
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2000

or

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

Commission file number: 1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State of incorporation:

Delaware

IRS Employer Identification Number:

56-0906609

Address of principal executive offices:

Bank of America Corporate Center
Charlotte, North Carolina 28255

Registrant's telephone number, including area code:

(888) 279-3457

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

On July 31, 2000, there were 1,642,701,344 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation

June 30, 2000 Form 10-Q

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Part I. Financial Information
Item 1. Financial Statements

Bank of America Corporation and Subsidiaries
Consolidated Statement of Income

	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2000	1999	2000	1999
<i>(Dollars in millions, except per share information)</i>				
Interest income				
Interest and fees on loans and leases	\$ 7,923	\$ 6,853	\$ 15,317	\$ 13,623
Interest and dividends on securities	1,271	1,143	2,602	2,318
Federal funds sold and securities purchased under agreements to resell	595	387	1,170	768
Trading account assets	694	525	1,230	1,070
Other interest income	254	298	504	628
Total interest income	10,737	9,206	20,823	18,407
Interest expense				
Deposits	2,720	2,168	5,215	4,480
Short-term borrowings	1,990	1,396	3,792	2,751
Trading account liabilities	189	150	370	279
Long-term debt	1,207	880	2,291	1,685
Total interest expense	6,106	4,594	11,668	9,195
Net interest income	4,631	4,612	9,155	9,212
Provision for credit losses	470	510	890	1,020
Net interest income after provision for credit losses	4,161	4,102	8,265	8,192
Gains on sales of securities	6	52	12	182
Noninterest income				
Consumer service charges	646	634	1,264	1,237
Corporate service charges	479	439	968	892
Total service charges	1,125	1,073	2,232	2,129
Consumer investment and brokerage services	387	334	751	645
Corporate investment and brokerage services	105	133	226	248
Total investment and brokerage services	492	467	977	893
Mortgage servicing income	136	125	264	257
Investment banking income	373	421	770	654
Equity investment gains	134	134	697	289
Card income	556	497	1,040	891
Trading account profits	471	395	1,195	895
Other income	213	410	371	737
Total noninterest income	3,500	3,522	7,546	6,745
Merger-related charges	-	200	-	200
Other noninterest expense				
Personnel	2,311	2,261	4,845	4,594
Occupancy	411	395	829	791
Equipment	296	339	597	697
Marketing	132	147	251	294
Professional fees	93	166	198	292
Amortization of intangibles	218	225	435	447
Data processing	169	214	328	404
Telecommunications	133	140	264	276
Other general operating	505	446	1,020	866
General administrative and other	145	124	269	249
Total other noninterest expense	4,413	4,457	9,036	8,910
Income before income taxes	3,254	3,019	6,787	6,009
Income tax expense	1,191	1,104	2,484	2,180
Net income	\$ 2,063	\$ 1,915	\$ 4,303	\$ 3,829
Net income available to common shareholders	\$ 2,061	\$ 1,914	\$ 4,300	\$ 3,826
Per share information				
Earnings per common share	\$ 1.25	\$ 1.10	\$ 2.59	\$ 2.20
Diluted earnings per common share	\$ 1.23	\$ 1.07	\$ 2.56	\$ 2.15
Dividends per common share	\$.50	\$.45	\$ 1.00	\$.90
Average common shares issued and outstanding (in thousands)	1,653,495	1,743,503	1,661,403	1,740,549

See accompanying notes to consolidated financial statements.

Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet

	June 30 2000	December 31 1999
<i>(Dollars in millions)</i>		
Assets		
Cash and cash equivalents	\$ 27,493	\$ 26,989
Time deposits placed and other short-term investments	4,394	4,838
Federal funds sold and securities purchased under agreements to resell	42,460	37,928
Trading account assets	50,162	38,460
Securities:		
Available-for-sale	79,518	81,647
Held-for-investment, at cost (market value - \$1,312 and \$1,270)	1,439	1,422
Total securities	80,957	83,069
Loans and leases	400,817	370,662
Allowance for credit losses	(6,815)	(6,828)
Loans and leases, net of allowance for credit losses	394,002	363,834
Premises and equipment, net	6,514	6,713
Customers' acceptance liability	2,477	1,869
Derivative-dealer assets	16,149	16,055
Interest receivable	4,083	3,777
Mortgage servicing rights	4,065	4,093
Goodwill	11,961	12,262
Core deposits and other intangibles	1,617	1,730
Other assets	33,204	30,957
Total assets	\$679,538	\$632,574
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	\$ 94,014	\$ 93,476
Interest-bearing	207,977	207,048
Deposits in foreign offices:		
Noninterest-bearing	1,631	1,993
Interest-bearing	53,042	44,756
Total deposits	356,664	347,273
Federal funds purchased and securities sold under agreements to repurchase	89,508	74,561
Trading account liabilities	23,056	20,958
Derivative-dealer liabilities	17,609	16,200
Commercial paper	10,225	7,331
Other short-term borrowings	39,801	40,340
Acceptances outstanding	2,477	1,869
Accrued expenses and other liabilities	20,137	19,169
Long-term debt	69,245	55,486
Trust preferred securities	4,955	4,955
Total liabilities	633,677	588,142
Commitments and contingencies (Note Six)		
Shareholders' equity		
Preferred stock, \$0.01 par value; authorized - 100,000,000 shares; issued and outstanding - 1,742,349 and 1,797,702 shares	75	77
Common stock, \$0.01 par value; authorized - 5,000,000,000 shares; issued and outstanding - 1,645,701,425 and 1,677,273,267 shares	10,188	11,671
Retained earnings	38,330	35,681
Accumulated other comprehensive loss	(2,537)	(2,658)
Other	(195)	(339)
Total shareholders' equity	45,861	44,432
Total liabilities and shareholders' equity	\$679,538	\$632,574

See accompanying notes to consolidated financial statements.

Bank of America Corporation and Subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

<i>(Dollars in millions, shares in thousands)</i>	Preferred Stock	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss) ^(1,2)		Total Share- holders' Equity	Comprehensive Income
		Shares	Amount		Income (Loss)	Other		
Balance, December 31, 1998	\$83	1,724,484	\$14,837	\$30,998	\$ 152	\$(132)	\$45,938	
Net income				3,829			3,829	\$3,829
Other comprehensive loss, net of tax					(1,747)		(1,747)	(1,747)
Comprehensive income								\$2,082
Cash dividends:								
Common				(1,568)			(1,568)	
Preferred				(3)			(3)	
Common stock issued under employee plans		23,307	1,097			(420)	677	
Common stock repurchased		(25,000)	(1,722)				(1,722)	
Conversion of preferred stock	(3)	136	3					
Other		4	218			9	227	
Balance, June 30, 1999	\$80	1,722,931	\$14,433	\$33,256	\$ (1,595)	\$(543)	\$45,631	
Balance, December 31, 1999	\$77	1,677,273	\$11,671	\$35,681	\$(2,658)	\$(339)	\$44,432	
Net income				4,303			4,303	\$4,303
Other comprehensive income, net of tax					121		121	121
Comprehensive income								\$4,424
Cash dividends:								
Common				(1,655)			(1,655)	
Preferred				(3)			(3)	
Common stock issued under employee plans		2,185	34			106	140	
Common stock repurchased		(33,850)	(1,623)				(1,623)	
Conversion of preferred stock	(2)	92	2					
Other		1	104	4		38	146	
Balance, June 30, 2000	\$75	1,645,701	\$10,188	\$38,330	\$(2,537)	\$(195)	\$45,861	

(1) Changes in Accumulated Other Comprehensive Income (Loss) include after-tax net unrealized gains (losses) on available-for-sale and marketable equity securities of \$119 and \$(1,710) and after-tax net unrealized gains (losses) on foreign currency translation adjustments of \$2 and \$(37) for the six months ended June 30, 2000 and 1999, respectively.

(2) Accumulated Other Comprehensive Income (Loss) consists of the after-tax valuation allowance for available-for-sale and marketable equity securities of \$(2,351) and \$(1,407) and foreign currency translation adjustments of \$(186) and \$(188) at June 30, 2000 and 1999, respectively.

See accompanying notes to consolidated financial statements.

Bank of America Corporation and Subsidiaries
Consolidated Statement of Cash Flows

	Six Months	
	Ended June 30	
<i>(Dollars in millions)</i>	2000	1999
Operating activities		
Net income	\$ 4,303	\$ 3,829
Reconciliation of net income to net cash used in operating activities:		
Provision for credit losses	890	1,020
Gains on sales of securities	(12)	(182)
Merger-related charges, net	-	200
Depreciation and premises improvements amortization	472	533
Amortization of intangibles	435	447
Deferred income tax (benefit) expense	1,067	(542)
Net (increase) decrease in trading instruments	(8,289)	5,662
Net (increase) decrease in interest receivable	(306)	256
Net (increase) decrease in other assets	(3,388)	293
Net increase (decrease) in interest payable	100	(155)
Net decrease in accrued expenses and other liabilities	(124)	(11,652)
Other operating activities, net	172	(69)
Net cash used in operating activities	(4,680)	(360)
Investing activities		
Net decrease in time deposits placed and other short-term investments	444	1,400
Net increase in federal funds sold and securities purchased under agreements to resell	(4,532)	(8,761)
Proceeds from sales of available-for-sale securities	13,729	24,321
Proceeds from maturities of available-for-sale securities	2,781	5,163
Purchases of available-for-sale securities	(13,925)	(28,070)
Proceeds from maturities of held-for-investment securities	128	498
Proceeds from sales and securitizations of loans and leases	12,523	19,892
Purchases and net originations of loans and leases	(42,973)	(24,615)
Purchases and originations of mortgage servicing rights	(242)	(1,428)
Net purchases of premises and equipment	(273)	(256)
Proceeds from sales of foreclosed properties	145	169
Acquisitions and divestitures of business activities, net of cash	(24)	(1,483)
Net cash used in investing activities	(32,219)	(13,170)
Financing activities		
Net increase (decrease) in deposits	9,391	(18,215)
Net increase in federal funds purchased and securities sold under agreements to repurchase	14,947	10,774
Net increase in commercial paper and other short-term borrowings	2,355	10,158
Proceeds from issuance of long-term debt	19,681	12,420
Retirement of long-term debt	(6,728)	(3,110)
Proceeds from issuance of common stock	140	677
Common stock repurchased	(1,623)	(1,722)
Cash dividends paid	(1,658)	(1,571)
Other financing activities, net	939	50
Net cash provided by financing activities	37,444	9,461
Effect of exchange rate changes on cash and cash equivalents	(41)	(11)
Net increase (decrease) in cash and cash equivalents	504	(4,080)
Cash and cash equivalents at December 31	26,989	28,277
Cash and cash equivalents at June 30	\$27,493	\$24,197

Loans transferred to foreclosed properties amounted to \$188 and \$198 for the six months ended June 30, 2000 and 1999, respectively.

Loans securitized and retained in the available-for-sale securities portfolio amounted to \$224 and \$367 for the six months ended June 30, 2000 and 1999, respectively.

There were no acquisitions for the six months ended June 30, 2000. The fair value of noncash assets acquired and liabilities assumed in acquisitions for the six months ended June 30, 1999 were \$1,557 and \$74, net of cash acquired.

See accompanying notes to consolidated financial statements.

Bank of America Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Bank of America Corporation (the Corporation) is a Delaware corporation, a bank holding company and a financial holding company. Through its banking and nonbanking subsidiaries, the Corporation provides a diverse range of financial services and products throughout the U.S. and in selected international markets.

Note One – Accounting Policies

The consolidated financial statements include the accounts of the Corporation and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The information contained in the consolidated financial statements is unaudited. In the opinion of management, all normal recurring adjustments necessary for a fair statement of the interim period results have been made. Certain prior period amounts have been reclassified to conform to current period classifications.

Accounting policies followed in the presentation of interim financial results are presented on pages 58 to 63 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999.

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). This standard requires all derivative instruments to be recognized as either assets or liabilities and measured at their fair values. In addition, SFAS 133 provides special hedge accounting for fair value, cash flow and foreign currency hedges, provided certain criteria are met. Pursuant to 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", the Corporation is required to adopt the standard on or before January 1, 2001. On June 15, 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – An Amendment of SFAS 133." This standard addresses certain implementation issues of SFAS 133. Upon adoption, all hedging relationships must be designated and documented pursuant to the provisions of SFAS 133, as amended. The Corporation is in the process of evaluating the impact of this statement and associated amendment on its risk management strategies and processes, information systems and financial statements.

In 1999, the Federal Financial Institutions Examination Council issued The Uniform Classification and Account Management Policy (the Policy) which updated and expanded the classification of delinquent retail credits. The Policy provides guidance for banks on the treatment of delinquent open-end and close-end loans. The Corporation is required to implement the Policy by December 31, 2000 and expects to be in full compliance with the Policy by that date. The Corporation does not expect the adoption of this Policy to have a material impact on its results of operations and financial condition.

Note Two – Acquisition and Merger-Related Activities

At June 30, 2000, the Corporation operated its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A.) and Bank of America, N.A. (USA). On March 31, 1999, NationsBank of Delaware, N.A. merged with and into Bank of America, N.A. (USA), a national association headquartered in Phoenix, Arizona (formerly known as Bank of America National Association), which operates the Corporation's credit card business. On April 1, 1999, the mortgage business of BankAmerica transferred to NationsBanc Mortgage Corporation. On December 1, 1999, NationsBanc Mortgage Corporation merged with and into BA Mortgage, LLC, a Delaware limited liability company and a Bank of America, N.A. subsidiary. On April 8, 1999, the Corporation merged Bank of America Texas, N.A. into NationsBank, N.A. On July 5, 1999, NationsBank, N.A. changed its name to Bank of America, N.A. On July 23, 1999, Bank of America, N.A. merged into Bank of America National Trust and Savings Association (Bank of America NT&SA), and the surviving entity of that merger changed its name to Bank of America, N.A. On December 1, 1999, Bank of America, FSB, a federal savings bank formerly headquartered in Portland, Oregon, was converted into a national bank and merged into Bank of America, N.A. On September 30, 1998, BankAmerica Corporation (BankAmerica) merged (the Merger) with and into the Corporation, formerly NationsBank Corporation (NationsBank).

In connection with the Merger, the Corporation recorded pre-tax merger-related charges of \$525 million (\$358 million after-tax) in 1999 and \$1,325 million (\$960 million after-tax) in 1998. Of the \$525 million in 1999, \$200 million (\$145 million after-tax) and \$325 million (\$213 million after-tax) were recorded in the second and fourth quarters, respectively. Of the \$1,325 million in 1998, \$725 million (\$519 million after-tax) and \$600 million (\$441 million after-tax) were recorded in the third and fourth quarters, respectively. The total pre-tax charge for 1999 consisted of approximately \$219 million primarily of severance, change in control and other employee-related costs, \$187 million of conversion and related costs including occupancy, equipment and customer communication expenses, \$128 million of exit and related costs and a \$9 million reduction of other merger costs. The total pre-tax charge for 1998 consisted of approximately \$740 million primarily of severance, change in control and other employee-related costs, \$150 million of conversion and related costs including occupancy and equipment expenses (primarily lease exit costs and the elimination of duplicate facilities and other capitalized assets) and customer communication expenses, \$300 million of exit and related costs and \$135 million of other merger costs (including legal, investment banking and filing fees).

Total severance, change in control and other employee-related costs include amounts related to job eliminations of former associates of BankAmerica and NationsBank impacted by the Merger. Through June 30, 2000, approximately 13,800 employees had entered the severance process. Employee-related costs of the Merger were principally in overlapping functions, operations and businesses of the Corporation. The BankAmerica merger-related reserve balance was \$300 million at January 1, 2000. Cash payments applied to the reserve in 2000 were approximately \$169 million and noncash reductions were \$29 million. The remaining merger-related reserve balance was \$102 million at June 30, 2000.

On June 15, 2000, the Corporation entered into an agreement, effective January 2, 2001, to acquire the remaining 50 percent of Marsico Capital Management LLP (Marsico) for a total investment of \$1.1 billion. The Corporation acquired the first 50 percent in 1999. Marsico is a Denver-based investment management firm with more than \$15 billion in assets under management, specializing in large capitalization growth stocks.

For additional information on the Corporation's merger-related activities, refer to **Note Two** of the Corporation's 1999 Annual Report on Form 10-K.

Note Three – Trading Activities

Trading-Related Revenue

Trading account profits represent the net amount earned from the Corporation's trading positions, which include trading account assets and liabilities as well as derivative-dealer positions. These transactions include positions to meet customer demand as well as for the Corporation's own trading account. Trading positions are taken in a diverse range of financial instruments and markets. The profitability of these trading positions is largely dependent on the volume and type of transactions, the level of risk assumed and the volatility of price and rate movements. Trading account profits, as reported in the Corporation's Consolidated Statement of Income, includes neither the net interest recognized on interest-earning and interest-bearing trading positions nor the related funding charge or benefit. Trading account profits and trading-related net interest income ("trading-related revenue") are presented in the table below as they are both considered in evaluating the overall profitability of the Corporation's trading positions. Trading-related revenue is derived from foreign exchange spot, forward and cross-currency contracts, fixed income and equity securities and derivative contracts in interest rates, equities, credit and commodities.

	Three Months Ended		Six Months Ended	
	June 30		June 30	
<i>(Dollars in millions)</i>	2000	1999	2000	1999
Trading account profits - as reported	\$471	\$395	\$1,195	\$895
Net interest income	263	148	483	315
Total trading-related revenue	\$734	\$543	\$1,678	\$1,210
Trading-related revenue by product				
Foreign exchange contracts	\$132	\$154	\$290	\$312
Interest rate contracts	169	126	476	340
Fixed income	71	105	244	296
Equities	335	135	624	222
Commodities and other	27	23	44	40
Total trading-related revenue	\$734	\$543	\$1,678	\$1,210

Trading Account Assets and Liabilities

The fair value of the components of trading account assets and liabilities at June 30, 2000 and December 31, 1999 were:

<i>(Dollars in millions)</i>	Fair Value	
	June 30 2000	December 31 1999
Trading account assets		
U.S. Treasury securities	\$ 5,361	\$ 6,793
Securities of other U.S. Government agencies and corporations	5,315	3,554
Certificates of deposit, bankers' acceptances and commercial paper	3,335	3,039
Corporate debt	3,021	2,993
Foreign sovereign debt	14,697	9,532
Mortgage-backed securities	7,132	6,748
Equity securities	4,255	2,856
Other	7,046	2,945
Total	\$50,162	\$38,460
Trading account liabilities		
U.S. Treasury securities	\$ 9,403	\$ 8,414
Corporate debt	1,926	-
Foreign sovereign debt	3,601	3,490
Equity securities	7,702	7,840
Other	424	1,214
Total	\$23,056	\$20,958

See **Note Six** for additional information on derivative-dealer positions, including credit risk.

Note Four – Loans and Leases

Loans and leases at June 30, 2000 and December 31, 1999 were:

<i>(Dollars in millions)</i>	June 30, 2000		December 31, 1999	
	Amount	Percent	Amount	Percent
Commercial - domestic	\$150,622	37.6 %	\$143,450	38.7 %
Commercial - foreign	30,582	7.6	27,978	7.5
Commercial real estate - domestic	26,054	6.5	24,026	6.5
Commercial real estate - foreign	229	.1	325	.1
Total commercial	207,487	51.8	195,779	52.8
Residential mortgage	94,090	23.5	81,860	22.1
Home equity lines	20,154	5.0	17,273	4.7
Direct/Indirect consumer	41,824	10.4	42,161	11.4
Consumer finance	24,748	6.2	22,326	6.0
Bankcard	10,310	2.6	9,019	2.4
Foreign consumer	2,204	.5	2,244	.6
Total consumer	193,330	48.2	174,883	47.2
Total loans and leases	\$400,817	100.0 %	\$370,662	100.0 %

The table below summarizes the changes in the allowance for credit losses for the three months and six months ended June 30, 2000 and 1999:

<i>(Dollars in millions)</i>	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2000	1999	2000	1999
Balance, beginning of period	\$ 6,827	\$ 7,123	\$ 6,828	\$ 7,122
Loans and leases charged off	(620)	(672)	(1,190)	(1,338)
Recoveries of loans and leases previously charged off	150	152	300	299
Net charge-offs	(470)	(520)	(890)	(1,039)
Provision for credit losses	470	510	890	1,020
Other, net	(12)	(17)	(13)	(7)
Balance, June 30	\$ 6,815	\$ 7,096	\$ 6,815	\$ 7,096

The following table presents the recorded investment in specific loans that were considered individually impaired at June 30, 2000 and December 31, 1999:

<i>(Dollars in millions)</i>	June 30	December 31
	2000	1999
Commercial - domestic	\$1,496	\$1,133
Commercial - foreign	585	503
Commercial real estate - domestic	391	449
Total impaired loans	\$2,472	\$2,085

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. Due to their homogeneous nature, consumer loans and certain smaller business loans are generally evaluated as a group based on individual loan type. Commercial and commercial real estate loans are generally evaluated individually due to a general lack of uniformity among individual loans within each loan type and business segment. Once a loan has been identified as impaired, management measures impairment in accordance with Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114). Impaired loans are measured based on the present value of payments expected to be received, observable market prices or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral. If the recorded investment in impaired loans exceeds the measure of estimated fair value, a valuation allowance is established as a component of the allowance for credit losses.

At June 30, 2000 and December 31, 1999, nonperforming loans including certain loans which were considered impaired totaled \$3.7 billion and \$3.0 billion, respectively. Foreclosed properties amounted to \$195 million and \$163 million at June 30, 2000 and December 31, 1999, respectively.

Note Five – Short-Term Borrowings and Long-Term Debt

During 2000, Bank of America Corporation issued \$4.4 billion in senior and subordinated long-term debt, domestically and internationally, with maturities ranging from 2002 to 2015. Of the \$4.4 billion issued, \$2.4 billion bears interest at floating rates ranging primarily from eight to 41 basis points over three-month London InterBank Offered Rate (LIBOR). The remaining \$2.0 billion was converted from fixed rates ranging from 7.35 percent to 8.42 percent to floating rates through interest rate swaps at spreads ranging from nine to 59 basis points over three-month LIBOR.

At June 30, 2000, Bank of America Corporation had the authority to issue approximately \$15.5 billion of corporate debt and other securities under its existing shelf registration statements.

During 2000, Bank of America, N.A. issued \$13.7 billion in senior long-term bank notes having maturities ranging from 2001 to 2013. Of the \$13.7 billion issued, \$5.0 billion bears interest at spreads ranging from zero to 15 basis points above three-month LIBOR, \$4.1 billion bears interest at spreads ranging from 287 to 272 basis points below the prime rate, \$2.8 billion bears interest at fixed rates ranging from 6.45 percent to 7.40 percent, \$1.1 billion bears interest at spreads ranging from 14 to 28 basis points above the Fed Funds rate and \$695 million bears interest at spreads ranging from five to 12 basis points above one-month LIBOR.

Bank of America, N.A. maintains a domestic program to offer up to a maximum of \$35.0 billion, at any one time, of bank notes with fixed or floating rates and maturities ranging from seven days or more from date of issue. Short-term bank notes outstanding under this program totaled \$14.7 billion at June 30, 2000 compared to \$15.2 billion at December 31, 1999. These short-term bank notes, along with Treasury tax and loan notes and term federal funds purchased, are reflected in other short-term borrowings in the Consolidated Balance Sheet. Long-term debt under current and former programs totaled \$18.1 billion at June 30, 2000 compared to \$10.1 billion at December 31, 1999. On August 1, 2000, Bank of America, N.A. increased the maximum amount of bank notes that it can offer from \$35.0 billion to \$50.0 billion.

Bank of America Corporation and Bank of America, N.A. maintain a joint Euro medium-term note program to offer up to \$15.0 billion of senior, or in the case of Bank of America Corporation, subordinated notes exclusively to non-United States residents. The notes bear interest at fixed or floating rates and may be denominated in U.S. dollars or foreign currencies. Bank of America Corporation uses foreign currency contracts to convert certain foreign-denominated debt into U.S. dollars. Bank of America Corporation's notes outstanding under this program totaled \$5.0 billion at June 30, 2000 compared to \$4.5 billion at December 31, 1999. Bank of America, N.A.'s notes outstanding under this program totaled \$1.2 billion at June 30, 2000. Bank of America, N.A. had no notes outstanding under this program at December 31, 1999. Of the \$15.0 billion authorized at June 30, 2000, Bank of America Corporation and Bank of America, N.A. had remaining authority to issue in the aggregate of debt securities under the current program approximately \$5.0 billion and \$3.8 billion, respectively. At June 30, 2000 and December 31, 1999, \$3.2 billion and \$3.3 billion, respectively, were outstanding under the former BankAmerica Euro medium-term note program. No additional debt securities will be offered under that program. On August 1, 2000, Bank of America Corporation and Bank of America, N.A. increased the size of their joint Euro medium-term note program to \$20.0 billion.

Note Six – Commitments and Contingencies

Credit Extension Commitments

The Corporation enters into commitments to extend credit, standby letters of credit and commercial letters of credit to meet the financing needs of its customers. The commitments shown below have been reduced by amounts collateralized by cash and amounts participated to other financial institutions. The following table summarizes outstanding commitments to extend credit:

	June 30	December 31
<u>(Dollars in millions)</u>	<u>2000</u>	<u>1999</u>
Credit card commitments	\$ 68,370	\$ 67,394
Other loan commitments	252,522	246,827
Standby letters of credit and financial guarantees	32,076	32,993
Commercial letters of credit	4,552	3,690

Derivatives

Credit Risk Associated with Derivative-Dealer Activities

The table on the following page presents the notional or contract amounts at June 30, 2000 and December 31, 1999 and the credit risk amounts (the net replacement cost of contracts in a gain position) of the Corporation's derivative-dealer positions which are primarily executed in the over-the-counter market for trading purposes. This table should be read in conjunction with the "Market Risk Management" section on pages 42 through 46 and **Note Eleven** of the Corporation's 1999 Annual Report on Form 10-K. The notional or contract amounts indicate the total volume of transactions and significantly exceed the amount of the Corporation's credit or market risk associated with these instruments. Credit risk associated with derivatives is measured as the net replacement cost should the counterparties with contracts in a gain position to the Corporation completely fail to perform under the terms of those contracts and any collateral underlying the contracts proves to be of no value. The credit risk amounts presented in the following table do not consider the value of any collateral but generally take into consideration the effects of legally enforceable master netting agreements.

Derivative-Dealer Positions	June 30, 2000		December 31, 1999	
	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
<i>(Dollars in millions)</i>				
Interest rate contracts				
Swaps	\$3,506,678	\$7,639	\$2,597,886	\$ 5,691
Futures and forwards	921,152	98	644,795	58
Written options	295,994	-	560,070	-
Purchased options	537,425	1,120	638,517	1,747
Foreign exchange contracts				
Swaps	60,964	578	55,278	1,058
Spot, futures and forwards	757,133	2,761	537,719	3,298
Written options	33,259	-	28,450	-
Purchased options	32,349	337	26,820	424
Equity contracts				
Swaps	17,316	412	11,128	1,042
Futures and forwards	30,320	86	21,421	3
Written options	21,908	-	24,232	-
Purchased options	39,873	2,318	28,251	4,625
Other contracts				
Swaps	5,555	671	1,950	190
Futures and forwards	873	77	1,075	38
Written options	8,741	-	4,636	-
Purchased options	7,798	372	3,965	265
Credit derivatives	25,758	112	19,028	70
Total before cross-product netting		16,581		18,509
Cross-product netting		432		2,454
Net replacement cost		\$16,149		\$16,055

The table above includes both long and short derivative-dealer positions. The average fair value of derivative-dealer assets for the six months ended June 30, 2000 and for the year ended December 31, 1999 was \$19.4 billion and \$16.0 billion, respectively. The average fair value of derivative-dealer liabilities for the six months ended June 30, 2000 and for the year ended December 31, 1999 was \$19.3 billion and \$16.5 billion, respectively. The fair value of derivative-dealer assets at both June 30, 2000 and December 31, 1999 was \$16.1 billion. The fair value of derivative-dealer liabilities at June 30, 2000 and December 31, 1999 was \$17.6 billion and \$16.2 billion, respectively. See **Note Three** for a discussion of trading-related revenue.

During the six months ended June 30, 2000 and 1999, there were no significant credit losses associated with derivative contracts. At June 30, 2000 and December 31, 1999, there were no nonperforming derivative positions that were material to the Corporation.

In addition to credit risk management activities, the Corporation uses credit derivatives to generate revenue by taking on exposure to underlying credits. The Corporation also provides credit derivatives to sophisticated customers who wish to hedge existing credit exposures or take on additional credit exposure to generate revenue. The Corporation's credit derivative positions at June 30, 2000 and December 31, 1999 consisted of credit default swaps and total return swaps.

Asset and Liability Management (ALM) Activities

The table below outlines the status of the Corporation's ALM activity at June 30, 2000 and December 31, 1999. It presents the notional amount and fair value of the Corporation's open and closed ALM contracts. This table should be read in conjunction with the "Market Risk Management" section on pages 42 through 46 and **Note Eleven** of the Corporation's 1999 Annual Report on Form 10-K.

<i>(Dollars in millions)</i>	June 30, 2000		December 31, 1999	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Open interest rate contracts				
Receive fixed swaps	\$55,177	\$(1,687)	\$63,002	\$(1,747)
Pay fixed swaps	18,566	151	25,701	115
Net open receive fixed	36,611	(1,536)	37,301	(1,632)
Basis swaps	7,815	(5)	7,971	(6)
Total net swap position	44,426	(1,541)	45,272	(1,638)
Option products	42,850	(146)	35,134	5
Futures and forwards	2,119	(35)	931	3
Total open interest rate contracts ⁽¹⁾		(1,722)		(1,630)
Closed interest rate contracts				
Swap positions		99		174
Option products		112		82
Futures and forwards		(19)		(21)
Total closed interest rate contracts ⁽²⁾		192		235
Net interest rate contract position		(1,530)		(1,395)
Open foreign exchange contracts ⁽¹⁾	5,959	(200)	6,231	(30)
Total ALM contracts		\$(1,730)		\$(1,425)

(1) Fair value represents the net unrealized losses on open contracts.
(2) Represents the unamortized net realized deferred gains associated with closed contracts.

When-Issued Securities

At June 30, 2000, the Corporation had commitments to purchase and sell when-issued securities of \$14.5 billion and \$20.5 billion, respectively. At December 31, 1999, the Corporation had commitments to purchase and sell when-issued securities of \$12.0 billion and \$16.8 billion, respectively.

Litigation

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

The Corporation and certain present and former officers and directors have been named as defendants in a number of actions filed in several federal courts that have been consolidated for pretrial purposes before a Missouri federal court. The amended complaint in the consolidated actions alleges, among other things, that the defendants failed to disclose material facts about BankAmerica's losses relating to D.E. Shaw Securities Group, L.P. and related entities until mid-October 1998, in violation of various provisions of federal and state laws. The amended complaint also alleges that the proxy statement-prospectus of August 4, 1998, falsely stated that the Merger would be one of equals and alleges a scheme to have NationsBank gain control over the newly merged entity. The Missouri federal

court has certified classes consisting generally of persons who were stockholders of NationsBank or BankAmerica on September 30, 1998, or were entitled to vote on the Merger, or who purchased or acquired securities of the Corporation or its predecessors between August 4, 1998 and October 13, 1998. The amended complaint substantially survived a motion to dismiss, and discovery is underway. Claims against certain director-defendants were dismissed with leave to replead. Similar uncertified class actions (including one limited to California residents raising the claim that the proxy statement-prospectus of August 4, 1998, falsely stated that the Merger would be one of equals) were filed in California state court, alleging violations of the California Corporations Code and other state laws. The action on behalf of California residents was certified, but has since been dismissed and an appeal is pending. Of the remaining actions, one has been stayed, and a motion for class certification is pending in the other. The Missouri federal court has enjoined prosecution of that action as a class action. The plaintiffs who were enjoined have appealed. The Corporation believes the actions lack merit and will defend them vigorously. The amount of any ultimate exposure cannot be determined with certainty at this time.

Management believes that the actions and proceedings and the losses, if any, resulting from the final outcome thereof, will not be material in the aggregate to the Corporation's financial position or results of operations.

Note Seven – Shareholders' Equity and Earnings Per Common Share

On June 23, 1999, the Corporation's Board of Directors (the Board) authorized the repurchase of up to 130 million shares of the Corporation's common stock at an aggregate cost of up to \$10.0 billion. Through June 30, 2000, the Corporation had repurchased 112 million shares of its common stock in open market repurchases and under accelerated share repurchase programs at an average per-share price of \$57.92 which reduced shareholders' equity by \$6.5 billion. The remaining buyback authority for common stock under the current program totaled \$3.5 billion or 18 million shares at June 30, 2000. On July 26, 2000, the Board authorized a new stock repurchase program of up to 100 million shares of the Corporation's common stock at an aggregate cost of up to \$7.5 billion.

Earnings per common share is computed by dividing net income available to common shareholders by the weighted average common shares issued and outstanding. For diluted earnings per common share, net income available to common shareholders can be affected by the conversion of the registrant's convertible preferred stock. Where the effect of this conversion would have been dilutive, net income available to common shareholders is adjusted by the associated preferred dividends. This adjusted net income is divided by the weighted average number of common shares issued and outstanding for each period plus amounts representing the dilutive effect of stock options outstanding and the dilution resulting from the conversion of the registrant's convertible preferred stock, if applicable. The effect of convertible preferred stock is excluded from the computation of diluted earnings per common share in periods in which the effect would be antidilutive.

The calculation of earnings per common share and diluted earnings per common share for the three months and six months ended June 30, 2000 and 1999 is presented below:

<i>(Shares in thousands; dollars in millions, except per share information)</i>	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2000	1999	2000	1999
Earnings per common share				
Net income	\$2,063	\$1,915	\$4,303	\$3,829
Preferred stock dividends	(2)	(1)	(3)	(3)
Net income available to common shareholders	\$2,061	\$1,914	\$4,300	\$3,826
Average common shares issued and outstanding	1,653,495	1,743,503	1,661,403	1,740,549
Earnings per common share	\$ 1.25	\$ 1.10	\$ 2.59	\$ 2.20
Diluted earnings per common share				
Net income available to common shareholders	\$2,061	\$1,914	\$4,300	\$3,826
Preferred stock dividends	2	1	3	3
Net income available to common shareholders and assumed conversions	\$2,063	\$1,915	\$4,303	\$3,829
Average common shares issued and outstanding	1,653,495	1,743,503	1,661,403	1,740,549
Incremental shares from assumed conversions:				
Convertible preferred stock	2,914	3,098	2,987	3,098
Stock options	19,680	40,244	17,239	39,670
Dilutive potential common shares	22,594	43,342	20,226	42,768
Total dilutive average common shares issued and outstanding	1,676,089	1,786,845	1,681,630	1,783,317
Diluted earnings per common share	\$ 1.23	\$ 1.07	\$ 2.56	\$ 2.15

Note Eight – Business Segment Information

During the first quarter of 2000, the Corporation realigned its business segments to report the results of the Corporation's operations through three business segments: *Consumer and Commercial Banking*, *Asset Management* and *Global Corporate and Investment Banking*. *Consumer and Commercial Banking* provides a diversified range of products and services to individuals and small businesses through multiple delivery channels and commercial lending and treasury management services to middle market companies with annual revenue between \$10 million and \$500 million. *Asset Management* offers customized asset management and credit, financial advisory, fiduciary and trust services, and banking services. It also provides management of equity, fixed income, cash and alternative investments to individuals, corporations and a wide array of institutional clients and full service and discount brokerage services. *Global Corporate and Investment Banking* provides a diversified range of financial products such as investment banking, trade finance, treasury management, capital markets, leasing and financial advisory services to domestic and international corporations, financial institutions and government entities.

The following table includes total revenue, net income and average total assets for the three months and six months ended June 30, 2000 and 1999 for each business segment. Certain prior period amounts have been reclassified between segments to conform to the current period presentation.

For the three months ended June 30								
<i>(Dollars in millions)</i>	Consumer and Commercial Banking ⁽²⁾		Asset Management ⁽²⁾		Global Corporate and Investment Banking ⁽²⁾		Corporate Other	
	2000	1999	2000	1999	2000	1999	2000	1999
Net interest income ⁽¹⁾	\$ 3,425	\$ 3,506	\$ 159	\$ 142	\$ 1,045	\$ 914	\$ 80	\$ 101
Noninterest income	1,789	1,807	420	394	1,291	1,321	-	-
Total revenue	5,214	5,313	579	536	2,336	2,235	80	101
Provision for credit losses	310	397	-	20	144	93	16	-
Gains on sales of securities	(1)	-	-	-	-	10	7	42
Amortization of intangibles	169	178	6	6	43	41	-	-
Depreciation expense	168	188	13	17	52	58	-	-
Merger-related charges	-	-	-	-	-	-	-	200
Other noninterest expense	2,497	2,632	296	278	1,171	1,051	(2)	8
Income before income taxes	2,069	1,918	264	215	926	1,002	73	(65)
Income tax expense	815	724	101	80	326	355	27	(4)
Net income	\$ 1,254	\$ 1,194	\$ 163	\$ 135	\$ 600	\$ 647	\$ 46	\$ (61)
Average total assets	\$311,356	\$292,707	\$23,360	\$20,163	\$246,939	\$218,367	\$90,933	\$84,127
For the six months ended June 30								
<i>(Dollars in millions)</i>	Consumer and Commercial Banking ⁽²⁾		Asset Management ⁽²⁾		Global Corporate and Investment Banking ⁽²⁾		Corporate Other	
	2000	1999	2000	1999	2000	1999	2000	1999
Net interest income ⁽¹⁾	\$ 6,819	\$ 6,975	\$ 314	\$ 277	\$ 2,011	\$ 1,862	\$ 160	\$ 194
Noninterest income	3,423	3,382	830	824	3,214	2,539	79	-
Total revenue	10,242	10,357	1,144	1,101	5,225	4,401	239	194
Provision for credit losses	690	749	11	39	173	232	16	-
Gains on sales of securities	-	3	-	-	3	9	9	170
Amortization of intangibles	338	350	12	13	85	84	-	-
Depreciation expense	340	380	27	34	105	119	-	-
Merger-related charges	-	-	-	-	-	-	-	200
Other noninterest expense	5,056	5,235	580	558	2,439	2,139	54	(2)
Income before income taxes	3,818	3,646	514	457	2,426	1,836	178	166
Income tax expense	1,500	1,377	197	171	870	647	66	81
Net income	\$ 2,318	\$ 2,269	\$ 317	\$ 286	\$ 1,556	\$ 1,189	\$ 112	\$ 85
Average total assets	\$306,124	\$290,010	\$22,832	\$19,776	\$241,860	\$219,779	\$90,988	\$82,945
<i>(1) Net interest income is presented on a taxable-equivalent basis.</i>								
<i>(2) There were no material intersegment revenues among the three business segments.</i>								

A reconciliation of the segments' net income to consolidated net income follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
<i>(Dollars in millions)</i>	2000	1999	2000	1999
Segments' net income	\$2,017	\$1,976	\$4,191	\$3,744
Adjustments, net of taxes:				
Earnings associated with unassigned capital	52	58	100	123
Gains on sales of securities	4	26	6	107
Merger-related charges	-	(145)	-	(145)
Other	(10)	-	6	-
Consolidated net income	\$2,063	\$1,915	\$4,303	\$3,829

Note Nine – Subsequent Events

Bank of America Pension Plan

The Corporation and the BankAmerica 401(k) retirement plans were combined effective June 30, 2000. With the introduction of the revised Bank of America retirement plans, qualified BankAmerica employees who are currently active had a one-time opportunity to transfer certain assets in their 401(k) plan account to their Bank of America Pension Plan (pension plan) account effective August 4, 2000. The total amount of 401(k) plan assets transferred to the pension plan was \$1.3 billion. The pension plan (which is a cash balance type of pension plan) has a balance guarantee feature, applied at the time a benefit payment is made from the plan, that protects the transferred portion of participants' accounts from future market downturns. The Corporation is responsible for funding any shortfall on the guarantee feature.

Productivity and Investment Initiatives

On July 28, 2000, the Corporation announced process changes and productivity and other investment initiatives. As part of these initiatives and in order to reallocate resources, the Corporation will eliminate 9,000 to 10,000 positions, or six to seven percent of its work force, over the next 12 months. The Corporation plans to take an after-tax charge of \$300 million to \$350 million in the third quarter, primarily to cover severance costs related to these changes and initiatives. The Corporation expects such changes and initiatives to strengthen revenue growth, support earnings momentum and improve customers' experience with the Corporation.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This report on Form 10-Q contains certain forward-looking statements that are subject to risks and uncertainties and include information about possible or assumed future results of operations. Many possible events or factors could affect the future financial results and performance of the Corporation. This could cause results or performance to differ materially from those expressed in our forward-looking statements. Words such as "expects", "anticipates", "believes", "estimates", variations of such words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers of the Corporation's Form 10-Q should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed throughout this report, as well as those discussed in the Corporation's 1999 Annual Report on Form 10-K. These statements are representative only on the date hereof, and the Corporation undertakes no obligation to update any forward-looking statements made.

The possible events or factors include the following: the Corporation's loan growth is dependent on economic conditions, as well as various discretionary factors, such as decisions to securitize, sell, or purchase certain loans or loan portfolios; syndications or participations of loans; retention of residential mortgage loans; and the management of borrower, industry, product and geographic concentrations and the mix of the loan portfolio. The rate of charge-offs and provision expense can be affected by local, regional and international economic and market conditions, concentrations of borrowers, industries, products and geographic locations, the mix of the loan portfolio and management's judgments regarding the collectibility of loans. Liquidity requirements may change as a result of fluctuations in assets and liabilities and off-balance sheet exposures, which will impact the capital and debt financing needs of the Corporation and the mix of funding sources. Decisions to purchase, hold or sell securities are also dependent on liquidity requirements and market volatility, as well as on- and off-balance sheet positions. Factors that may impact interest rate risk include local, regional and international economic conditions, levels, mix, maturities, yields or rates of assets and liabilities, utilization and effectiveness of interest rate contracts and the wholesale and retail funding sources of the Corporation. The Corporation is also exposed to the potential of losses arising from adverse changes in market rates and prices which can adversely impact the value of financial products, including securities, loans, deposits, debt and derivative financial instruments, such as futures, forwards, swaps, options and other financial instruments with similar characteristics.

In addition, the banking industry in general is subject to various monetary and fiscal policies and regulations, which include those determined by the Federal Reserve Board, the Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation, state regulators and the Office of Thrift Supervision, whose policies and regulations could affect the Corporation's results. Other factors that may cause actual results to differ from the forward-looking statements include the following: projected business increases following process changes and productivity and other investment initiatives are lower than expected or do not pay for severance or other related costs as quickly as anticipated; competition with other local, regional and international banks, thrifts, credit unions and other nonbank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies and insurance companies, as well as other entities which offer financial services, located both within and outside the United States and through alternative delivery channels such as the World Wide Web; interest rate, market and monetary fluctuations; inflation; market volatility; general economic conditions and economic conditions in the geographic regions and industries in which the Corporation operates; introduction and acceptance of new banking-related products, services and enhancements; fee pricing strategies, mergers and acquisitions and their integration into the Corporation and management's ability to manage these and other risks.

Overview

The Corporation is a bank holding company and a financial holding company incorporated under the laws of Delaware, and headquartered in Charlotte, North Carolina. The Corporation provides a diversified range of banking and nonbanking financial services and products both domestically and internationally through three major business segments: *Consumer and Commercial Banking*, *Asset Management* and *Global Corporate and Investment Banking*. At June 30, 2000, the Corporation had \$680 billion in assets and approximately 151,000 full-time equivalent employees.

The remainder of management's discussion and analysis of the Corporation's results of operations and financial condition should be read in conjunction with the consolidated financial statements and related notes presented on pages 2 through 18.

Refer to **Table One** for selected financial data for the three months and six months ended June 30, 2000 and 1999.

Key strategic highlights for the six months ended June 30, 2000 were:

- The Corporation continued to focus on expanding its technology leadership in order to meet two important objectives: provide better service to customers and connect those customers to the increasing number of e-commerce capabilities as they become available.
- New online banking enrollments increased to approximately 125,000 per month, up from 80,000 per month a year earlier, as total online retail customers rose to approximately 2.4 million. Penetration increased to 14 percent of customers holding Bank of America checking accounts.
- Use of Bank of America Direct, the Corporation's web-based cash management system, grew more than 250 percent from a year earlier.
- An alliance with Checkfree Holdings Corporation was announced aimed at enhancing the Corporation's advantage in online banking and at creating a national platform for accelerating the development of electronic bill payment and presentment convenience for consumers in the United States.
- An alliance announced with Ariba intends to combine the Bank of America financial services engine with Ariba's leading business-to-business commerce platform resulting in a purchase-to-payment system for business-to-business commerce activities.
- Balances in Money Manager, the Corporation's combination checking and brokerage product, increased 80 percent from a year ago to \$16.5 billion. Total Money Manager accounts more than doubled to 121,000.
- Mutual fund assets rose by \$12 billion, or 14 percent, during the first six months of the year. In addition, the Corporation agreed to acquire the remaining 50 percent of Marsico Capital Management LLC, a highly successful and fast-growing investment management firm which manages more than \$15 billion in assets.

Key performance highlights for the six months ended June 30, 2000 were:

- Net income totaled \$4.3 billion, or \$2.56 per common share (diluted) for the six months ended June 30, 2000, an increase of \$474 million, or \$0.41 per common share (diluted) from the same period in 1999. Excluding merger-related charges that occurred in 1999, net income increased \$329 million, or \$0.33 per common share (diluted) for the six months ended June 30, 2000 from the comparable 1999 period.
- Cash basis ratios on an operating basis measure performance excluding goodwill and other intangible assets and their related amortization expense. Cash basis diluted earnings per common share were \$2.82 for the six months ended June 30, 2000, an increase of \$0.34 per share compared to the same period in 1999. Return on average tangible common shareholders' equity was 29.14 percent for the six months ended June 30, 2000, an increase of 117 basis points from the comparable 1999 period. The cash basis efficiency ratio was 51.04 percent for the six months ended June 30, 2000, an improvement of 167 basis points from the comparable 1999 period, primarily due to a 12 percent increase in noninterest income.
- The return on average common shareholders' equity was 18.60 percent for the six months ended June 30, 2000, an increase of 201 basis points compared to the same period in 1999. Excluding merger-related charges, the return on average common shareholders' equity for the six months ended June 30, 2000 increased 138 basis points from the comparable 1999 period.
- Total revenue includes net interest income on a taxable-equivalent basis and noninterest income. For the six months ended June 30, 2000, total revenue was \$16.9 billion, an increase of \$797 million from the comparable 1999 period.
 - Net interest income remained essentially unchanged at \$9.3 billion for the six months ended June 30, 2000 from a year earlier. Loan growth and higher levels of core deposits and equity were offset by the impact of asset securitizations and loan sales during 1999, spread compression and the cost of share repurchases. Average managed loans and leases were \$412.2 billion for the six months ended June 30, 2000, a \$38.7 billion increase from the respective 1999 period, primarily due to a 19 percent increase in consumer loans and leases. Average core deposits grew to \$298.0 billion for the six months ended June 30, 2000, a \$7.9 billion increase from the same period in 1999. The net interest yield was 3.26 percent for the six months ended June 30, 2000, a 29 basis point decline from the comparable 1999 period. The decrease was primarily due to spread compression, increased reliance on long-term debt funding, growth in lower spread securities and trading-related assets and the cost of share repurchases.
 - Noninterest income was \$7.5 billion for the six months ended June 30, 2000, an \$801 million increase from the comparable 1999 period. *Consumer and Commercial Banking* experienced a \$149 million increase in card income to \$1.0 billion due to purchase volume growth across all card products. Income from investment and brokerage services increased \$54 million to \$761 million in the *Asset Management* segment as a result of new business and market growth. *Global Corporate and Investment Banking* had significant increases in equity investment gains and trading account profits. Equity investment gains were \$697 million, reflecting an increase of \$408 million. Trading account profits increased \$300 million to \$1.2 billion driven by higher revenues from interest rate contracts, fixed income and equities, partially offset by decreases in foreign exchange contracts and real estate activities. The increase in noninterest income for the Corporation was partially offset by a \$366 million decrease in other income to \$371 million due to securitization gains and higher gains on loan sales in 1999.
- The provision for credit losses for the six months ended June 30, 2000 was \$890 million, a \$130 million decrease from the same 1999 period. Net charge-offs were \$890 million, or 0.47 percent of average loans and leases, for the six months ended June 30, 2000, a decrease of \$149 million or 11 basis points from the comparable 1999 period, driven primarily by lower losses on bankcard loans. Nonperforming assets were \$3.9 billion, or 0.97 percent of loans, leases and foreclosed properties at June 30, 2000, a \$681 million or 11 basis point increase from December 31, 1999. The increase reflects a rise in nonperforming loans in the corporate commercial portfolio which were not concentrated in any single industry or region. Nonperforming loans also increased in real estate

secured consumer finance loans, reflecting the growth and seasoning in that portfolio. The allowance for credit losses totaled \$6.8 billion at June 30, 2000, essentially unchanged from December 31, 1999.

- Noninterest expense was \$9.0 billion for the six months ended June 30, 2000, a \$126 million increase from the respective 1999 period, reflecting higher revenue-related incentive compensation and spending on projects to improve sales and service, partially offset by cost reductions resulting from recent mergers. The efficiency ratio was 53.63 percent for the six months ended June 30, 2000, a 186 basis point improvement from the same period in 1999.

Employee-Related Matters

See **Note Nine** of the consolidated financial statements for information on the Corporation's process changes and productivity and other investment initiatives which will result in the elimination of 9,000 to 10,000 positions over the next 12 months. The Corporation plans to record a third quarter after-tax charge of \$300 million to \$350 million related to these initiatives.

In addition, see **Note Nine** for information on the Bank of America Pension Plan.

Table One
Selected Financial Data

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
<i>(Dollars in millions, except per share information)</i>				
Operating Basis ⁽¹⁾				
Income statement				
Interest income	\$ 10,737	\$ 9,206	\$ 20,823	\$ 18,407
Interest expense	6,106	4,594	11,668	9,195
Net interest income	4,631	4,612	9,155	9,212
Net interest income (taxable-equivalent basis)	4,709	4,663	9,304	9,308
Provision for credit losses	470	510	890	1,020
Gains on sales of securities	6	52	12	182
Noninterest income	3,500	3,522	7,546	6,745
Other noninterest expense	4,413	4,457	9,036	8,910
Income before income taxes	3,254	3,219	6,787	6,209
Income tax expense	1,191	1,159	2,484	2,235
Net income	2,063	2,060	4,303	3,974
Net income available to common shareholders	2,061	2,059	4,300	3,971
Performance ratios				
Return on average assets	1.23 %	1.34 %	1.31 %	1.31 %
Return on average common shareholders' equity	17.60	17.64	18.60	17.22
Efficiency ratio	53.77	54.44	53.63	55.49
Per common share data				
Earnings	\$ 1.25	\$ 1.18	\$ 2.59	\$ 2.28
Diluted earnings	1.23	1.15	2.56	2.23
Cash basis financial data ⁽²⁾				
Earnings per common share	1.38	1.31	2.85	2.54
Diluted earnings per common share	1.36	1.28	2.82	2.48
Return on average tangible assets	1.39 %	1.53 %	1.47 %	1.49 %
Return on average tangible common shareholders' equity	27.51	28.49	29.14	27.97
Efficiency ratio	51.12	51.70	51.04	52.71
As Reported				
Income statement				
Merger-related charges	\$ -	\$ 200	\$ -	\$ 200
Income before income taxes	3,254	3,019	6,787	6,009
Income tax expense	1,191	1,104	2,484	2,180
Net income	2,063	1,915	4,303	3,829
Net income available to common shareholders	2,061	1,914	4,300	3,826
Average common shares issued and outstanding (in thousands)	1,653,495	1,743,503	1,661,403	1,740,549
Performance ratios				
Return on average assets	1.23 %	1.25 %	1.31 %	1.26 %
Return on average common shareholders' equity	17.63	16.40	18.60	16.59
Total equity to total assets (period-end)	6.75	7.43	6.75	7.43
Total average equity to total average assets	7.00	7.62	7.04	7.61
Dividend payout ratio	39.94	41.07	38.49	40.98
Per common share data				
Earnings	\$ 1.25	\$ 1.10	\$ 2.59	\$ 2.20
Diluted earnings	1.23	1.07	2.56	2.15
Cash dividends paid	.50	.45	1.00	.90
Book value	27.82	26.44	27.82	26.44
Cash basis financial data ⁽²⁾				
Earnings per common share	\$ 1.38	\$ 1.23	\$ 2.85	\$ 2.45
Diluted earnings per common share	1.36	1.20	2.82	2.40
Return on average tangible assets	1.39 %	1.43 %	1.47 %	1.44 %
Return on average tangible common shareholders' equity	27.51	26.68	29.14	27.05
Ending tangible equity to tangible assets	4.85	5.17	4.85	5.17
Balance sheet (period-end)				
Total loans and leases	\$ 400,817	\$ 363,581	\$ 400,817	\$ 363,581
Total assets	679,538	614,102	679,538	614,102
Total deposits	356,664	339,045	356,664	339,045
Long-term debt	69,245	55,059	69,245	55,059
Trust preferred securities	4,955	4,955	4,955	4,955
Common shareholders' equity	45,786	45,551	45,786	45,551
Total shareholders' equity	45,861	45,631	45,861	45,631
Risk-based capital ratios (period-end)				
Tier 1 capital	7.40 %	7.38 %	7.40 %	7.38 %
Total capital	11.03	11.09	11.03	11.09
Leverage ratio	6.11	6.34	6.11	6.34
Market price per share of common stock				
Closing	\$ 43	\$ 73 5/16	\$ 43	\$ 73 5/16
High	61	76 1/8	61	76 1/8
Low	42 63/64	61 1/2	42 5/16	59 1/2

(1) Operating basis excludes merger-related charges.

(2) Cash basis calculations exclude goodwill and other intangible assets and their related amortization expense.

Business Segment Operations

The Corporation provides a diversified range of banking and nonbanking financial services and products through its various subsidiaries. During the first quarter of 2000, the Corporation realigned its business segments to report the results of the Corporation's operations through three business segments: *Consumer and Commercial Banking*, *Asset Management*, and *Global Corporate and Investment Banking*.

The business segments summarized in **Table Two** are primarily managed with a focus on various performance objectives including total revenue, net income, return on average equity and efficiency. These performance objectives are also presented on a cash basis which excludes the impact of goodwill and other intangible assets and their related amortization expense. Total revenue includes net interest income on a taxable-equivalent basis and noninterest income. The net interest yield of the business segments reflects the results of a funds transfer pricing process which derives net interest income by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. Equity is allocated to each business segment based on an assessment of its inherent risk.

See **Note Eight** of the consolidated financial statements for additional business segment information and reconciliations to consolidated amounts. Additional information on noninterest income can be found in the "Noninterest Income" section beginning on page 37. Certain prior period amounts have been reclassified between segments and their components (presented after **Table Two**) to conform to the current period presentation.

Table Two						
Business Segment Summary						
For the Three Months Ended June 30						
	Consumer and Commercial Banking		Asset Management		Global Corporate and Investment Banking	
<i>(Dollars in millions)</i>	2000	1999	2000	1999	2000	1999
Net interest income	\$ 3,425	\$ 3,506	\$ 159	\$ 142	\$ 1,045	\$ 914
Noninterest income	1,789	1,807	420	394	1,291	1,321
Total revenue	5,214	5,313	579	536	2,336	2,235
Net income	1,254	1,194	163	135	600	647
Cash basis earnings	1,423	1,371	169	141	643	688
Net interest yield	4.85 %	5.32 %	2.81 %	2.96 %	2.07 %	2.03 %
Average equity to average assets	7.88	8.21	7.55	8.32	6.26	6.60
Return on average equity	20.6	19.9	37.2	32.2	15.6	18.0
Return on tangible equity	29.0	29.1	42.9	38.0	18.4	21.3
Efficiency ratio	54.4	56.4	54.4	56.2	54.2	51.5
Cash basis efficiency ratio	51.1	53.1	53.4	55.0	52.3	49.6
Average:						
Total loans and leases	\$261,091	\$238,751	\$21,772	\$18,571	\$108,635	\$108,055
Total deposits	256,435	251,821	11,717	12,156	69,752	65,908
Total assets	311,356	292,707	23,360	20,163	246,939	218,367
For the Six Months Ended June 30						
	Consumer and Commercial Banking		Asset Management		Global Corporate and Investment Banking	
<i>(Dollars in millions)</i>	2000	1999	2000	1999	2000	1999
Net interest income	\$ 6,819	\$ 6,975	\$ 314	\$ 277	\$ 2,011	\$ 1,862
Noninterest income	3,423	3,382	830	824	3,214	2,539
Total revenue	10,242	10,357	1,144	1,101	5,225	4,401
Net income	2,318	2,269	317	286	1,556	1,189
Cash basis earnings	2,656	2,618	329	299	1,641	1,273
Net interest yield	4.92 %	5.34 %	2.85 %	2.96 %	2.04 %	2.06 %
Average equity to average assets	7.94	8.17	7.68	8.54	6.25	6.68
Return on average equity	19.2	19.3	36.4	34.2	20.7	16.3
Return on tangible equity	27.5	28.4	42.0	40.2	24.1	19.4
Efficiency ratio	56.0	57.6	54.1	54.9	50.3	53.2
Cash basis efficiency ratio	52.7	54.2	53.0	53.7	48.7	51.3
Average:						
Total loans and leases	\$255,510	\$235,076	\$21,248	\$18,160	\$107,340	\$110,216
Total deposits	254,749	251,231	11,342	12,249	68,201	65,883
Total assets	306,124	290,010	22,832	19,776	241,860	219,779

Consumer and Commercial Banking

Consumer and Commercial Banking provides a wide array of products and services to individuals, small businesses and middle market companies through multiple delivery channels.

<i>(Dollars in millions)</i>	Consumer and Commercial Banking			
	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net interest income	\$3,425	\$3,506	\$ 6,819	\$ 6,975
Noninterest income	1,789	1,807	3,423	3,382
Total revenue	5,214	5,313	10,242	10,357
Cash basis earnings	1,423	1,371	2,656	2,618
Cash basis efficiency ratio	51.1 %	53.1 %	52.7 %	54.2 %

- Growth in the loan portfolio had a positive effect on net interest income for the six months ended June 30, 2000. Spread compression and 1999 loan sales and securitizations more than offset this increase resulting in a two percent decrease in net interest income.
- Noninterest income increased one percent for the six months ended June 30, 2000 due to higher card income and service charges resulting from an increased focus by management to grow the card business and new marketing programs.
- Cash basis earnings increased one percent for the six months ended June 30, 2000 due to decreased provision expense and noninterest expense partially offset by the decrease in total revenue.
 - Improved credit quality in the credit card portfolio resulted in a decrease in the provision for credit losses.
 - Merger-related savings resulted in a decrease across most expense categories.

The major components of *Consumer and Commercial Banking* are *Banking Regions*, *Consumer Products* and *Commercial Banking*.

Banking Regions

Banking Regions serves approximately 30 million consumer households in 21 states and the District of Columbia and overseas through its extensive network of approximately 4,500 banking centers, 14,000 ATMs, telephone and Internet channels on www.bankofamerica.com. *Banking Regions* provides a wide array of products and services, including deposit products such as checking, money market savings accounts, time deposits and IRAs, and credit products such as home equity, personal auto loans and auto leasing. *Banking Regions* also includes small business banking providing treasury management, credit services, community investment, debit card, e-commerce and brokerage services to over two million small business relationships across the franchise.

- Noninterest income increased six percent for the six months ended June 30, 2000 primarily due to

Banking Regions				
<i>(Dollars in millions)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net interest income	\$2,089	\$2,125	\$4,150	\$4,211
Noninterest income	876	850	1,719	1,620
Total revenue	2,965	2,975	5,869	5,831
Cash basis earnings	763	743	1,446	1,401
Cash basis efficiency ratio	58.2 %	60.3 %	59.7 %	61.9 %

increased consumer service charges and debit card income.

- Net interest income declined one percent primarily due to spread compression and 1999 loan sales and securitizations.
- Cash basis earnings increased three percent for the six months ended June 30, 2000, primarily attributable to a decrease in noninterest expense driven by merger-related savings and lower transition expense.

Consumer Products

Consumer Products provides specialized services such as the origination and servicing of residential mortgage loans, issuance and servicing of credit cards, direct banking via telephone and Internet, student lending and certain insurance services. *Consumer Products* also provides consumer home equity and auto loans, retail finance programs to dealerships and lease financing of new and used cars.

Consumer Products				
<i>(Dollars in millions)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net interest income	\$ 800	\$ 826	\$1,560	\$1,655
Noninterest income	685	725	1,253	1,349
Total revenue	1,485	1,551	2,813	3,004
Cash basis earnings	440	388	766	760
Cash basis efficiency ratio	39.9 %	43.4 %	42.2 %	43.8 %

- Higher card income had a positive effect on noninterest income for the six months ended June 30, 2000. Gains on loan sales and securitizations in 1999 more than offset this increase resulting in a seven percent decline in noninterest income.
- Net interest income decreased six percent for the six months ended June 30, 2000 primarily due to a shift to lower spread loan products and loan sales and securitizations in 1999.
- Cash basis earnings increased one percent for the six months ended June 30, 2000 primarily due to a decrease in provision expense and noninterest expense partially offset by the decrease in total revenue.
 - Provision expense decreased due to improved credit quality in the credit card portfolio.

- The decrease in noninterest expense was primarily driven by expense reduction initiatives.

Commercial Banking

Commercial Banking provides commercial lending and treasury management services to middle market companies with annual revenue between \$10 million and \$500 million. These services are available through relationship manager teams as well as through alternative channels such as the telephone via the commercial service center and the Internet by accessing Bank of America Direct.

<i>(Dollars in millions)</i>	Commercial Banking			
	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net interest income	\$536	\$555	\$1,109	\$1,109
Noninterest income	228	232	451	413
Total revenue	764	787	1,560	1,522
Cash basis earnings	220	240	444	457
Cash basis efficiency ratio	45.5 %	45.0 %	45.1 %	45.3 %

- Total revenue for the six months ended June 30, 2000 increased two percent due to a nine percent increase in noninterest income attributable to higher service charges.
- Higher noninterest income had a positive effect on cash basis earnings for the six months ended June 30, 2000. Higher provision expense more than offset this increase resulting in a three percent decline in cash basis earnings.

Asset Management

Asset Management includes the Private Bank, Banc of America Capital Management and Banc of America Investment Services, Inc. The Private Bank offers financial solutions to high-net-worth clients and foundations in the U.S. and internationally by providing customized asset management and credit, financial advisory, fiduciary, trust and banking services. Banc of America Capital Management offers management of equity, fixed income, cash, and alternative investments; manages the assets of individuals, corporations, municipalities, foundations and universities, and public and private institutions; and provides advisory services to the Corporation's affiliated family of mutual funds. Banc of America Investment Services, Inc. provides both full-service and discount brokerage services through investment professionals located throughout the franchise and a brokerage web site that provides customers a wide array of market analyses, investment research and self-help tools, account information and transaction capabilities.

On June 15, 2000, the Corporation entered into an agreement, effective January 2, 2001, to acquire the remaining 50 percent of Marsico Capital Management LLP (Marsico) for a total investment of \$1.1 billion. The Corporation acquired the first 50 percent in 1999. Marsico is a Denver-based investment management firm specializing in large capitalization growth stocks. Marsico manages more than \$15 billion in assets and has experienced compounded annual revenue growth of approximately 460 percent since its inception in 1997. Marsico will benefit the Corporation's marketing of investment capabilities to financial intermediaries and institutional clients.

<i>(Dollars in millions)</i>	Asset Management			
	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net interest income	\$159	\$142	\$ 314	\$ 277
Noninterest income	420	394	830	824
Total revenue	579	536	1,144	1,101
Cash basis earnings	169	141	329	299
Cash basis efficiency ratio	53.4 %	55.0 %	53.0 %	53.7 %

- Total revenue increased four percent for the six months ended June 30, 2000. The increase was attributable to increases in both net interest income and noninterest income.
 - Net interest income increased 13 percent due to strong loan growth in the commercial loan portfolio.
 - Noninterest income increased one percent primarily due to increased investment and brokerage fees driven by new business and market growth, partially offset by gains in 1999 on the disposition of certain businesses.
- Cash basis earnings increased 10 percent for the six months ended June 30, 2000 due to the increase in total revenue, partially offset by increased noninterest expense, led by one-time business divestiture expenditures in 2000.

Global Corporate and Investment Banking

Global Corporate and Investment Banking provides a broad array of financial products such as investment banking, trade finance, treasury management, capital markets, leasing and financial advisory services to domestic and international corporations, financial institutions and government entities. Clients are supported through offices in 37 countries in four distinct geographic regions: U.S. and Canada; Asia; Europe, Middle East and Africa; and Latin America. Products and services provided include loan origination, merger and acquisition advisory, debt and equity underwriting and trading, cash management, derivatives, foreign exchange, leasing, leveraged finance, project finance, real estate finance, senior bank debt, structured finance and trade services.

<i>(Dollars in millions)</i>	Global Corporate and Investment Banking			
	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net interest income	\$1,045	\$ 914	\$2,011	\$1,862
Noninterest income	1,291	1,321	3,214	2,539
Total revenue	2,336	2,235	5,225	4,401
Cash basis earnings	643	688	1,641	1,273
Cash basis efficiency ratio	52.3 %	49.6 %	48.7 %	51.3 %

- For the six months ended June 30, 2000, total revenue increased 19 percent due to increases in both net interest income and noninterest income.
 - Net interest income increased eight percent, primarily due to trading activities, interest recoveries and higher demand deposits.
 - Noninterest income increased 27 percent due to higher equity investment gains, trading account profits, investment banking income and corporate service charges.
- For the six months ended June 30, 2000, cash basis earnings increased 29 percent. The increase was primarily due to the higher revenue discussed above and was partially offset by an increase in noninterest expense resulting from higher revenue-related incentive compensation.

Global Corporate and Investment Banking offers clients a comprehensive range of global capabilities through five components: *Global Credit Products*, *Global Capital Raising*, *Global Markets*, *Global Treasury Services* and *Principal Investing*.

Global Credit Products

Global Credit Products provides credit and lending services and includes the corporate industry-focused portfolio, real estate, leasing and project finance.

<i>(Dollars in millions)</i>	Global Credit Products			
	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net interest income	\$626	\$598	\$1,212	\$1,204
<u>Noninterest income</u>	<u>157</u>	188	<u>288</u>	305
Total revenue	783	786	1,500	1,509
Cash basis earnings	329	360	615	633
Cash basis efficiency ratio	22.0 %	22.5 %	22.5 %	23.8 %

- Net interest income increased slightly for the six months ended June 30, 2000, but was offset by a six percent decrease in noninterest income due to a decline in investment banking and other income.
- Noninterest expense decreased five percent for the six months ended June 30, 2000 due to a decrease in personnel expense. Offsetting this decrease was an increase in the provision for credit losses driven by the charge-off of a single fraud-related credit, resulting in a three percent decline in cash basis earnings.

Global Capital Raising

Global Capital Raising includes the Corporation's investment banking activities. Through a separate subsidiary, Banc of America Securities LLC (formerly NationsBanc Montgomery Securities LLC), *Global Capital Raising* underwrites and makes markets in equity securities, high-grade and high-yield corporate debt securities, commercial paper, and mortgage-backed and asset-backed securities. Banc of America Securities LLC also provides correspondent clearing services for other securities broker/dealers, traditional brokerage services to high-net-worth individuals, prime-brokerage services and makes markets in equity derivatives. Debt and equity securities research, loan syndications, mergers and acquisitions advisory services, private placements and equity derivatives are also provided through Banc of America Securities LLC.

<i>(Dollars in millions)</i>	Global Capital Raising			
	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net interest income	\$124	\$ 23	\$ 251	\$ 70
<u>Noninterest income</u>	<u>609</u>	540	<u>1,282</u>	968
Total revenue	733	563	1,533	1,038
Cash basis earnings	132	99	319	128
Cash basis efficiency ratio	73.3 %	72.8 %	72.6 %	81.3 %

- Total revenue increased 48 percent for the six months ended June 30, 2000 due to increased net interest income and noninterest income. The increases were due to higher trading-related revenue, investment banking income and corporate investment and brokerage fees primarily due to increased activity and contribution from equity products.

- Cash basis earnings increased 149 percent for the six months ended June 30, 2000, led by the increase in revenue partially offset by an increase in noninterest expense, which was driven by higher revenue-related incentive compensation.

Global Markets

Global Markets provides business solutions for a global customer base using interest rate derivatives, foreign exchange products, commodity derivatives 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 Markets* business also takes an active role in the trading of fixed income securities in all of the regions in which *Global Corporate and Investment Banking* transacts business and is a primary dealer in the U.S., as well as in several international locations.

	Global Markets			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
<i>(Dollars in millions)</i>	2000	1999	2000	1999
Net interest income	\$177	\$166	\$314	\$331
<u>Noninterest income</u>	<u>215</u>	293	<u>673</u>	651
Total revenue	392	459	987	982
Cash basis earnings	98	145	290	328
Cash basis efficiency ratio	58.9 %	52.4 %	53.5 %	49.8 %

- Noninterest income increased for the six months ended June 30, 2000, partially offset by a decrease in net interest income, resulting in a one percent increase in total revenue.
 - Noninterest income increased three percent primarily due to strong client demands in interest rate contracts in the first quarter of 2000.
 - The five percent decrease in net interest income was primarily due to changes in trading-related positions.
- For the six months ended June 30, 2000, cash basis earnings decreased 12 percent primarily due to higher noninterest expense resulting from higher revenue-related incentive compensation, partially offset by the increase in total revenue.

Global Treasury Services

Global Treasury Services provides the technology, strategies and integrated solutions to help financial institutions, government agencies and public and private companies of all sizes manage their operations and cash flows on a local, regional, national and global level.

<i>(Dollars in millions)</i>	Global Treasury Services			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2000	1999	2000	1999
Net interest income	\$152	\$148	\$296	\$298
Noninterest income	193	185	383	367
Total revenue	345	333	679	665
Cash basis earnings	48	37	126	82
Cash basis efficiency ratio	74.1 %	78.8 %	75.3 %	79.1 %

- Total revenue increased two percent for the six months ended June 30, 2000, led by a four percent increase in noninterest income, primarily driven by an increase in service charges.
- Cash basis earnings increased 54 percent for the six months ended June 30, 2000 primarily due to the increase in total revenue and a decrease in provision expense driven by credit upgrades and declining balances in the international portfolio.

Principal Investing

Principal Investing invests in both direct and indirect equity investments in a wide variety of transactions. Domestic activities include investments from early-stage seed capital to mezzanine financing, late-stage and buyout investments. International investing focuses on established businesses in Asia, Europe and Latin America delivering strategic and financial guidance, broad business experience and access to the Corporation's global resources.

<i>(Dollars in millions)</i>	Principal Investing			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2000	1999	2000	1999
Net interest income	\$ (34)	\$ (21)	\$ (62)	\$ (41)
Noninterest income	117	115	588	248
Total revenue	83	94	526	207
Cash basis earnings	36	47	291	102
Cash basis efficiency ratio	32.5 %	20.5 %	9.9 %	20.0 %

- For the six months ended June 30, 2000, total revenue increased \$319 million primarily due to an increase in noninterest income driven primarily by higher equity investment gains in both cash and portfolio appreciation.
- For the six months ended June 30, 2000, cash basis earnings increased \$189 million primarily due to the increase in revenue led by equity investment gains.

Results of Operations

Net Interest Income

An analysis of the Corporation's net interest income on a taxable-equivalent basis and average balance sheet for the most recent five quarters and for the six months ended June 30, 2000 and 1999 is presented in **Tables Three** and **Four**, respectively.

As reported, net interest income on a taxable-equivalent basis was \$4.7 billion for the three months ended June 30, 2000, an increase of \$46 million compared to the same period in 1999. For the six months ended June 30, 2000 and 1999, net interest income on a taxable-equivalent basis remained at \$9.3 billion. Management also reviews "core net interest income" which adjusts reported net interest income for the impact of trading-related activities, securitizations, asset sales and divestitures. For purposes of internal analysis, management combines trading-related net interest income with trading account profits, as discussed in the "Noninterest Income" section on page 39, as trading strategies are typically evaluated on total revenue. The determination of core net interest income also requires adjustment for the impact of securitizations (primarily home equity and credit card), asset sales (primarily residential and commercial real estate loans) and divestitures. Net interest income associated with assets that have been securitized is predominantly offset in noninterest income, as the Corporation takes on the role of servicer and records servicing income and gains on securitizations, where appropriate.

The table below provides a reconciliation between net interest income on a taxable-equivalent basis presented in **Tables Three** and **Four** and core net interest income for the three months and six months ended June 30, 2000 and 1999, respectively.

<i>(Dollars in millions)</i>	Three Months Ended		Increase/ (Decrease)	Six Months Ended		Increase/ (Decrease)
	June 30			June 30		
	2000	1999		2000	1999	
Net interest income						
As reported ⁽¹⁾	\$ 4,709	\$ 4,663	0.99 %	\$ 9,304	\$ 9,308	(0.04) %
Less: Trading-related net interest income	(263)	(148)		(483)	(315)	
Add: Impact of securitizations, asset sales and divestitures	144	6		318	28	
Core net interest income	\$ 4,590	\$ 4,521	1.53 %	\$ 9,139	\$ 9,021	1.31 %
Average earning assets						
As reported	\$ 582,490	\$530,049	9.89 %	\$ 572,830	\$526,884	8.72 %
Less: Trading-related earning assets	(119,115)	(82,590)		(115,745)	(81,302)	
Add: Earning assets securitized, sold and divested	16,977	1,335		18,484	1,302	
Core average earning assets	\$ 480,352	\$448,794	7.03 %	\$ 475,569	\$446,884	6.42 %
Net interest yield on earning assets ^(1,2)						
As reported	3.24 %	3.53 %	(29) bp	3.26 %	3.55 %	(29) bp
Add: Impact of trading-related activities	0.61	0.52	9	0.61	0.51	10
Impact of securitizations, asset sales and divestitures	-	-	-	0.01	-	1
Core net interest yield on earning assets	3.85 %	4.05 %	(20) bp	3.88 %	4.06 %	(18) bp

(1) Net interest income is presented on a taxable-equivalent basis.
(2) bp denotes basis points; 100 bp equals 1%.

Core net interest income on a taxable-equivalent basis was \$4.6 billion and \$9.1 billion for the three months and six months ended June 30, 2000, respectively, an increase of \$69 million and \$118 million over the corresponding periods in 1999. For both periods, managed loan growth, particularly in consumer products, and higher levels of core deposits and equity were partially offset by spread compression, increased reliance on long-term debt funding and the cost of share repurchases.

Core average earning assets were \$480.4 billion and \$475.6 billion for the three months and six

months ended June 30, 2000, respectively, an increase of \$31.6 billion and \$28.7 billion over the same periods in 1999, primarily reflecting managed loan growth of 12 percent and 10 percent, respectively. Managed consumer loans increased 19 percent for both the three months and six months ended June 30, 2000, led by growth in residential first mortgages, home equity lines and consumer finance loans. Loan growth is dependent on economic conditions, as well as various discretionary factors such as decisions to securitize certain loan portfolios and the management of borrower, industry, product and geographic concentrations.

The core net interest yield decreased 20 basis points to 3.85 percent and 18 basis points to 3.88 percent for the three months and six months ended June 30, 2000, respectively, mainly due to spread compression, increased reliance on long-term debt funding and the cost of share repurchases.

Provision for Credit Losses

The provision for credit losses totaled \$470 million and \$890 million for the three months and six months ended June 30, 2000, respectively, compared to \$510 million and \$1.0 billion for the comparable 1999 periods. The decrease in the provision for credit losses was primarily due to a reduction in the inherent risk and size of the Corporation's emerging markets portfolio and a change in the composition of the loan portfolio from commercial and consumer foreign to more consumer loans secured by residential real estate. Total net charge-offs were \$470 million and \$890 million for the three months and six months ended June 30, 2000, respectively, compared to \$520 million and \$1.0 billion for the comparable 1999 periods. The decrease in net charge-offs was driven primarily by lower losses on bankcard loans. For additional information on the allowance for credit losses, certain credit quality ratios and credit quality information on specific loan categories, see the "Credit Risk Management and Credit Portfolio Review" section beginning on page 44.

Gains on Sales of Securities

Gains on sales of securities were \$6 million and \$12 million for the three months and six months ended June 30, 2000, respectively, compared to \$52 million and \$182 million in the respective periods of 1999. Securities gains were lower in 2000 as a result of continued unfavorable market conditions for certain debt securities.

Table Three

Quarterly Average Balances and Interest Rates - Taxable-Equivalent Basis

	Second Quarter 2000			First Quarter 2000		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
<i>(Dollars in millions)</i>						
Earning assets						
Time deposits placed and other short-term investments	\$ 4,578	\$ 79	7.02 %	\$ 4,504	\$ 75	6.65 %
Federal funds sold and securities purchased under agreements to resell	43,983	595	5.43	45,459	575	5.07
Trading account assets	48,874	702	5.77	39,733	542	5.47
Securities:						
Available-for-sale ⁽¹⁾	84,054	1,270	6.05	86,878	1,332	6.15
Held-for-investment	1,406	27	7.68	1,333	24	7.19
Total securities	85,460	1,297	6.08	88,211	1,356	6.16
Loans and leases ⁽²⁾ :						
Commercial - domestic	148,034	3,023	8.21	145,362	2,824	7.81
Commercial - foreign	29,068	515	7.12	27,927	486	6.99
Commercial real estate - domestic	25,497	563	8.88	24,664	517	8.43
Commercial real estate - foreign	376	8	9.15	344	8	9.29
Total commercial	202,975	4,109	8.14	198,297	3,835	7.78
Residential mortgage	91,825	1,696	7.40	85,427	1,566	7.34
Home equity lines	19,067	422	8.91	17,573	377	8.62
Direct/Indirect consumer	41,757	867	8.36	41,858	887	8.52
Consumer finance	24,123	545	9.03	22,798	486	8.53
Bankcard	9,429	279	11.87	8,404	234	11.22
Foreign consumer	2,228	48	8.81	2,227	50	9.00
Total consumer	188,429	3,857	8.21	178,287	3,600	8.10
Total loans and leases	391,404	7,966	8.17	376,584	7,435	7.93
Other earning assets	8,191	176	8.53	8,679	174	8.11
Total earning assets ⁽³⁾	582,490	10,815	7.45	563,170	10,157	7.24
Cash and cash equivalents	25,605			25,830		
Other assets, less allowance for credit losses	64,493			62,019		
Total assets	\$672,588			\$651,019		
Interest-bearing liabilities						
Domestic interest-bearing deposits:						
Savings	\$ 23,936	78	1.32	\$ 24,237	78	1.29
NOW and money market deposit accounts	100,186	734	2.94	98,424	679	2.78
Consumer CDs and IRAs	77,384	1,034	5.38	76,074	983	5.20
Negotiated CDs, public funds and other time deposits	7,361	111	6.09	6,966	103	5.93
Total domestic interest-bearing deposits	208,867	1,957	3.77	205,701	1,843	3.60
Foreign interest-bearing deposits ⁽⁴⁾ :						
Banks located in foreign countries	15,823	232	5.92	14,180	188	5.33
Governments and official institutions	9,885	151	6.12	8,745	124	5.72
Time, savings and other	27,697	380	5.51	26,382	340	5.17
Total foreign interest-bearing deposits	53,405	763	5.74	49,307	652	5.31
Total interest-bearing deposits	262,272	2,720	4.17	255,008	2,495	3.93
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings						
Trading account liabilities	135,817	1,990	5.89	131,517	1,802	5.51
Long-term debt ⁽⁵⁾	20,532	189	3.70	23,013	181	3.16
Total interest-bearing liabilities ⁽⁶⁾	69,779	1,207	6.92	64,256	1,084	6.75
Total interest-bearing liabilities ⁽⁶⁾	488,400	6,106	5.02	473,794	5,562	4.72
Noninterest-bearing sources:						
Noninterest-bearing deposits	91,154			90,366		
Other liabilities	45,922			40,829		
Shareholders' equity	47,112			46,030		
Total liabilities and shareholders' equity	\$672,588			\$651,019		
Net interest spread			2.43			2.52
Impact of noninterest-bearing sources			.81			.75
Net interest income/yield on earning assets		\$4,709	3.24 %		\$4,595	3.27 %

(1) The average balance and yield on available-for-sale securities are based on the average of historical amortized cost balances.

(2) Nonperforming loans are included in the average loan balances. Income on such nonperforming loans is recognized on a cash basis.

(3) Interest income includes taxable-equivalent basis adjustments of \$78 and \$71 in the second and first quarters of 2000 and \$66, \$53 and \$51 in the fourth, third and second quarters of 1999, respectively. Interest income also includes the impact of risk management interest rate contracts, which (decreased) increased interest income on the underlying assets \$(11) and \$7 in the second and first quarters of 2000 and \$57, \$103 and \$83 in the fourth, third and second quarters of 1999, respectively.

(4) Primarily consists of time deposits in denominations of \$100,000 or more.

(5) Long-term debt includes trust preferred securities.

(6) Interest expense includes the impact of risk management interest rate contracts, which (increased) decreased interest expense on the underlying liabilities \$(5) and \$(8) in the second and first quarters of 2000 and \$(2), \$6 and \$52 in the fourth, third and second quarters of 1999, respectively.

Fourth Quarter 1999			Third Quarter 1999			Second Quarter 1999		
Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
\$ 4,512	\$ 73	6.33 %	\$ 5,018	\$ 69	5.50 %	\$ 5,159	\$ 65	5.03 %
39,700	458	4.60	33,074	440	5.30	29,521	387	5.25
38,453	544	5.63	37,453	483	5.14	39,837	528	5.31
85,009	1,301	6.10	78,779	1,208	6.12	76,373	1,139	5.97
1,433	25	7.25	1,482	26	7.02	1,482	28	7.61
86,442	1,326	6.12	80,261	1,234	6.13	77,855	1,167	6.00
140,674	2,707	7.64	136,149	2,488	7.25	138,257	2,473	7.17
27,430	453	6.56	28,348	494	6.93	30,209	456	6.05
24,345	506	8.23	25,056	517	8.19	25,938	533	8.25
306	6	8.96	295	7	8.80	289	6	8.48
192,755	3,672	7.56	189,848	3,506	7.33	194,693	3,468	7.14
79,783	1,450	7.26	80,015	1,431	7.14	80,151	1,430	7.14
16,882	345	8.12	16,316	321	7.79	15,857	304	7.68
42,442	888	8.30	42,740	875	8.13	42,240	859	8.15
21,340	440	8.18	19,923	433	8.62	17,794	424	9.56
8,578	245	11.32	8,923	256	11.38	10,365	306	11.83
2,430	54	8.77	3,635	86	9.36	3,653	87	9.55
171,455	3,422	7.94	171,552	3,402	7.89	170,060	3,410	8.03
364,210	7,094	7.74	361,400	6,908	7.59	364,753	6,878	7.56
10,247	193	7.51	11,358	213	7.40	12,924	232	7.23
543,564	9,688	7.09	528,564	9,347	7.03	530,049	9,257	7.00
25,467			25,905			25,868		
61,712			56,979			59,447		
\$630,743			\$611,448			\$615,364		
\$ 25,082	80	1.27	\$ 26,037	82	1.25	\$ 21,799	67	1.24
97,481	639	2.60	96,402	579	2.38	100,897	581	2.31
74,653	932	4.95	73,429	898	4.85	73,601	847	4.61
6,825	98	5.73	6,609	94	5.66	6,238	80	5.14
204,041	1,749	3.40	202,477	1,653	3.24	202,535	1,575	3.12
14,305	178	4.93	13,668	160	4.65	16,947	196	4.62
7,121	99	5.53	7,185	90	4.99	8,089	98	4.81
24,993	298	4.72	25,500	295	4.57	26,354	299	4.56
46,419	575	4.91	46,353	545	4.66	51,390	593	4.62
250,460	2,324	3.68	248,830	2,198	3.50	253,925	2,168	3.42
120,858	1,638	5.38	114,934	1,437	4.96	116,339	1,396	4.82
19,223	190	3.92	15,677	189	4.78	14,178	150	4.25
59,972	995	6.63	59,283	920	6.21	58,302	880	6.03
450,513	5,147	4.54	438,724	4,744	4.30	442,744	4,594	4.16
91,453			88,168			88,324		
41,985			38,117			37,405		
46,792			46,439			46,891		
\$630,743			\$611,448			\$615,364		
	2.55			2.73			2.84	
	.77			.73			.69	
\$4,541	3.32 %		\$4,603	3.46 %		\$4,663	3.53 %	

Table Four

Six-Month Average Balances and Interest Rates - Taxable-Equivalent Basis

	Six Months Ended June 30					
	2000			1999		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
<i>(Dollars in millions)</i>						
Earning assets						
Time deposits placed and other short-term investments	\$ 4,541	\$ 154	6.84 %	\$ 5,780	\$ 153	5.33 %
Federal funds sold and securities purchased under agreements to resell	44,721	1,170	5.25	28,049	768	5.51
Trading account assets	44,303	1,244	5.63	40,480	1,075	5.34
Securities:						
Available-for-sale ⁽¹⁾	85,466	2,602	6.10	75,156	2,300	6.14
Held-for-investment	1,369	51	7.44	1,692	61	7.18
Total securities	86,835	2,653	6.12	76,848	2,361	6.16
Loans and leases ⁽²⁾ :						
Commercial - domestic	146,698	5,847	8.01	138,264	4,917	7.17
Commercial - foreign	28,498	1,000	7.06	30,885	950	6.20
Commercial real estate - domestic	25,080	1,080	8.66	26,380	1,092	8.35
Commercial real estate - foreign	360	16	9.22	288	12	8.63
Total commercial	200,636	7,943	7.96	195,817	6,971	7.18
Residential mortgage	88,626	3,262	7.37	77,982	2,786	7.16
Home equity lines	18,320	799	8.77	15,698	602	7.74
Direct/Indirect consumer	41,808	1,754	8.44	41,946	1,706	8.19
Consumer finance	23,460	1,031	8.79	16,842	797	9.55
Bankcard	8,916	513	11.56	10,824	633	11.80
Foreign consumer	2,228	99	8.90	3,651	176	9.72
Total consumer	183,358	7,458	8.16	166,943	6,700	8.07
Total loans and leases	383,994	15,401	8.05	362,760	13,671	7.59
Other earning assets	8,436	350	8.31	12,967	475	7.38
Total earning assets ⁽³⁾	572,830	20,972	7.35	526,884	18,503	7.07
Cash and cash equivalents	25,718			25,847		
Other assets, less allowance for credit losses	63,256			59,779		
Total assets	\$661,804			\$612,510		
Interest-bearing liabilities						
Domestic interest-bearing deposits:						
Savings	\$ 24,086	156	1.30	\$ 21,718	138	1.28
NOW and money market deposit accounts	99,306	1,413	2.86	100,385	1,156	2.32
Consumer CDs and IRAs	76,729	2,017	5.29	73,979	1,704	4.64
Negotiated CDs, public funds and other time deposits	7,163	214	6.01	6,574	169	5.17
Total domestic interest-bearing deposits	207,284	3,800	3.69	202,656	3,167	3.15
Foreign interest-bearing deposits ⁽⁴⁾ :						
Banks located in foreign countries	15,001	420	5.64	18,653	464	5.01
Governments and official institutions	9,315	275	5.93	8,628	211	4.92
Time, savings and other	27,040	720	5.35	26,665	638	4.83
Total foreign interest-bearing deposits	51,356	1,415	5.54	53,946	1,313	4.91
Total interest-bearing deposits	258,640	5,215	4.05	256,602	4,480	3.52
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	133,666	3,792	5.70	114,373	2,751	4.85
Trading account liabilities	21,773	370	3.42	13,433	279	4.19
Long-term debt ⁽⁵⁾	67,018	2,291	6.84	55,487	1,685	6.07
Total interest-bearing liabilities ⁽⁶⁾	481,097	11,668	4.87	439,895	9,195	4.21
Noninterest-bearing sources:						
Noninterest-bearing deposits	90,760			87,478		
Other liabilities	43,376			38,550		
Shareholders' equity	46,571			46,587		
Total liabilities and shareholders' equity	\$661,804			\$612,510		
Net interest spread			2.48			2.86
Impact of noninterest-bearing sources			.78			.69
Net interest income/yield on earning assets		\$9,304	3.26 %		\$9,308	3.55 %

(1) The average balance and yield on available-for-sale securities are based on the average of historical amortized cost balances.

(2) Nonperforming loans are included in the average loan balances. Income on such nonperforming loans is recognized on a cash basis.

(3) Interest income includes taxable-equivalent basis adjustments of \$149 and \$96 for the six months ended June 30, 2000 and 1999, respectively. Interest income also includes the impact of risk management interest rate contracts, which (decreased) increased interest income on the underlying assets \$(4) and \$146 for the six months ended June 30, 2000 and 1999, respectively.

(4) Primarily consists of time deposits in denominations of \$100,000 or more.

(5) Long-term debt includes trust preferred securities.

(6) Interest expense includes the impact of risk management interest rate contracts, which (increased) decreased interest expense on the underlying liabilities \$(13) and \$112 in the six months ended June 30, 2000 and 1999, respectively.

Noninterest Income

As presented in **Table Five**, noninterest income decreased \$22 million and increased \$801 million to \$3.5 billion and \$7.5 billion for the three months and six months ended June 30, 2000, respectively, compared to the comparable 1999 periods. The decrease in noninterest income for the three months ended June 30, 2000 primarily reflects declines in other income and investment banking income partially offset by increases in trading account profits and card income. The increase in noninterest income for the six months ended June 30, 2000 primarily reflects increases in equity investment gains, trading account profits, card income and investment banking income.

Table Five

Noninterest Income

<i>(Dollars in millions)</i>	Three Months		Increase/		Six Months		Increase/	
	Ended June 30		(Decrease)		Ended June 30		(Decrease)	
	2000	1999	Amount	Percent	2000	1999	Amount	Percent
Consumer service charges	\$ 646	\$ 634	\$ 12	1.9 %	\$1,264	\$1,237	\$ 27	2.2 %
Corporate service charges	479	439	40	9.1	968	892	76	8.5
Total service charges	1,125	1,073	52	4.8	2,232	2,129	103	4.8
Consumer investment and brokerage services	387	334	53	15.9	751	645	106	16.4
Corporate investment and brokerage services	105	133	(28)	(21.1)	226	248	(22)	(8.9)
Total investment and brokerage services	492	467	25	5.4	977	893	84	9.4
Mortgage servicing income	136	125	11	8.8	264	257	7	2.7
Investment banking income	373	421	(48)	(11.4)	770	654	116	17.7
Equity investment gains	134	134	-	-	697	289	408	n/m
Card income	556	497	59	11.9	1,040	891	149	16.7
Trading account profits	471	395	76	19.2	1,195	895	300	33.5
Other income	213	410	(197)	(48.0)	371	737	(366)	(49.7)
Total	\$3,500	\$3,522	\$(22)	(.6) %	\$7,546	\$6,745	\$ 801	11.9 %

n/m = not meaningful

The following section discusses the noninterest income results of the Corporation's three business segments, as well as other income for the total Corporation. For additional business segment information, see "Business Segment Operations" beginning on page 24.

Consumer and Commercial Banking

- Noninterest income for *Consumer and Commercial Banking* decreased \$18 million and increased \$41 million to \$1.8 billion and \$3.4 billion for the three months and six months ended June 30, 2000, respectively. The increase for the six months ended June 30, 2000 was due to higher card income and service charges. For the three months ended June 30, 2000, the increases in card income and service charges were offset by a decrease in other income.
 - Card income includes merchant discount, credit card and debit card fees and interchange income. Card income increased \$149 million to \$1.0 billion for the six months ended June 30, 2000. The increase was primarily due to increased purchase volume in both the credit card and debit card portfolios resulting in higher interchange income, fee income from the credit card portfolio and servicing income from securitized credit card receivables. Growth in income for the core portfolio is being generated through traditional marketing channels, expanding relationships with existing customers and leveraging the franchise network. Card income included revenue from the securitized portfolio of \$48 million and \$86 million for the three months and six months ended June 30, 2000, respectively. Card income included revenue and gains of \$60 million and \$97 million from the securitized portfolio for the three months and six months ended June 30, 1999, respectively.
 - Service charges include deposit account service charges, non-deposit service charges and fees, bankers' acceptances and letters of credit fees and fees on factored accounts receivable. Service

charges increased \$47 million to \$1.7 billion for the six months ended June 30, 2000 due to an increase in both consumer and corporate service charges. Consumer service charges increased \$26 million primarily due to overdraft charges and general banking service fees. Corporate service charges increased \$21 million primarily attributable to general banking service fees and bankers' acceptances and letters of credit fee income.

- Mortgage servicing income increased \$7 million to \$264 million for the six months ended June 30, 2000, primarily reflecting higher mortgage servicing fees and slower prepayment speeds which was partially offset by lower origination activity. The average managed portfolio of mortgage loans serviced increased \$42.1 billion and \$46.5 billion to \$328.1 billion and \$324.7 billion for the three months and six months ended June 30, 2000, respectively. Total production of first mortgage loans originated through the Corporation decreased \$7.3 billion and \$15.4 billion to \$14.4 billion and \$27.8 billion for the three months and six months ended June 30, 2000, respectively, reflecting a slowdown in refinancings as a result of a general increase in levels of interest rates. First mortgage loan origination volume for the three months and six months ended June 30, 2000 was composed of approximately \$6.1 billion and \$11.1 billion, respectively, of retail loans and \$8.3 billion and \$16.7 billion, respectively, of correspondent and wholesale loans.

In conducting its mortgage production activities, the Corporation is exposed to interest rate risk for the periods between the loan commitment date and the loan funding date. To manage this risk, the Corporation enters into various financial instruments including forward delivery and option contracts. The notional amount of such contracts was \$5.2 billion at June 30, 2000 with associated net unrealized losses of \$27 million. At December 31, 1999, the notional amount of such contracts was \$2.7 billion with associated net unrealized gains of \$18 million. These contracts have an average expected maturity of less than 90 days. To manage risk associated with changes in prepayment rates and the impact on mortgage servicing rights, the Corporation uses various financial instruments including options and certain swap contracts. At June 30, 2000, deferred net gains from mortgage servicing rights hedging activity were \$53 million, comprised of unamortized realized deferred gains of \$229 million and unrealized losses of \$176 million on closed and open positions, respectively. At December 31, 1999, deferred net losses from mortgage servicing rights hedging activity were \$20 million, comprised of unamortized realized deferred gains of \$313 million and unrealized losses of \$333 million on closed and open positions, respectively. Notional amounts of hedge instruments used for mortgage servicing rights hedging activities were \$47.7 billion and \$43.4 billion at June 30, 2000 and December 31, 1999, respectively.

Asset Management

- Noninterest income for *Asset Management* increased \$6 million to \$830 million for the six months ended June 30, 2000. The increase was primarily attributable to increased investment and brokerage services offset by gains in 1999 on the disposition of certain businesses.
 - Investment and brokerage services include personal and institutional asset management fees and consumer brokerage fees. Income from investment and brokerage services increased \$54 million to \$761 million for the six months ended June 30, 2000. This increase was primarily attributable to higher revenue from consumer investment and brokerage services reflecting new business and market growth.

Global Corporate and Investment Banking

- Noninterest income for *Global Corporate and Investment Banking* increased \$675 million to \$3.2 billion for the six months ended June 30, 2000. The increase was due to increases in equity investment gains, trading account profits, investment banking income and corporate service charges.
 - Equity investment gains include investments in both principal investing and strategic technology areas. Equity investment gains were \$134 million for the three months ended June 30, 2000 and 1999 and increased \$408 million to \$697 million for the six months ended June 30, 2000. For the three months ended June 30, 2000, equity investment gains included realized cash returns on equity investments of \$221 million, partially offset by fair value depreciation of \$87 million. For the six months ended June 30, 2000, equity investment gains included realized returns on equity investments of \$595 million and net appreciation in fair value of \$102 million.
 - Trading account profits represent the net amount earned from the Corporation's trading positions, which include trading account assets and liabilities as well as derivative-dealer positions. These transactions include positions to meet customer demand as well as for the Corporation's own trading account. Trading positions are taken in a diverse range of financial instruments and markets. The profitability of these trading positions is largely dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements. Trading account profits, as reported in the Corporation's Consolidated Statement of Income, includes neither the net interest recognized on interest-earning and interest-bearing trading positions, nor the related funding charge or benefit. Trading account profits, as well as trading-related net interest income ("trading-related revenue") are presented in the table below as they are both considered in evaluating the overall profitability of the Corporation's trading positions. Trading-related revenue is derived from foreign exchange spot, forward and cross-currency contracts, fixed income and equity securities and derivative contracts in interest rates, equities, credit and commodities.

Trading-related revenue increased \$468 million to \$1.7 billion for the six months ended June 30, 2000, primarily due to higher revenues from interest rate contracts and equities, partially offset by decreases in foreign exchange contracts and fixed income. Income from interest rate contracts increased \$136 million to \$476 million for the six months ended June 30, 2000. The increase was primarily attributable to market volatility driven by interest rate uncertainty, coupled with stronger client activity in domestic and international markets. Revenue from equities increased \$402 million to \$624 million for the six months ended June 30, 2000. The increase reflects continued growth of this business through enhanced client deal activity and volatility in equity markets. Fixed income decreased \$52 million to \$244 million for the six months ended June 30, 2000, primarily attributable to spread widening and a decline in customer demand.

	Three Months Ended		Six Months Ended	
	June 30		June 30	
<i>(Dollars in millions)</i>	2000	1999	2000	1999
Trading account profits - as reported	\$471	\$395	\$1,195	\$895
Net interest income	263	148	483	315
Total trading-related revenue	\$734	\$543	\$1,678	\$1,210
Trading-related revenue by product				
Foreign exchange contracts	\$132	\$154	\$290	\$312
Interest rate contracts	169	126	476	340
Fixed income	71	105	244	296
Equities	335	135	624	222
Commodities and other	27	23	44	40
Total trading-related revenue	\$734	\$543	\$1,678	\$1,210

- Investment banking income decreased \$48 million and increased \$116 million to \$373 million and \$770 million for the three months and six months ended June 30, 2000, respectively. The decrease for the three months ended June 30, 2000, primarily reflects lower other investment banking fees and high yield securities underwriting fees, partially offset by higher equity securities underwriting fees. The increase for the six months ended June 30, 2000 primarily reflects an increase of \$109 million in securities underwriting fees, attributable to continued growth in equity underwriting. Syndication fees increased \$64 million to \$254 million for the six months ended June 30, 2000. The increase reflects the Corporation's continued strong position as lead arranger on syndications. Advisory services fees increased \$34 million to \$158 million for the six months ended June 30, 2000. The increase was primarily attributable to strong revenue from a higher volume of merger and acquisition deals in the first quarter. Investment banking income by major activity follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
<i>(Dollars in millions)</i>	2000	1999	2000	1999
Investment banking income				
Securities underwriting	\$150	\$148	\$329	\$220
Syndications	123	120	254	190
Advisory services	86	82	158	124
Other	14	71	29	120
Total	\$373	\$421	\$770	\$654

- Service charges increased \$60 million for the six months ended June 30, 2000. The increase was primarily attributable to higher corporate service charges driven by an increase in general banking fees and deposit account service charges, partially offset by a decline in bankers' acceptances and letters of credit.

Other income for the Corporation decreased \$366 million to \$371 million for the six months ended June 30, 2000 reflecting the absence of securitization gains and lower loan sales gains.

Other Noninterest Expense

As presented in **Table Six**, the Corporation's other noninterest expense decreased \$44 million and increased \$126 million to \$4.4 billion and \$9.0 billion for the three months and six months ended June 30, 2000, respectively, from the comparable 1999 periods. The decrease for the three months ended was primarily attributable to declines in professional fees and data processing fees, partially offset by an increase in personnel and other general operating expense. The increase for the six months ended was primarily attributable to personnel and other general operating expenses, partially offset by decreases in equipment, professional fees and data processing expenses.

<i>(Dollars in millions)</i>	Three Months		Increase/		Six Months		Increase/	
	Ended June 30		(Decrease)		Ended June 30		(Decrease)	
	2000	1999	Amount	Percent	2000	1999	Amount	Percent
Personnel	\$2,311	\$2,261	\$ 50	2.2 %	\$4,845	\$4,594	\$251	5.5 %
Occupancy	411	395	16	4.1	829	791	38	4.8
Equipment	296	339	(43)	(12.7)	597	697	(100)	(14.3)
Marketing	132	147	(15)	(10.2)	251	294	(43)	(14.6)
Professional fees	93	166	(73)	(44.0)	198	292	(94)	(32.2)
Amortization of intangibles	218	225	(7)	(3.1)	435	447	(12)	(2.7)
Data processing	169	214	(45)	(21.0)	328	404	(76)	(18.8)
Telecommunications	133	140	(7)	(5.0)	264	276	(12)	(4.3)
Other general operating	505	446	59	13.2	1,020	866	154	17.8
General administrative and other	145	124	21	16.9	269	249	20	8.0
Total	\$4,413	\$4,457	\$ (44)	(1.0) %	\$9,036	\$8,910	\$126	1.4 %

- Personnel expense increased \$50 million and \$251 million to \$2.3 billion and \$4.8 billion for the three months and six months ended June 30, 2000, respectively. The increase was primarily attributable to higher employee benefits and higher revenue-related incentive compensation for both periods.
- Equipment expense decreased \$43 million and \$100 million to \$296 million and \$597 million for the three months and six months ended June 30, 2000, respectively. For both periods, the decreases reflect a decline in repairs and maintenance expense and a reduction in purchases of non-capitalized equipment.
- Marketing expense decreased \$15 million and \$43 million to \$132 million and \$251 million for the three months and six months ended June 30, 2000, respectively, primarily due to timing differences related to the underlying marketing efforts across the Corporation.
- Professional fees declined \$73 million and \$94 million to \$93 million and \$198 million for the three months and six months ended June 30, 2000, respectively. For both periods, the declines primarily reflect lower consulting fees.
- Data processing expense decreased \$45 million and \$76 million to \$169 million and \$328 million for the three months and six months ended June 30, 2000, respectively. For both periods, the decreases primarily reflect declines in software-related expense, item processing and check clearing expense.
- Other general operating expense increased \$59 million and \$154 million to \$505 million and \$1.0 billion for the three months and six months ended June 30, 2000, respectively. For the three months ended June 30, 2000, the increase primarily reflects an increase in other operating expense and credit card processing expense, partially offset by lower miscellaneous employee expenses. For the six months ended June 30, 2000, the increase primarily reflects litigation costs from the first quarter related to pre-Merger lawsuits.

Income Taxes

The Corporation's income tax expense for the three months and six months ended June 30, 2000 was \$1.2 billion and \$2.5 billion, respectively, for an effective tax rate of 36.6 percent. Excluding merger-related charges, income tax expense for the three months and six months ended June 30, 1999 was \$1.2 billion and \$2.2 billion, respectively, for an effective tax rate of 36.0 percent.

Balance Sheet Review and Liquidity Risk Management

The Corporation utilizes an integrated approach in managing its balance sheet which includes management of interest rate sensitivity, credit risk, liquidity risk and its capital position. The discussion of average balances below compares the six months ended June 30, 2000 to the same period in 1999. With the exception of average managed loans, the average balances discussed below can be derived from **Table Four**.

Average levels of customer-based funds increased \$7.9 billion to \$298.0 billion for the six months ended June 30, 2000 primarily due to an increase in noninterest-bearing demand and savings deposits. As a percentage of total sources, average levels of customer-based funds decreased to 45 percent for the six months ended June 30, 2000 from 47 percent.

Average levels of market-based funds increased \$25.0 billion for the six months ended June 30, 2000 to \$206.8 billion. In addition, average levels of long-term debt increased \$11.5 billion to \$67.0 billion for the six months ended June 30, 2000 mainly the result of borrowings to fund earning asset growth, business development opportunities, build liquidity, repay maturing debt and fund share repurchases.

The average securities portfolio for the six months ended June 30, 2000 increased \$10.0 billion to \$86.8 billion, representing 13 percent of total uses of funds for the six months ended June 30, 2000. See the following "Securities" section for additional information on the securities portfolio.

Average loans and leases, the Corporation's primary use of funds, increased \$21.2 billion to \$384.0 billion for the six months ended June 30, 2000. Adjusting for securitizations, sales and divestitures, average managed loans and leases increased \$38.7 billion to \$412.2 billion for the six months ended June 30, 2000. This increase was primarily due to strong consumer loan growth of \$32.5 billion or 19 percent annualized growth.

The majority of consumer loan growth occurred in residential real estate secured loan products including residential mortgages, home equity lines and consumer finance. Average managed residential mortgages increased \$21.6 billion to \$92.5 billion, reflecting increased originations of adjustable-rate mortgages and the retention of these products on the balance sheet. Average managed consumer finance loans increased \$7.6 billion to \$32.0 billion. Average managed home equity lines increased \$2.6 billion to \$18.3 billion, reflecting the impact of new marketing programs and lower prepayments.

Average managed commercial loans increased \$6.2 billion to \$205.0 billion for the six months ended June 30, 2000. Domestic commercial loans reflected growth of \$7.8 billion to \$151.1 billion, due to strong growth in the *Consumer and Commercial Banking* and *Asset Management* business segments. This domestic growth was partially offset by strategic reductions in foreign commercial loans of \$2.5 billion.

Average other assets and cash and cash equivalents increased \$3.4 billion to \$89.0 billion for the six months ended June 30, 2000 due largely to increases in the average balances of derivative-dealer assets and mortgage servicing rights.

At June 30, 2000, cash and cash equivalents were \$27.5 billion, an increase of \$504 million from December 31, 1999. During the six months ended June 30, 2000, net cash used in operating activities was \$4.7 billion, net cash used in investing activities was \$32.2 billion and net cash provided by financing activities was \$37.4 billion. For further information on cash flows, see the Consolidated Statement of Cash Flows of the consolidated financial statements.

Liquidity is a measure of the Corporation's ability to fulfill its cash requirements and is managed by the Corporation through its asset and liability management process. The Corporation monitors its assets and

liabilities and modifies these positions as liquidity requirements change. This process, coupled with the Corporation's ability to raise capital and debt financing, is designed to cover the liquidity needs of the Corporation. The Corporation also takes into consideration the ability of its subsidiary banks to pay dividends to the Corporation. For additional information on the dividend capabilities of subsidiary banks, see **Note Twelve** of the Corporation's 1999 Annual Report on Form 10-K. Management believes that the Corporation's sources of liquidity are more than adequate to meet its cash requirements.

Securities

The securities portfolio at June 30, 2000 consisted of available-for-sale securities totaling \$79.5 billion compared to \$81.7 billion at December 31, 1999. Held-for-investment securities totaled \$1.4 billion at June 30, 2000 and December 31, 1999.

The valuation allowance for available-for-sale and marketable equity securities is included in shareholders' equity. At June 30, 2000 the valuation allowance consists of unrealized losses of \$2.4 billion, net of related income taxes of \$1.3 billion, primarily reflecting market valuation adjustments of \$3.6 billion pre-tax net unrealized losses on available-for-sale securities and \$5 million pre-tax net unrealized gains on marketable equity securities. At December 31, 1999 the valuation allowance reflects unrealized losses of \$2.5 billion, net of related income taxes of \$1.1 billion, primarily reflecting market valuation adjustments of \$3.8 billion pre-tax net unrealized losses on available-for-sale securities and \$248 million pre-tax net unrealized gains on marketable equity securities.

At June 30, 2000 and December 31, 1999, the market value of the Corporation's held-for-investment securities reflected pre-tax net unrealized losses of \$127 million and \$152 million, respectively.

The estimated average duration of the available-for-sale securities portfolio was 3.95 years at June 30, 2000 compared to 4.05 years at December 31, 1999.

Capital Resources and Capital Management

Shareholders' equity at June 30, 2000 was \$45.9 billion compared to \$44.4 billion at December 31, 1999, an increase of \$1.5 billion. The increase was primarily due to net earnings (net income less dividends) of \$2.6 billion, partially offset by the repurchase of 34 million shares of common stock for approximately \$1.6 billion. The remaining increase of \$500 million was due to the exercise of employee stock options, the issuance of restricted stock and changes in net unrealized gains on available-for-sale and marketable equity securities.

Through June 30, 2000, the Corporation had repurchased 112 million common shares under a 130 million share authorization enacted on June 23, 1999 by the Corporation's Board of Directors (the Board). On July 26, 2000, the Board authorized a new stock repurchase program of up to 100 million shares of the Corporation's common stock at an aggregate cost of up to \$7.5 billion.

Presented below are the regulatory risk-based capital ratios and capital amounts for the Corporation and Bank of America, N.A. at June 30, 2000 and December 31, 1999. The Corporation and Bank of America, N.A. were considered "well-capitalized" at June 30, 2000.

<i>(Dollars in millions)</i>	<u>June 30, 2000</u>		<u>December 31, 1999</u>	
	Ratio	Amount	Ratio	Amount
<i>Tier 1 Capital</i>				
Bank of America Corporation	7.40 %	\$40,257	7.35 %	\$38,651
Bank of America, N.A.	7.83	39,904	7.78	38,616
<i>Total Capital</i>				
Bank of America Corporation	11.03	60,027	10.88	57,192
Bank of America, N.A.	10.87	55,396	10.91	54,132
<i>Leverage</i>				
Bank of America Corporation	6.11	40,257	6.26	38,651
Bank of America, N.A.	6.82	39,904	6.74	38,616

The regulatory capital guidelines measure capital in relation to the credit and market risks of both on- and off-balance sheet items using various risk weights. Under the regulatory capital guidelines, Total Capital consists of three tiers of capital. Tier 1 Capital includes common shareholders' equity and qualifying preferred stock less goodwill and other adjustments. Tier 2 Capital consists of preferred stock not qualifying as Tier 1 Capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt and the allowance for credit losses up to 1.25 percent of risk-weighted assets. Tier 3 Capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve Board and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank's risk-based capital ratio to fall or remain below the required minimum. The sum of Tier 1 and Tier 2 Capital less investments in unconsolidated banking and finance subsidiaries represents qualifying total capital, at least 50 percent of which must consist of Tier 1 Capital. Risk-based capital ratios are calculated by dividing Tier 1 and Total Capital by risk-weighted assets. In calculating 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. At June 30, 2000, the Corporation had no subordinated debt that qualified as Tier 3 Capital.

At June 30, 2000, the regulatory risk-based capital ratios of the Corporation and Bank of America, N.A. exceeded the regulatory minimums of four percent for Tier 1 risk-based capital ratio, eight percent for total risk-based capital ratio and the leverage guidelines of 100 to 200 basis points above the minimum ratio of three percent.

Credit Risk Management and Credit Portfolio Review

The following section discusses credit risk in the loan portfolio. The Corporation's primary credit exposure is concentrated in its loans and leases portfolio, which totaled \$400.8 billion and \$370.7 billion at June 30, 2000 and December 31, 1999, respectively. In an effort to minimize the adverse impact of any single event or set of occurrences, the Corporation strives to maintain a diverse credit portfolio. **Table Seven** presents the distribution of loans and leases, nonperforming assets and net charge-offs by category. Additional information on the Corporation's real estate, industry and foreign exposure can be found in the *Concentrations of Credit Risk* section beginning on page 50.

Table Seven

Distribution of Loans and Leases, Nonperforming Assets and Net Charge-offs

(Dollars in millions)

	Distribution of Loans and Leases				Nonperforming Assets	
	June 30		December 31		June 30	December 31
	2000		1999		2000	1999
	Amount	Percent	Amount	Percent	Amount	Amount
Commercial - domestic	\$150,622	37.6 %	\$143,450	38.7 %	\$1,535	\$1,163
Commercial - foreign	30,582	7.6	27,978	7.5	588	486
Commercial real estate - domestic	26,054	6.5	24,026	6.5	164	191
Commercial real estate - foreign	229	.1	325	.1	2	3
Total commercial	207,487	51.8	195,779	52.8	2,289	1,843
Residential mortgage	94,090	23.5	81,860	22.1	505	529
Home equity lines	20,154	5.0	17,273	4.7	44	46
Direct/Indirect consumer	41,824	10.4	42,161	11.4	20	19
Consumer finance	24,748	6.2	22,326	6.0	826	598
Bankcard	10,310	2.6	9,019	2.4		
Foreign consumer	2,204	.5	2,244	.6	7	7
Total consumer	193,330	48.2	174,883	47.2	1,402	1,199
Total nonperforming loans					3,691	3,042
Foreclosed properties					195	163
Total	\$400,817	100.0 %	\$370,662	100.0 %	\$3,886	\$3,205
Nonperforming assets as a percentage of:						
Total assets					.57 %	.51 %
Loans, leases and foreclosed properties					.97	.86
Loans past dues 90 days or more and not classified as nonperforming					\$ 482	\$ 521

(Dollars in millions)

	Net Charge-offs ¹							
	Three Months Ended June 30				Six Months Ended June 30			
	2000		1999		2000		1999	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial - domestic	\$226	.62 %	\$147	.43 %	\$398	.55 %	\$328	.48 %
Commercial - foreign	24	.33	84	1.12	29	.21	113	.74
Commercial real estate - domestic	6	.09	(6)	n/m	12	.09	(8)	n/m
Commercial real estate - foreign	-	.16	1	.10	(2)	n/m	1	.35
Total commercial	256	.51	226	.47	437	0.44	434	.45
Residential mortgage	4	.02	7	.04	8	.02	12	.03
Home equity lines	3	.05	3	.09	6	.06	7	.09
Direct/Indirect consumer	61	.58	83	.78	152	.68	178	.85
Consumer finance	59	.97	42	.94	116	.99	90	1.08
Bankcard	77	3.30	153	5.94	158	3.56	308	5.78
Other consumer - domestic	10	-	-	-	12	-	-	-
Foreign consumer	-	.09	6	.65	1	.11	10	.54
Total consumer	214	.46	294	.69	453	.50	605	.73
Total	\$470	.48 %	\$520	.57 %	\$890	.47 %	\$1,039	.58 %
Managed bankcard net charge-offs and ratios ²	\$237	4.84 %	\$294	6.13 %	\$494	5.13 %	\$587	6.07 %

n/m = not meaningful

(1) Percentage amounts are calculated as net charge-offs divided by average outstanding loans and leases for each loan category.

(2) Includes both on-balance sheet and securitized loans.

Commercial Portfolio

Commercial – domestic loans outstanding totaled \$150.6 billion and \$143.5 billion at June 30, 2000 and December 31, 1999 or 38 percent and 39 percent of total loans and leases, respectively. The Corporation had commercial – domestic loan net charge-offs of \$398 million, or 0.55 percent of average commercial – domestic loans for the six months ended June 30, 2000, compared to \$328 million, or 0.48 percent of average commercial – domestic loans for the six months ended June 30, 1999. Net charge-offs increased primarily due to a single fraud-related credit. Nonperforming commercial – domestic loans were \$1.5 billion, or 1.02 percent of commercial – domestic loans at June 30, 2000, compared to \$1.2 billion, or 0.81 percent of commercial – domestic loans at December 31, 1999. Commercial – domestic loans past due 90 days or more and still accruing interest were \$168 million at June 30, 2000, compared to \$135 million at December 31, 1999, or 0.11 and 0.09 percent of commercial – domestic loans, respectively.

Commercial – foreign loans outstanding totaled \$30.6 billion and \$28.0 billion at June 30, 2000 and December 31, 1999, respectively, or eight percent of total loans and leases for both periods. The Corporation had commercial – foreign loan net charge-offs for the six months ended June 30, 2000 of \$29 million, or 0.21 percent of average commercial – foreign loans, compared to \$113 million, or 0.74 percent of average commercial – foreign loans for the six months ended June 30, 1999. Nonperforming commercial – foreign loans were \$588 million, or 1.92 percent of commercial – foreign loans at June 30, 2000, compared to \$486 million, or 1.74 percent at December 31, 1999. Commercial – foreign loans past due 90 days or more and still accruing interest were \$65 million at June 30, 2000, compared to \$58 million at December 31, 1999, or 0.21 percent of commercial – foreign loans for both periods. For additional information see the *Regional Foreign Exposure* discussion beginning on page 51.

Commercial real estate – domestic loans totaled \$26.1 billion and \$24.0 billion at June 30, 2000 and December 31, 1999, respectively, or seven percent of total loans and leases for both periods. Net charge-offs remained negligible at \$12 million, or 0.09 percent of average commercial real estate – domestic loans for the six months ended June 30, 2000. Nonperforming commercial real estate – domestic loans were \$164 million at June 30, 2000, compared to \$191 million at December 31, 1999. At June 30, 2000, commercial real estate – domestic loans past due 90 days or more and still accruing interest were \$20 million, or 0.08 percent of total commercial real estate – domestic loans, compared to \$6 million, or 0.02 percent at December 31, 1999. **Table Nine** displays commercial real estate loans by geographic region and property type, including the portion of such loans which are nonperforming, and other real estate credit exposures.

Table Ten presents aggregate commercial loan and lease exposures by certain significant industries.

Consumer Portfolio

At June 30, 2000 and December 31, 1999, total consumer loans outstanding totaled \$193.3 billion and \$174.9 billion, respectively, or 48 percent and 47 percent of total loans and leases, respectively, of which approximately 70 percent were secured by first and second mortgages on residential real estate. Additional information on components of, and changes in the Corporation's consumer loan portfolio can be found in the average earning asset discussion within the "Net Interest Income" section on page 32 and "Balance Sheet Review and Liquidity Risk Management" section on page 42.

Residential mortgage loans increased to \$94.1 billion at June 30, 2000, compared to \$81.9 billion at December 31, 1999. Net charge-offs on residential mortgage loans remained negligible at \$8 million, or 0.02 percent of average residential mortgage loans for the six months ended June 30, 2000. Nonperforming residential mortgage loans decreased \$24 million to \$505 million at June 30, 2000 compared to \$529 million at December 31, 1999.

Consumer bankcard receivables increased to \$10.3 billion at June 30, 2000, compared to \$9.0 billion at December 31, 1999. Net charge-offs on bankcard receivables for the six months ended June 30, 2000 decreased \$150 million from the same period in 1999 to \$158 million, or 3.56 percent of average bankcard receivables. The decrease resulted from portfolio sales in 1999 and continued declines in delinquency levels and bankruptcy filing rates resulting in lower charge-offs. Bankcard loans past due 90

days and still accruing interest were \$112 million, or 1.09 percent of bankcard receivables at June 30, 2000, compared to \$138 million, or 1.53 percent at December 31, 1999.

Consumer finance loans outstanding totaled \$24.7 billion and \$22.3 billion at June 30, 2000 and December 31, 1999, respectively, or six percent of total loans and leases for both periods. The Corporation had consumer finance net charge-offs of \$116 million or 0.99 percent of average consumer finance loans for the six months ended June 30, 2000, compared to \$90 million, or 1.08 percent for the six months ended June 30, 1999. Consumer finance nonperforming loans increased to \$826 million at June 30, 2000 from \$598 million at December 31, 1999 reflecting continued growth and seasoning in this portfolio.

Other domestic consumer loans, which include direct and indirect consumer loans and home equity lines of credit increased to \$62.0 billion at June 30, 2000, compared to \$59.4 billion at December 31, 1999.

Excluding bankcard, total consumer loans past due 90 days or more and still accruing interest were \$117 million or 0.06 percent of total consumer loans at June 30, 2000, compared to \$184 million or 0.11 percent at December 31, 1999.

Nonperforming Assets

As presented in **Table Seven**, nonperforming assets increased to \$3.9 billion or 0.97 percent of loans, leases and foreclosed properties at June 30, 2000 from \$3.2 billion or 0.86 percent at December 31, 1999. Nonperforming loans increased to \$3.7 billion at June 30, 2000 from \$3.0 billion at December 31, 1999, primarily due to several large commercial - domestic loans not concentrated in any single industry or region and higher consumer finance non-performers resulting from growth and seasoning in that portfolio. The allowance coverage of nonperforming loans was 185 percent at June 30, 2000 compared to 224 percent at December 31, 1999. Foreclosed properties increased to \$195 million at June 30, 2000 compared to \$163 million at December 31, 1999.

In order to respond when deterioration of a credit occurs, internal loan workout units are devoted to providing specialized expertise and full-time management and/or collection of certain nonperforming assets as well as certain performing loans. Management believes concerted collection strategies and a proactive approach to managing overall problem assets have expedited the disposition, collection and renegotiation of nonperforming and other lower-quality asset. As part of this process, management routinely evaluates all reasonable alternatives, including the sale of assets individually or in groups, and selects the optimal strategy.

Note Four of the consolidated financial statements provides the reported investment in specific loans considered to be impaired at June 30, 2000 and December 31, 1999. The Corporation's investment in specific loans that were considered to be impaired at June 30, 2000 was \$2.5 billion, compared to \$2.1 billion at December 31, 1999. Commercial – domestic impaired loans increased \$363 million to \$1.5 billion at June 30, 2000, compared to December 31, 1999. Commercial – foreign impaired loans increased \$82 million to \$585 million at June 30, 2000 compared to December 31, 1999. Commercial real estate – domestic impaired loans decreased \$58 million to \$391 million at June 30, 2000, compared to December 31, 1999.

Allowance for Credit Losses

The Corporation performs periodic and systematic detailed reviews of its loan and lease portfolios to identify risks inherent in and to assess the overall collectibility of those portfolios. Certain homogeneous loan portfolios are evaluated collectively based on individual loan type while remaining portfolios are reviewed on an individual loan basis. These detailed reviews, combined with historical loss experience and other factors, result in the identification and quantification of specific allowances for credit losses and loss factors which are used in determining the amount of the allowance and related provision for credit losses. The actual amount of incurred credit losses that may be confirmed may vary from the estimate of incurred losses due to changing economic conditions or changes in industry or geographic concentrations. The Corporation has procedures in place to monitor differences between estimated and actual incurred credit losses. These procedures include detailed periodic assessments by senior management of both individual loans and credit portfolios and the models used to estimate incurred credit

losses in those portfolios.

Portions of the allowance for credit losses are assigned to cover the estimated probable incurred losses in each loan and lease category based on the results of the Corporation's detailed review process as described above. Further assignments are made based on general and specific economic conditions, as well as performance trends within specific portfolio segments and individual concentrations of credit, including geographic and industry concentrations. The assigned portion of the allowance for credit losses 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 unassigned portion of the allowance for credit losses, determined separately from the procedures outlined above, addresses certain industry and geographic concentrations, including global economic conditions. This procedure helps to minimize the risk related to the margin of imprecision inherent in the estimation of the assigned allowance for credit losses. Due to the subjectivity involved in the determination of the unassigned portion of the allowance for credit losses, the relationship of the unassigned component to the total allowance for credit losses may fluctuate from period to period. Management evaluates the adequacy of the allowance for credit losses based on the combined total of the assigned and unassigned components and believes that the allowance for credit losses reflects management's best estimate of incurred credit losses as of the balance sheet date.

The nature of the process by which the Corporation determines the appropriate allowance for credit losses requires the exercise of considerable judgment. After review of all relevant matters affecting loan collectibility, management believes that the allowance for credit losses is appropriate given its analysis of estimated incurred credit losses at June 30, 2000. **Table Eight** provides the changes in the allowance for credit losses for the three months and six months ended June 30, 2000 and 1999.

Table Eight
Allowance For Credit Losses

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
<i>(Dollars in millions)</i>				
Balance, beginning of period	\$ 6,827	\$ 7,123	\$ 6,828	\$ 7,122
Loans and leases charged off				
Commercial - domestic	(255)	(178)	(457)	(384)
Commercial - foreign	(35)	(88)	(47)	(118)
Commercial real estate - domestic	(14)	(5)	(22)	(7)
Commercial real estate - foreign	-	(1)	-	(1)
Total commercial	(304)	(272)	(526)	(510)
Residential mortgage	(7)	(8)	(14)	(15)
Home equity lines	(5)	(7)	(10)	(13)
Direct/Indirect consumer	(109)	(127)	(255)	(267)
Consumer finance	(89)	(84)	(182)	(182)
Bankcard	(91)	(167)	(185)	(339)
Other consumer domestic	(14)	-	(16)	-
Foreign consumer	(1)	(7)	(2)	(12)
Total consumer	(316)	(400)	(664)	(828)
Total loans and leases charged off	(620)	(672)	(1,190)	(1,338)
Recoveries of loans and leases previously charged off				
Commercial - domestic	29	31	59	56
Commercial - foreign	11	4	18	5
Commercial real estate - domestic	8	11	10	15
Commercial real estate - foreign	-	-	2	-
Total commercial	48	46	89	76
Residential mortgage	3	1	6	3
Home equity lines	2	4	4	6
Direct/Indirect consumer	48	44	103	89
Consumer finance	30	42	66	92
Bankcard	14	14	27	31
Other consumer domestic	4	-	4	-
Foreign consumer	1	1	1	2
Total consumer	102	106	211	223
Total recoveries of loans and leases previously charged off	150	152	300	299
Net charge-offs	(470)	(520)	(890)	(1,039)
Provision for credit losses	470	510	890	1,020
Other, net	(12)	(17)	(13)	(7)
Balance, June 30	\$ 6,815	\$ 7,096	\$ 6,815	\$ 7,096
Loans and leases outstanding at June 30	\$400,817	\$363,581	\$400,817	\$363,581
Allowance for credit losses as a percentage of loans and leases outstanding at June 30	1.70 %	1.95 %	1.70 %	1.95 %
Average loans and leases outstanding during the period	\$391,404	\$364,753	\$383,994	\$362,760
Annualized net charge-offs as a percentage of average loans and leases outstanding during the period	.48 %	.57 %	.47 %	.58 %
Allowance for credit losses as a percentage of nonperforming loans at end of period	184.66	252.38	184.66	252.38

Concentrations of Credit Risk

In an effort to minimize the adverse impact of any single event or set of occurrences, the Corporation strives to maintain a diverse credit portfolio as outlined in **Tables Seven, Nine, Ten and Eleven**.

The Corporation maintains an extremely diverse commercial loan portfolio, representing 52 percent of total loans and leases, with the largest concentration in commercial real estate, which represents seven percent of total loans and leases. The exposure presented in **Table Nine** represents credit extensions for real estate-related purposes to borrowers or counterparties who are primarily in the real estate development or investment business and for which the ultimate repayment of the credit is dependent on the sale, lease, rental or refinancing of the real estate. The exposure included in the table does not include credit extensions which were made on the general creditworthiness of the borrower for which real estate was obtained as security and for which the ultimate repayment of the credit is not dependent on the sale, lease, rental or refinancing of the real estate. Accordingly, the exposure presented does not include commercial loans secured by owner-occupied real estate, except where the borrower is a real estate developer.

Table Nine				
Commercial Real Estate Loans, Foreclosed Properties and Other Real Estate Credit Exposure				
June 30, 2000				
<i>(Dollars in millions)</i>				
	Loans		Foreclosed Properties ⁽¹⁾	Other Credit Exposure
	Outstanding	Nonperforming		
By Geographic Region ⁽³⁾				
California	\$ 6,024	\$ 7	\$ 9	\$ 728
Southwest	3,900	9	1	502
Northwest	2,806	6	-	110
Midwest	2,727	14	25	290
Florida	2,453	9	2	381
Mid-Atlantic	1,578	6	-	356
Carolinas	1,356	4	2	58
Midsouth	1,176	2	1	167
Northeast	962	107	-	253
Other states	556	-	19	130
Non-US	229	2	-	9
Geographically diversified	2,516	-	-	-
Total	\$26,283	\$166	\$59	\$2,984
By Property Type				
Apartments	\$ 5,300	\$ 16	\$ -	\$ 624
Office buildings	4,922	5	3	288
Shopping centers/retail	3,651	12	20	501
Residential	3,132	16	8	256
Industrial/warehouse	2,388	6	4	49
Land and land development	1,320	3	8	171
Hotels/motels	1,152	8	-	155
Miscellaneous commercial	914	88	15	26
Unsecured	876	-	-	13
Multiple use	661	-	-	39
Non-US	229	2	-	9
Other	1,738	10	1	853
Total	\$26,283	\$166	\$59	\$2,984
<i>(1) Foreclosed properties include commercial real estate loans only.</i>				
<i>(2) Other credit exposure include letters of credit and loans held for sale.</i>				
<i>(3) Distribution based on geographic location of collateral.</i>				

Table Ten below presents aggregate commercial loan and lease exposures by certain significant industries at June 30, 2000. Total commercial loans outstanding, excluding commercial real estate loans, comprised 45 percent of total loans and leases at June 30, 2000. No commercial industry concentration is greater than three percent of total loans and leases.

Table Ten		
Significant Industry Loans and Leases⁽¹⁾		
June 30, 2000		
		Percent of Total
<i>(Dollars in millions)</i>	Outstanding	Loans and Leases
Transportation	\$11,613	2.9 %
Media	10,360	2.6
Equipment and general manufacturing	9,140	2.3
Business services	8,879	2.2
Healthcare	8,204	2.0
Telecommunications	7,743	1.9
Agribusiness	7,592	1.9
Retail	7,513	1.9
Autos	6,815	1.7
Oil and gas	6,087	1.5

(1) Includes only non-real estate commercial loans and leases.

Regional Foreign Exposure

Through its credit and market risk management activities, the Corporation has been devoting particular attention to those countries negatively impacted by global economic pressure. These include certain Asian countries as well as countries within Latin America and Eastern Europe that have experienced currency and other economic problems.

In connection with its efforts to maintain a diversified portfolio, the Corporation limits its exposure to any one geographic region or country and monitors this exposure on a continuous basis. **Table Eleven** sets forth selected regional foreign exposure at June 30, 2000. At June 30, 2000, the Corporation's total exposure to these select countries was \$31.8 billion, an increase of \$4.0 billion from December 31, 1999, primarily due to increased levels of Japanese government securities. **Table Eleven** is based on the Federal Financial Institutions Examination Council's instructions for periodic reporting of foreign exposures. The table has been expanded to include "Gross Local Country Claims" as defined in the table below and may not be consistent with disclosures by other financial institutions.

Table Eleven
Regional Foreign Exposure

<i>(Dollars in millions)</i>	Total Cross- Border Loans	Gross Local Country Claims ⁽¹⁾	Other Cross- Border Claims ⁽²⁾	Total Exposure June 30, 2000	Increase (Decrease) from March 31, 2000	Increase (Decrease) from December 31, 1999	Increase (Decrease) from December 31, 1998	Increase (Decrease) from December 31, 1997
Region/Country								
Asia								
China	\$ 85	\$ 87	\$ 178	\$ 350	\$ (165)	\$ (6)	\$ (99)	\$ (415)
Hong Kong	62	4,544	274	4,880	471	561	(308)	(751)
India	662	1,463	217	2,342	291	358	(176)	(157)
Indonesia	390	81	83	554	82	32	(169)	(956)
Japan	104	974	5,750	6,828	3,440	3,027	1,767	(142)
Korea (South)	286	668	989	1,943	(347)	(195)	64	(1,861)
Malaysia	3	476	47	526	(92)	(64)	(202)	(728)
Pakistan	12	196	12	220	(107)	(103)	(132)	(330)
Philippines	229	287	234	750	301	247	167	(13)
Singapore	101	969	336	1,406	(72)	114	(600)	(1,006)
Taiwan	229	792	145	1,166	168	205	(1,124)	(1,272)
Thailand	51	407	87	545	(85)	(63)	(405)	(1,412)
Other	4	124	10	138	8	(12)	(15)	(59)
Total	2,218	11,068	8,362	21,648	3,893	4,101	(1,232)	(9,102)
Central and Eastern								
Europe								
Russian Federation	3	-	1	4	(7)	(14)	(56)	(443)
Turkey	141	-	87	228	(19)	10	(237)	228
Other	81	40	73	194	(35)	(41)	(45)	(504)
Total	225	40	161	426	(61)	(45)	(338)	(719)
Latin America								
Argentina	677	448	139	1,264	296	126	(3)	(379)
Brazil	1,061	665	726	2,452	(23)	(56)	(966)	(1,178)
Chile	788	212	89	1,089	27	90	(562)	(591)
Colombia	300	51	59	410	(46)	(82)	(388)	(375)
Mexico	1,361	166	1,975	3,502	(41)	(373)	(1,436)	(2,610)
Venezuela	147	82	224	453	41	40	(104)	(170)
Other	189	-	341	530	170	183	100	87
Total	4,523	1,624	3,553	9,700	424	(72)	(3,359)	(5,216)
Total	\$ 6,966	\$ 12,732	\$ 12,076	\$ 31,774	\$ 4,256	\$ 3,984	\$ (4,929)	\$ (15,037)

(1) Includes the following claims by the Corporation's foreign offices on local country residents regardless of the currency: loans, accrued interest receivable, acceptances, time deposits placed, trading account assets, other interest-earning investments, other short-term monetary assets, unused commitments, standby letters of credit, commercial letters of credit, formal guarantees, and available-for-sale (at fair value) and held-for-investment (at cost) securities.

(2) All instruments in (1) that are cross-border claims excluding loans but including derivative-dealer assets (at fair value) and available-for-sale (at fair value) and held-for-investment (at cost) securities that are collateralized by U.S. Treasury securities as follows: Mexico - \$1,142, Venezuela - \$171, Philippines - \$21 and Latin America Other - \$78. Held-for-investment securities (at cost) amounted to \$772 with a fair value of \$634.

International Developments

In recent years, a number of countries in Asia, Latin America and Central and Eastern Europe experienced economic difficulties due to a combination of structural problems and negative market reaction that resulted from increased awareness of these problems. While each country's situation is unique, many share common factors such as: (1) government actions which restrain normal functioning of free markets in physical goods, capital and/or currencies; (2) perceived weaknesses of the banking systems; and (3) perceived overvaluation of local currencies and/or pegged exchange rate systems. These factors resulted in capital movement out of these countries or in reduced capital inflows; accordingly, many of these countries experienced liquidity problems in addition to the structural problems.

Since 1999, many of the Asian economies have been showing signs of recovery from prior troubles. In the first and second quarters of 2000, they continued to strengthen their recovery despite the higher interest rates in international markets. They have also slowly implemented structural reforms to prevent problems from recurring. However, there can be no assurance that this will continue and setbacks could occur. Since early 1999, several Latin American economies have replaced their pegged exchange rate systems with free-floating currencies. While sustained recovery is not assured, much of Latin America is showing signs of recovery.

Where appropriate, the Corporation has adjusted its activities (including its borrower selection) in light of the risks and opportunities discussed above. Throughout 1999, the Corporation continued to reduce its exposure in Asia, Latin America and Central and Eastern Europe, adjusting to the changing economic conditions. During the second quarter of 2000, exposure in Central and Eastern Europe decreased slightly while exposure in Asia and Latin America increased, corresponding with the upturn in economic activity in those regions. The Corporation will continue to monitor and adjust its foreign activities on a country-by-country basis depending on management's judgment of the likely developments in each country and will take action as deemed appropriate.

Market Risk Management

In the normal course of conducting its business activities, the Corporation is exposed to market risks including price and liquidity risk. Market risk is the potential of loss arising from adverse changes in market rates and prices, such as interest rates (interest rate risk), foreign currency exchange rates (foreign exchange risk), commodity prices (commodity risk) and prices of equity securities (equity risk). Financial products that expose the Corporation to market risk include securities, loans, deposits, debt and derivative financial instruments such as futures, forwards, swaps, options and other financial instruments with similar characteristics. Liquidity risk arises from the possibility that the Corporation may not be able to satisfy current or future financial commitments or that the Corporation may be more reliant on alternative funding sources such as long-term debt.

Market risk is managed by the Corporation's Finance Committee, which formulates policy based on desirable levels of market risk. In setting desirable levels of market risk, the Finance Committee considers the impact on both earnings and capital of the current outlook in market rates, potential changes in market rates, world and regional economies, liquidity, business strategies and other factors.

Trading Portfolio

The table below sets forth the calculated value-at-risk (VAR) amounts for the twelve months ended June 30, 2000 and 1999. The amounts are calculated on a pre-tax basis. The Corporation performs the VAR calculation for each major trading portfolio segment on a daily basis. It then calculates the combined VAR across these portfolio segments using two different sets of assumptions. The first calculation assumes that each portfolio segment experiences adverse price movements at the same time (i.e., the price movements are perfectly correlated). The second calculation assumes that these adverse price movements within the major portfolio segments do not occur at the same time (i.e., they are uncorrelated). Interest rate and foreign exchange risks were generally lower for the twelve months ended June 30, 2000 than for the twelve months ended June 30, 1999 due to the decreased emphasis on proprietary risk-taking and the increased volume of customer flow. Equity risk was generally higher for the twelve months ended June 30, 2000 than for the twelve months ended June 30, 1999 due to growth in the customer equity and equity derivatives businesses. For additional discussion of market risk associated with the trading portfolio, the VAR model and how the Corporation manages its exposure to market risk, see pages 42 and 43 of the Corporation's 1999 Annual Report on Form 10-K. The composition of the trading portfolio and the related fair value are included in **Note Three** of the consolidated financial statements.

Trading Activities Market Risk						
<i>(U.S. dollar equivalents in millions)</i>	Twelve Months Ended June 30, 2000			Twelve Months Ended June 30, 1999		
	Average VAR	High VAR ⁽¹⁾	Low VAR ⁽¹⁾	Average VAR	High VAR ⁽¹⁾	Low VAR ⁽¹⁾
Based on perfect positive correlation						
Interest rate	\$76.1	\$88.3	\$66.9	\$112.8	\$163.8	\$74.9
Foreign currency	14.3	23.5	8.5	17.3	45.1	7.9
Commodities	2.3	6.4	0.6	2.3	5.2	0.9
Equity	25.2	40.5	10.6	6.7	13.9	1.0
Based on zero correlation						
Interest rate	24.7	31.6	18.6	33.9	49.9	21.2
Foreign currency	12.0	21.7	6.9	14.1	37.3	6.1
Commodities	1.9	5.8	0.5	1.8	3.7	0.6
Equity	24.2	39.8	10.0	5.7	12.4	1.0

(1) The high and low for the entire trading account may not equal the sum of the individual components as the highs or lows of the components occurred on different trading days.

Asset and Liability Management Activities

Non-Trading Portfolio

The Corporation's Asset and Liability Management (ALM) process is used to manage interest rate risk through the structuring of balance sheet and off-balance sheet portfolios and identifying and linking such off-balance sheet positions to specific assets and liabilities. Interest rate risk represents the only material market risk exposure to the Corporation's non-trading on-balance sheet financial instruments.

Available-for-sale securities had an unrealized loss of \$3.6 billion at June 30, 2000, compared to an unrealized loss of \$3.8 billion at December 31, 1999. The expected maturities, unrealized gains and losses and weighted average effective yield and rate associated with the Corporation's other significant non-trading on-balance sheet financial instruments at June 30, 2000 were not significantly different from those at December 31, 1999. For a discussion of non-trading on-balance sheet financial instruments, see page 43 and **Table Eighteen** on page 44 of the "Market Risk Management" section of the Corporation's 1999 Annual Report on Form 10-K.

Interest Rate and Foreign Exchange Contracts

Risk management interest rate contracts and foreign exchange contracts are utilized in the ALM process. Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards, allow the Corporation to effectively manage its interest rate risk position. In addition, the Corporation uses foreign currency contracts to manage the foreign exchange risk associated

with foreign-denominated assets and liabilities, as well as the Corporation's equity investments in foreign subsidiaries. As reflected in **Table Twelve**, the notional amount of the Corporation's receive fixed and pay fixed interest rate swaps at June 30, 2000 was \$55.2 billion and \$18.6 billion, respectively. The receive fixed interest rate swaps are primarily converting variable-rate commercial loans to fixed-rate. The net receive fixed position at June 30, 2000 was \$36.6 billion notional compared to \$37.3 billion notional at December 31, 1999. The Corporation had \$7.8 billion notional and \$8.0 billion notional of basis swaps at June 30, 2000 and December 31, 1999, respectively, linked primarily to loans and long-term debt. The Corporation had \$42.9 billion notional and \$35.1 billion notional of option products at June 30, 2000 and December 31, 1999, respectively. In addition, open foreign exchange contracts at June 30, 2000 had a notional amount of \$6.0 billion compared to \$6.2 billion at December 31, 1999.

Table Twelve also summarizes the expected maturity and the average estimated duration, weighted average receive and pay rates and the net unrealized gains and losses at June 30, 2000 and December 31, 1999 of the Corporation's open ALM interest rate swaps, as well as the expected maturity and net unrealized gains and losses at June 30, 2000 and December 31, 1999 of the Corporation's open ALM basis swaps, options, futures and forward rate and foreign exchange contracts. Unrealized gains and losses are based on the last repricing and will change in the future primarily based on movements in one-, three- and six-month LIBOR rates. The ALM swap portfolio had a net unrealized loss of \$1.5 billion and \$1.6 billion at June 30, 2000 and December 31, 1999, respectively. The ALM option products had a net unrealized (loss) gain of \$(146) million and \$5 million at June 30, 2000 and December 31, 1999, respectively. At June 30, 2000 and December 31, 1999, open foreign exchange contracts had a net unrealized loss of \$200 million and \$30 million, respectively.

The amount of unamortized net realized deferred gains associated with closed ALM swaps was \$99 million and \$174 million at June 30, 2000 and December 31, 1999, respectively. The amount of unamortized net realized deferred gains associated with closed ALM options was \$112 million and \$82 million at June 30, 2000 and December 31, 1999, respectively. The amount of unamortized net realized deferred losses associated with closed ALM futures and forward contracts was \$19 million and \$21 million at June 30, 2000 and December 31, 1999, respectively. There were no unamortized net realized deferred gains or losses associated with closed foreign exchange contracts at June 30, 2000 and December 31, 1999.

Management believes the fair value of the ALM interest rate and foreign exchange portfolios should be viewed in the context of the overall balance sheet, and the value of any single component of the balance sheet or off-balance sheet positions should not be viewed in isolation.

For a discussion of the Corporation's management of risk associated with mortgage production and servicing activities, see the "Noninterest Income" section on page 37. See **Note Six** of the consolidated financial statements for information on the Corporation's ALM contracts.

Table Twelve

Asset and Liability Management Interest Rate and Foreign Exchange Contracts

June 30, 2000

(Dollars in millions, average estimated duration in years)	Fair Value	Expected Maturity							After 2004	Average Estimated Duration
		Total	2000	2001	2002	2003	2004	2004		
Open interest rate contracts										
Total receive fixed swaps	\$(1,687)									3.26
Notional value		\$55,177	\$ 3,816	\$ 3,889	\$5,374	\$12,943	\$ 7,068	\$22,087		
Weighted average receive rate		6.35 %	6.48 %	6.26 %	7.24 %	5.60 %	6.28 %	6.58 %		
Total pay fixed swaps	151									2.42
Notional value		\$18,566	\$ 2,680	\$ 4,359	\$3,114	\$ 2,510	\$ 727	\$ 5,176		
Weighted average pay rate		6.82 %	6.85 %	6.43 %	7.03 %	7.10 %	7.43 %	6.82 %		
Basis swaps	(5)									
Notional value		\$ 7,815	\$ 358	\$ 588	\$1,669	\$ 5,014	\$ -	\$ 186		
Total swaps	(1,541)									
Option products	(146)									
Notional amount		42,850	338	2,637	868	1,950	15,661	21,396		
Futures and forward rate contracts	(35)									
Notional amount		2,119	2,119	-	-	-	-	-		
Total open interest rate contracts	(1,722)									
Closed interest rate contracts ⁽¹⁾	192									
Net interest rate contract position	(1,530)									
Open foreign exchange contracts	(200)									
Notional amount		5,959	236	1,077	1,420	159	589	2,478		
Total ALM contracts	\$(1,730)									

December 31, 1999

(Dollars in millions, average estimated duration in years)	Fair Value	Expected Maturity							After 2004	Average Estimated Duration
		Total	2000	2001	2002	2003	2004	2004		
Open interest rate contracts										
Total receive fixed swaps	\$(1,747)									2.75
Notional amount		\$63,002	\$13,539	\$11,493	\$1,637	\$12,894	\$ 7,104	\$16,335		
Weighted average receive rate		6.15 %	5.98 %	6.43 %	6.88 %	5.60 %	6.57 %	6.28 %		
Total pay fixed swaps	115									2.11
Notional amount		\$25,701	\$ 6,893	\$ 8,232	\$3,175	\$ 2,475	\$ 719	\$ 4,207		
Weighted average pay rate		6.68 %	6.84 %	6.57 %	6.23 %	7.10 %	7.46 %	6.61 %		
Basis swaps	(6)									
Notional amount		\$ 7,971	\$ 743	\$ 601	\$1,669	\$ 4,958	\$ -	\$ -		
Total swaps	(1,638)									
Option products	5									
Notional amount		35,134	505	2,088	868	1,950	15,661	14,062		
Futures and forward rate contracts	3									
Notional amount		931	931	-	-	-	-	-		
Total open interest rate contracts	(1,630)									
Closed interest rate contracts ⁽¹⁾	235									
Net interest rate contract position	(1,395)									
Open foreign exchange contracts	(30)									
Notional amount		6,231	273	1,499	2,552	112	623	1,172		
Total ALM contracts	\$(1,425)									

(1) Represents the unamortized net realized deferred gains associated with closed contracts. As a result, no notional amount is reflected for expected maturity.

Table Thirteen
Selected Quarterly Financial Data

	2000 Quarters	
	Second	First
<i>(Dollars in millions, except per share information)</i>		
Income statement		
Interest income	\$ 10,737	\$ 10,086
Interest expense	6,106	5,562
Net interest income	4,631	4,524
Net interest income (taxable-equivalent basis)	4,709	4,595
Provision for credit losses	470	420
Gains on sales of securities	6	6
Noninterest income	3,500	4,046
Other noninterest expense	4,413	4,623
Income before income taxes	3,254	3,533
Income tax expense	1,191	1,293
Net income	2,063	2,240
Net income available to common shareholders	2,061	2,239
Average common shares issued and outstanding (in thousands)	1,653,495	1,669,311
Performance ratios		
Return on average assets	1.23 %	1.38 %
Return on average common shareholders' equity	17.63	19.59
Total equity to total assets (period-end)	6.75	6.90
Total average equity to total average assets	7.00	7.07
Efficiency ratio	53.77	53.49
Dividend payout ratio	39.94	37.16
Per common share data		
Earnings	1.25	\$ 1.34
Diluted earnings	1.23	1.33
Cash dividends paid	.50	.50
Book value	27.82	27.28
Cash basis financial data ⁽¹⁾		
Earnings per common share	1.38	1.47
Diluted earnings per common share	1.36	1.46
Return on average tangible assets	1.39 %	1.55 %
Return on average tangible common shareholders' equity	27.51	30.83
Efficiency ratio	51.12	50.98
Ending tangible equity to tangible assets	4.85	4.90
Balance sheet (period-end)		
Total loans and leases	400,817	382,085
Total assets	679,538	656,113
Total deposits	356,664	351,626
Long-term debt	69,245	62,059
Trust preferred securities	4,955	4,955
Common shareholders' equity	45,786	45,222
Total shareholders' equity	45,861	45,299
Risk-based capital ratios (period-end)		
Tier 1 capital	7.40 %	7.42 %
Total capital	11.03	11.00
Leverage ratio	6.11	6.17
Market price per share of common stock		
Closing	\$ 43	\$ 52 7/16
High	61	55 3/16
Low	42 63/64	42 5/16

(1) Cash basis calculations exclude goodwill and other intangible assets and their related amortization expense.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See “Management’s Discussion and Analysis of Results of Operations and Financial Condition - Market Risk Management” on page 53 and the sections referenced therein for Quantitative and Qualitative Disclosures about Market Risk.

Part II. Other Information

Item 1. Legal Proceedings

Litigation

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

The Corporation and certain present and former officers and directors have been named as defendants in a number of actions filed in several federal courts that have been consolidated for pretrial purposes before a Missouri federal court. The amended complaint in the consolidated actions alleges, among other things, that the defendants failed to disclose material facts about BankAmerica's losses relating to D.E. Shaw Securities Group, L.P. and related entities until mid-October 1998, in violation of various provisions of federal and state laws. The amended complaint also alleges that the proxy statement-prospectus of August 4, 1998, falsely stated that the Merger would be one of equals and alleges a scheme to have NationsBank gain control over the newly merged entity. The Missouri federal court has certified classes consisting generally of persons who were stockholders of NationsBank or BankAmerica on September 30, 1998, or were entitled to vote on the Merger, or who purchased or acquired securities of the Corporation or its predecessors between August 4, 1998 and October 13, 1998. The amended complaint substantially survived a motion to dismiss, and discovery is underway. Claims against certain director-defendants were dismissed with leave to replead. Similar uncertified class actions (including one limited to California residents raising the claim that the proxy statement-prospectus of August 4, 1998, falsely stated that the Merger would be one of equals) were filed in California state court, alleging violations of the California Corporations Code and other state laws. The action on behalf of California residents was certified, but has since been dismissed and an appeal is pending. Of the remaining actions, one has been stayed, and a motion for class certification is pending in the other. The Missouri federal court has enjoined prosecution of that action as a class action. The plaintiffs who were enjoined have appealed. The Corporation believes the actions lack merit and will defend them vigorously. The amount of any ultimate exposure cannot be determined with certainty at this time.

Management believes that the actions and proceedings and the losses, if any, resulting from the final outcome thereof, will not be material in the aggregate to the Corporation's financial position or results of operations.

Item 2. Changes in Securities and Use Of Proceeds

As part of its share repurchase program, during the second quarter of 2000, the Corporation sold put options to purchase an aggregate of one million shares of Common Stock. These put options were sold to an independent third party for an aggregate purchase price of \$6.6 million. The put option exercise price is \$48.14 per share and expires in April 2001. The put option contracts allow the Corporation to determine the method of settlement (cash or stock). Each of these transactions was exempt from registration under Section 4(2) of the Securities Act of 1933, as amended.

As of June 30, 2000, the Corporation had 10,000,000 put options outstanding, with exercise prices ranging from \$45.22 per share to \$65.30 per share, and expiration dates ranging from July 2000 to April 2001.

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

a. The Annual Meeting of Stockholders was held on April 25, 2000.

b. The following are the voting results on each matter submitted to the stockholders:

1. To elect 18 directors

	<u>For</u>	<u>Against or Withheld</u>
Charles W. Coker	1,306,836,134	42,474,094
Alan T. Dickson	1,307,563,388	41,746,840
Frank Dowd, IV	1,300,993,232	48,316,996
Kathleen F. Feldstein	1,307,763,130	41,547,098
Paul Fulton	1,311,569,844	37,740,384
Donald E. Guinn	1,307,729,725	41,580,503
James H. Hance, Jr.	1,307,302,745	42,007,483
C. Ray Holman	1,307,533,084	41,777,144
W. W. Johnson	1,306,818,576	42,491,652
Kenneth D. Lewis	1,307,341,106	41,969,122
Walter E. Massey	1,307,140,279	42,169,949
Hugh L. McColl, Jr.	1,206,328,121	142,982,107
O. Temple Sloan, Jr.	1,291,098,617	58,211,611
Meredith R. Spangler	1,311,797,001	37,513,227
Ronald Townsend	1,307,082,798	42,227,430
Solomon D. Trujillo	1,312,560,600	36,749,628
Jackie M. Ward	1,306,473,551	42,836,677
Virgil R. Williams	1,298,918,344	50,391,884

2. To consider and act upon a proposal to ratify the action of the Board of Directors in selecting PricewaterhouseCoopers LLP as independent public accountants to audit the books of the Corporation and its subsidiaries for the current year

<u>For</u>	<u>Against or Withheld</u>	<u>Abstentions</u>
1,333,242,115	9,587,840	6,480,273

3. To consider and act upon a stockholder proposal requesting that the Corporation develop a policy for the cancellation of debt of heavily indebted poor countries

<u>For</u>	<u>Against or Withheld</u>	<u>Abstentions</u>	<u>Broker Nonvotes</u>
28,248,560	996,444,963	80,391,711	244,224,994

4. To consider and act upon a stockholder proposal requesting that the Corporation adopt a compensation committee charter

<u>For</u>	<u>Against or Withheld</u>	<u>Abstentions</u>	<u>Broker Nonvotes</u>
194,871,421	848,379,733	61,809,418	244,249,656

5. To consider and act upon a stockholder proposal requesting that the Corporation adopt a policy relating to contributions to political movements and entities

<u>For</u>	<u>Against or Withheld</u>	<u>Abstentions</u>	<u>Broker Nonvotes</u>
34,840,164	982,743,495	87,471,497	244,255,072

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit 11– Earnings Per Share Computation - included in Note 7 of the consolidated financial statements

Exhibit 12(a) – Ratio of Earnings to Fixed Charges

Exhibit 12(b) – Ratio of Earnings to Fixed Charges and Preferred Dividends

Exhibit 27– Financial Data Schedule

b) Reports on Form 8-K

The following reports on Form 8-K were filed by the Corporation during the quarter ended June 30, 2000:

Current Report on Form 8-K dated April 17, 2000 and filed April 19, 2000, Items 5 and 7.

Current Report on Form 8-K dated May 23, 2000 and filed May 31, 2000, Items 5 and 7.

Current Report on Form 8-K dated June 02, 2000 and filed June 08, 2000, Items 5 and 7.

SIGNATURE

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

Bank of America Corporation
Registrant

Date: August 14, 2000

/s/ Marc D. Oken
MARC D. OKEN
Executive Vice President and
Principal Financial Executive
(Duly Authorized Officer and
Chief Accounting Officer)

Bank of America Corporation

Form 10-Q

Index to Exhibits

<u>Exhibit</u>	<u>Description</u>
11	Earnings Per Share Computation - included in Note 7 of the consolidated financial statements
12(a)	Ratio of Earnings to Fixed Charges
12(b)	Ratio of Earnings to Fixed Charges and Preferred Dividends
27	Financial Data Schedule

Bank of America Corporation and Subsidiaries
Ratio of Earnings to Fixed Charges

Exhibit 12(a)

<i>(Dollars in millions)</i>	Six Months Ended June 30, 2000	Year Ended December 31				
		1999	1998	1997	1996	1995
<i>Excluding Interest on Deposits</i>						
Income before income taxes	\$6,787	\$12,215	\$ 8,048	\$10,556	\$ 9,311	\$ 8,377
Less: Equity in undistributed earnings of unconsolidated subsidiaries	(13)	(167)	162	(49)	(7)	(19)
Fixed charges:						
Interest expense (including capitalized interest)	6,453	10,084	9,479	8,219	7,082	6,354
1/3 of net rent expense	181	342	335	302	282	275
Total fixed charges	6,634	10,426	9,814	8,521	7,364	6,629
Earnings (excluding capitalized interest)	\$13,408	\$22,474	\$18,024	\$19,028	\$16,668	\$14,987
Fixed charges	\$6,634	\$10,426	\$ 9,814	\$ 8,521	\$ 7,364	\$ 6,629
Ratio of earnings to fixed charges	2.02	2.16	1.84	2.23	2.26	2.26

<i>(Dollars in millions)</i>	Six Months Ended June 30, 2000	Year Ended December 31				
		1999	1998	1997	1996	1995
<i>Including Interest on Deposits</i>						
Income before income taxes	\$6,787	\$12,215	\$ 8,048	\$10,556	\$ 9,311	\$ 8,377
Less: Equity in undistributed earnings of unconsolidated subsidiaries	(13)	(167)	162	(49)	(7)	(19)
Fixed charges:						
Interest expense (including capitalized interest)	11,668	19,086	20,290	18,903	16,682	16,369
1/3 of net rent expense	181	342	335	302	282	275
Total fixed charges	11,849	19,428	20,625	19,205	16,964	16,644
Earnings (excluding capitalized interest)	\$18,623	\$31,476	\$28,835	\$29,712	\$26,268	\$25,002
Fixed charges	\$11,849	\$19,428	\$20,625	\$19,205	\$16,964	\$16,644
Ratio of earnings to fixed charges	1.57	1.62	1.40	1.55	1.55	1.50

Bank of America Corporation and Subsidiaries
Ratio of Earnings to Fixed Charges and Preferred Dividends

Exhibit 12(b)

<i>(Dollars in millions)</i>	Six Months Ended June 30, 2000	Year Ended December 31				
		1999	1998	1997	1996	1995
Excluding Interest on Deposits						
Income before income taxes	\$6,787	\$12,215	\$ 8,048	\$10,556	\$ 9,311	\$ 8,377
Less: Equity in undistributed earnings of unconsolidated subsidiaries	(13)	(167)	162	(49)	(7)	(19)
Fixed charges:						
Interest expense (including capitalized interest)	6,453	10,084	9,479	8,219	7,082	6,354
1/3 of net rent expense	181	342	335	302	282	275
Total fixed charges	6,634	10,426	9,814	8,521	7,364	6,629
Preferred dividend requirements	5	10	40	183	332	426
Earnings (excluding capitalized interest)	\$13,408	\$22,474	\$18,024	\$19,028	\$16,668	\$14,987
Fixed charges and preferred dividends	\$6,639	\$10,436	\$ 9,854	\$ 8,704	\$ 7,696	\$ 7,055
Ratio of earnings to fixed charges and preferred dividends	2.02	2.15	1.83	2.19	2.17	2.12

<i>(Dollars in millions)</i>	Six Months Ended June 30, 2000	Year Ended December 31				
		1999	1998	1997	1996	1995
Including Interest on Deposits						
Income before income taxes	\$6,787	\$12,215	\$ 8,048	\$10,556	\$ 9,311	\$ 8,377
Less: Equity in undistributed earnings of unconsolidated subsidiaries	(13)	(167)	162	(49)	(7)	(19)
Fixed charges:						
Interest expense (including capitalized interest)	11,668	19,086	20,290	18,903	16,682	16,369
1/3 of net rent expense	181	342	335	302	282	275
Total fixed charges	11,849	19,428	20,625	19,205	16,964	16,644
Preferred dividend requirements	5	10	40	183	332	426
Earnings (excluding capitalized interest)	\$18,623	\$31,476	\$28,835	\$29,712	\$26,268	\$25,002
Fixed charges and preferred dividends	\$11,854	\$19,438	\$20,665	\$19,388	\$17,296	\$17,070
Ratio of earnings to fixed charges and preferred dividends	1.57	1.62	1.40	1.53	1.52	1.46

Bank of America Corporation and Subsidiaries
Financial Data Schedule

Exhibit 27

(Dollars in millions, except per share information)

June 30, 2000

At Period End

Cash and cash equivalents	\$ 27,493
Time deposits placed and other short-term investments	4,394
Federal funds sold and securities purchased under agreements to resell	42,460
Trading account assets	50,162
Available-for-sale securities	79,518
Held-for-investment securities, at cost	1,439
Held-for-investment securities, market value	1,312
Loans and leases	400,817
Allowance for credit losses	(6,815)
Total assets	679,538
Deposits	356,664
Short-term borrowings	162,590
Other liabilities	45,178
Long-term debt	69,245
Preferred stock, mandatory redemption	-
Preferred stock, no mandatory redemption	75
Common stock	10,188
Other shareholders' equity	35,598
Total liabilities and shareholders' equity	679,538

For the Six Months Ended

Interest income	
Interest and fees on loans and leases	15,317
Interest and dividends on securities	2,602
Other interest income	2,904
Total interest income	20,823
Interest Expense	
Deposits	5,215
Total interest expense	11,668
Net interest income	9,155
Provision for credit losses	890
Gains on sales of securities	12
Noninterest expense	9,036
Merger-related charges	-
Income before income taxes	6,787
Income before income taxes, effect of extraordinary items and cumulative effect of change in accounting principles	6,787
Effect of extraordinary items	-
Cumulative effect of change in accounting principles	-
Net income	4,303
Earnings per common share	2.59
Diluted earnings per common share	2.56
Net interest yield	3.26 %

Allowance and Nonperforming Data

Nonperforming loans	\$ 3,691
Loans past due 90 days or more and not classified as nonperforming	482
Troubled debt restructurings	-
Potential problem loans	-
Allowance for credit losses (beginning of period)	6,828
Total charge-offs	1,190
Total recoveries	300
Allowance for credit losses (end of period)	6,815
Allowance for credit losses allocated to domestic loans	n/a (1)
Allowance for credit losses allocated to foreign loans	n/a (1)
Allowance for credit losses - unassigned	n/a (1)

(1) Allowance-Domestic, Allowance-Foreign and Allowance-Unassigned are only disclosed on an annual basis in the Corporation's 10-K and are therefore not included in this Financial Data Schedule.

The schedule contains summary information extracted from the June 30, 2000 Form 10-Q for Bank of America Corporation and is qualified in its entirety by reference to such financial statements.