denominated in U.S. dollars or foreign currencies. Foreign currency contracts are used to convert certain foreign-denominated debt into U.S. dollars.

At December 31, 2002 and 2001, Bank of America Corporation was authorized to issue approximately $65.8 billion and $55.5 billion, respectively, of additional corporate debt and other securities under its existing shelf registration statements.

At December 31, 2001, the Corporation had $1.5 billion of mortgage-backed bonds outstanding that were collateralized by $3.0 billion of mortgage loans and cash. These bonds matured in 2002 and no additional mortgage-backed bonds were issued.

Including the effects of interest rate contracts for certain long-term debt issuances, the weighted average effective interest rates for total long-term debt, total fixed-rate debt and total floating-rate debt (based on the rates in effect at December 31, 2002) were 3.56 percent, 6.46 percent and 1.49 percent, respectively, at December 31, 2002 and (based on the rates in effect at December 31, 2001) were 3.44 percent, 7.26 percent, and 2.40 percent, respectively, at December 31, 2001. These obligations were denominated primarily in U.S. dollars.

Aggregate annual maturities of long-term debt obligations (based on final maturity dates) are as follows:

| (Dollars in millions) | 2003 | 2004 | 2005 | 2006 | 2007 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| **Bank of America Corporation** | $ 4,212 | $ 6,773 | $ 4,243 | $ 5,512 | $ 3,196 | $ 22,579 | $ 46,515 |
| **Bank of America, N.A.** | 4,007 | 423 | 160 | 808 | 6 | 457 | 5,861 |
| **Other** | — | 3,906 | 1,500 | 2,700 | 501 | 162 | 8,769 |
| **Total** | $ 8,219 | $ 11,102 | $ 5,903 | $ 9,020 | $ 3,703 | $ 23,198 | $ 61,145 |

Subsequent to December 31, 2002 through February 18, 2003, the Corporation had issued $1.1 billion of long-term senior and subordinated debt, with maturities ranging from 2009 to 2028.

**NOTE 12 Trust Preferred Securities**

Trust preferred securities are issued by the Corporation through wholly owned subsidiary trusts (the Trusts). These securities are mandatorily redeemable preferred security obligations of the Trusts. The sole assets of the Trusts are Junior Subordinated Deferrable Interest Notes of the Corporation (the Notes).

At December 31, 2002, the Corporation had 14 wholly-owned Trusts which have issued trust preferred securities to the public. Certain of the trust preferred securities were issued at a discount and may be redeemed prior to maturity at the option of the Corporation. The Trusts have invested the proceeds of such trust preferred securities in the Notes. Each issue of the Notes has an interest rate equal to the corresponding trust preferred securities distribution rate. The Corporation has the right to defer payment of interest on the Notes at any time or from time to time for a period not exceeding five years provided that no extension period may extend beyond the stated maturity of the relevant Notes. During any such extension period, distributions on the trust preferred securities will also be deferred, and the Corporation's ability to pay dividends on its common and stock will be restricted.

The trust preferred securities are subject to mandatory redemption upon repayment of the related Notes at their stated maturity dates or their earlier redemption at a redemption price equal to their liquidation amount plus accrued distributions to the date fixed for redemption and the premium, if any, paid by the Corporation upon concurrent repayment of the related Notes.

Periodic cash payments and payments upon liquidation or redemption with respect to trust preferred securities are guaranteed by the Corporation to the extent of funds held by the Trusts (the Preferred Securities Guarantee). The Preferred Securities Guarantee, when taken together with the including its obligations under the Notes, will constitute a full and unconditional guarantee, on a subordinated basis, by the Corporation of payments due on the trust preferred securities.

The Corporation is required by the Federal Reserve Board to maintain certain levels of capital for bank regulatory purposes. The Federal Reserve Board has determined that certain cumulative preferred securities having the characteristics of trust preferred securities qualify as minority interest, which is included in Tier 1 capital for bank and financial holding companies. Therefore, trust preferred securities provide the Corporation with another means of obtaining capital for bank regulatory purposes.

The following table is a summary of the outstanding trust preferred securities and the Notes at December 31, 2002:

| (Dollars in millions) Issuer | Issuance Date | **Aggregate Principal Amount of Trust Preferred Securities** | Aggregate Principal Amount of the Notes | Stated Maturity of the Notes | Per Annum Interest Rate of the Notes | Interest Payment Dates | Redemption Period |
|---|---|---|---|---|---|---|---|
| **NationsBank** | | | | | | | |
| Capital Trust II | December 1996 | **$ 365** | $ 376 | December 2026 | 7.83% | 6/15, 12/15 | On or after 12/15/06[1,3] |
| Capital Trust III | February 1997 | **494** | 516 | January 2027 | 3-mo. LIBOR +55 bps | 1/15, 4/15, 7/15, 10/15 | On or after 1/15/07[1] |
| Capital Trust IV | April 1997 | **498** | 516 | April 2027 | 8.25 | 4/15, 10/15 | On or after 4/15/07[1,4] |
| **BankAmerica** | | | | | | | |
| Institutional Capital A | November 1996 | **450** | 464 | December 2026 | 8.07 | 6/30, 12/31 | On or after 12/31/06[2,5] |
| Institutional Capital B | November 1996 | **299** | 309 | December 2026 | 7.70 | 6/30, 12/31 | On or after 12/31/06[2,6] |
| Capital II | December 1996 | **450** | 464 | December 2026 | 8.00 | 6/15, 12/15 | On or after 12/15/06[2,7] |
| Capital III | January 1997 | **400** | 412 | January 2027 | 3-mo. LIBOR +57 bps | 1/15, 4/15, 7/15, 10/15 | On or after 1/15/02[2] |
| Capital IV | February 1998 | **350** | 361 | March 2028 | 7.00 | 3/31, 6/30, 9/30, 12/31 | On or after 2/24/03[2] |
| **Barnett** | | | | | | | |
| Capital I | November 1996 | **300** | 309 | December 2026 | 8.06 | 6/1, 12/1 | On or after 12/1/06[1,8] |
| Capital II | December 1996 | **200** | 206 | December 2026 | 7.95 | 6/1, 12/1 | On or after 12/1/06[1,9] |
| Capital III | January 1997 | **250** | 258 | February 2027 | 3-mo. LIBOR +62.5 bps | 2/1, 5/1, 8/1, 11/1 | On or after 2/1/07[1] |
| **Bank of America** | | | | | | | |
| Capital Trust I | December 2001 | **575** | 593 | December 2031 | 7.00 | 3/15, 6/15, 9/15, 12/15 | On or after 12/15/06[10] |
| Capital Trust II | January 2002 | **900** | 928 | February 2032 | 7.00 | 2/1, 5/1, 8/1, 11/1 | On or after 2/1/07[10] |
| Capital Trust III | August 2002 | **500** | 516 | August 2032 | 7.00 | 2/15, 5/15, 8/15, 11/15 | On or after 8/15/07[10] |
| **Total** | | **$ 6,031** | $ 6,228 | | | | |

(1) The Corporation may redeem the Notes prior to the indicated redemption period upon the occurrence of certain events relating to tax treatment of the related trust or the Notes, relating to capital treatment of the trust preferred securities or relating to a change in the treatment of the related trust under the Investment Company Act of 1940, as amended, at a redemption price at least equal to the principal amount of the Notes.

(2) The Corporation may redeem the Notes prior to the indicated redemption period upon the occurrence of certain events relating to tax treatment of the related trust or the Notes or relating to capital treatment of the trust preferred securities at a redemption price at least equal to the principal amount of the Notes.

(3) The Notes may be redeemed on or after December 15, 2006 and prior to December 15, 2007 at 103.915% of the principal amount, and thereafter at prices declining to 100% on December 15, 2016 and thereafter.

(4) The Notes may be redeemed on or after April 15, 2007 and prior to April 14, 2008 at 103.85% of the principal amount, and thereafter at prices declining to 100% on April 15, 2017 and thereafter.

(5) The Notes may be redeemed on or after December 31, 2006 and prior to December 31, 2007 at 104.035% of the principal amount, and thereafter at prices declining to 100% on December 31, 2016 and thereafter.

(6) The Notes may be redeemed on or after December 31, 2006 and prior to December 31, 2007 at 103.779% of the principal amount, and thereafter at prices declining to

100% on December 31, 2016 and thereafter.

(7) The Notes may be redeemed on or after December 15, 2006 and prior to December 15, 2007 at 103.969% of the principal amount, and thereafter at prices declining to 100% on December 15, 2016 and thereafter.

(8) The Notes may be redeemed on or after December 1, 2006 and prior to December 1, 2007 at 104.03% of the principal amount, and thereafter at prices declining to 100% on December 1, 2016 and thereafter.

(9) The Notes may be redeemed on or after December 1, 2006 and prior to December 1, 2007 at 103.975% of the principal amount, and thereafter at prices declining to 100% on December 1, 2016 and thereafter.

(10) The Corporation may redeem the Notes prior to the indicated redemption period upon the occurrence and certification of a tax event, an investment company event or a capital treatment event. The Corporation may extend the stated maturity date of the junior subordinated notes to a date no later than December 15, 2050.

**NOTE 13 Commitments and Contingencies**

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those recorded on the balance sheet.

**Credit Extension Commitments**

The Corporation enters into commitments to extend credit such as loan commitments, standby letters of credit (SBLCs) and commercial letters of credit to meet the financing needs of its customers. The unfunded commitments shown in the following table have been reduced by amounts participated to other financial institutions of $10.2 billion and $2.2 billion at December 31, 2002 and 2001, respectively. The following table summarizes outstanding unfunded commitments to extend credit at December 31, 2002 and 2001.

| (Dollars in millions) | **2002** | 2001 |
|---|---|---|
| Loan commitments | **$ 212,704** | $ 221,529 |
| Standby letters of credit and financial guarantees | **30,837** | 32,416 |
| Commercial letters of credit | **3,109** | 3,581 |
| **Legally binding commitments** | **246,650** | 257,526 |
| Credit card lines | **73,779** | 73,644 |
| **Total commitments** | **$ 320,429** | $ 331,170 |

Legally binding commitments to extend credit generally have specified rates and maturities. Certain of these commitments have adverse change clauses that help to protect the Corporation against deterioration in the borrowers' ability to pay. Loan commitments include equity commitments of approximately $2.2 billion and $2.5 billion at December 31, 2002 and 2001, respectively, which primarily relate to obligations to fund existing venture capital equity investments.

The Corporation issues SBLCs and financial guarantees to support the obligations of its customers to beneficiaries. Based on historical trends, the probability that the Corporation would have to make payments under a SBLC is not likely. Additionally, in many cases, the Corporation holds collateral in various forms against these SBLCs. As part of its risk management activities, the Corporation continuously monitors the credit-worthiness of the customer as well as SBLC exposure; however, if the customer fails to perform the specified obligation to the beneficiary, the beneficiary may draw upon the SBLC by presenting documents that are in compliance with the letter of credit terms. In that event, the Corporation either repays the money borrowed or advanced, makes payment on account of the indebtedness of the customer or makes payment on account of the default by the customer in the performance of an obligation, to the beneficiary up to the full notional amount of the SBLC. The customer is obligated to reimburse the Corporation for any such payment. If the customer fails to pay, the Corporation would, as applicable, liquidate collateral and/or set off accounts.

Commercial letters of credit, issued primarily to facilitate customer trade finance activities, are usually collateralized by the underlying goods being shipped to the customer and are generally short-term. Credit card lines are unsecured commitments that are not legally binding. Management reviews credit card lines at least annually, and upon evaluation of the customers' creditworthiness, the Corporation has the right to terminate or change certain terms of the credit card lines.

The Corporation uses various techniques to manage risk associated with these types of instruments including obtaining collateral and/or adjusting commitment amounts based on the borrower's financial condition; therefore, the total commitment amount does not necessarily represent the actual risk of loss or future cash requirements. For each of these types of instruments, the Corporation's exposure to credit loss is represented by the contractual amount of these instruments.

**Other Commitments**

When-issued securities are commitments to purchase or sell securities during the time period between the announcement of a securities offering and the issuance of those securities. Changes in market price between commitment date and issuance are reflected in trading account profits. At December 31, 2002, the Corporation had commitments to purchase and sell when-issued securities of $166.1 billion and $164.5 billion, respectively. At December 31, 2001, the Corporation had commitments to purchase and sell when-issued securities of $45.0 billion and $39.6 billion, respectively. The increase was primarily attributable to higher volumes of mortgage refinancings in the current low interest rate environment.

At December 31, 2002, the Corporation had forward whole mortgage loan purchase commitments of $10.8 billion, all of which were settled in January 2003. At December 31, 2002, the Corporation had no forward whole mortgage loan sale commitments.

The Corporation has entered into operating leases for certain of its premises and equipment. Commitments under these leases approximate $1.0 billion per year for each of the years 2003 through 2007 and $2.2 billion for all years thereafter.

**Other Guarantees**

The Corporation sells products that offer book value protection primarily to plan sponsors of ERISA-governed pension plans such as 401(k) plans, 457 plans, etc. The book value protection is provided on portfolios of intermediate/short-term investment grade fixed income securities and is intended to cover any shortfall in the event that plan participants withdraw funds when market value is below book value. The Corporation retains the option to exit the contract at any time. If the Corporation exercises its option, the purchaser can require the Corporation to purchase zero coupon bonds with the proceeds of the liquidated assets to assure the return of principal. To hedge its exposure, the Corporation imposes significant restrictions and constraints on the timing of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed and the investment parameters of the underlying portfolio. These constraints, combined with structural protections, are designed to provide adequate buffers and guard

against payments even under extreme stress scenarios. These guarantees are booked as derivatives and marked to market in the trading portfolio. At December 31, 2002, the notional amount of these guarantees totaled $19.7 billion. As of December 31, 2002, the Corporation has never made a payment under these products, and management believes that the probability of payments under these guarantees is remote.

The Corporation also sells products that guarantee the return of principal to investors at a preset future date. These guarantees cover a broad range of underlying asset classes and are designed to cover the shortfall between the market value of the underlying portfolio and the principal amount on the preset future date. To manage its exposure, the Corporation requires that these guarantees be backed by structural and investment constraints and certain pre-defined triggers that would require the underlying assets or portfolio to be liquidated and invested in zero-coupon bonds that mature at the preset future date. The Corporation is required to fund any shortfall at the preset future date between the proceeds of the liquidated assets and the purchase price of the zero-coupon bonds. These guarantees are booked as derivatives and marked to market in the trading portfolio. At December 31, 2002, the notional amount of these guarantees totaled $4.1 billion; however, as of December 31, 2002, the Corporation has never made a payment under these products, and management believes that the probability of payments under these guarantees is remote.

In the ordinary course of business, the Corporation enters into various agreements that contain indemnifications, such as tax indemnifications, whereupon payment may become due if certain external events occur, such as a change in tax law. These agreements typically contain an early termination clause that permits the Corporation to exit the agreement upon these events. The maximum potential future payment under indemnification agreements is difficult to assess for several reasons, including the inability to predict future changes in tax and other laws, the difficulty in determining how such laws would apply to parties in contracts, the absence of exposure limits contained in standard contract language and the timing of the early termination clause. Historically, any payments made under these guarantees have been de minimis. Management has assessed the probability of making such payments in the future as remote.

The Corporation has entered into additional guarantee agreements, including lease end obligation agreements, partial credit guarantees on certain leases, sold risk participation swaps and sold put options that require gross settlement. The maximum potential future payment under these agreements is approximately $575 million at December 31, 2002.

For additional information on recourse obligations related to mortgage loans sold and other guarantees related to securitizations, see Note 8 of the consolidated financial statements.

**Litigation**

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to a number of pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. In certain of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries and certain of these actions and proceedings are based on alleged violations of consumer protection, securities, environmental, banking and other laws.

In view of the inherent difficulty of predicting the outcome of such matters, the Corporation cannot state what the eventual outcome of pending matters will be; however, based on current knowledge, management does not believe that liabilities, if any, arising from pending litigation, including the litigation described below, will have a material adverse effect on the consolidated financial position, operations or liquidity of the Corporation.

*D.E. Shaw Litigation*

Following the merger of NationsBank Corporation and BankAmerica Corporation in September 1998, the Corporation and certain of its officers and directors were named as defendants in class actions brought on behalf of persons who purchased NationsBank or BankAmerica shares between August 4, 1998 and September 30, 1998; persons who purchased shares of the Corporation between October 1 and October 13, 1998, and persons who held NationsBank or BankAmerica shares as of the merger. The claims on behalf of the purchasers and the persons who held NationsBank shares as of the merger principally rested on the allegation that the Corporation or its predecessors failed to disclose material facts concerning a $1.4 billion financial relationship between BankAmerica Corporation and D.E. Shaw & Co. that resulted in a $372 million charge to the Corporation's earning in the quarter ending September 30, 1998. The claims of the persons who held BankAmerica shares as of the merger principally rested on the allegation that the defendants misrepresented a "takeover" of BankAmerica Corporation as a "merger of equals."

On November 2, 2002, the United States District Court for the Eastern District of Missouri (the "Federal Court"), the Court to which all federal actions had been transferred, entered a final judgment dismissing the actions with prejudice. The Court entered the judgment after approving a settlement providing for payment of $333 million to the classes of purchasers and holders of NationsBank shares and $157 million to the classes of purchasers of BankAmerica and Corporation shares and holders of BankAmerica shares (all amounts to bear interest at the 90-day Treasury Bill Rate from March 6, 2002 to the date of payment). There remain pending several actions in California that have been stayed since April 2000, when the Federal Court enjoined the plaintiffs in those actions from purporting to prosecute their claims on behalf of a class. Several class members, including two lead plaintiffs, are appealing from the Federal Court's judgment to the United States Court of Appeals for the Eighth Circuit.

*Enron Corporation Securities Litigation*

On April 8, 2002, the Corporation was named as a defendant along with, among others, commercial and investment banks, certain current and former Enron officers and directors, lawyers and accountants in a putative consolidated class action complaint filed in the United States District Court for the Southern District of Texas alleging violations of Sections 11 and 15 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On May 8, 2002, the Corporation filed a motion to dismiss the complaint and on December 20, 2002, the court granted the motion in part, dismissing the claims asserted under Section 10(b) and Rule 10b-5 of the Exchange Act. A Section 11 claim on a single securities offering remains pending against the Corporation.

In addition, other Enron-related individual and class actions have been filed against the Corporation and certain of its affiliates, based upon its role as underwriter of certain Enron debt or equity offerings, along with other investment banks and other parties. The complaints generally assert claims under federal and state securities laws, other state statutes and under common law theories.

*WorldCom, Inc. Securities Litigation*

Banc of America Securities LLC ("BAS") and other underwriters of WorldCom, Inc. bonds issued in 2000 and 2001 have been named as defendants in certain lawsuits alleging that the offering materials were false and misleading. One of the lawsuits is a purported class action, filed July 10, 2002 in the U.S. District Court for the Southern District of New York. On October 11, 2002, the action was superceded by the filing of a consolidated putative class action complaint entitled In re WorldCom, Inc. Securities Litigation. This action alleges violations by the underwriters of the federal securities law, including Sections 11 and 12 of the Securities Act of 1933 in connection with 2000 and 2001 bond offerings and is brought on behalf of purchasers and acquirers of bonds issued in or traceable to these offerings.

In addition, the Corporation or BAS, along with other underwriters, certain executives of WorldCom and also been named as defendants in approximately eighteen individual actions that were filed in either federal or state courts beginning in July 2002 arising out of alleged accounting irregularities in the books and records of WorldCom. Plaintiffs in these actions are typically institutional investors, including state pension funds, who purchased debt securities issued by WorldCom pursuant to public offerings in 1997, 1998, 2000 or 2001. The complaints generally assert claims under federal and state securities laws, other state statutes and under common law theories.

**NOTE 14 Shareholders' Equity and Earnings Per Common Share**

On December 11, 2001, the Corporation's Board of Directors (the Board) authorized a stock repurchase program of up to 130 million shares of the Corporation's common stock at an aggregate cost of up to $10.0 billion. At December 31, 2002, the remaining buyback authority for common stock under this program totaled $2.6 billion, or 24 million shares. On July 26, 2000, the Board authorized a stock repurchase program of up to 100 million shares of the Corporation's common stock cost at an aggregate cost of up to $7.5 billion. The 2000 repurchase plan was completed in 2002. During 2002, the Corporation repurchased approximately 109 million shares of its common stock in open market repurchases and under accelerated repurchase programs at an average per-share price of $68.55, which reduced shareholder's equity by $7.5 billion and increased earnings per share by approximately $0.22. These repurchases were partially offset by the issuance of 50 million shares of common stock under employee plans, which increased by $2.6 billion and decreased earnings per share by approximately $0.11 in 2002. During 2001, the Corporation repurchased approximately 82 million shares of its common stock in open market repurchases at an average per-share price of $57.58, which reduced shareholders' equity by $4.7 billion. These repurchases were partially offset by the issuance of 27 million shares of common stock under employee plans, which increased shareholders' equity by $ 1.1 billion. The Corporation anticipates it will continue to repurchase shares at least equal to shares issued under its various stock option plans.

On January 22, 2003, the Board authorized a stock repurchase program of up to 130 million shares of the Corporation's common stock the at an aggregate cost of $12.5 billion.

At December 31, 2002, the Corporation had 1.3 million shares issued and outstanding of ESOP Convertible Preferred Stock, Series C (ESOP Preferred Stock). The ESOP Preferred Stock has a stated and liquidation value of $42.50 per share, provides for an annual cumulative dividend of $3.30 per share and each share is convertible into 1.68 shares of the Corporation's common stock. ESOP Preferred Stock in the amounts of $7 million for both 2002 and 2001 and $5 million in 2000 was converted into the Corporation's common stock.

Pre-tax net gains recorded in other comprehensive income related to available for sale and marketable equity securities, foreign currency translation adjustments, derivatives and other were $2.7 billion, $1.9 billion and $2.8 billion in 2002, 2001 and 2000, respectively. Pre-tax reclassification adjustments to net income of $780 million, $715 million and $105 million were recorded in 2002, 2001 and 2000, respectively. The related income tax expense was $1.1 billion, $30 million and $800 million in 2002, 2001 and 2000, respectively.

Included in shareholder's equity at December 31, 2002 and 2001 were premiums written on put options of $47 million and $14 million, respectively, and restricted stock award plan deferred compensation of $31 million and $52 million, respectively.

The Corporation sells put options on its common stock to independent third parties. The put option program was designed to partially offset the cost of share repurchases. The put options give the holders the right to sell shares of the Corporation's common stock to the Corporation on certain dates at specified prices. The put option contracts allow the Corporation to determine the method of settlement, and the premiums received are reflected as a component of other shareholders' equity. The put options are accounted for as permanent equity and accordingly, there is no impact on the income statement. No other derivative contracts are used in the Corporation's repurchase programs.

The calculation of earnings per common share and diluted earnings per common share for 2002, 2001 and 2000 is presented below. See Note 1 for a discussion on the calculation of earnings per share.

| (Dollars in millions, except per share information; shares in thousands) | 2002 | 2001 | 2000 |
|---|---|---|---|
| **Earnings per common share** | | | |
| Net income | **$ 9,249** | $ 6,792 | $ 7,517 |
| Preferred stock dividends | **(5)** | (5) | (6) |
| Net income available to common shareholders | **$ 9,244** | $ 6,787 | $ 7,511 |
| Average common shares issued and outstanding | **1,520,042** | 1,594,957 | 1,646,398 |
| **Earnings per common share** | **$ 6.08** | $ 4.26 | $ 4.56 |
| **Diluted earnings per common share** | | | |
| Net income available to common shareholders | **$ 9,244** | $ 6,787 | $ 7,511 |
| Preferred stock dividends | **5** | 5 | 6 |
| Net income available to common shareholders and assumed conversions | **$ 9,249** | $ 6,792 | $ 7,517 |
| Average common shares issued and outstanding | **1,520,042** | 1,594,957 | 1,646,398 |
| Dilutive potential common shares[1,2] | **45,425** | 30,697 | 18,531 |
| Total diluted average common shares issued and outstanding | **1,565,467** | 1,625,654 | 1,664,929 |
| **Diluted earnings per common share** | **$ 5.91** | $ 4.18 | $ 4.52 |

(1) For 2002, 2001 and 2000, average options to purchase 22 million, 85 million and 108 million shares, respectively, were outstanding but not included in the computation of earnings per share because they were antidilutive.

(2) Includes incremental shares from assumed conversions of convertible preferred stock, restricted stock units and stock options.

**NOTE 15 Regulatory Requirements and Restrictions**

The Federal Reserve Board requires the Corporation's banking subsidiaries to maintain reserve balances based on a percentage of certain deposits. Average daily reserve balances required by the Federal Reserve Board were $3.7 billion and $4.0 billion for 2002 and 2001, respectively. Currency and coin residing in branches and cash vaults (vault cash) are used to partially satisfy the reserve requirement. The average daily reserve balances, in excess of vault cash, held with the Federal Reserve Bank amounted to $95 million and $128 million for 2002 and 2001, respectively.

The primary source of funds for cash distributions by the Corporation to its shareholders is dividends received from its banking subsidiaries. The subsidiary national banks can initiate aggregate dividend payments in 2003, without prior regulatory approval, of $4.6 billion plus an additional amount equal to their net profits for 2003, as defined by statute, up to the date of any such dividend declaration. The amount of dividends that each subsidiary bank may declare in a calendar year without approval by the Office of the Comptroller of the Currency (OCC) is the subsidiary bank's for that year combined with its net retained profits, as defined, for the preceding two years.

The Federal Reserve Board, the OCC and the Federal Deposit Insurance Corporation (collectively, the Agencies) have issued regulatory capital guidelines for U.S. banking organizations. Failure to meet the capital requirements can initiate certain mandatory and discretionary actions by regulators that could have a material effect on the Corporation's financial statements. At December 31, 2002 and 2001, the Corporation and Bank of America, N.A. were classified as well capitalized under this regulatory framework. There have been no conditions or events since December 31, 2002 that management believes have changed either the Corporation's or Bank of America, N.A.'s capital classifications.

The regulatory capital guidelines measure capital in relation to the credit and market risks of both on- and off-balance sheet items using various risk weights. Under the regulatory capital guidelines, Total Capital consists of three tiers of capital. Tier 1 Capital includes common shareholders' equity, trust preferred securities, minority interests and qualifying preferred stock, less goodwill and other adjustments. Tier 2 Capital consists of preferred stock not qualifying as Tier 1 Capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to 1.25 percent of risk-weighted assets and other adjustments. Tier 3 capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve Board and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank's risk-based capital ratio to fall or remain below the required minimum. Tier 3 capital can only be used to satisfy the Corporation's market risk capital requirement and may not be used to support its credit risk requirement. At December 31, 2002 and 2001, the Corporation had no subordinated debt that qualified as Tier 3 capital.

To meet minimum, adequately capitalized regulatory requirements, an institution must maintain a Tier 1 Capital ratio of four percent and a Total Capital ratio of eight percent. A well-capitalized institution must generally maintain capital ratios 100 to 200 basis points higher than the minimum guidelines. The risk-based capital rules have been further supplemented by a leverage ratio, defined as Tier 1 capital divided by average total assets, after certain adjustments. The leverage ratio guidelines establish a minimum of 100 to 200 basis points above three percent. Banking organizations must maintain a leverage capital ratio of at least five percent to be classified as well-capitalized.

Unrealized gains on available-for-sale securities and marketable equity securities and the net gains (losses) on derivatives included in shareholders' equity at December 31, 2002 and 2001 are excluded from the calculations of Tier 1 Capital, Total Capital and leverage ratios.

The following table presents the regulatory risk-based capital ratios, actual capital amounts and minimum required capital amounts for the Corporation, Bank of America, N.A. and Bank of America, N.A. (USA) at December 31, 2002 and 2001:

| | 2002 | | | 2001 | | |
|---|---|---|---|---|---|---|
| | Actual | | | Actual | | |
| (Dollars in millions) | Ratio | Amount | Minimum Required[1] | Ratio | Amount | Minimum Required[1] |
| **Tier 1 Capital** | | | | | | |
| *Bank of America Corporation* | **8.22%** | **$43,012** | **$ 20,930** | 8.30% | $41,972 | $ 20,243 |
| Bank of America, N.A. | **8.61** | **40,072** | **18,622** | 9.25 | 42,161 | 18,225 |
| Bank of America, N.A. (USA) | **8.95** | **2,346** | **1,049** | 7.66 | 1,688 | 882 |
| **Total Capital** | | | | | | |
| *Bank of America Corporation* | **12.43** | **65,064** | **41,860** | 12.67 | 64,118 | 40,487 |
| Bank of America, N.A. | **11.40** | **53,091** | **37,244** | 12.55 | 57,192 | 36,450 |
| Bank of America, N.A. (USA) | **11.97** | **3,137** | **2,098** | 10.98 | 2,420 | 1,763 |
| **Leverage** | | | | | | |
| *Bank of America Corporation* | **6.29** | **43,012** | **27,335** | 6.56 | 41,972 | 25,604 |
| Bank of America, N.A. | **7.02** | **40,072** | **22,846** | 7.59 | 42,161 | 22,233 |
| Bank of America, N.A. (USA) | **9.58** | **2,346** | **980** | 8.35 | 1,688 | 809 |

(1) Dollar amount required to meet the Agencies' guidelines for adequately capitalized institutions.

**NOTE 16 Employee Benefit Plans**

**Pension and Postretirement Plans**

The Corporation sponsors noncontributory trusteed qualified pension plans that cover substantially all officers and employees. The plans provide defined benefits based on an employee's compensation, age and years of service. The Bank of America Pension Plan (the Pension Plan) provides participants with compensation credits, based on age and years of service. The Pension Plan allows participants to select from various earnings measures, which are based on the returns of certain funds managed by subsidiaries of the Corporation or common stock of the Corporation. The participant-selected earnings measures determine the earnings rate on the individual participant account balances in the Pension Plan. Participants may elect to modify earnings measure allocations on a daily basis. The benefits become vested upon completion of five years of service. It is the policy of the Corporation to fund not less than the minimum funding amount required by ERISA. The Corporation made a voluntary contribution to the Pension Plan of $700 million and $500 million in 2002 and 2001, respectively.

The Pension Plan has a balance guarantee feature, applied at the time a benefit payment is made from the plan, that protects participant balances transferred and certain compensation credits from future market downturns. The Corporation is responsible for funding any shortfall on the guarantee feature.

In 2002, a one-time curtailment charge resulted from freezing benefits for supplemental executive retirement agreements. In 2000, a curtailment resulted from employee terminations in connection with the Corporation's reduction in number of associates.

The Corporation sponsors a number of noncontributory, nonqualified pension plans. These plans, which are unfunded, provide defined pension benefits to certain employees.

In addition to retirement pension benefits, full-time, salaried employees and certain part-time employees may become eligible to continue participation as retirees in health care and/or life insurance plans sponsored by the Corporation. Based on the other provisions of the individual plans, certain retirees may also have the cost of these benefits partially paid by the Corporation.

The following table summarizes the changes in fair value of plan assets, changes in projected benefit obligations (PBO), the funded status of the PBO and the weighted average assumptions for the pension plans and postretirement plans for the years ended December 31, 2002 and 2001. Prepaid and accrued benefit costs are reflected in other assets and other liabilities, respectively, in the Consolidated Balance Sheet. For the Pension Plan, the asset valuation method recognizes 60 percent of the market gains or losses in the first year, with the remaining 40 percent spread equally over the next four years. For both the Pension Plan and the Postretirement Health and Life Plans, the expected long-term return on plan assets will be 8.50% for 2003.

| | Qualified Pension Plan | | Nonqualified Pension Plans | | Postretirement Health and Life Plans | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 |
| **Change in fair value of plan assets (Primarily listed stocks, fixed income and real estate)** | | | | | | |
| Fair value at January 1 | **$8,264** | $8,652 | **$ —** | $ — | **$ 194** | $ 208 |
| Actual return on plan assets | **(722)** | (154) | **—** | — | **(13)** | (14) |
| Company contributions | **700** | 500 | **39** | 98 | **84** | 69 |
| Plan participant contributions | **—** | — | **—** | — | **49** | 41 |
| Acquisition/transfer | **—** | 16 | **—** | — | **—** | — |
| Benefits paid | **(724)** | (750) | **(39)** | (98) | **(133)** | (110) |
| Fair value at December 31 | **$7,518** | $8,264 | **$ —** | $ — | **$ 181** | $ 194 |
| **Change in projected benefit obligation** | | | | | | |
| Projected benefit obligation at January 1 | **$7,606** | $8,011 | **$ 529** | $ 534 | **$ 944** | $ 840 |
| Service cost | **199** | 202 | **27** | 22 | **11** | 11 |
| Interest cost | **540** | 560 | **44** | 40 | **67** | 64 |
| Plan participant contributions | **—** | — | **—** | — | **49** | 41 |
| Plan amendments | **6** | — | **(4)** | 2 | **8** | 29 |
| Actuarial loss (gain) | **—** | (434) | **108** | 9 | **112** | 69 |
| Acquisition/transfer | **—** | 17 | **—** | 20 | **—** | — |
| Effect of curtailments | **—** | — | **(15)** | — | **—** | — |
| Effect of special termination benefits | **—** | — | **2** | — | **—** | — |
| Benefits paid | **(724)** | (750) | **(39)** | (98) | **(133)** | (110) |
| Projected benefit obligation at December 31 | **$7,627** | $7,606 | **$ 652** | $ 529 | **$1,058** | $ 944 |
| **Funded status at December 31** | | | | | | |
| Accumulated Benefit Obligation (ABO) | **$7,264** | $7,263 | **$ 573** | $ 459 | **$ N/A** | $N/A |
| Overfunded (unfunded) status of ABO | **254** | 1,001 | **(573)** | (459) | **N/A** | N/A |
| Provision for future salaries | **363** | 343 | **79** | 70 | **N/A** | N/A |
| Projected Benefit Obligation (PBO) | **7,627** | 7,606 | **652** | 529 | **1,058** | 944 |
| Overfunded (unfunded) status of PBO | **$ (109)** | $ 658 | **$(652)** | $(529) | **$ (877)** | $(750) |
| Unrecognized net actuarial loss | **2,422** | 954 | **168** | 86 | **147** | 45 |
| Unrecognized transition obligation | **—** | — | **1** | 1 | **323** | 355 |
| Unrecognized prior service cost | **419** | 468 | **21** | 61 | **46** | 44 |
| Prepaid (accrued) benefit cost | **$2,732** | $2,080 | **$(462)** | $(381) | **$ (361)** | $(306) |
| **Weighted average assumptions at December 31** | | | | | | |
| Discount rate | **6.75%** | 7.25% | **6.75%** | 7.25% | **6.75%** | 7.25% |
| Expected return on plan assets | **8.50** | 10.00 | **N/A** | N/A | **8.50** | 10.00 |
| Rate of compensation increase | **4.00** | 4.00 | **4.00** | 4.00 | **N/A** | N/A |

Net periodic pension benefit cost for the years ended December 31, 2002, 2001 and 2000, included the following components:

| | Qualified Pension Plan | | | Nonqualified Pension Plans | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | **2002** | 2001 | 2000 | **2002** | 2001 | 2000 |
| **Components of net periodic pension benefit cost (income)** | | | | | | |
| Service cost | **$199** | $202 | $ 153 | **$ 27** | $22 | $10 |
| Interest cost | **540** | 560 | 519 | **44** | 40 | 39 |
| Expected return on plan assets | **(746)** | (876) | (813) | **—** | — | — |
| Amortization of transition obligation (asset) | **—** | (2) | (4) | **—** | — | 1 |
| Amortization of prior service cost | **55** | 54 | 38 | **10** | 11 | 10 |
| Recognized net actuarial loss | **—** | — | — | **11** | 7 | 9 |
| Recognized loss (gain) due to settlements and curtailments | **—** | — | (11) | **26** | 6 | — |
| **Net periodic pension benefit cost (income)** | **$ 48** | $ (62) | $(118) | **$118** | $86 | $69 |

For the years ended December 31, 2002, 2001 and 2000, net periodic postretirement benefit cost included the following components:

| (Dollars in millions) | 2002 | 2001 | 2000 |
|---|---|---|---|
| **Components of net periodic postretirement benefit cost (income)** | | | |
| Service cost | **$ 11** | $ 11 | $ 11 |
| Interest cost | **67** | 65 | 58 |
| Expected return on plan assets | **(17)** | (21) | (20) |
| Amortization of transition obligation | **32** | 32 | 37 |
| Amortization of prior service cost (credit) | **6** | 4 | (3) |
| Recognized net actuarial loss (gain) | **40** | 20 | (45) |
| Recognized loss due to settlements and curtailments | **—** | — | 20 |
| **Net periodic postretirement benefit cost** | **$ 139** | $ 111 | $ 58 |

Net periodic postretirement health and life expense was determined using the "projected unit credit" actuarial method. Gains and losses for all benefits except postretirement health care are recognized in accordance with the minimum amortization provisions of the applicable accounting standards. For the postretirement health care plans, 50 percent of the unrecognized gain or loss at the beginning of the fiscal year (or at subsequent remeasurement) is recognized on a level basis during the year.

Assumed health care cost trend rates affect the postretirement benefit obligation and benefit cost reported for the health care plan. The assumed health care cost trend rates used to measure the expected cost of benefits covered by the postretirement health care plans was 10.0 percent for 2003, reducing in steps to 5.0 percent in 2006 and later years. A one-percentage-point increase in assumed health care cost trend rates would have increased the service and interest costs and the benefit obligation by $5 million and $61 million, respectively, in 2002, $6 million and $52 million, respectively, in 2001 and $9 million and $49 million, respectively, in 2000. A one-percent- age-point decrease in assumed health care cost trend rates would have lowered the service and interest costs and the benefit obligation by $4 million and $52 million, respectively, in 2002, $4 million and $45 million, respectively, in 2001 and $7 million and $40 million, respectively, in 2000.

**Defined Contribution Plans**

The Corporation maintains a qualified defined contribution retirement plan and a nonqualified defined contribution retirement plan. There are two components of the qualified defined contribution plan, the Bank of America 401(k) Plan (the "401(k) Plan"): an employee stock ownership plan (ESOP) and a profit-sharing plan. Prior to 2001, the ESOP component of the 401(k) Plan featured leveraged ESOP provisions. See Note 14 of the consolidated financial statements for additional information on the ESOP provisions.

The Corporation contributed approximately $200 million, $196 million, and $163 million for 2002, 2001 and 2000, respectively, in cash and stock which was utilized primarily to purchase the Corporation's common stock under the terms of the 401(k) Plan. At December 31, 2002 and 2001, an aggregate of 44 million shares and 45 million shares, respectively, of the Corporation's common stock and 1 million shares and 2 million shares, respectively, of ESOP preferred stock were held by the Corporation's 401(k) Plan.

Under the terms of the ESOP Preferred Stock provision, payments to the plan for dividends on the ESOP Preferred Stock were $5 million for both 2002 and 2001 and $6 million for 2000. Payments to the plan for dividends on the ESOP Common Stock were $34 million, $27 million, and $22 million during the same periods. Interest incurred to service the debt of the ESOP Preferred Stock and ESOP Common Stock amounted to $0.3 million and $3 million for 2001 and 2000, respectively. As of December 31, 2001, all principal and interest associated with the debt of the ESOP Preferred Stock and ESOP Common Stock have been repaid.

In addition, certain non-U.S. employees within the Corporation are covered under defined contribution pension plans that are separately administered in accordance with local laws.

**NOTE 17 Stock Incentive Plans**

At December 31, 2002, the Corporation had certain stock-based compensation plans which are described below. For all stock-based compensation awards issued prior to January 1, 2003, the Corporation applies the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its stock option and award plans. Stock-based compensation plans enacted after December 31, 2002 will be accounted for under the provisions of SFAS 123. For additional information on the accounting for stock-based compensation plans and pro forma disclosures, see Note 1 of the consolidated financial statements.

The following table presents information on equity compensation plans at December 31, 2002:

| | Number of Shares To Be Issued Upon Exercise of Outstanding Options | Weighted-Average Exercise Price of Outstanding Options | Number of Shares Remaining for Future Issuance Under Equity Compensation Plans[1,2] |
|---|---|---|---|
| Plans approved by shareholders | 117,978,240 | $ 58.22 | 24,394,707 |
| Plans not approved by shareholders | 87,745,410 | 58.16 | — |
| **Total** | 205,723,650 | $ 58.19 | 24,394,707 |

(1) Includes 7,068,322 unvested Restricted Stock Units.

(2) Excludes shares to be issued upon exercise of outstanding options.

**Key Employee Stock Plan**

The Key Employee Stock Plan, as amended and restated, provided for different types of awards. These include stock options, restricted stock shares and restricted stock units. No further awards may be granted under this plan. Under the plan, ten-year options to purchase approximately 129.8 million shares of common stock were granted through December 31, 2002 to certain employees at the closing market price on the respective grant dates. Options granted under the plan generally vest in three or four equal annual installments. At December 31, 2002, approximately 93.8 million options were outstanding under this plan. Approximately 4.8 million shares of restricted stock and restricted stock units were granted during 2002. These shares of restricted stock generally vest in three equal annual installments beginning one year from the grant date. The Corporation incurred restricted stock expense of $263 million, $182 million and $273 million in 2002, 2001 and 2000, respectively.

**Key Associate Stock Plan**

On April 24, 2002, the shareholders approved the Key Associate Stock Plan to be effective January 1, 2003. This approval authorized and reserved 100 million shares for grant in addition to the remaining amount under the Key Employee Stock Plan as of December 31, 2002, which was approximately 16.9 million shares plus any shares covered by awards under the Key Employee Stock Plan that terminate, expire, lapse or are cancelled after December 31, 2002.

The Corporation has certain stock-based compensation plans that were not approved by its shareholders. These broad-based plans are the 2002 Associates Stock Option Plan, Take Ownership!, the Barnett Employee Stock Option Plan and the BankAmerica Global Stock Option Program (BankAmerica Take Ownership!). Descriptions of the material features of these plans follow.

**2002 Associates Stock Option Plan**

On September 26, 2001, the Board approved the Bank of America Corporation 2002 Associates Stock Option Plan which covers all employees below a specified executive grade level. Under the plan, eligible employees received a one-time award of a predetermined number of options entitling them to purchase shares of the Corporation's common stock. All options are non-qualified and have an exercise price equal to the fair market value on the date of grant. Approximately 54 million options were granted on February 1, 2002 at $61.36, the closing price for that day. The options vest as follows: 50 percent of the options become exercisable after the Corporation's common stock closes at or above $76.36 per share for ten consecutive trading days; the remaining 50 percent of the options become exercisable after the Corporation's common stock closes at or above $91.36 for ten consecutive trading days. Regardless of the stock price, all options will be fully exercisable beginning February 1, 2006. In addition, the options continue to be exercisable following termination of employment under certain circumstances. At December 31, 2002, approximately 45.9 million options were outstanding under this plan. The options expire on January 31, 2007.

**Take Ownership!**

The Bank of America Global Associate Stock Option Program (Take Ownership!) covered all employees below a specified executive grade level. Under the plan, eligible employees received an award of a predetermined number of stock options entitling them to purchase shares of the Corporation's common stock at the fair market value on the grant date. All options are non-qualified. The options, which were granted on the first business day of 1999, 2000 and 2001, vest 25 percent on the first anniversary of the grant date, 25 percent on the second anniversary of the grant date and 50 percent on the third anniversary of the grant date. These options expire five years after the grant date. In addition, the options continue to be exercisable following termination of employment under certain circumstances. At December 31, 2002, approximately 36.8 million options were outstanding under this plan. No further awards may be granted under this plan.

**Other Plans**

Under the BankAmerica 1992 Management Stock Plan, ten-year options to purchase shares of the Corporation's common stock were granted to certain key employees in 1997 and 1998. At December 31, 2002, all options were fully vested and approximately 12.0 million options were outstanding under this plan. Additionally, 2.9 million shares of restricted stock were granted to certain key employees in 1997 and 1998. These shares generally vest in four equal annual installments beginning the second year from the date of grant. No further awards may be granted under this plan.

Under the BankAmerica Performance Equity Program, ten-year options to purchase shares of the Corporation's common stock were granted to certain key employees in 1997 and 1998 in the form of market price options and premium price options. All options issued under this plan to certain persons who were employees as of the merger date vested. At December 31, 2002, approximately 11.4 million options were outstanding under this plan. No further awards may be granted under this plan.

Under the Barnett Employee Stock Option Plan, ten-year options to purchase a predetermined number of shares of the Corporation's common stock were granted to all associates below a specified executive grade level in 1997. All options are non-qualified and have an exercise price equal to the fair market value on the grant date. At December 31, 2002, all options were fully vested. In addition, the options continue to be exercisable following termination of employment under certain circumstances. At December 31, 2002, approximately 161,000 options were outstanding under this plan.

On October 1, 1996, BankAmerica adopted the BankAmerica Take Ownership!, which covered substantially all associates. Options awarded under this plan expire five years after the grant date. At December 31, 2002, all options were fully vested and approximately 4.9 million options were outstanding under this plan. No further awards may be granted under this plan.

Additional stock option plans assumed in connection with various acquisitions remain outstanding and are included in the following tables. No further awards may be granted under these plans.

The following tables present the status of all plans at December 31, 2002, 2001 and 2000, and changes during the years then ended:

| | **2002** | | 2001 | | 2000 | |
|---|---|---|---|---|---|---|
| Employee Stock Options | **Shares** | **Weighted-Average Exercise Price** | Shares | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price |
| Outstanding at January 1 | **184,550,016** | **$ 55.19** | 178,572,021 | $ 54.45 | 156,205,635 | $ 56.03 |
| Granted | **85,835,715** | **61.45** | 53,067,079 | 50.45 | 49,318,536 | 48.44 |
| Exercised | **(49,058,178)** | **52.40** | (28,198,630) | 40.86 | (5,144,778) | 30.68 |
| Forfeited | **(15,603,903)** | **58.74** | (18,890,454) | 56.32 | (21,807,372) | 57.73 |
| Outstanding at December 31 | **205,723,650** | **58.19** | 184,550,016 | 55.19 | 178,572,021 | 54.45 |
| Options exercisable at December 31 | **89,575,970** | **59.02** | 94,753,943 | 57.94 | 98,092,637 | 53.56 |
| Weighted-average fair value of options granted during the year | | **$ 12.41** | | $ 10.36 | | $ 11.00 |

| | **2002** | | 2001 | | 2000 | |
|---|---|---|---|---|---|---|
| Restricted Stock/Unit Awards | **Shares** | **Weighted-Average Grant Price** | Shares | Weighted-Average Grant Price | Shares | Weighted-Average Grant Price |
| Outstanding unvested grants at January 1 | **6,591,746** | **$ 58.42** | 7,172,546 | $ 63.37 | 13,027,337 | $ 62.39 |
| Granted | **4,766,377** | **61.13** | 3,844,384 | 51.21 | 652,724 | 48.50 |
| Vested | **(3,381,873)** | **56.87** | (4,223,770) | 60.32 | (6,111,163) | 59.51 |
| Canceled | **(136,277)** | **58.95** | (201,414) | 57.16 | (396,352) | 66.18 |
| Outstanding unvested grants at December 31 | **7,839,973** | **$ 60.73** | 6,591,746 | $ 58.42 | 7,172,546 | $ 63.37 |

The following table summarizes information about stock options outstanding at December 31, 2002:

| Range of Exercise Prices | Outstanding Options | | | Options Exercisable | |
|---|---|---|---|---|---|
| | Number Outstanding at December 31 | Weighted-Average Remaining Term | Weighted-Average Exercise Price | Number Exercisable at December 31 | Weighted-Average Exercise Price |
| $10.00 - $30.00 | 5,503,368 | 2.2 years | $ 24.21 | 5,503,368 | $ 24.21 |
| $30.01 - $46.50 | 4,349,303 | 3.5 years | 36.20 | 4,292,885 | 36.10 |
| $46.51 - $65.50 | 173,277,283 | 5.4 years | 57.10 | 58,890,204 | 56.63 |
| $65.51 - $99.00 | 22,593,696 | 4.2 years | 79.09 | 20,889,513 | 79.67 |
| **Total** | 205,723,650 | 5.1 years | $ 58.19 | 89,575,970 | $ 59.02 |

**NOTE 18 Income Taxes**

The components of income tax expense for the years ended December 31, 2002, 2001 and 2000 were as follows:

| (Dollars in millions) | **2002** | 2001 | 2000 |
|---|---|---|---|
| Current expense: | | | |
| Federal | **$ 3,361** | $ 3,154 | $ 3,109 |
| State | **427** | 218 | 161 |
| Foreign | **331** | 338 | 354 |
| Total current expense | **4,119** | 3,710 | 3,624 |
| Deferred (benefit) expense: | | | |
| Federal | **(338)** | (411) | 526 |
| State | **(37)** | 29 | 120 |
| Foreign | **(2)** | (3) | 1 |
| Total deferred (benefit) expense | **(377)** | (385) | 647 |
| **Total income tax expense**[1] | **$ 3,742** | $ 3,325 | $ 4,271 |

(1) Does not reflect the tax effects of unrealized gains and losses on available-for-sale and marketable equity securities, foreign currency translation adjustments and derivatives that are included in shareholders' equity and certain tax benefits associated with the Corporation's employee stock plans. As a result of these tax effects, shareholder's equity decreased by $839 in 2002, increased by $21 in 2001 and decreased by $684 in 2000.

The Corporation's current income tax expense approximates the amounts payable for those years. Deferred income tax expense represents the change in the deferred tax asset or liability and is discussed further below.

A reconciliation of the expected federal income tax expense using the federal statutory tax rate of 35 percent to the actual income tax expense for the years ended December 31, 2002, 2001 and 2000 follows:

| (Dollars in millions) | **2002** | 2001 | 2000 |
|---|---|---|---|
| Expected federal income tax expense | **$ 4,547** | $ 3,541 | $ 4,126 |
| Increase (decrease) in taxes resulting from: | | | |
| Tax-exempt income | **(270)** | (107) | (116) |
| State tax expense, net of federal benefit | **253** | 161 | 183 |
| Goodwill amortization[1] | **—** | 361 | 202 |
| IRS tax settlement | **(488)** | — | — |
| Basis difference in subsidiary stock | **—** | (418) | — |
| Low income housing credits | **(197)** | (146) | (108) |
| Foreign tax differential | **(57)** | (63) | (72) |
| Other | **(46)** | (4) | 56 |
| **Total income tax expense** | **$ 3,742** | $ 3,325 | $ 4,271 |

(1) Goodwill amortization included in business exit costs was $164 in 2001.

During 2002, the Corporation reached a tax settlement agreement with the Internal Revenue Service. This agreement resolved issues for numerous tax returns of the Corporation and various predecessor companies and finalized all federal income tax liabilities through 1999. As a result of the settlement, a $488 million reduction in income tax expense was recorded resulting from a reduction in previously accrued taxes.

Significant components of the Corporation's deffered tax (liabilities) assets at December 31, 2002 and 2001 were as follows:

| (Dollars in millions) | **2002** | 2001 |
|---|---|---|
| Deferred tax liabilities: | | |
| Equipment lease financing | **$ (5,817)** | $ (6,907) |
| Investments | **(902)** | (559) |
| Securities valuation | **(531)** | (369) |
| Intangibles | **(457)** | (818) |
| State taxes | **(326)** | (457) |
| Available-for-sale securities | **(266)** | — |
| Depreciation | **(190)** | (166) |
| Employee retirement benefits | **(121)** | — |
| Deferred gains and losses | **(101)** | (92) |
| Employee benefits | **(69)** | (112) |
| Other | **(223)** | (104) |
| Gross deferred tax liabilities | **(9,003)** | (9,584) |
| Deferred tax assets: | | |
| Allowance for credit losses | **2,742** | 2,991 |
| Accrued expenses | **428** | 482 |
| Net operating loss carryforwards | **347** | 143 |
| Loan fees and expenses | **91** | 93 |
| Basis difference in subsidiary stock | **—** | 418 |
| Available-for-sale securities | — | 311 |
| Employee retirement benefits | **—** | 56 |
| Other | **37** | 438 |
| Gross deferred tax assets | **3,645** | 4,932 |
| Valuation allowance | **(114)** | (107) |
| Gross deferred tax assets, net of valuation allowance | **3,531** | 4,825 |
| **Net deferred tax liabilities** | **$ (5,472)** | $ (4,759) |

The valuation allowance included in the Corporation's deffered tax assets at December 31, 2002 and 2001 represented net operating loss carryforwards for which it is more likely than not that realization will not occur and expire in 2004 to 2009. The net change in the valuation allowance for deferred tax assets resulted from net operating losses being generated by foreign subsidiaries in 2002 where realization is not expected to occur.

At December 31, 2002 and 2001, federal income taxes had not been provided on $899 million and $859 million, respectively, of undistributed earnings of foreign subsidiaries, earned prior to 1987 and after 1997, that have been reinvested for an indefinite period of time. If the earnings were distributed, an additional $198 million and $188 million of tax expense, net of credits for foreign taxes paid on such earnings and for the related foreign withholding taxes, would result in 2002 and 2001, respectively.

**NOTE 19 Fair Value of Financial Instruments**

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" (SFAS 107), requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments. Since no quoted market prices exist for certain of the Corporation's financial instruments, the fair values of such instruments have been derived based on management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. The estimation methods for individual classifications of financial instruments are described more fully below. Different assumptions could significantly affect these estimates. Accordingly, the net realizable values could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the combined Corporation.

The provisions of SFAS 107 do not require the disclosure of the fair value of lease financing arrangements and nonfinancial instruments, including intangible assets such as goodwill, franchise, and credit card and trust relationships.

**Short-Term Financial Instruments**

The carrying value of short-term financial instruments, including cash and cash equivalents, time deposits placed, federal funds sold and purchased, resale and repurchase agreements, commercial paper and other short-term investments and borrowings, approximates the fair value of these instruments. These financial instruments generally expose the Corporation to limited credit risk and have no stated maturities or have an average maturity of less than 30 days and carry interest rates which approximate market.

**Financial Instruments Traded in the Secondary Market**

Held-to-maturity securities, available-for-sale securities, trading account instruments, long-term debt and trust preferred securities traded actively in the secondary market have been valued using quoted market prices. The fair values of securities and trading account instruments are reported in Notes 3 and 4.

**Derivative Financial Instruments**

All derivatives are recognized on the balance sheet at fair value, taking into consideration the effects of legally enforceable master netting agreements which allow the Corporation to settle positive and negative positions with the same counterparty on a net basis. For exchange traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics. The fair value of the Corporation's derivative assets and liabilities is presented in Note 5.

**Loans**

Fair values were estimated for groups of similar loans based upon type of loan and maturity. The fair value of loans was determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans and adjusted to reflect the inherent credit risk. Where quoted market prices were available, primarily for certain residential mortgage loans and commercial loans, such market prices were utilized as estimates for fair values.

Substantially all of the foreign loans reprice within relatively short timeframes. Accordingly, for foreign loans, the net carrying values were assumed to approximate their fair values.

**Mortgage Banking Assets**

The Certificates are carried at estimated fair value which is based on an option-adjusted spread model which requires several key components including, but not limited to, proprietary prepayment models and term structure modeling via Monte Carlo simulation.

**Deposits**

The fair value for deposits with stated maturities was calculated by discounting contractual cash flows using current market rates for instruments with similar maturities. The carrying value of foreign time deposits approximates fair value. For deposits with no stated maturities, the carrying amount was considered to approximate fair value and does not take into account the significant value of the cost advantage and stability of the cost advantage and stability of the Corporation's long-term relationships with depositors.

The book and fair values of certain financial instruments at December 31, 2002 and 2001 were as follows:

| | **2002** | | 2001 | |
|---|---|---|---|---|
| (Dollars in millions) | **Book Value** | **Fair Value** | Book Value | Fair Value |
| **Financial assets** | | | | |
| Loans | **$321,572** | **$329,813** | $303,552 | $309,348 |
| **Financial liabilities** | | | | |
| Deposits | **386,458** | **387,166** | 373,495 | 374,231 |
| Long-term debt | **61,145** | **64,935** | 62,496 | 64,531 |
| Trust preferred securities | **6,031** | **6,263** | 5,530 | 5,612 |

**NOTE 20 Business Segment Information**

The Corporation reports the results of its operations through four business segments: *Consumer and Commercial Banking, Asset Management, Global Corporate and Investment Banking* and *Equity Investments*. Certain operating segments have been aggregated into a single business segment.

*Consumer and Commercial Banking* provides a diversified range of products and services to individuals and small businesses through multiple delivery channels and commercial lending and treasury management services primarily to middle market companies with annual revenue between $10 million and $500 million. *Asset Management* offers investment, fiduciary and comprehensive banking and credit expertise; asset management services to institutional clients, high-net-worth individuals and retail customers; and investment, securities and financial planning services to affluent and high-net-worth individuals. *Global Corporate and Investment Banking* provides capital raising solutions, advisory services, derivatives capabilities, equity and debt sales and trading as well as traditional bank deposit and loan products, cash management and payment services to large corporations and institutional clients. *Equity Investments* includes *Principal Investing,* which is comprised of a diversified portfolio of investments in privately held and publicly traded companies at all stages, from start-up to buyout.

*Corporate Other* consists primarily of certain amounts associated with managing the balance sheet of the Corporation, certain consumer finance and commercial lending businesses being liquidated and certain residential mortgages originated by the mortgage group or otherwise acquired and held for asset/liability management purposes.

The following table includes total revenue and net income for 2002, 2001 and 2000, and total assets at December 31, 2002 and 2001 for each business segment. Certain prior period amounts have been reclassified between segments to conform to the current period presentation.

**Business Segments**

| (Dollars in millions) | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | **Total Corporation** | | | **Consumer and Commercial Banking[1]** | | |
| | **2002** | 2001 | 2000 | **2002** | 2001 | 2000 |
| Net interest income[2] | **$ 21,511** | $ 20,633 | $18,671 | **$ 14,538** | $ 13,243 | $12,387 |
| Noninterest income[3] | **13,571** | 14,348 | 14,582 | **8,451** | 7,815 | 7,079 |
| Total revenue | **35,082** | 34,981 | 33,253 | **22,989** | 21,058 | 19,466 |
| Provision for credit losses | **3,697** | 4,287 | 2,535 | **1,805** | 1,582 | 1,031 |
| Gains (losses) on sales of securities | **630** | 475 | 25 | **45** | 3 | — |
| Amortization of intangibles[4] | **218** | 878 | 864 | **175** | 633 | 642 |
| Other noninterest expense | **18,218** | 19,831 | 17,769 | **11,383** | 10,777 | 10,385 |
| Income before income taxes | **13,579** | 10,460 | 12,110 | **9,671** | 8,069 | 7,408 |
| Income tax expense | **4,330** | 3,668 | 4,593 | **3,583** | 3,116 | 2,933 |
| **Net income** | **$ 9,249** | $ 6,792 | $ 7,517 | **$ 6,088** | $ 4,953 | $ 4,475 |
| **Period-end total assets** | **$660,458** | $621,764 | | **$339,959** | $304,558 | |

| (Dollars in millions) | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | **Asset Management[1]** | | | **Global Corporate and Investment Banking[1]** | | |
| | **2002** | 2001 | 2000 | **2002** | 2001 | 2000 |
| Net interest income[2] | **$ 774** | $ 742 | $664 | **$ 4,992** | $ 4,727 | $3,815 |
| Noninterest income[3] | **1,625** | 1,733 | 1,801 | **3,841** | 4,859 | 4,629 |
| Total revenue | **2,399** | 2,475 | 2,465 | **8,833** | 9,586 | 8,444 |
| Provision for credit losses | **318** | 121 | 47 | **1,209** | 1,292 | 752 |
| Gains (losses) on sales of securities | **—** | — | — | **(97)** | (45) | (15) |
| Amortization of intangibles[4] | **6** | 57 | 30 | **32** | 143 | 138 |
| Other noninterest expense | **1,467** | 1,480 | 1,432 | **4,945** | 5,226 | 4,858 |
| Income before income taxes | **608** | 817 | 956 | **2,550** | 2,880 | 2,681 |
| Income tax expense | **204** | 295 | 368 | **827** | 924 | 858 |
| **Net income** | **$ 404** | $ 522 | $588 | **$ 1,723** | $ 1,956 | $1,823 |
| **Period-end total assets** | **$24,891** | $26,811 | | **$219,938** | $195,817 | |

| (Dollars in millions) | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | **Equity Investments[1]** | | | **Corporate Other** | | |
| | **2002** | 2001 | 2000 | **2002** | 2001 | 2000 |
| Net interest income[2] | **$ (152)** | $ (150) | $(138) | **$ 1,359** | $ 2,071 | $1,943 |
| Noninterest income[3] | **(281)** | 179 | 1,008 | **(65)** | (238) | 65 |
| Total revenue | **(433)** | 29 | 870 | **1,294** | 1,833 | 2,008 |
| Provision for credit losses[5] | **7** | 8 | 4 | **358** | 1,284 | 701 |
| Gains (losses) on sales of securities | **—** | — | — | **682** | 517 | 40 |
| Amortization of intangibles[4] | **3** | 10 | 11 | **2** | 35 | 43 |
| Other noninterest expense[5] | **91** | 204 | 103 | **332** | 2,144 | 991 |
| Income before income taxes | **(534)** | (193) | 752 | **1,284** | (1,113) | 313 |
| Income tax expense | **(205)** | (78) | 291 | **(79)** | (589) | 143 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Net income** | **$ (329)** | $ (115) | $ 461 | **$ 1,363** | $ (524) | $ 170 |
| **Period-end total assets** | **$6,064** | $6,315 | | **$69,606** | $88,263 | |

(1) There were no material intersegment revenues among the segments.

(2) Net interest income is presented on a taxable-equivalent basis.

(3) Noninterest income in 2001 included the $83 SFAS 133 transition adjustment net loss which was recorded in trading account profits. The components of the transition adjustment by segment were a gain of $4 for Consumer and Commercial Banking, a gain of $19 for Global Corporate and Investment Banking and a loss of $106 for Corporate Other.

(4) The Corporation adopted SFAS 142 on January 1, 2002. Accordingly, no goodwill amortization was recorded in 2002.

(5) Corporate Other includes exit charges consisting of provision for credit losses of $395 and noninterest expense of $1,305 related to the exit of certain consumer finance businesses in 2001 and restructuring charges of $550 in noninterest expense in 2000.

Reconciliations of the four business segments' revenue, net income and assets to consolidated totals follow:

| (Dollars in millions) | **2002** | 2001 | 2000 |
|---|---|---|---|
| Segments' revenue | **$ 33,788** | $ 33,148 | $ 31,245 |
| Adjustments: | | | |
| Earnings associated with unassigned capital | **597** | 228 | 307 |
| Asset/liability management mortgage portfolio | **122** | 454 | 480 |
| Whole mortgage loan sale gains | **500** | 20 | 13 |
| Liquidating businesses | **475** | 1,363 | 1,042 |
| SFAS 133 transition adjustment net loss | **—** | (106) | — |
| Gain on sale of a business | **—** | — | 187 |
| Other | **(400)** | (126) | (21) |
| **Consolidated revenue** | **$ 35,082** | $ 34,981 | $ 33,253 |
| Segments' net income | **$ 7,886** | $ 7,316 | $ 7,347 |
| Adjustments, net of taxes: | | | |
| Earnings associated with unassigned capital | **402** | 146 | 196 |
| Asset/liability management mortgage portfolio | **59** | 281 | 305 |
| Liquidating businesses | **18** | 204 | 63 |
| SFAS 133 transition adjustment net loss | **—** | (68) | — |
| Whole mortgage loan sale gains | **337** | 13 | 8 |
| Gain on sale of a business | **—** | — | 117 |
| Provision for credit losses in excess of net charge-offs | **—** | (182) | (86) |
| Gains on sales of securities | **460** | 332 | 25 |
| Severance charge | **(86)** | (96) | — |
| Litigation expense | **—** | (214) | — |
| Exit charges | **—** | (1,250) | — |
| Restructuring charges | **—** | — | (346) |
| Tax benefit associated with basis difference in subsidiary stock | **—** | 267 | — |
| Tax settlement | **488** | — | — |
| Other | **(315)** | 43 | (112) |
| **Consolidated net income** | **$ 9,249** | $ 6,792 | $ 7,517 |
| Segments' total assets | **$ 590,852** | $ 533,501 | |
| Adjustments: | | | |
| Securities portfolio | **65,979** | 71,563 | |
| Asset/liability management mortgage portfolio | **65,447** | 39,658 | |
| Liquidating businesses | **9,294** | 15,679 | |
| Elimination of excess earning asset allocations | **(106,672)** | (68,991) | |
| Other, net | **35,558** | 30,354 | |
| **Consolidated total assets** | **$ 660,458** | $ 621,764 | |

The adjustments presented in the table above include consolidated income, expense and asset amounts not specifically allocated to individual business segments.

**NOTE 21 Bank of America Corporation (Parent Company Only)**

The following tables present the Parent Company Only financial information:

| (Dollars in millions) | Year Ended December 31 2002 | 2001 | 2000 |
|---|---|---|---|
| **Condensed Statement of Income** | | | |
| **Income** | | | |
| Dividends from subsidiaries: | | | |
| Bank subsidiaries | **$ 11,100** | $ 5,000 | $ 6,902 |
| Other subsidiaries | **10** | 32 | 18 |
| Interest from subsidiaries | **775** | 1,746 | 2,756 |
| Other income | **1,138** | 1,772 | 1,053 |
| **Total income** | **13,023** | 8,550 | 10,729 |
| **Expense** | | | |
| Interest on borrowed funds | **1,700** | 2,564 | 3,359 |
| Noninterest expense | **1,361** | 2,083 | 1,238 |
| **Total expense** | **3,061** | 4,647 | 4,597 |
| Income greater than dividends from subsidiaries | **9,962** | 3,903 | 6,132 |
| Income tax benefit | **1,154** | 385 | 456 |
| Income before equity in undistributed earnings of subsidiaries | **11,116** | 4,288 | 6,588 |
| Equity in undistributed earnings of subsidiaries: | | | |
| Bank subsidiaries | **(1,607)** | 2,653 | 583 |
| Other subsidiaries | **(260)** | (149) | 346 |
| **Total equity in undistributed earnings of subsidiaries** | **(1,867)** | 2,504 | 929 |
| **Net income** | **$ 9,249** | $ 6,792 | $ 7,517 |
| **Net income available to common shareholders** | **$ 9,244** | $ 6,787 | $ 7,511 |

| (Dollars in millions) | December 31 2002 | 2001 |
|---|---|---|
| **Condensed Balance Sheet** | | |
| **Assets** | | |
| Cash held at bank subsidiaries | **$ 12,844** | $ 15,973 |
| Temporary investments | **989** | 663 |
| Receivables from subsidiaries: | | |
| Bank subsidiaries | **7,802** | 9,813 |
| Other subsidiaries | **16,682** | 13,076 |
| Investments in subsidiaries: | | |
| Bank subsidiaries | **58,662** | 58,968 |
| Other subsidiaries | **654** | 794 |
| Other assets | **8,420** | 3,675 |
| **Total assets** | **$106,053** | $102,962 |
| **Liabilities and shareholders' equity** | | |
| Commercial paper and other notes payable | **$ 453** | $ 1,593 |
| Accrued expenses and other liabilities | **3,095** | 3,328 |
| Payables to subsidiaries: | | |
| Bank subsidiaries | **193** | 297 |
| Other subsidiaries | **5,479** | 4,948 |
| Long-term debt | **46,514** | 44,276 |
| Shareholders' equity | **50,319** | 48,520 |
| **Total liabilities and shareholders' equity** | **$106,053** | $102,962 |

| (Dollars in millions) | Year Ended December 31 2002 | 2001 | 2000 |
|---|---|---|---|

| Condensed Statement of Cash Flows | | | |
|---|---|---|---|
| **Operating activities** | | | |
| Net income | **$ 9,249** | $ 6,792 | $ 7,517 |
| Reconciliation of net income to net cash provided by operating activities: | | | |
| Equity in undistributed earnings of subsidiaries | **1,867** | (2,504) | (929) |
| Other operating activities | **(2,537)** | 1,768 | 798 |
| Net cash provided by operating activities | **8,579** | 6,056 | 7,386 |
| **Investing activities** | | | |
| Net (increase) decrease in temporary investments | **(428)** | (24) | 87 |
| Net payments from (to) subsidiaries | **(2,025)** | (3,330) | 237 |
| Other investing activities | **(158)** | — | — |
| Net cash provided by (used in) investing activities | **(2,611)** | (3,354) | 324 |
| **Financing activities** | | | |
| Net decrease in commercial paper and other notes payable | **(7,505)** | (5,154) | (399) |
| Proceeds from issuance of long-term debt | **8,753** | 10,762 | 6,335 |
| Retirement of long-term debt | **(1,464)** | (6,106) | (2,993) |
| Proceeds from issuance of common stock | **2,632** | 1,121 | 294 |
| Common stock repurchased | **(7,466)** | (4,716) | (3,256) |
| Cash dividends paid | **(3,709)** | (3,632) | (3,388) |
| Other financing activities | **(338)** | 763 | (2) |
| Net cash used in financing activities | **(9,097)** | (6,962) | (3,409) |
| Net increase (decrease) in cash held at bank subsidiaries | **(3,129)** | (4,260) | 4,301 |
| Cash held at bank subsidiaries at January 1 | **15,973** | 20,233 | 15,932 |
| **Cash held at bank subsidiaries at December 31** | **$12,844** | $15,973 | $20,233 |

**NOTE 22 Performance by Geographic Area**

Since the Corporation's operations are highly integrated, certain asset, liability, income and expense amounts must be allocated to arrive at total assets, total revenue, income (loss) before income taxes and net income (loss) by geographic area. The Corporation identifies its geographic performance based upon the business unit structure used to manage the capital or expense deployed in the region applicable. This requires certain judgments related to the allocation of revenue so that revenue can be appropriately matched with the related expense or capital deployed in the region.

| | | At December 31 | For the Year Ended December 31 | | |
|---|---|---|---|---|---|
| (Dollars in millions) | Year | Total Assets[1] | Total Revenue[2] | Income (Loss) before Income Taxes | Net Income (Loss) |
| Domestic[3] | **2002** | **$611,100** | **$32,267** | **$12,874** | **$9,127** |
| | 2001 | 570,179 | 32,168 | 9,433 | 6,319 |
| | 2000 | 587,281 | 30,623 | 10,574 | 6,686 |
| Asia | **2002** | **18,566** | **839** | **410** | **278** |
| | 2001 | 17,230 | 920 | 407 | 272 |
| | 2000 | 22,094 | 952 | 506 | 354 |
| Europe, Middle East and Africa | **2002** | **26,716** | **1,163** | **28** | **42** |
| | 2001 | 27,680 | 1,243 | 435 | 295 |
| | 2000 | 25,803 | 1,005 | 544 | 370 |
| Latin America and the Caribbean | **2002** | **4,076** | **225** | **(321)** | **(198)** |
| | 2001 | 6,675 | 307 | (158) | (94) |
| | 2000 | 7,013 | 351 | 164 | 107 |
| Total foreign | **2002** | **49,358** | **2,227** | **117** | **122** |
| | 2001 | 51,585 | 2,470 | 684 | 473 |
| | 2000 | 54,910 | 2,308 | 1,214 | 831 |
| **Total consolidated** | **2002** | **$660,458** | **$34,494** | **$12,991** | **$9,249** |
| | 2001 | 621,764 | 34,638 | 10,117 | 6,792 |
| | 2000 | 642,191 | 32,931 | 11,788 | 7,517 |

(1) Total assets includes long-lived assets, which are primarily located in the U.S.

(2) There were no material intercompany revenues between geographic regions for any of the periods presented.

(3) Includes the Corporation's Canadian operations, which had total assets of $2,666, $2,849 and $3,938; total revenues of $96, $121 and $118: income before income taxes of $111, $4 and $34; and net income of $83, $0.3 and $22 at and for the years ended December 31, 2002, 2001 and 2000, respectively.

# DIRECT AND INDIRECT SUBSIDIARIES OF BANK OF AMERICA CORPORATION
# INDEX OF FR Y-10 REPORTABLE ENTITIES ON ORGANIZATION CHART AS OF 12/31/2002

**(FR Y-10 REPORTABLE ENTITIES HELD ON A CONFIDENTIAL BASIS ARE INCLUDED ON INVESTMENT LIST)**

| Name | Location |
|---|---|
| A/M Properties, Inc. | Baltimore, MD |
| Abilene Park, Inc. | Dallas, TX |
| Airlease Ltd., A California Limited Partnership | San Francisco, CA |
| Airlease Management Services, Inc. | San Francisco, CA |
| Alamo Funding II, Inc. | Dallas, TX |
| Alamo Funding, Inc. | Dallas, TX |
| Alexanders on Ninth, Inc. | Charlotte, NC |
| Alie Street Investments Limited | London, U.K. |
| Alliance Enterprise Corporation | Richardson, TX |
| Altier, Inc. | Dallas, TX |
| Amarillo Lane, Inc. | Dallas, TX |
| AMB Pier One LLC | San Francisco, CA |
| America Fund | George Town, Grand Cayman, Cayman Is. |
| American Financial Service Group, Inc. | Greensboro, NC |
| Appold Holdings Limited | London, U.K. |
| Appold Property Management Limited | London, U.K. |
| Ariens Credit Corporation | Alpharetta, GA |
| Arrendadora Bank of America, S.A., Organizacion Auxiliar del Credito, Grupo Financiero Bank of America | Mexico City, Mexico |
| Ashburn A Corp. | Baltimore, MD |
| Asian American Merchant Bank Ltd. | Singapore, Singapore |
| Asp Funding II, Inc. | Dallas, TX |
| Asp Funding, Inc. | Dallas, TX |
| Aspen Lane BT | Las Vegas, NV |
| Asset Backed Funding Corporation | Charlotte, NC |
| Aswan Village Associates, LLC | Miami, FL |
| Atlanta Affordable Housing Fund Limited Partnership | Charlotte, NC |
| Atlantic Equity Corporation | Chicago, IL |
| B&D Phase III LLC | Baltimore, MD |
| B.A. Investments (Cayman) Ltd. | George Town, Grand Cayman, Cayman Is. |
| BA 1998 Partners Associates Fund, L.P. | Chicago, IL |
| BA 1998 Partners Fund I, L.P. | Chicago, IL |
| BA 1998 Partners Fund II, L.P. | Chicago, IL |
| BA 1998 Partners Fund LDC | Chicago, IL |
| BA 1998 Partners Master Fund I, L.P. | Chicago, IL |
| BA 1998 Partners Master Fund II, L.P. | Chicago, IL |
| BA Agency, Inc. | Albuquerque, NM |
| BA Asia Limited | Hong Kong, PRC |
| BA Assets Company | George Town, Grand Cayman, Cayman Is. |
| BA Australia Limited | Sydney, New South Wales, Australia |
| BA Capital Advisors S.r.L. | Milan, Italy |
| BA Capital Beratungs GmbH | Frankfurt, Germany |
| BA Capital Company, L.P. | Charlotte, NC |
| BA Card Operations, Inc. | Dover, DE |
| BA Co-Invest Fund 2001 (Cayman), L.P. | Chicago, IL |
| BA Co-Invest Fund 2002 (Cayman), L.P. | Chicago, IL |
| BA Coinvest GP, Inc. | Chicago, IL |

**Exhibit 21**

| Name | Location |
|---|---|
| BA Employment Services Limited | George Town, Grand Cayman, Cayman Is. |
| BA Equity Advisors Sp.zo.o | Warsaw, Poland |
| BA Equity Holdings, L.P. | Charlotte, NC |
| BA Equity Investment Company, L.P. | Charlotte, NC |
| BA Equity Investors, Inc. | Chicago, IL |
| BA Finance (Hong Kong) Limited | Hong Kong, PRC |
| BA Finance Ireland Limited | Dublin, Ireland |
| BA Finance Lease, Inc. | San Francisco, CA |
| BA Holding Company S.A. | Luxembourg, Luxembourg |
| BA Insurance Agency, Inc. | San Diego, CA |
| BA International (Netherlands) B.V. | Amsterdam, The Netherlands |
| BA International Finance B.V. | Amsterdam, The Netherlands |
| BA Investments | George Town, Grand Cayman, Cayman Is. |
| BA Mortgage, LLC | Charlotte, NC |
| BA Netting Limited | London, U.K. |
| BA Nominees Limited | Hong Kong, PRC |
| BA Overseas Holdings | George Town, Grand Cayman, Cayman Is. |
| BA Partners III, LLC | Chicago, IL |
| BA Properties, Inc. | Los Angeles, CA |
| BA Rescarven Holding Company | George Town, Grand Cayman, Cayman Is. |
| BA SBIC Sub, Inc. | Chicago, IL |
| BA Securities Australia Limited | Sydney, New South Wales, Australia |
| BA Securities Limited | Hong Kong, PRC |
| BA Technology I, LLC | Charlotte, NC |
| BAC Funding Consortium, Inc. | Miami, FL |
| BAC NUBAFA, Inc. | San Francisco, CA |
| BAC Realty LLC | Dallas, TX |
| BACAP Advisory Partners, LLC | Charlotte, NC |
| BACAP Distressed Debt Fund, LLC | New York, NY |
| BACAP Multi-Strategy Hedge Fund, LLC | New York, NY |
| BACAP Multi-Strategy Hedge Fund, Ltd. | New York, NY |
| BACAP Opportunity Strategy, LLC | Charlotte, NC |
| BACF Corporation | Wilton, CT |
| BACP Europe Fund II, L.P. | Chicago, IL |
| BAEC Investments, L.L.C. | Chicago, IL |
| BAEP Asia (Philippines) Limited LLC | Chicago, IL |
| BAEP Asia Limited | Curepipe, Mauritius |
| BAEP Nord I LLC | Chicago, IL |
| BAEP Nord IA LLC | Chicago, IL |
| BAEP Nord III LLC | Chicago, IL |
| BAEP Nord V LLC | Chicago, IL |
| BAEP Telecommunications Investments, L.L.C. | Chicago, IL |
| BAK Consolidated Holdings Overseas Partners | Las Vegas, NV |
| BAK Consolidated Holdings, Inc. | Las Vegas, NV |
| BALCAP Funding, LLC | San Francisco, CA |
| BA-MBS LLC | Las Vegas, NV |
| Bamerilease, Inc. | Phoenix, AZ |
| Bamerinvest, C.A. | Caracas, Chacao, Venezuela |
| BANA (#1) LLC | Charlotte, NC |
| BANA Residuals, Inc. | Charlotte, NC |
| Banc of America Advisors, LLC | Charlotte, NC |
| Banc of America Advisory Services, LLC | Charlotte, NC |
| Banc of America Agency of Nevada, Inc. | Las Vegas, NV |
| Banc of America Agency of Texas, Inc. | Dallas, TX |
| Banc of America Agency, LLC | Towson, MD |

**Exhibit 21**

| Name | Location |
|---|---|
| Banc of America Auto Finance Corp. | Jacksonville, FL |
| Banc of America Bridge LLC | Charlotte, NC |
| Banc of America Business Finance Corporation | Tucker, GA |
| Banc of America California Community Venture Fund, LLC | Chicago, IL |
| Banc of America Capital Management (Ireland), Limited | Dublin, Ireland |
| Banc of America Capital Management Alternative Advisors, Inc. | New York, NY |
| Banc of America Capital Management, LLC | Charlotte, NC |
| Banc of America Capital Markets-Asia, Inc. | Singapore, Singapore |
| Banc of America CDC Special Holding Company, Inc. | Charlotte, NC |
| Banc of America CLO Corporation II | Dallas, TX |
| Banc of America Co-Invest Fund 2001, L.P. | Chicago, IL |
| Banc of America Co-Invest Fund 2002, L.P. | Chicago, IL |
| Banc of America Commercial Finance Corporation | Wilton, CT |
| Banc of America Commercial Mortgage, Inc. | Charlotte, NC |
| Banc of America Commercial, LLC | Tucker, GA |
| Banc of America Community Development Corporation | Charlotte, NC |
| Banc of America Community Holdings, Inc. | Charlotte, NC |
| Banc of America Community Housing Investment Fund LLC | Chicago, IL |
| Banc of America Development, Inc. | Charlotte, NC |
| Banc of America E-Commerce Holdings, Inc. | Charlotte, NC |
| Banc of America Energy & Power Facilities Leasing I, Inc. | San Francisco, CA |
| Banc of America Facilities Leasing, LLC | San Francisco, CA |
| Banc of America Financial Products, Inc. | Chicago, IL |
| Banc of America FSC Holdings, Inc. | San Francisco, CA |
| Banc of America Funding Corporation | Charlotte, NC |
| Banc of America Futures, Incorporated | Chicago, IL |
| Banc of America Historic Ventures, LLC | Charlotte, NC |
| Banc of America Insurance Group, Inc. | San Diego, CA |
| Banc of America Insurance Services, Inc. | Baltimore, MD |
| Banc of America Investment Leasing Co., Ltd. | Tokyo, Japan |
| Banc of America Investment Services, Inc. | Charlotte, NC |
| Banc of America Large Loan, Inc. | Dover, DE |
| Banc of America Leasing & Capital, LLC | San Francisco, CA |
| Banc of America Leasing Commercial Markets, Inc. | Wilmington, DE |
| Banc of America Leasing Commercial Markets, LLC | Wilmington, DE |
| Banc of America Management Corporation | Wilton, CT |
| Banc of America Management LLC I | Chicago, IL |
| Banc of America Mezzanine Capital LLC | Charlotte, NC |
| Banc of America Mortgage Capital Corporation | Charlotte, NC |
| Banc of America Mortgage Securities, Inc. | Charlotte, NC |
| Banc of America Neighborhood Services Corporation | Charlotte, NC |
| Banc of America Preferred Funding Corporation | Dallas, TX |
| Banc of America Public and Institutional Financial Funding, LLC | San Francisco, CA |
| Banc of America Retirement Management, Inc. | Atlanta, GA |
| Banc of America Securities (India) Private Limited | Mumbai, India |
| Banc of America Securities Canada Co. | Halifax, Nova Scotia |
| Banc of America Securities Canada Holding Corp. | Charlotte, NC |
| Banc of America Securities Limited | London, U.K. |
| Banc of America Securities Mexico, S.A. de C.V., Casa de Bolsa, Grupo Financiero Bank of America Mexico | Mexico City, Mexico |
| Banc of America Securities LLC | Charlotte, NC |
| Banc of America Securities-Japan, Inc. | Tokyo, Japan |
| Banc of America Specialty Finance, Inc. | Alpharetta, GA |
| Banc of America Strategic Solutions, Inc. | Charlotte, NC |
| Banc of America Strategic Solutions, LLC | Charlotte, NC |

**Exhibit 21**

| Name | Location |
|---|---|
| Banc of America Structured Notes, Inc. | Charlotte, NC |
| Banc of America Technology Investments, Inc. | Charlotte, NC |
| Banc of America Vendor Finance, Inc. | San Diego, CA |
| BancAmerica Capital Holdings I, L.P. | Charlotte, NC |
| BancAmerica Capital Holdings II, L.P. | Chicago, IL |
| BancAmerica Capital Investors I, L.P. | Charlotte, NC |
| BancAmerica Capital Investors II, L.P. | Chicago, IL |
| BancAmerica Capital Investors SBIC I, L.P. | Charlotte, NC |
| BancAmerica Capital Investors SBIC II, L.P. | Chicago, IL |
| BancAmerica Coinvest Fund 2000, L.P. | Chicago, IL |
| Bank IV Affordable Housing Corporation | Charlotte, NC |
| Bank of America—Brasil S.A. (Banco Multiplo) | Sao Paulo, Brazil |
| Bank of America (Asia) Limited | Hong Kong, PRC |
| Bank of America (Hawaii) Insurance Agency, Inc. | Honolulu, HI |
| Bank of America (Jersey) Limited | St. Helier, Jersey, Channel Islands |
| Bank of America (Macau) Limited | Macau |
| Bank of America (Polska) S.A. | Warsaw, Poland |
| Bank of America ACH Association | San Francisco, CA |
| Bank of America Asset Management Ltda. | Rio de Janeiro, Brazil |
| Bank of America Brasil Holdings Ltda. | Sao Paulo, Brazil |
| Bank of America California, National Association | San Francisco, CA |
| Bank of America Canada | Toronto, Ontario, Canada |
| Bank of America Canada Specialty Group Ltd. | Mississauga, Ontario, Canada |
| Bank of America Capital Advisors LLC | Chicago, IL |
| Bank of America Capital Corporation | Chicago, IL |
| Bank of America Corporation | Charlotte, NC |
| Bank of America Foundation, Inc., The | Atlanta, GA |
| Bank of America Fund | George Town, Grand Cayman, Cayman Is. |
| Bank of America Georgia, National Association | Atlanta, GA |
| Bank of America Malaysia Berhad | Kuala Lumpur, Malaysia |
| Bank of America Mexico, S.A., Institucion de Banca Multiple | Mexico City, Mexico |
| Bank of America Mortgage Securities, Inc. | Charlotte, NC |
| Bank of America Oregon, National Association | Portland, OR |
| Bank of America Overseas Corporation | Charlotte, NC |
| Bank of America Reinsurance Corporation | Burlington, VT |
| Bank of America S.A. Corretora de Cambio e Valores Mobiliarios | Rio de Janeiro, Brazil |
| Bank of America Securitization Investment Trust LLC | Wilmington, DE |
| Bank of America Singapore Limited | Singapore, Singapore |
| Bank of America Technology and Operations, Inc. | Charlotte, NC |
| Bank of America Trust and Banking Corporation (Cayman) Limited | George Town, Grand Cayman, Cayman Is. |
| Bank of America Trust Company of Delaware, National Association | Greenville, DE |
| Bank of America Ventures | Foster City, CA |
| Bank of America, National Association | Charlotte, NC |
| Bank of America, National Association (USA) | Phoenix, AZ |
| BankAmerica Acceptance Corp. | San Diego, CA |
| BankAmerica Capital I | Charlotte, NC |
| BankAmerica Capital II | Charlotte, NC |
| BankAmerica Capital III | Charlotte, NC |
| BankAmerica Capital IV | Charlotte, NC |
| BankAmerica Institutional Capital A | San Francisco, CA |
| BankAmerica Institutional Capital B | San Francisco, CA |
| BankAmerica International Financial Corporation | San Francisco, CA |
| BankAmerica International Investment Corporation | Chicago, IL |

**Exhibit 21**

| Name | Location |
|---|---|
| BankAmerica Investment Corporation | Chicago, IL |
| BankAmerica Nominees (1993) Pte. Ltd. | Singapore, Singapore |
| BankAmerica Nominees (Hong Kong) Ltd. | Hong Kong, PRC |
| BankAmerica Nominees (Singapore) Pte. Ltd. | Singapore, Singapore |
| BankAmerica Nominees Limited (London) | London, U.K. |
| BankAmerica Realty Finance, Inc. | Los Angeles, CA |
| BankAmerica Realty Services, Inc. | San Francisco, CA |
| Bankamerica Representacao e Servicos Ltda. | Sao Paulo, Brazil |
| BankAmerica Special Assets Corporation | San Francisco, CA |
| BankAmerica Trust and Banking Corporation (Bahamas) Limited | Nassau, Bahamas |
| BankAmerica Trust Company (Hong Kong) Limited | Hong Kong, PRC |
| BAR Litigation, LLC | Wilmington, DE |
| Barnett Bank Premises Company—Brickell | Jacksonville, FL |
| Barnett Capital I | Jacksonville, FL |
| Barnett Capital II | Jacksonville, FL |
| Barnett Capital III | Jacksonville, FL |
| Barnett Southside Land, Inc. | Charlotte, NC |
| Barrier Reef International Ltd. | Road Town, British Virgin Islands |
| Barrow Ltd. | George Town, Grand Cayman, Cayman Is. |
| Bartlett Park Neighborhood Redevelopment, L.C. | Tampa, FL |
| BAS Alternative Investment Montage Fund LLC | New York, NY |
| BAS Alternative Management, LLC | San Francisco, CA |
| BAS Capital Funding Corporation | Chicago, IL |
| BAS Oak Management, LLC | San Francisco, CA |
| BAS Oak X, LLC | San Francisco, CA |
| BAS Securitization LLC | Charlotte, NC |
| BAS/SOFI Management, LLC | New York, NY |
| BAS/SOFI VI, LLC | New York, NY |
| BAVP, LP | Foster City, CA |
| Bay 2 Bay Leasing LLC | San Francisco, CA |
| BBI Merchant Processing Company, LLC | Charlotte, NC |
| Belmont Heights Development Company, L.C. | Tampa, FL |
| BFS Participacoes Ltda. | Sao Paulo, Brazil |
| Birch Funding II, Inc. | Dallas, TX |
| Birch Funding, Inc. | Dallas, TX |
| BIRMSON, L.L.C. | Wilton, CT |
| Biscayne Apartments, Inc. | Atlanta, GA |
| BJCC, Inc. | Wilton, CT |
| Black Business Investment Fund of Central Florida, Inc. | Orlando, FL |
| Blue Ridge Investments, L.L.C. | Charlotte, NC |
| Blue Spruce Investments, GP | Las Vegas, NV |
| BoA Beteiligungs GmbH | Frankfurt, Germany |
| BoA Consulting GmbH & Co. KG | Frankfurt, Germany |
| BoA Consulting Verwaltungs GmbH | Frankfurt, Germany |
| BoA Netherlands Cooperatieve U.A. | Amsterdam, The Netherlands |
| BoA Treuhand GmbH & Co. KG | Frankfurt, Germany |
| BOA/Mermart Joint Venture | San Diego, CA |
| Boatmen’s Insurance Agency, Inc. | St. Louis, MO |
| BofA Investment Company S.A. | Buenos Aires, Argentina |
| Brazilian Financial Services, Inc. | San Francisco, CA |
| Bristlecone Park LLC | Las Vegas, NV |
| Bronco Street REIT | Dallas, TX |
| Burton Road Development Partners, LLC | Atlanta, GA |
| C&S Premises, Inc. | Atlanta, GA |

**Exhibit 21**

| Name | Location |
|---|---|
| C&S Premises-SPE, Inc. | Atlanta, GA |
| Cabot Investments | London, U.K. |
| California Environmental Redevelopment Fund, LLC | San Francisco, CA |
| CalKearn, LLC | Reno, NV |
| Calnevari Holdings, Inc. | Las Vegas, NV |
| Calstock Holdings Corporation | Las Vegas, NV |
| Calstock Partners | Las Vegas, NV |
| Canaan Collaborative Limited Partnership, The | Houston, TX |
| Capital Courts Corporation | Washington, DC |
| Capital Crossing Development Corporation | Suitland, MD |
| Carlton Court CDC, Inc. | Dallas, TX |
| Carlton Court Limited Partnership | Dallas, TX |
| Carolina Investments Limited | London, U.K. |
| Carolina Mountain Holding Company | Charlotte, NC |
| Carson Asset Management Company | Reno, NV |
| Castle Bay REIT | Dallas, TX |
| Castlepoint, L.L.C. | St. Louis, MO |
| Cathedral Gorge Management LLC | Las Vegas, NV |
| CBD, L.L.C. | St. Louis, MO |
| Centerpoint Development LLC | Baltimore, MD |
| Centrex Capital Corp. | Jacksonville, FL |
| Ceramica International Holdings S.a.r.L. | Luxembourg, Luxembourg |
| Charlotte Affordable Housing LLC, The | Charlotte, NC |
| Charlotte Gateway Village, LLC | Charlotte, NC |
| Charlotte Transit Center, Inc. | Charlotte, NC |
| Chase Federal Housing Corporation | Baltimore, MD |
| Chase I, Inc. | Miami, FL |
| ChaseFed Insurance Co. | Miami, FL |
| Chepstow Bellagio Holdings, Inc. | Las Vegas, NV |
| Chepstow Real Estate Investment Trust | Las Vegas, NV |
| Cherry Affordable Housing Corp. | Charlotte, NC |
| Church Street Housing Partners I, LLC | Orlando, FL |
| Church Street Retail Partners I, LLC | Orlando, FL |
| CIC Trading, S.A. | Buenos Aires, Argentina |
| City Hall Lofts, L.P. | Kansas City, MO |
| CIVC Partners Fund, L.P. | Chicago, IL |
| CIVC Partners Fund, LLC | Chicago, IL |
| Clark Street Redevelopment Corporation | St. Louis, MO |
| Cloudy Bay LLC | Las Vegas, NV |
| CNL Franchise Network, LP | Orlando, FL |
| Commerce Place Company | Nashville, TN |
| Community Reinvestment Group, L.C. | Fort Lauderdale, FL |
| Conestoga Trail REIT | Dallas, TX |
| Continental Finanziaria S.P.A. | Milan, Italy |
| Continental Illinois Venture Corporation | Chicago, IL |
| Continental Information & Technology Services Co. S.A. | Buenos Aires, Argentina |
| Continental Partners Group, Inc. | Chicago, IL |
| Continental Servicios Corporativos, S.A. de C.V. | Mexico City, Mexico |
| Core Bond Products LLC | Charlotte, NC |
| Corporate Leasing Facilities Limited | London, U.K. |
| Courtyards Apartments II, Inc. | Charlotte, NC |
| Courtyards Apartments, Inc. | Atlanta, GA |
| Covation LLC | Atlanta, GA |
| Coventry Village Apartments, Inc. | Atlanta, GA |
| Crockett Funding II, Inc. | Dallas, TX |

**Exhibit 21**

| Name | Location |
|---|---|
| Crockett Funding, Inc. | Dallas, TX |
| Crown Point Investments GP | Las Vegas, NV |
| Crystal Peak Investments GP | Las Vegas, NV |
| CSC Associates, L.P. | Marietta, GA |
| CSF Holdings, Inc. | Tampa, FL |
| CSI Holdings, Inc. | Charlotte, NC |
| Cupples Development Phase I, L.L.C. | St. Louis, MO |
| Cupples Development, L.L.C. | St. Louis, MO |
| Cupples Garage, L.L.C. | St. Louis, MO |
| | |
| D.P. Park LLC | Wilmington, DE |
| Dalespring Corporation | Baltimore, MD |
| Dallas Fort Worth Affordable Housing, LLC | Dallas, TX |
| DCRS Corporation | Atlanta, GA |
| Deportes Sports Holdings Limited | George Town, Grand Cayman, Cayman Is. |
| DFO Partnership | San Francisco, CA |
| Dill Avenue Redevelopment Partnership, LLC | Atlanta, GA |
| Douglass Road LLC | Washington, DC |
| | |
| East Nashville Housing, LLC | Nashville, TN |
| Eban Incorporated | Dallas, TX |
| Eban Village I, Ltd. | Dallas, TX |
| Eban Village II, Ltd. | Dallas, TX |
| Echo Canyon Park, Inc. | Las Vegas, NV |
| Edmondson Gardens LLC | Baltimore, MD |
| Elko Park, Inc. | Dallas, TX |
| Elmfield Investments Limited | London, U.K. |
| Elmsleigh Funding, Ltd. | George Town, Grand Cayman, Cayman Is. |
| Endeavour, LLC | Babylon, NY |
| EQCC Asset Backed Corporation | Las Vegas, NV |
| EQCC Receivables Corporation | Las Vegas, NV |
| EQCC Trans Receivable Corporation | Jacksonville, FL |
| EquiCredit Corporation of America | Jacksonville, FL |
| Equity/Protect Reinsurance Company | Jacksonville, FL |
| ESP Financial Services LLC | San Diego, CA |
| Export Funding Corporation | Charlotte, NC |
| | |
| Fallon Lane II, Inc. | Dallas, TX |
| Fallon Lane, Inc. | Dallas, TX |
| Financial Services Engine, LLC | Charlotte, NC |
| FinancialOxygen, Inc. | Walnut Creek, CA |
| First Coast Black Business Investment Corporation | Jacksonville, FL |
| First Mortgage Corporation | Dallas, TX |
| First Ward Place, LLC | Charlotte, NC |
| FKF, Inc. | Des Moines, IA |
| Fleetwood Credit Corp. | Alpharetta, GA |
| Fleetwood Credit Receivables Corp. | Alpharetta, GA |
| Florida Affordable Housing 1998, L.L.C. | Charlotte, NC |
| Foremost Factors Limited | New Delhi, India |
| | |
| Galveston Funding, Inc. | Dallas, TX |
| Galveston Funding, Inc. II | Dallas, TX |
| Gaskell Management LLC | Las Vegas, NV |
| Gatwick, Inc. | Dallas, TX |
| General Fidelity Insurance Company | San Diego, CA |

**Exhibit 21**

| Name | Location |
|---|---|
| General Fidelity Life Insurance Company | San Diego, CA |
| Germany Telecommunications 1 S.a.r.L | Luxembourg, Luxembourg |
| Giannini Family Foundation, The | San Francisco, CA |
| Glacier Point (Philippines), Inc. | Makati, Philippines |
| Gleneagles Trading LLC | Charlotte, NC |
| GLM Investments, Inc. | Charlotte, NC |
| Goldbourne Park Limited | Dublin, Ireland |
| Golden Gate Invesments S.A. | Bogota, Colombia |
| Golden Gate Participacoes Ltda. | Sao Paulo, Brazil |
| Golden Stella Investments GP | Las Vegas, NV |
| Grace Church European Investments Company | Charlotte, NC |
| Grand Rock, L.L.C. | St. Louis, MO |
| Granite Point LLC | Las Vegas, NV |
| Greenwood Apartments, LLC | Tampa, FL |
| GregCo, Inc. | Charlotte, NC |
| Groom Lake, LLC | Las Vegas, NV |
| Grupo Financiero Bank of America, S.A. de C.V. | Mexico City, Mexico |
| GTVBI, Inc. | Chicago, IL |
| | |
| Harbilan Corporation | Charlotte, NC |
| Harbour Directors I Limited | George Town, Grand Cayman, Cayman Is. |
| Harbour Directors II Limited | George Town, Grand Cayman, Cayman Is. |
| Harbour Nominees Ltd. | George Town, Grand Cayman, Cayman Is. |
| Harbour Secretaries I Limited | George Town, Grand Cayman, Cayman Is. |
| Harbour Town Funding LLC | Wilmington, DE |
| Harbour Town Funding Trust | Wilmington, DE |
| Harlem Gardens LP | Baltimore, MD |
| Harlem Park Development LLC | Baltimore, MD |
| Harper Farm M Corp. | Baltimore, MD |
| Heathrow, Inc. | Dallas, TX |
| Heathrow, Inc. II | Dallas, TX |
| Hedges S.A. | Buenos Aires, Argentina |
| Het Loo REIT, Co. | Reno, NV |
| High Point Estates, LLC | Atlanta, GA |
| Historic District Redevelopment Partnership | Atlanta, GA |
| Historic Munsey LLC | Baltimore, MD |
| Holly Spring Meadows LLC | Forestville, MD |
| HomeFocus Services, LLC | St. Louis, MO |
| HomeFocus Tax Services, LLC | Richmond, VA |
| Hornby Lane Limited | Dublin, Ireland |
| Housing Southern California, LLC | Charlotte, NC |
| Hull Point, LLC | Baltimore, MD |
| Huxley 2000-1, LLC | San Francisco, CA |
| Huxley 2000-3, LLC | San Francisco, CA |
| Huxley 2000-4, LLC | San Francisco, CA |
| Huxley Management, LLC | San Francisco, CA |
| | |
| InCapital Europe Limited | London, U.K. |
| Incapital Holdings, LLC | Chicago, IL |
| InCapital, LLC | Chicago, IL |
| Inchroy Credit Corporation Limited | Hong Kong, PRC |
| Independence Plaza General Partner, Inc. | St. Louis, MO |
| Independence Plaza Homes, L.L.C. | Kansas City, MO |
| Independence Plaza, L.P. | St. Louis, MO |
| Integrion Financial Network, LLC | Herndon, VA |

**Exhibit 21**

| Name | Location |
|---|---|
| Intrepid Funding Master Trust | Wilmington, DE |
| InverAmerica S.A. | Santa Fe de Bogota, Colombia |
| Inversiones y Negocios Fiduciarios S.A. | Buenos Aires, Argentina |
| InvestAmerica S.A. | Santiago, Chile |
| Irving Park, Inc. | Dallas, TX |
| Island Funding, Ltd. | Dallas, TX |
| Ismael I, Inc. | George Town, Grand Cayman, Cayman Is. |
| | |
| Jawbridge Finance, Inc. | Dallas, TX |
| JCCA, Inc. | Wilton, CT |
| Jeffries-Meyers Revitalization Ltd. | Dallas, TX |
| Joey Trust | San Francisco, CA |
| Jupiter Loan Funding LLC | Wilmington, DE |
| Jupiter Funding Trust | Wilmington, DE |
| Justin, Inc. | George Town, Grand Cayman, Cayman Is. |
| | |
| K.C. Acquisitions, L.L.C. | Kansas City, MO |
| Kauai Hotel, L.P. | Los Angeles, CA |
| Kenilworth Industrial Park Limited Liability Company | Washington, DC |
| Kenilworth-Burroughs Limited Partnership | Washington, DC |
| Klondike Management LLC | Las Vegas, NV |
| Korg Acceptance Corporation | Alpharetta, GA |
| | |
| L/G Redevelopment, LLC | Nashville, TN |
| Laguna Funding Trust | Wilmington, DE |
| Laredo Partners | Dallas, TX |
| LaSalle Street Natural Resources Corporation | Houston, TX |
| Latin America Funding, Inc. | Dallas, TX |
| Lava Bed LLC | Las Vegas, NV |
| Lee County Holdings Company | Tampa, FL |
| Liberal Banking Corporation Ltd. | Nassau, Bahamas |
| Liberal Consultoria e Servicos Ltda. | Rio de Janeiro, Brazil |
| Liberal Gestao e Recursos Ltda. | Rio de Janeiro, Brazil |
| Lily River Investments, Ltd. | George Town, Grand Cayman, Cayman Is. |
| Links at Eastwood LLC, The | Charlotte, NC |
| Locust Tide Point LLC | Baltimore, MD |
| Lubbock Funding, Inc. | Dallas, TX |
| Lubbock Funding, Inc. II | Dallas, TX |
| Lyndhurst Properties Corp. | Jacksonville, FL |
| | |
| “M&M Realty, Inc.” | St. Louis, MO |
| Madison Park A Corp. | Baltimore, MD |
| Maguire Partners-Glendale Center, LLC | Los Angeles, CA |
| Main Place Funding, LLC | Charlotte, NC |
| Manele Bay I, Limited | St. Helier, Jersey, Channel Islands |
| Manele Bay II, Limited | St. Helier, Jersey, Channel Islands |
| MAR, Inc. | Charlotte, NC |
| Marsico Capital Management, LLC | Denver, CO |
| Marsico Fund Advisors, LLC | Denver, CO |
| Marsico Management Holdings, L.L.C. | Charlotte, NC |
| Mayfair Partners | Dallas, TX |
| Mazestake Limited | London, U.K. |
| MBG Trust | Wilmington, DE |
| MBHD, LLC | Nashville, TN |
| Mecklenburg Park, Inc. | Dallas, TX |

**Exhibit 21**

| Name | Location |
|---|---|
| Medina Lane, Inc. | Dallas, TX |
| Mercury Marine Acceptance Corporation | Alpharetta, GA |
| MESBIC Ventures, Inc. | Richardson, TX |
| Metro-Broward Capital Corporation | Ft. Lauderdale, FL |
| Mexican Outdoor Advertising, LLC | Chicago, IL |
| Michigan Place, LLC | Chicago, IL |
| Middletown Finance, Inc. | Dallas, TX |
| Midwest Affordable Housing 1997-1, L.L.C. | Charlotte, NC |
| Misty Waters Apartments, Inc. | Atlanta, GA |
| MN World Trade Corporation | Baltimore, MD |
| MNC Affiliates Group, Inc. | Washington, DC |
| MNC American Corporation | Birmingham, AL |
| MNC Consumer Discount Company | Washington, DC |
| MNC Credit Corp | Washington, DC |
| Mobley Park Apartments, L.C. | Tampa, FL |
| Mohave Partners | Dallas, TX |
| MOIL Corporation | Wilton, CT |
| Montage Select LLC | San Francisco, CA |
| Montrose & Company International, LLC | Reno, NV |
| MortgageRamp Associates, LLC | San Francisco, CA |
| MortgageRamp Investment, LLC | San Francisco, CA |
| Mt. Mitchell Capital Funding, LLC | New York, NY |
| Mt. Mitchell Holdings, Inc. | New York, NY |
| Mt. Mitchell Holdings, LLC | Charlotte, NC |
| Mt. Mitchell LLC | Charlotte, NC |
| Muirfield Trading LLC | Charlotte, NC |
| Multi-Family Housing Investment Fund I, LLC | Charlotte, NC |
| | |
| N.B. (Bahamas) Ltd. | Nassau, Bahamas |
| Nations Europe Limited | London, U.K. |
| Nations Finance Company | Dublin, Ireland |
| Nations High Yield Bond Fund (Offshore) | George Town, Grand Cayman, Cayman Is. |
| Nations International Value Fund (Offshore) | George Town, Grand Cayman, Cayman Is. |
| Nations Marsico Focused Equities Fund (Offshore) | George Town, Grand Cayman, Cayman Is. |
| Nations Marsico Growth Fund (Offshore) | George Town, Grand Cayman, Cayman Is. |
| NationsBanc Business Credit, Inc. | Tucker, GA |
| NationsBanc Charlotte Center, Inc. | Charlotte, NC |
| NationsBanc Insurance Agency, Inc. | Norfolk, VA |
| NationsBanc Insurance Company, Inc. | Charlotte, NC |
| NationsBanc Insurance Inc. | Mount Airy, MD |
| NationsBanc Leasing & R.E. Corporation | Charlotte, NC |
| NationsBanc Montgomery Holdings Corporation | Charlotte, NC |
| NationsBanc Pacific Corporation | Charlotte, NC |
| NationsBank CLO Funding Corp. | Dallas, TX |
| NationsBank International Trust (Jersey) Limited | Saint Helier, Jersey, Channel Islands |
| NationsCommercial Corp. | Dallas, TX |
| NationsCredit Financial Services Corporation | Irving, TX |
| NationsCredit Financial Services Corporation of Nevada | Irving, TX |
| NationsCredit Home Equity ABS Corporation | Irving, TX |
| NationsCredit Insurance Agency, Inc. | Irving, TX |
| NationsCredit Insurance Corporation | Irving, TX |
| NationsCredit Manufactured Housing Corporation | Jacksonville, FL |
| NationsCredit Securitization Corporation | Alpharetta, GA |
| Nations-CRT Hong Kong, Limited | Hong Kong, PRC |
| NB Capital Trust I | Charlotte, NC |

**Exhibit 21**

| Name | Location |
|---|---|
| NB Capital Trust II | Charlotte, NC |
| NB Capital Trust III | Charlotte, NC |
| NB Capital Trust IV | Charlotte, NC |
| NB Finance Lease, Inc. | Tucker, GA |
| NB Financial Trading (Ireland) Limited | Dublin, Ireland |
| NB Funding Company LLC | Charlotte, NC |
| NB Holdings Corporation | Charlotte, NC |
| NB Insurance Services, Inc. | Tucker, GA |
| NB International Finance B.V. | Amsterdam, The Netherlands |
| NB Partner Corp. | Charlotte, NC |
| NBCDC Osborne, Inc. | Tampa, FL |
| NBRE Realty LLC | Las Vegas, NV |
| NCNB Lease Atlantic, Inc. | Wilmington, DE |
| Nevin Rd Associates LLC | Raleigh, NC |
| Nevis Investments Limited | George Town, Grand Cayman, Cayman Is. |
| New Haven Limited Partnership | Dallas, TX |
| Newchurch European Investments Company | Las Vegas, NV |
| Newington Limited Partnership, The | Baltimore, MD |
| Nexus—Banc of America Fund II, L.P. | Chicago, IL |
| Nexus—Banc of America Fund I-M, L.P. | Chicago, IL |
| NMS Capital, L.P. | New York, NY |
| NMS Services (Cayman) Inc. | George Town, Grand Cayman, Cayman Is. |
| NMS Services, Inc. | New York, NY |
| NMS/Oak VIII, LLC | San Francisco, CA |
| North Carolina Historic Ventures, LLC | Charlotte, NC |
| NorthRoad Capital Management LLC | New York, NY |
| Northwest Florida Black Business Investment Corporation | Tallahassee, FL |
| Nubia Redevelopment Partnership | Dallas, TX |
| NZA Overseas Funding | Las Vegas, NV |
| Oak Park at Nations Ford LLC | Charlotte, NC |
| Oakland Trace Redevelopment, L.C. | Jacksonville, FL |
| Odessa Park, Inc. | Dallas, TX |
| Old Heritage New Homes, Ltd. | Dallas, TX |
| Old Sterling Street REIT | Dallas, TX |
| Olympic Funding Trust | Wilmington, DE |
| Orchards Subdivision, LLC, The | Atlanta, GA |
| Osborne Landing, Ltd. | Tampa, FL |
| Oshkosh/McNeilus Financial Services Partnership | Dodge Center, MN |
| Overseas Lending Corporation | San Francisco, CA |
| Pacesetter/MVHC, Inc. | Richardson, TX |
| Pacific Southwest Realty Company | San Francisco, CA |
| Padovano Investments | George Town, Grand Cayman, Cayman Is. |
| PA-Dritte WTP Beteiligungsverwaltungs GmbH | Vienna, Austria |
| Palm Beach County Black Business Investment Corporation | Riviera Beach, FL |
| Pan American Mortgage Corp. | Miami, FL |
| Paradise Funding, Ltd. | George Town, Grand Cayman, Cayman Is. |
| Park at Hillside, LLC, The | Nashville, TN |
| Park at Lakewood, L.L.C., The | Atlanta, GA |
| PDE, Inc. | George Town, Grand Cayman, Cayman Is. |
| Peak Finance Partners IV, L.P. | Reno, NV |
| Peak Finance Partners V, L.P. | Reno, NV |
| Perissa LLC | San Francisco, CA |
| Piccadilly, Inc. | Dallas, TX |

**Exhibit 21**

| Name | Location |
|---|---|
| Pine Oaks/Mesquite, Inc. | Dallas, TX |
| Pinehurst Trading, Inc. | Charlotte, NC |
| Pinyon Park LLC | Las Vegas, NV |
| PJM Office Building, LLC | Baltimore, MD |
| PJM Retail Center, LLC | Baltimore, MD |
| Plano Partners | Dallas, TX |
| PNB Securities Corporation | Los Angeles, CA |
| Poplar Partners | Dallas, TX |
| Power Equities, Inc. | Richardson, TX |
| Portfolio Financial Servicing Company | Portland, OR |
| PPM Shadow Creek Funding LLC | Wilmington, DE |
| PPM Spyglass Funding Trust | Wilmington, DE |
| PRLAP, Inc. *(Alaska Corporation)* | Juneau, AK |
| PRLAP, Inc. *(Missouri Corporation)* | Clayton, MO |
| PRLAP, Inc. *(North Carolina Corporation)* | Charlotte, NC |
| PRLAP, Inc. *(Tennessee Corporation)* | Knoxville, TN |
| PRLAP, Inc. *(Texas Corporation)* | Dallas, TX |
| PRLAP, Inc. *(Virginia Corporation)* | Richmond, VA |
| PRLAP, Inc. *(Washington Corporation)* | Seattle, WA |
| Prodigy Holdings Private Limited | Curepipe, Mauritius |
| PT Development, LLC | Nashville, TN |
| Puritan Mill, LLC | Atlanta, GA |
| Pydna Corporation | San Francisco, CA |
| Python Partners | Dallas, TX |
| QBE Hongkong & Shanghai Insurance Limited | Hong Kong, PRC |
| Queen City Partnership | Dallas, TX |
| Red River Park, Inc. | Dallas, TX |
| Regent Street II, Inc. | Dallas, TX |
| RepublicBank Insurance Agency, Inc. | Dallas, TX |
| Reynoldstown Rising, LLC | Atlanta, GA |
| Ritchie Court M Corporation | Baltimore, MD |
| Riverfront Partners, LLC | Tampa, FL |
| Riviera Funding LLC | Charlotte, NC |
| Rockhill Park LLC | Las Vegas, NV |
| Rockwell Resources, Inc. | Charlotte, NC |
| Rosebank Meadows Subdivision, LLC | Nashville, TN |
| Rosedale General Partner, LLC | Baltimore, MD |
| Rosedale Terrace Limited Partnership | Baltimore, MD |
| Rotunda Partners II, LLC | Oakland, CA |
| Royal Oaks, L.L.C. | Jacksonville, FL |
| Ruby Aircraft Leasing and Trading Limited | London, U.K. |
| Ruby Lake LLC | Las Vegas, NV |
| Savannah at Washington Park, LLC | Fayetteville, GA |
| Sawgrass Trading LLC | Charlotte, NC |
| SB Holdings, Inc. | Las Vegas, NV |
| SBGP, LLC | Dallas, TX |
| SCCP I GP, LLC | Baltimore, MD |
| SCI Holdings Corporation | Baltimore, MD |
| SCIC Properties, LLC | Baltimore, MD |
| SCIC Riverwalk, LLC | Baltimore, MD |
| SCIC San Antonio II, LLC | Baltimore, MD |
| Scossa Management LLC | Las Vegas, NV |

**Exhibit 21**

| Name | Location |
|---|---|
| Sea Ray Credit Corporation | Alpharetta, GA |
| Seabrook Operations, Inc. | Atlanta, GA |
| Seafirst America Corporation | Seattle, WA |
| Seafirst Insurance Corporation | Bellevue, WA |
| Seafirst Leasing Company | Seattle, WA |
| Seaview of Seabrook, Inc. | Atlanta, GA |
| Securilease BV | Amsterdam, The Netherlands |
| Securitization Funding Corporation | Dallas, TX |
| Security Pacific Acceptance Corp. II | San Diego, CA |
| Security Pacific Australian Assets Limited | Sydney, New South Wales, Australia |
| Security Pacific Capital Leasing Corporation | San Francisco, CA |
| Security Pacific EuroFinance Holdings, Inc. | San Francisco, CA |
| Security Pacific EuroFinance, Inc. | San Francisco, CA |
| Security Pacific Hong Kong Holdings Limited | Hong Kong, PRC |
| Security Pacific Housing Services, Inc. | San Diego, CA |
| Security Pacific Lease Finance (Europe) Inc. | San Francisco, CA |
| Security Pacific Leasing Corporation | San Francisco, CA |
| Security Pacific Overseas Investment Corporation | San Francisco, CA |
| Security-First Company | San Francisco, CA |
| Seminole Funding LLC | Wilmington, DE |
| Service-Wright Corporation | Washington, DC |
| Servicios Integrales y Equipamiento S. de R.L. de C.V. | Mexico City, Mexico |
| Seventh Street Mandalay Holdings, Inc. | Las Vegas, NV |
| Seventh Street REIT, Inc. | Las Vegas, NV |
| Sherwood Terrace Apartments, Inc. | Atlanta, GA |
| Sidewinder Funding II, Inc. | Dallas, TX |
| Sidewinder Funding, Inc. | Dallas, TX |
| Sierra Nevada Realty, G.P. | Las Vegas, NV |
| Silver Management Company | Las Vegas, NV |
| Silver Management Holding Company | Las Vegas, NV |
| SOP M Corp. | Baltimore, MD |
| South Charles Capital Partners I, L.P. | Baltimore, MD |
| South Charles Investment Corporation | Baltimore, MD |
| South Charles Realty Corp | Baltimore, MD |
| Southern Dallas Development Fund, Inc. | Dallas, TX |
| Sovran Capital Management Corporation | Richmond, VA |
| SPAA Leasing Corporation | San Francisco, CA |
| Spotted Horse Holdings, Inc. | Cheyenne, WY |
| Springfield Finance and Development Corporation | Springfield, MO |
| Spruce Street I, L.L.C. | St. Louis, MO |
| SRF 2000 LLC | Charlotte, NC |
| SRF Trading, Inc. | Miami, FL |
| SRV-Highland, Inc. | Miami, FL |
| St. Johns Place, L.C. | Jacksonville, FL |
| Stamford Investors GP LLC | Dover, DE |
| Stamford Investors LLC | Dover, DE |
| Stanton Road Housing LLC | Washington, DC |
| Stanwich Loan Funding LLC | Charlotte, NC |
| Statewide Administrative Services, Inc. | Tucker, GA |
| Steppington/Dallas, Inc. | Dallas, TX |
| Stonegate Meadows, L.P. | Kansas City, MO |
| Summerhill Redevelopment Partners, LLC | Atlanta, GA |
| Sunset Hill Corporation | Baltimore, MD |
| SunStar Acceptance Corporation | Atlanta, GA |
| Sweet River Investments, Ltd. | George Town, Grand Cayman, Cayman Is. |

**Exhibit 21**

| Name | Location |
|---|---|
| Sweeting Associates, LLC | Miami, FL |
| Sycamore Funding II, Inc. | Dallas, TX |
| Sycamore Funding, Inc. | Dallas, TX |
| Sycamore Green, LLC | Charlotte, NC |
| | |
| TA Investimentos e Participacoes Ltda. | Sao Paulo, Brazil |
| Tabono Joint Venture, The | Dallas, TX |
| Tabono Partnership II, Ltd. | Dallas, TX |
| Tampa Bay Black Business Investment Corporation, Inc. | Tampa, FL |
| Terry Street Redevelopment Limited Liability Company | Atlanta, GA |
| Third Ward Committee, LLC | Charlotte, NC |
| Third Ward Neighborhood Development Association | Charlotte, NC |
| Three Commercial Place Associates | Norfolk, VA |
| Titulos Rioplatenses S.A. | Montevideo, Uruguay |
| TLC, L.C. | Jacksonville, FL |
| T-Oaks Apartments, Inc. | Atlanta, GA |
| Tonopah, LLC | Las Vegas, NV |
| Topanga II Inc. | George Town, Grand Cayman, Cayman Is. |
| Topanga III Inc. | George Town, Grand Cayman, Cayman Is. |
| Topanga IV Inc. | George Town, Grand Cayman, Cayman Is. |
| Topanga V Inc. | George Town, Grand Cayman, Cayman Is. |
| Topanga VI Inc. | George Town, Grand Cayman, Cayman Is. |
| Topanga VII Inc. | George Town, Grand Cayman, Cayman Is. |
| Topanga VIII Inc. | George Town, Grand Cayman, Cayman Is. |
| Topanga Inc. | George Town, Grand Cayman, Cayman Is. |
| Town Park Associates, LLC | Miami, FL |
| Tower III Partnership, The | Hong Kong, PRC |
| Transit Holding, Inc. | San Francisco, CA |
| Transit Leasing Corportion | San Francisco, CA |
| Trenton Park Apartments Limited Partnership | Washington, DC |
| Trenton Park Housing, LLC | Washington, DC |
| Tri-Star Communications, Inc. | San Francisco, CA |
| Troy Street Limited Liability Company | Alexandria, VA |
| Trunoms, Limited | Nassau, Bahamas |
| Tryon Assurance Company, Ltd. | Hamilton, Bermuda |
| Tucker Commercial Lease Funding, LLC | San Francisco, CA |
| Turtle Hill GP LLC | Kansas City, MO |
| Turtle Hill Townhomes, L.P. | Kansas City, MO |
| Tyler Trading, Inc. | Las Vegas, NV |
| | |
| Ulysses Leasing Limited | St. Helier, Jersey, Channel Islands |
| Union Realty and Securities Company | St. Louis, MO |
| United States Airlease Holding, Inc. | San Francisco, CA |
| UniTrusco Corporation | Jacksonville, FL |
| University Lofts Associates, L.P. | St. Louis, MO |
| University Lofts Development, L.L.C. | St. Louis, MO |
| Urban Housing/JBH Apartments, L.P. | San Diego, CA |
| Urban Mecca I, LLC | Atlanta, GA |
| | |
| Varese Holdings SarL | Luxembourg, Luxemboug |
| Velocity Associates, LLC | San Francisco, CA |
| Velocity Investment, LLC | San Francisco, CA |
| Venco, B.V. | George Town, Grand Cayman, Cayman Is. |
| Vernon Park LLC | Las Vegas, NV |
| Viewpointe Archive Services, L.L.C. | Charlotte, NC |

**Exhibit 21**

| Name | Location |
|---|---|
| Villages of La Costa Southwest, L.L.C. | San Diego, CA |
| Vine Street Lofts, L.P. | Kansas City, MO |
| Vine Street Place, L.L.C. | Kansas City, MO |
| Vine Street Views, L.L.C. | Kansas City, MO |
| Viva Associates, LLC | San Francisco, CA |
| Viva Investment, LLC | San Francisco, CA |
| Washington View (H) Corporation | Charlotte, NC |
| Washington Wheatley Neighorhood Partnership | Kansas City, MO |
| Washoe Lake LLC | Las Vegas, NV |
| WCH Limited Partnership | Dallas, TX |
| WCSA Development, L.L.C. | St. Louis, MO |
| WCSA Homes II L.P. | St. Louis, MO |
| Wellington Land Company, Inc. | Baltimore, MD |
| Wellington Park/Lewisville, Inc. | Dallas, TX |
| Wellston Homes General Partner, L.L.C. | Clayton, MO |
| Wellston Homes, L.P. | St. Louis, MO |
| Wendover Lane II, Inc. | Dallas, TX |
| Wendover Lane, Inc. | Dallas, TX |
| West End, L.L.C. | St. Louis, MO |
| West Trade, LLC | Charlotte, NC |
| West Trade/Sycamore Street, LLC | Charlotte, NC |
| Westview Terrace Apartments, L.L.C. | Miami, FL |
| White Pine Asset Management Company | Reno, NV |
| White Ridge Investment Advisors LLC | New York, NY |
| White Ridge Investments Limited | London, U.K. |
| Wickliffe A Corp. | Baltimore, MD |
| Willard Park LLC | Las Vegas, NV |
| Willowemoc Partners | Las Vegas, NV |
| Winged Foot Funding Trust | Wilmington, DE |
| Winnebago Acceptance Corporation | Alpharetta, GA |
| Wolnoms, Limited | Nassau, Bahamas |
| Woods at Addison LLC | Capitol Heights, MD |
| Worthen Development Corporation, Inc. | Maumelle, AR |
| Worthen Mortgage Company | Buffalo, NY |
| Worthington Avenue, LLC | Charlotte, NC |
| Yellow Rose Investments Company | Dallas, TX |
| Yellowtail LLC | Las Vegas, NV |
| Zentac Productions, Inc. | San Francisco, CA |
| Zephyr Cove Finance, Inc. | Dallas, TX |
| 200 Madison Avenue Realty Corporation | Charlotte, NC |
| 555 California Street Partners | San Francisco, CA |
| 611 N. Brand LLC | Los Angeles, CA |

**Exhibit 23**

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-13811; 333-47222; 333-70984; 333-65750; 333-64450; 333-83503; 333-07229; 333-15375; 333-18273; 333-43137; 333-51367; 333-97157; 333-97197; 33-30717; 33-49881; 33-45498; 33-54784; 33-57533; and 33-63097); the Registration Statements on Form S-8 (Nos. 333-53664; 33-45279; 33-60695; 333-02875; 333-58657; 333-65209; 333-81810; 333-69849; 333-102043; 333-102852; and 2-80406); and the Post-Effective Amendments on Form S-8 to Registration Statements on Form S-4 (Nos. 33-43125; 33-55145; 33-63351; 33-62069; 33-62208; 333-16189; 333-60553; and 333-40515) of Bank of America Corporation of our report dated January 15, 2003, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 3, 2003

**Exhibit 24(a)**

# POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each of Bank of America Corporation and the several undersigned officers and directors whose signatures appear below, hereby makes, constitutes and appoints Charles M. Berger, Rachel R. Cummings and Paul J. Polking, and each of them acting individually, its, his and her true and lawful attorneys with power to act without any other and with full power of substitution, to prepare, execute, deliver and file in its, his and her name and on its, his and her behalf, and in each of the undersigned officer's and director's capacity or capacities as shown below, an Annual Report on Form 10-K for the year ended December 31, 2002, and all exhibits thereto and all documents in support thereof or supplemental thereto, and any and all amendments or supplements to the foregoing, hereby ratifying and confirming all acts and things which said attorneys or attorney might do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, Bank of America Corporation has caused this power of attorney to be signed on its behalf, and each of the undersigned officers and directors, in the capacity or capacities noted, has hereunto set his or her hand as of the date indicated below.

**BANK OF AMERICA CORPORATION**

By: /s/ Kenneth D. Lewis

Kenneth D. Lewis
Chairman and Chief Executive Officer

Dated: January 22, 2003

| Signature | Title | Date |
|---|---|---|
| /s/ Kenneth D. Lewis<br>Kenneth D. Lewis | Chairman, Chief Executive Officer and Director (Principal Executive Officer) | January 22, 2003 |
| /s/ James H. Hance, Jr.<br>James H. Hance, Jr. | Vice Chairman, Chief Financial Officer and Director (Principal Financial Officer) | January 22, 2003 |
| /s/ Marc D. Oken<br>Marc D. Oken | Executive Vice President and Principal Financial Executive (Principal Accounting Officer) | January 22, 2003 |
| /s/ John R. Belk<br>John R. Belk | Director | January 22, 2003 |
| /s/ Charles W. Coker<br>Charles W. Coker | Director | January 22, 2003 |
| /s/ Frank Dowd, IV<br>Frank Dowd, IV | Director | January 22, 2003 |
| /s/ Kathleen F. Feldstein<br>Kathleen F. Feldstein | Director | January 22, 2003 |
| /s/ Paul Fulton<br>Paul Fulton | Director | January 22, 2003 |
| /s/ Donald E. Guinn<br>Donald E. Guinn | Director | January 22, 2003 |

| | | |
|---|---|---|
| /s/ Walter E. Massey<br>**Walter E. Massey** | Director | January 22, 2003 |
| /s/ C. Steven McMillan<br>**C. Steven McMillan** | Director | January 22, 2003 |
| /s/ Patricia E. Mitchell<br>**Patricia E. Mitchell** | Director | January 22, 2003 |
| /s/ O. Temple Sloan, Jr.<br>**O. Temple Sloan, Jr.** | Director | January 22, 2003 |
| /s/ Meredith R. Spangler<br>**Meredith R. Spangler** | Director | January 22, 2003 |
| /s/ Ronald Townsend<br>**Ronald Townsend** | Director | January 22, 2003 |
| /s/ Jackie M. Ward<br>**Jackie M. Ward** | Director | January 22, 2003 |
| /s/ Virgil R. Williams<br>**Virgil R. Williams** | Director | January 22, 2003 |

**Exhibit 24(b)**

# CERTIFICATE OF SECRETARY

I, Allison L. Gilliam, Assistant Secretary of Bank of America Corporation, a corporation duly organized and existing under the laws of the State of Delaware, do hereby certify that attached is a true and correct copy of resolutions duly adopted by a majority of the Board of Directors of the Corporation at a meeting of the Board of Directors held on January 22, 2003, at which meeting a quorum was present and acted throughout and that the resolutions are in full force and effect and have not been amended or rescinded as of the date hereof.

IN WITNESS WHEREOF, I have hereupon set my hand and affixed the seal of the Corporation this 28th day of February, 2003.

(CORPORATE SEAL)

/s/ Allison L. Gilliam

**Allison L. Gilliam**
***Assistant Secretary***

**Exhibit 24(b)**

# BANK OF AMERICA CORPORATION
# BOARD OF DIRECTORS
# RESOLUTIONS

## January 22, 2003

## 2002 Annual Report on Form 10-K

**WHEREAS,** officers of Bank of America Corporation (the "Corporation") have made presentations to the Board of Directors regarding the Corporation's financial results for the year ended December 31, 2002;

**WHEREAS,** the Board of Directors has had adequate opportunity to review and comment on such results;

**WHEREAS,** the December 31, 2002 audited financial statements (the "2002 financial statements") will be included in the Corporation's 2002 Annual Report to Stockholders (the "2002 Annual Report") and incorporated by reference in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 (the "2002 Form 10-K"); and

**WHEREAS,** members of the Audit Committee have recommended to the Board of Directors that the 2002 financial statements be included in the 2002 Annual Report and incorporated by reference in the 2002 Form 10-K;

**NOW, THEREFORE, BE IT**:

**RESOLVED,** that the proper officers of the Corporation be, and they hereby are, authorized and empowered on behalf of the Corporation to prepare, execute, deliver and file the 2002 Form 10-K, based upon the information presented to and considered at this meeting, in such form and with such content and attachment of exhibits as the officers signing the 2002 Form 10-K shall approve, their approval to be conclusively evidenced by their signature thereof; and be it

**FURTHER RESOLVED,** that the proper officers of the Corporation be, and they hereby are, authorized and empowered on behalf of the Corporation to execute the 2002 Form 10-K and file it with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, and with such other governmental

agencies or instrumentalities as such officers deem necessary or desirable, and to prepare, execute, deliver and file any amendment or amendments to the 2002 Form 10-K, as they may deem necessary or appropriate; and be it

**FURTHER RESOLVED,** that Charles M. Berger, Rachel R. Cummings and Paul J. Polking be, and each of them with full power to act without the other hereby is, authorized and empowered to prepare, execute, deliver and file the 2002 Form 10-K and any amendment or amendments thereto on behalf of and as attorneys for the Corporation and on behalf of and as attorneys for any of the following: the principal executive officer, the principal financial officer, the principal accounting officer, and any other officer of the Corporation; and be it

**FURTHER RESOLVED,** that, for the purposes of these resolutions, the "proper officers" of the Corporation are the Executive Officers, the Secretary, any Executive Vice President, and any Senior Vice President, and that each of these officers is authorized, empowered and directed, in the name and on behalf of the Corporation to execute and deliver or cause to be executed and delivered any and all agreements, amendments, certificates, applications, notices, letters, or other documents and to do or cause to be done any and all such other acts and things as, in the opinion of any such officer, may be necessary, appropriate or desirable in order to enable the Corporation fully and promptly to carry out the intent of the foregoing resolutions, and any such action taken by such officers shall be conclusive evidence of their authority.

**Exhibit 99.1**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth D. Lewis, state and attest that:

(1) I am the Chief Executive Officer of Bank of America Corporation (the "Registrant").

(2) I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

- the Annual Report on Form 10-K of the Registrant for the year ended December 31, 2002 (the "periodic report") containing financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Registrant for the periods presented.

Name: /s/ Kenneth D. Lewis

Title: Chief Executive Officer
Date: March 3, 2003

**Exhibit 99.2**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, James H. Hance, Jr., state and attest that:

(1) I am the Chief Financial Officer of Bank of America Corporation (the "Registrant").

(2) I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

- the Annual Report on Form 10-K of the Registrant for the year ended December 31, 2002 (the "periodic report") containing financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Registrant for the periods presented.

Name: /s/ James H. Hance, Jr.

Title: Chief Financial Officer
Date: March 3, 2003