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FLEETBOSTON FINANCIAL CORP

Form 10-K

February 28, 2001

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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FORM 10-K

[ X ] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

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

COMMISSION FILE NUMBER 1-6366  
FLEETBOSTON FINANCIAL CORPORATION  
(Exact name of Registrant as specified in its charter)

RHODE ISLAND  
(State of incorporation)

05-0341324  
(I.R.S. Employer Identification No.)

100 FEDERAL STREET, BOSTON, MASSACHUSETTS  
(Address of principal executive office)

02110  
(Zip Code)

617 / 434-2200  
(Registrant's telephone number, including area code)

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

TITLE OF EACH CLASS -----	NAME OF EACH EXC -----
Common Stock, \$.01 Par Value	New York Boston
Depository Shares each representing a one-tenth interest in a share of Series V 7.25% Perpetual Preferred Stock, \$1 Par Value	New York
Depository Shares each representing a one-fifth interest in a share of Series VI 6.75% Perpetual Preferred Stock, \$1 Par Value	New York
8.00% Trust Originated Preferred Securities issued by Fleet Capital Trust I, Guaranteed by FleetBoston Financial Corporation	New York
7.05% Trust Originated Preferred Securities issued by Fleet Capital Trust III, Guaranteed by FleetBoston Financial Corporation	New York
7.17% Trust Originated Preferred Securities issued by Fleet Capital Trust IV, Guaranteed by FleetBoston Financial Corporation	New York
8.80% Trust Originated Preferred Securities issued by Fleet Capital Trust VI, Guaranteed by FleetBoston Financial Corporation	New York

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Preferred Share Purchase Rights

New York  
Boston

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. YES XX NO

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

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As of January 31, 2001, the aggregate market value of the voting stock held by nonaffiliates of the Registrant was \$38.7 billion.

The number of shares of common stock of the Registrant outstanding as of January 31, 2001 was 904,554,470.

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DOCUMENTS INCORPORATED BY REFERENCE

Pertinent extracts from Registrant's Proxy Statement for its 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission are incorporated into Part III.

Such information incorporated by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

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\* The information required by this Item is incorporated herein by reference to the Corporation's Proxy Statement for its 2001 Annual Meeting of Stockholders.

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PART I.

ITEM 1. BUSINESS

GENERAL

FleetBoston Financial Corporation (the Corporation) is a diversified financial services company organized under the laws of the State of Rhode Island. The Corporation is a legal entity separate and distinct from its subsidiaries, assisting those subsidiaries by providing financial resources and management. At December 31, 2000, the Corporation had total assets of \$179.5 billion, total deposits of \$101.3 billion, total stockholders' equity of \$16.2 billion and approximately 53,000 employees. In terms of total assets, the Corporation is the seventh largest financial holding company in the United States. The Corporation's aggregate market capitalization of approximately \$34 billion ranks seventh in the country among financial holding companies. The executive office of the Corporation is located at 100 Federal Street, Boston, Massachusetts, 02110 (telephone (617) 434-2200).

On October 1, 2000, the Corporation announced a definitive agreement to acquire Summit Bancorp. (Summit), a New Jersey-based financial services company with approximately \$40 billion of assets and approximately \$3 billion of stockholders' equity at December 31, 2000. The Corporation expects to complete the acquisition, which has received the required stockholder and regulatory approvals, before the end of the first quarter of 2001, and plans to account for the acquisition as a pooling of interests. Additional information with respect to this pending acquisition is included in Note 2 of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report.

The Corporation, through its subsidiaries, offers a comprehensive array of financial solutions to approximately 20 million customers, primarily in the United States and Latin America. Its key businesses include consumer and small business banking; commercial banking, including middle-market lending, asset-based lending, leasing, cash management, trade finance and government banking; international banking; corporate banking; principal investing; investment banking; securities brokerage, market-making and clearing services; investment services, including asset management, mutual funds and retirement planning; credit card services; commercial real estate lending; mortgage

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banking, and student loan and other processing. The Corporation owns three national banking subsidiaries, including its principal banking subsidiary, Fleet National Bank ("FNB"). FNB is a member of the Federal Reserve System, and its domestic deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC") to the extent provided by law.

The Corporation's principal business lines, including their operating results and other key financial measures, are more fully discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this Report under Item 7, and in Note 17 of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report. For discussions of the Corporation's business activities, including its lending activities, its cross-border outstandings and its management of off-balance sheet exposure and the risks inherent in its businesses, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations," included under Item 7 of this Report.

This Report, as well as other written or oral communications made from time to time by the Corporation (including, without limitation, the Corporation's 2000 Summary Annual Report to Stockholders), may contain statements relating to the future results of the Corporation (including certain projections and business trends) that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of the following risks and uncertainties, as well as any other risks and uncertainties detailed from time to time in the filings of the Corporation with the Securities and Exchange Commission (the "SEC"):

- general political and economic conditions, either domestically or internationally or in the states in which the Corporation conducts its business, may be less favorable than expected;
- interest rate and currency fluctuations, equity and bond market fluctuations, the level of nonperforming assets and inflation may be greater than expected;
- competitive product and pricing pressures among financial institutions within the Corporation's markets may increase significantly;

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- legislative or regulatory developments, including regulations adopted under the Gramm-Leach-Bliley Act and other changes in laws concerning taxes, banking, securities, insurance and other aspects of the financial services industry, may adversely affect the businesses in which the Corporation is engaged;
- technological changes, including the impact of the Internet on the Corporation's businesses, may be more difficult or expensive than anticipated;
- expected cost savings and revenue enhancements from mergers, acquisitions and integrations of acquired businesses may not be fully realized or realized within the expected timeframes;
- costs or difficulties related to the integration of acquired businesses may be greater than expected; and
- the negative impact of any divestitures required by regulatory authorities in connection with mergers or acquisitions may be greater than expected.

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### COMPETITION

The Corporation's banking and non-banking subsidiaries compete with other major financial institutions, including commercial banks, investment banks, mutual savings banks, savings and loan associations, credit unions, consumer finance companies and other non-bank institutions, such as insurance companies, major retailers, brokerage firms, and investment companies in the Northeast, throughout the United States and internationally. The principal methods of competing effectively in the financial services industry include improving customer service through the quality and range of services provided, improving efficiencies and pricing services competitively.

One outgrowth of the competitive environment discussed above has been significant consolidation within the financial services industry on a global, national and regional level. The Corporation continues to implement strategic initiatives focused on expanding its core businesses and to explore, on an ongoing basis, acquisition, divestiture and joint venture opportunities. The Corporation analyzes each of its businesses in the context of customer demands, competitive advantages, industry dynamics and growth potential.

For additional information with regard to the Corporation's acquisition and divestiture activities, refer to Note 2 of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report.

### SUPERVISION AND REGULATION

The business in which the Corporation and its subsidiaries are engaged is subject to extensive supervision, regulation and examination by various bank regulatory authorities and other governmental agencies in the states and countries where the Corporation and its subsidiaries operate. The supervision, regulation and examination to which the Corporation and its subsidiaries are subject are intended primarily for the protection of depositors and the deposit insurance funds that insure the deposits of banks, rather than for the protection of security holders.

Several of the more significant regulatory provisions applicable to banks and financial holding companies to which the Corporation and its subsidiaries are subject are discussed below, along with certain regulatory matters concerning the Corporation and its subsidiaries. To the extent that the following information describes statutory or regulatory provisions, it is qualified in its entirety by reference to the particular statutory provisions. Any change in applicable law or regulation may have a material effect on the business and prospects of the Corporation and its subsidiaries.

#### Regulatory Agencies

Financial Holding Company. The Corporation elected to become a financial holding company on March 13, 2000, and continues to be subject to regulation under the Bank Holding Company Act of 1956 and to inspection, examination and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board").

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Subsidiary Banks. FNB and the Corporation's other national banking subsidiaries are subject to regulation and examination primarily by the Office of the Comptroller of the Currency (the "OCC") and secondarily by the Federal Reserve Board and the FDIC. In connection with its international operations, the Corporation is also subject to regulation by various foreign bank and securities regulatory agencies in those countries in which it does business.

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Nonbank Subsidiaries. Many of the Corporation's non-banking subsidiaries also are subject to regulation by the Federal Reserve Board and other applicable federal and state agencies. The Corporation's brokerage subsidiaries are regulated by the SEC, the National Association of Securities Dealers, Inc. and state securities regulators. The Corporation's insurance subsidiaries are subject to regulation by applicable state insurance regulatory agencies. Other non-banking subsidiaries of the Corporation are subject to the laws and regulations of both the federal government and the various states in which they conduct business.

Other Requirements and Regulations. The Corporation and its subsidiaries are also affected by the fiscal and monetary policies of the U.S. federal government and the Federal Reserve Board, and by various other governmental requirements and regulations in the states and countries where the Corporation and its subsidiaries operate.

### Financial and Bank Holding Company Activities

"Financial in Nature" Requirement. As a bank holding company that has also elected to become a financial holding company, the Corporation may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. Activities that are "financial in nature" include securities underwriting, dealing and market-making, sponsoring mutual funds and investment companies, insurance underwriting and agency, merchant banking, and activities that the Federal Reserve Board has determined to be closely related to banking. No Federal Reserve Board approval is required for the Corporation to acquire a company, other than a bank holding company, bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. Prior Federal Reserve Board approval is required before the Corporation may acquire the beneficial ownership or control of more than 5% of the voting shares, or substantially all of the assets, of a bank holding company, bank or savings association. If any subsidiary bank of the Corporation ceases to be "well capitalized" or "well managed" under applicable regulatory standards, the Federal Reserve Board may, among other actions, order the Corporation to divest the subsidiary bank. Alternatively, the Corporation may elect to conform its activities to those permissible for a bank holding company that is not also a financial holding company. If any subsidiary bank of the Corporation receives a rating under the Community Reinvestment Act of 1977 of less than satisfactory, the Corporation will be prohibited from engaging in new activities or acquiring companies other than bank holding companies, banks or savings associations.

Affiliate Transactions. Various governmental requirements, including Sections 23A and 23B of the Federal Reserve Act, limit borrowings by the Corporation and its non-bank subsidiaries from its affiliate insured depository institutions, and also limit various other transactions between the Corporation and its non-bank subsidiaries, on the one hand, and its affiliate insured depository institutions on the other. Section 23A of the Federal Reserve Act also generally requires that an insured depository institution's loans to its non-bank affiliates be secured, and Section 23B of the Federal Reserve Act generally requires that an insured depository institution's transactions with its non-bank affiliates be on arms-length terms.

Interstate Banking and Branching. Under the Riegle-Neal Interstate Banking and Branching Efficiency Act ("Riegle-Neal"), subject to certain concentration limits and other requirements, bank holding companies such as the Corporation are permitted to acquire banks and bank holding companies located in any state. Any bank that is a subsidiary of a bank holding company is permitted to receive deposits, renew time deposits, close loans, service loans and receive loan payments as an agent for any other bank subsidiary of that bank holding company. Banks are permitted to acquire branch offices outside their home states by merging with out-of-state banks, purchasing branches in other states and

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establishing de novo branch offices in other states. The ability of banks to acquire branch offices is contingent, however, on the host state having adopted legislation "opting in" to those provisions of Riegle-Neal. In addition, the ability of a bank to merge with a bank located in another state is contingent on the host state not having adopted legislation "opting out" of that provision of Riegle-Neal. The Corporation may from time to time use Riegle-Neal to acquire banks in additional states and to consolidate its bank subsidiaries.

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Control Acquisitions. The Change in Bank Control Act prohibits a person or group of persons from acquiring "control" of a bank holding company, unless the Federal Reserve Board has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as the Corporation, would, under the circumstances set forth in the presumption, constitute acquisition of control of the bank holding company. In addition, a company is required to obtain the approval of the Federal Reserve Board under the Bank Holding Company Act before acquiring 25% (5% in the case of an acquiror that is a bank holding company) or more of any class of outstanding voting stock of a bank holding company, or otherwise obtaining control or a "controlling influence" over that bank holding company.

### Liability for Banking Subsidiaries

Under current Federal Reserve Board policy, a bank holding company is expected to act as a source of financial and managerial strength to each of its subsidiary banks and to maintain resources adequate to support each subsidiary bank. This support may be required at times when the bank holding company may not have the resources to provide it. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a U.S. federal bank regulatory agency to maintain the capital of a subsidiary bank would be assumed by the bankruptcy trustee and entitled to priority of payment. Any depository institution insured by the FDIC can be held liable for any loss incurred, or reasonably expected to be incurred, by the FDIC in connection with (1) the "default" of a commonly controlled FDIC-insured depository institution; or (2) any assistance provided by the FDIC to a commonly controlled FDIC-insured depository institution "in danger of default." All of the Corporation's subsidiary banks are FDIC-insured depository institutions. If a default occurred with respect to a bank, any capital loans to the bank from its parent holding company would be subordinate in right of payment to payment of the bank's depositors and certain of its other obligations.

### Capital Requirements

Information concerning the Corporation and its subsidiaries with respect to capital requirements is incorporated by reference from Note 12, "Regulatory Matters," of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report, and from the "Capital Management" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations," included under Item 7 of this Report.

### FDICIA

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), and the regulations promulgated under FDICIA, among other things, established five capital categories for insured depository institutions--well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized--and requires U.S. federal bank regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements

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based on these categories. Unless a bank or thrift is well capitalized, it is subject to restrictions on its ability to offer brokered deposits and on certain other aspects of its operations. An undercapitalized bank or thrift must develop a capital restoration plan and its parent bank holding company must guarantee the bank's or thrift's compliance with the plan up to the lesser of 5% of the bank's or thrift's assets at the time it became undercapitalized and the amount needed to comply with the plan. As of December 31, 2000, each of the Corporation's banking subsidiaries was well capitalized based on the prompt corrective action guidelines.

### Dividend Restrictions

Various U.S. federal and state statutory provisions limit the amount of dividends the Corporation's banking subsidiaries can pay to the Corporation without regulatory approval. Dividend payments by national banks are limited to the lesser of (1) the level of undivided profits; (2) the amount in excess of which the bank ceases to be at least adequately capitalized; and (3) absent regulatory approval, an amount not in excess of net income for the current year combined with retained net income for the preceding two years.

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In addition, U.S. federal bank regulatory authorities have authority to prohibit the Corporation's banking subsidiaries from engaging in an unsafe or unsound practice in conducting their business. The payment of dividends, depending upon the financial condition of the bank in question, could be deemed to constitute an unsafe or unsound practice. The ability of the Corporation's banking subsidiaries to pay dividends in the future is currently, and could be further, influenced by bank regulatory policies and capital guidelines.

At December 31, 2000, approximately \$1.1 billion of the total stockholders' equity of the Corporation's banking subsidiaries was available for payment of dividends to the Corporation without approval by the applicable regulatory authority. Additional information concerning the Corporation and its banking subsidiaries with respect to dividends is incorporated by reference from Note 12, "Regulatory Matters," of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report, and the "Liquidity Risk Management" and "Capital Management" sections of "Management's Discussion and Analysis of Financial Condition and Results of Operations," included under Item 7 of this Report.

### Deposit Insurance Assessments

The deposits of the Corporation's banking subsidiaries are insured up to regulatory limits by the FDIC, and, accordingly, are subject to deposit insurance assessments to maintain the Bank Insurance Fund (the "BIF") and/or the Savings Association Insurance Fund (the "SAIF") administered by the FDIC. As of December 31, 2000, the Corporation's banking subsidiaries held approximately \$81 billion and \$3.4 billion, respectively, of BIF- and SAIF-assessable deposits.

### Depositor Preference Statute

In the "liquidation or other resolution" of an institution by any receiver, U.S. federal legislation provides that deposits and certain claims for administrative expenses and employee compensation against the insured depository institution would be afforded a priority over other general unsecured claims against that institution, including federal funds and letters of credit.

### Future Legislation

Changes to the laws and regulations in the states and countries where the Corporation and its subsidiaries do business can affect the operating



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environment of bank holding companies and their subsidiaries in substantial and unpredictable ways. The Corporation cannot accurately predict whether those changes in laws and regulations will occur, and, if those changes occur, the ultimate effect they would have upon the financial condition or results of operations of the Corporation or any of its subsidiaries.

### STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES

The following information, included under Items 6, 7 and 8 of this Report, is incorporated by reference herein:

"Consolidated Average Balances/Interest Earned-Paid/Rates 1998-2000" table - presents average balance sheet amounts, related taxable equivalent interest earned or paid, and related average yields and rates paid.

"Rate/Volume Analysis" table - presents changes in the taxable equivalent interest income and expense for each major category of interest earning assets and interest bearing liabilities.

Note 4, "Securities," of the "Notes to Consolidated Financial Statements" and "Securities" table included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" - discloses information regarding book values, market values, maturities, and weighted average yields of securities (by category).

Note 5, "Loans and Leases," of the "Notes to Consolidated Financial Statements" and "Loans and Leases" table included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" - discloses distribution of loans of the Corporation.

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"Loans and Leases Maturity" table and "Interest Sensitivity of Loans and Leases Over One Year" table - presents maturities and sensitivities of loans to changes in interest rates.

Note 1, "Summary of Significant Accounting Policies - Loans and Leases" of the "Notes to Consolidated Financial Statements" and "Nonperforming Assets" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" - discloses information on nonaccrual and past due loans and leases and the Corporation's policy for placing loans on nonaccrual status.

"Loans and Leases" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" - discloses information regarding cross-border outstandings and other loan concentrations of the Corporation.

"Reserve for Credit Losses" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" - presents an analysis of loss experience, the allocation of the reserve for credit losses, and a description of factors which influenced management's judgment in determining the amount of additions to the reserve charged to operating expense.

"Consolidated Average Balances/Interest Earned-Paid/Rates 1998-2000" table and the "Funding Sources" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" - discloses deposit information.

"Selected Financial Highlights" - presents return on assets, return on equity, common dividend payout ratio, and equity-to-assets ratio.

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Note 8, "Short-Term Borrowings," of the "Notes to Consolidated Financial Statements" - discloses information on short-term borrowings of the Corporation.

### ITEM 2. PROPERTIES

The Corporation maintains its corporate headquarters at 100 Federal Street, Boston, Massachusetts. The Corporation or its domestic subsidiaries also maintain principal offices at One Federal Street, Boston, Massachusetts; 111 Westminster Street and One Financial Plaza, Providence, Rhode Island; 777 Main Street, Hartford, Connecticut; 1185 Avenue of the Americas and 26 Broadway, New York, New York; and 555 California Street, San Francisco, California. The Corporation or its subsidiaries also maintain administration and operations centers located in New York, Massachusetts, Pennsylvania, Wisconsin, Rhode Island, Connecticut, New Jersey and California.

In Latin America, where FNB operates under the corporate name "BankBoston, N.A.," BankBoston, N.A. maintains banking headquarters in Buenos Aires, Argentina, and Sao Paulo, Brazil. In 1998, BankBoston, N.A. acquired an undeveloped site in Sao Paulo, Brazil to construct a new corporate office building. Construction commenced in July 1999 and is expected to be completed in the first quarter of 2002.

None of these properties is subject to any material encumbrance. The Corporation's subsidiaries also own or lease numerous other premises used in their domestic and foreign operations.

### ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings of the Corporation is incorporated by reference herein from Note 15, "Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report.

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### ITEM 3A. EXECUTIVE OFFICERS OF THE CORPORATION

The names, positions, ages and business experience during the past five years of the "executive officers" of the Corporation, as defined in the Securities Exchange Act of 1934, as of February 1, 2001 are set forth below. The term of office of each executive officer extends until the meeting of the Board of Directors immediately following the Annual Meeting of Stockholders, and until a successor is chosen and qualified, unless they sooner resign, retire, die or are removed.

#### NAME

#### POSITIONS WITH THE CORPORATION

NAME	POSITIONS WITH THE CORPORATION
Terrence Murray.....	Chairman and Chief Executive Officer
Charles K. Gifford.....	President and Chief Operating Officer
Robert J. Higgins .....	President of Consumer Banking and Investment Services
Henrique C. Meirelles.....	President of Corporate and Global Banking
Eugene M. McQuade.....	Vice Chairman and Chief Financial Officer
H. Jay Sarles .....	Vice Chairman and Chief Administrative Officer
Paul F. Hogan .....	Vice Chairman and Chief Risk Officer
Peter J. Manning .....	Vice Chairman

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Joseph Smialowski.....	Vice Chairman, Technology and Operations
Bradford H. Warner.....	Vice Chairman, Consumer Business Group
Anne M. Finucane.....	Executive Vice President
John L. Mastromarino.....	Executive Vice President
Brian T. Moynihan.....	Executive Vice President
William C. Mutterperl.....	Executive Vice President, General Counsel and Secretary
M. Anne Szostak.....	Executive Vice President
Ernest L. Puschaver.....	Chief Accounting Officer

Terrence Murray has served as Chairman, President and Chief Executive Officer of the Corporation from 1989 to 1995, President and Chief Executive Officer from 1995 to 1996 and Chairman and Chief Executive Officer since 1997. Mr. Murray has been a Director of the Corporation since 1976.

Charles K. Gifford became President and Chief Operating Officer of the Corporation following the merger of BankBoston Corporation ("BankBoston") with Fleet Financial Group, Inc. (the "Merger"). Prior to the Merger, Mr. Gifford had served as Chairman, President and Chief Executive Officer of BankBoston from 1995 to 1996, Chief Executive Officer from 1996 to 1997 and Chairman and Chief Executive Officer from 1997 to 1999. Mr. Gifford has been a Director of the Corporation since 1999.

Robert J. Higgins was named Vice Chairman of the Corporation in 1993, President and Chief Operating Officer in 1997, President of Commercial and Retail Banking in 1999 and President of Consumer Banking and Investment Services in November 2000. Mr. Higgins has been a Director of the Corporation since 1999.

Henrique C. Meirelles became President of Global Banking and Financial Services of the Corporation following the Merger and was named President of Corporate and Global Banking in November 2000. Prior to the Merger, Mr. Meirelles had served as BankBoston's President and Chief Operating Officer from 1996 to 1999. Mr. Meirelles has been a Director of the Corporation since 1999.

Eugene M. McQuade was named Executive Vice President and Chief Financial Officer of the Corporation in 1993, and has served as Vice Chairman and Chief Financial Officer since 1997.

H. Jay Sarles has served as Vice Chairman of the Corporation since 1993 and Chief Administrative Officer since 1997.

Paul F. Hogan became Vice Chairman, Corporate and Investment Banking, of the Corporation following the Merger and was named Vice Chairman and Chief Risk Officer in November 2000. Prior to the Merger, Mr. Hogan had served as Vice Chairman, Corporate Banking, of BankBoston from 1996 to 1997 and Vice Chairman, Wholesale Banking, from 1997 to 1999.

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Peter J. Manning became Vice Chairman of the Corporation following the Merger. Prior to the Merger, Mr. Manning had served as Executive Vice President, Mergers and Acquisitions, of BankBoston from 1996 to 1999.

Joseph Smialowski became Vice Chairman, Technology and Operations, of the Corporation following the Merger. Prior to the Merger, Mr. Smialowski had served as Executive Vice President, Technology and Operations, of BankBoston from 1998 to 1999. Before joining BankBoston, Mr. Smialowski served as Senior Vice President and Chief Information Officer of Sears, Roebuck & Co. from 1993 to 1998.

Bradford H. Warner became Vice Chairman, Investment Services, of the Corporation following the Merger and was named Vice Chairman, Consumer Business

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Group, in November 2000. Prior to the Merger, Mr. Warner had served as Executive Vice President, Global Capital Markets, of BankBoston from 1996 to 1998 and Vice Chairman, Regional Banking, from 1998 to 1999.

Anne M. Finucane has served as Senior Vice President and Director of Corporate Marketing and Corporate Communications of the Corporation from 1995 to 1999 and Executive Vice President since 1999.

John L. Mastromarino became Executive Vice President of the Corporation following the Merger. Prior to the Merger, Mr. Mastromarino had served as Executive Vice President, Risk Management, of BankBoston from 1995 to 1999.

Brian T. Moynihan was named Managing Director, Corporate Strategy and Development, of the Corporation in 1994, Senior Vice President in 1998 and Executive Vice President in 1999.

William C. Mutterperl has served as General Counsel and Secretary of the Corporation since 1985, Senior Vice President from 1989 to 1998 and Executive Vice President since 1998.

M. Anne Szostak was named Senior Vice President, Human Resources, of the Corporation in 1994 and has served as Executive Vice President since 1998.

Ernest L. Puschaver was named Chief Accounting Officer of the Corporation in December 2000. Prior to joining the Corporation, Mr. Puschaver had been a partner at PricewaterhouseCoopers LLP since 1983.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders in the fourth quarter of 2000.

## PART II.

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Corporation's common stock is listed on the New York and Boston Stock Exchanges. At December 31, 2000, the Corporation had 67,166 stockholders of record. For information regarding high and low quarterly sales prices, and quarterly dividends declared and paid, in each case on the Corporation's common stock, see the "Quarterly Summarized Financial Information" table included under Item 8 of this Report, which is incorporated by reference herein.

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### ITEM 6. SELECTED FINANCIAL DATA

#### SELECTED FINANCIAL HIGHLIGHTS

Dollars in millions, except per share amounts

Prepared on a fully taxable equivalent basis	2000	1999	1998
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FOR THE YEAR			
Net interest income	\$ 6,582	\$ 6,799	\$ 6,454
Noninterest income	9,024	6,974	5,281
Total revenue	15,606	13,773	11,735
Noninterest expense	8,633	9,357	7,050
Provision for credit losses	1,196	933	850

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Net income	3,420	2,038	2,324
-----			
PER COMMON SHARE			
Basic earnings	\$ 3.74	\$ 2.16	\$ 2.47
Diluted earnings	3.68	2.10	2.41
Market price (year-end)	37.56	34.81	44.69
Cash dividends declared	1.23	1.11	1.00
Book value (year-end)	17.21	15.96	14.70
-----			
AT YEAR-END			
Assets	\$179,519	\$190,692	\$177,894
Securities	23,720	25,212	23,369
Loans	109,372	119,700	112,094
Reserve for credit losses	2,378	2,488	2,306
Deposits	101,290	114,896	118,178
Short-term borrowings	17,862	18,106	19,176
Long-term debt	28,357	25,349	14,411
Total stockholders' equity	16,172	15,307	14,204
-----			
RATIOS			
Return on average assets	1.84 %	1.08 %	1.37 %
Return on average common equity	23.11	14.12	17.64
Common dividend payout ratio	32.88	51.51	40.15
Net interest margin	4.24	4.23	4.40
Efficiency ratio(a)	56.9	60.0	58.2
Common equity-to-assets (year-end)	8.69	7.66	7.60
Average total equity-to-assets	8.19	7.82	8.03
-----			

SUMMARY OF OPERATING RESULTS (a)

Dollars in millions, except per share amounts Prepared on a fully taxable equivalent basis	2000	1999	1998
-----			
FOR THE YEAR			
Net interest income	\$ 6,582	\$ 6,799	\$ 6,454
Noninterest income	8,181	6,974	5,281
Total revenue	14,763	13,773	11,735
Noninterest expense	8,406	8,255	6,832
Provision for credit losses	1,196	933	850
Net income	3,137	2,798	2,459
-----			
PER COMMON SHARE			
Basic earnings	\$ 3.43	\$ 2.98	\$ 2.62
Diluted earnings	3.37	2.91	2.55
-----			
RATIOS			
Return on average assets	1.69 %	1.48 %	1.44 %
Return on average common equity	21.17	19.52	18.69
-----			

(a) Operating results and efficiency ratio exclude the impact of divestiture gains, merger and related costs and other special items.

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### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### OVERVIEW

The Corporation recorded net income of \$3.4 billion, or \$3.68 per diluted share, for 2000, compared with \$2 billion, or \$2.10 per diluted share, for 1999. Return on assets (ROA) and return on common equity (ROE) were 1.84% and 23.11%, respectively, in 2000, compared to 1.08% and 14.12%, respectively, in 1999.

The 2000 results included branch divestiture gains of \$843 million, or \$420 million after-tax, resulting from divestitures of 312 branches, \$9 billion of loans and \$13 billion of deposits to Sovereign Bancorp (Sovereign) and various community banks.

The 2000 results also included merger integration costs of \$227 million, or \$137 million after-tax. The 1999 results included \$1.1 billion, or \$760 million after-tax, of merger and related charges and other special items recorded upon completion of the Fleet/BankBoston merger.

Excluding these divestiture gains and integration costs, operating earnings were \$3.1 billion, or \$3.37 per diluted share in 2000, a 12% increase over operating earnings of \$2.8 billion, and a 16% increase over diluted earnings per share of \$2.91 in 1999. These increases were largely the result of strong growth in capital markets and investment services revenues from the Principal Investing business, Robertson Stephens and Quick & Reilly. ROA and ROE, on an operating basis, were 1.69% and 21.17%, respectively, in 2000 and 1.48% and 19.52%, respectively, in 1999.

The Corporation expects to achieve total annual cost savings of \$1 billion in connection with the Fleet/BankBoston merger integration and branch divestitures. As of December 31, 2000, approximately \$970 million of aggregate annualized reductions in expenses had been achieved. Because the divestitures and merger integration process occurred throughout 2000, the actual calendar year expense reductions were less than the annualized amount.

Net interest income on a fully taxable equivalent (FTE) basis totaled \$6.6 billion for 2000, compared to \$6.8 billion for 1999. Net interest margin for 2000 was 4.24%, compared to 4.23% in 1999.

The provision for credit losses was \$1.2 billion in 2000, compared to \$933 million in 1999. Net charge-offs totaled \$1.1 billion in 2000, compared to \$896 million in 1999. The increase in both provision and charge-offs was principally the result of higher credit losses in domestic commercial and industrial (C&I) loans, offset in part by lower levels of consumer credit losses, mainly related to credit card receivables.

Noninterest income, excluding \$843 million of pre-tax gains on branch divestitures, increased \$1.2 billion to \$8.2 billion in 2000, reflecting strong growth in the capital markets and investment services businesses, offset in part by lower banking fees and commissions.

Noninterest expense, excluding the previously mentioned merger integration costs in 2000 and the merger and related charges and other special items in 1999, totaled \$8.4 billion for 2000, compared with \$8.3 billion in 1999, the increase resulting primarily from growth in existing businesses and a rise in incentive compensation directly related to higher revenue levels, offset in part by expense reductions realized from both merger integration activities and branch divestitures.

On October 1, 2000, the Corporation announced an agreement to acquire

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Summit Bancorp. (Summit), a New Jersey-based financial services company with approximately \$40 billion in assets and approximately \$3 billion in stockholders' equity at December 31, 2000. The Corporation plans to account for the acquisition, which has received the required stockholder and regulatory approvals and is expected to close before the end of the first quarter of 2001, as a pooling of interests. Since the acquisition was not completed before December 31, 2000, the financial information included in this Report does not reflect Summit's results of operations or financial position. Additional information with respect to this pending acquisition is included in Note 2 of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report.

This discussion may contain statements relating to future results of the Corporation (including certain projections and business trends) that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, which are more fully discussed under Item 1 of this Report.

### RESULTS OF OPERATIONS

The following is a discussion and analysis of the Corporation's consolidated results of operations. In order to understand this section in context, it should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements included under Item 8 of this Report. Certain prior period amounts presented in this discussion and analysis have been reclassified to conform to current period classifications.

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### NET INTEREST INCOME

Year ended December 31	2000	1999	1998
FTE basis			
In millions			
-----			
Interest income	\$13,584	\$13,052	\$12,341
Tax-equivalent adjustment	61	57	59
Interest expense	7,063	6,310	5,946
-----			
Net interest income	\$ 6,582	\$ 6,799	\$ 6,454
-----			

The \$217 million, or 3%, decrease in net interest income for 2000 compared to 1999 was due principally to the impact of the required divestiture of approximately \$13 billion of low-cost deposits and \$9 billion of loans during 2000, as well as a higher cost of deposits, partially offset by increased income earned on domestic loans and leases as a result of the higher interest rate environment. Net interest income for 2000 was reduced by approximately \$300 million as a result of the divestitures, which were completed in phases during 2000.

### NET INTEREST MARGIN AND INTEREST RATE SPREAD

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Year ended December 31	2000		1999	
FTE basis	Average		Average	
Dollars in millions	Balance	Rate	Balance	Rate
Securities	\$ 23,883	6.67%	\$ 24,518	6.48%
Loans and leases:				
Domestic	99,044	8.88	103,511	8.21
International	15,857	13.98	14,017	13.47
Due from brokers/dealers	3,602	5.55	3,239	4.57
Mortgages held for resale	1,477	8.19	2,445	7.18
Other	11,346	6.35	12,906	6.28
<b>Total interest earning assets</b>	<b>155,209</b>	<b>8.79</b>	<b>160,636</b>	<b>8.16</b>
Deposits	81,357	4.48	90,687	3.88
Short-term borrowings	20,344	6.11	23,109	5.32
Due to brokers/dealers	4,825	5.66	4,145	4.65
Long-term debt	27,416	6.88	22,290	6.15
<b>Interest bearing liabilities</b>	<b>133,942</b>	<b>5.26</b>	<b>140,231</b>	<b>4.50</b>
Interest rate spread		3.53		3.66
Interest free sources of funds	21,267		20,405	
<b>Total sources of funds</b>	<b>\$155,209</b>	<b>4.55%</b>	<b>\$160,636</b>	<b>3.93%</b>
<b>Net interest margin</b>		<b>4.24%</b>		<b>4.23%</b>

Net interest margin represents the relationship between net interest income and average earning assets. Net interest margin is affected by several factors, including fluctuations in the overall interest rate environment, funding strategies, the mix of interest earning assets, interest bearing liabilities and noninterest bearing liabilities, as well as the use of interest rate derivatives that are used to manage interest rate risk.

Net interest margin for 2000 was 4.24%, compared to 4.23% for 1999. This modest increase was primarily attributable to the absence of low-yield earning assets necessary to support the Corporation's investment banking operation, which resulted from banking reform legislation which became effective in March 2000, partially offset by the aforementioned branch divestitures.

Average domestic loans and leases decreased \$4.5 billion to \$99 billion in 2000, primarily from divestitures, and decreases as a result of securitizations, offset in part by growth in average lease financing and consumer margin loans. Average yields on domestic loans and leases increased over 1999 as a result of increases in interest rates throughout 2000. Average international loans and leases increased \$1.8 billion as a result of increased lending activity, primarily in Brazil, due to an improving economy.

Average mortgages held for resale decreased \$968 million compared to 1999, resulting from lower mortgage production volume at Fleet Mortgage due to a higher interest rate environment.

Other interest earning assets decreased \$1.6 billion to \$11.3 billion during 2000, as a result of the previously mentioned absence of low-yield earning assets used to support investment banking. Partially offsetting this decrease was an increase in trading assets.



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Average interest bearing deposits decreased \$9.3 billion to \$81.4 billion in 2000, reflecting the impact of divestitures, offset in part by increased demand deposits and international deposits.

Average short-term borrowings decreased \$2.8 billion to \$20.3 billion during 2000, reflecting the absence of low-rate liabilities used to support investment banking, and a change in funding mix, which resulted in a \$5.1 billion increase in average long-term debt. The rise in yields was a result of Federal Reserve Board rate increases in the first half of 2000.

### NONINTEREST INCOME

Year ended December 31 In millions	2000	1999	1998
Capital markets revenue	\$3,157	\$2,104	\$1,140
Investment services revenue	1,704	1,513	1,212
Banking fees and commissions	1,423	1,485	1,324
Credit card revenue	707	737	455
Processing-related revenue	609	609	452
Gains on branch divestitures and sales of businesses	843	50	254
Other noninterest income	581	476	444
<b>Total noninterest income</b>	<b>\$9,024</b>	<b>\$6,974</b>	<b>\$5,281</b>

Noninterest income totaled \$9 billion for 2000, up 29% compared to 1999. This increase reflects growth in the capital markets and investment services businesses, particularly at Quick & Reilly and Robertson Stephens, offset in part by a decline in banking fees and commissions and credit card revenue. The 2000 results also included the previously mentioned \$843 million gain from branch divestitures.

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### CAPITAL MARKETS REVENUE

Year ended December 31 In millions	2000	1999	1998
Principal investing	\$ 891	\$ 494	\$ 381
Market-making revenue	808	426	162
Underwriting revenue	552	366	47
Advisory fees	340	230	71
Foreign exchange revenue	199	203	174
Syndication/agency fees	186	174	121
Trading profits and commissions	171	204	69
Securities gains	10	7	115
<b>Total capital markets revenue</b>	<b>\$3,157</b>	<b>\$2,104</b>	<b>\$1,140</b>

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Capital markets revenue increased 50%, rising \$1.1 billion to \$3.2 billion for 2000. This increase reflects a rise in almost all categories within capital markets revenue, most notably principal investing, market-making and underwriting revenue. Much of the increase in these revenues resulted from the unprecedented strength in the U.S. capital markets, particularly the technology sector, during the first quarter. Despite much less favorable market conditions in the latter part of 2000, transactional volumes for the year at both Quick & Reilly and Robertson Stephens increased compared to the prior year. The Corporation's revenues from its capital markets activities are impacted by a variety of factors, including the condition of the economy, interest rates and equity markets. These markets could be subject to additional volatility in the future. While 2001 levels of capital markets revenues cannot be predicted with certainty, they are not expected to reach those experienced in 2000.

Principal investing revenues rose \$397 million, or 80%, to \$891 million for 2000. The growth in revenue resulted primarily from liquidations of direct investments in public companies and appreciation in the value of primary fund investments. The Corporation has been in the principal investing business since 1959, and has one of the largest bank-owned businesses, with offices in Boston, Providence, Palo Alto, London, Hong Kong, Buenos Aires and Sao Paulo. During 2000, the Corporation made new investments totaling approximately \$2 billion. The Principal Investing portfolio, composed of indirect investments in primary or secondary funds, direct investments in privately held companies and direct investments in companies whose stocks are publicly traded, had an aggregate carrying value of approximately \$4.4 billion at December 31, 2000.

Market-making revenue increased \$382 million, or 90%, to \$808 million in 2000, reflecting increased transactional volumes at Robertson Stephens and Quick & Reilly resulting from market volatility. Quick & Reilly is the second largest New York Stock Exchange (NYSE) market maker and a leading market maker in NASDAQ securities. In October 2000, the Corporation completed its acquisition of the NYSE specialist firm, M.J. Meehan & Co., LLC (M.J. Meehan). With this acquisition, Quick & Reilly now handles an estimated 18% of all order flow on the NYSE.

Underwriting revenue increased \$186 million, or 51%, to \$552 million for 2000, compared to \$366 million for 1999. Underwriting revenues are affected by the volume and timing of public offerings and other transactions. Although underwriting volume at Robertson Stephens was relatively consistent with 1999, fees received per transaction resulted in higher revenues than the prior year.

Advisory fees increased \$110 million to \$340 million during 2000 as a result of a higher level of fees at Robertson Stephens. Advisory fees include fees received for providing financial advice on mergers and acquisitions, private clients transactions and other transactions.

Syndication/agency fees increased \$12 million to \$186 million for 2000, as a result of higher syndication volume during 2000.

Trading profits and commissions declined \$33 million to \$171 million in 2000, primarily due to the effect of NASDAQ market conditions on Robertson Stephens.

### INVESTMENT SERVICES REVENUE

Year ended December 31	2000	1999	1998
In millions			

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Investment management revenue	\$ 955	\$ 892	\$ 849
Brokerage fees and commissions	749	621	363
Total investment services revenue	\$1,704	\$1,513	\$1,212

Investment services revenue increased \$191 million, or 13%, in 2000 to \$1.7 billion. Changes in these revenues are discussed in more detail below.

### Investment Management Revenue

Year ended December 31 In millions	2000	1999	1998
Private Clients Group	\$377	\$374	\$367
International	161	142	131
Institutional businesses	156	150	156
Mutual Fund & Investment	139	122	92
Columbia Management Company	113	98	98
Other	9	6	5
Total	\$955	\$892	\$849

Investment management revenue rose \$63 million, or 7%, in 2000 to \$955 million. This improvement was attributable to a higher average level of domestic and international assets under management during 2000 compared to 1999. Assets under management were approximately \$127 billion at December 31, 2000. The Corporation is among the largest mutual fund providers in Argentina and Brazil, with approximately \$8 billion of assets under management.

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### Brokerage Fees and Commissions

Brokerage fees and commissions increased \$128 million, or 21%, in 2000 to \$749 million, reflecting strong results from both the retail brokerage and clearing units of Quick & Reilly and the brokerage unit of Robertson Stephens, as average trading volumes on the NASDAQ and NYSE were higher than volumes experienced by these businesses in 1999. Average daily trading volumes, in terms of the number of trades executed and the number of trades cleared, increased 37% and 15%, respectively, at Quick & Reilly. Average daily trading volumes, in terms of the number of shares traded, increased 126% at Robertson Stephens.

### BANKING FEES AND COMMISSIONS

Banking fees and commissions, which include fees received for cash management, deposit accounts, electronic banking and other service fees, decreased \$62 million, or 4%, to \$1.4 billion in 2000, primarily as a result of decreased deposit and electronic banking fees following branch divestitures. Partially offsetting this decrease was a rise in cash management fees resulting from a higher volume of business, including new business that resulted from the merger of the Fleet and BankBoston business units. Banking fees and commissions were

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negatively impacted by approximately \$100 million in 2000 as a result of divestitures.

### CREDIT CARD REVENUE

Credit card revenue decreased \$30 million, or 4%, to \$707 million in 2000, primarily the result of lower securitization income and increased amortization of deferred acquisition costs, offset in part by increased interchange fees. These changes were the result of a narrower margin on assets securitized, reflecting improving asset quality throughout 2000, and increased marketing activities.

The Corporation services approximately \$15 billion of managed (securitized and owned) credit card receivables. The primary components of credit card revenue are related to the Corporation's securitization activities. These activities result in securitization income, servicing revenue, interchange fees, and amortization of deferred acquisition costs. This revenue contributes to the earnings of the Corporation's Credit Cards business unit. This unit's earnings for 2000 increased \$19 million, or 13%, over 1999. Additional information with respect to this business unit is included in the Line of Business Information section of this discussion and analysis.

The securitization of credit card receivables changes the Corporation's status from that of a lender to that of a loan servicer. Accordingly, there is a change in the classification of the revenue associated with the securitization which is reported in the income statement. Revenue over the term of a securitization transaction may vary depending upon the credit performance of the securitized receivables, because credit losses become a component of the cash flows arising from the securitized receivables.

The following table depicts the consolidated financial statement impact as if the securitized credit card receivables had, in fact, been owned, as well as additional financial information pertaining to credit card receivables.

#### Credit Card Securitization Summary

Year ended December 31, 2000 Dollars in millions	Reported	Credit Card Securitization	Managed
Net interest income (FTE)	\$ 6,582	\$ 923	\$ 7,505
Provision for credit losses	1,196	549	1,745
Noninterest income	9,024	(374)	8,650
Noninterest expense	8,633	--	8,633
Net income	3,420	--	3,420
Assets at year-end	\$179,519	\$ 9,849	\$189,368
Average assets	185,568	9,900	195,468
Net interest margin	4.24%	9.32%	4.55%

Additional information concerning the Corporation's credit card securitization activities is included in Note 18 of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report.

### PROCESSING-RELATED REVENUE

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Year ended December 31 In millions	2000	1999	1998
Mortgage banking revenue, net	\$320	\$364	\$253
Student loan servicing fees	159	142	121
Other	130	103	78
<b>Total processing-related revenue</b>	<b>\$609</b>	<b>\$609</b>	<b>\$452</b>

Processing-related revenue remained unchanged compared to 1999. Increases in student loan servicing fees and other processing-related revenue were offset by a decrease in net mortgage banking revenue, which is discussed below. Student loan servicing fees increased \$17 million, or 12%, at AFSA Data Corporation (AFSA), the Corporation's student loan servicing subsidiary, as accounts serviced increased 6% to 7.6 million in 2000. Other processing-related revenue increased \$27 million, or 26%, due principally to the impact of the Corporation's acquisition of Curtis & Associates, Inc., a company that specializes in assisting individuals transitioning from the welfare rolls to the workforce, as well as increases in the Corporation's tax processing and information processing units.

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### 16 Mortgage Banking Revenue, Net

Year ended December 31 In millions	2000	1999	1998
Net loan servicing revenue	\$ 631	\$ 548	\$ 456
Mortgage production revenue	69	173	196
Gains on sales of mortgage servicing	--	--	34
Amortization/impairment charge	(380)	(357)	(433)
<b>Total mortgage banking revenue, net</b>	<b>\$ 320</b>	<b>\$ 364</b>	<b>\$ 253</b>

Net mortgage banking revenue in 2000 decreased \$44 million, or 12%, from \$364 million in 1999. This decline was due principally to lower mortgage production revenue and higher mortgage servicing rights (MSR) amortization, offset in part by increased loan servicing revenue.

Net loan servicing revenue represents fees received for servicing residential mortgage loans. The \$83 million, or 15%, increase in net loan servicing revenue was primarily attributable to a higher average servicing portfolio during 2000 compared to a year ago. The average servicing portfolio was \$143 billion for 2000 compared to \$134 billion for 1999. The Corporation sold approximately \$22 billion of mortgage servicing during the year at close to carrying value. The Corporation's decision to sell MSRs depends on a variety of factors, including the available markets and current market prices for such servicing rights.

Mortgage production revenue includes income derived from the loan origination process and gains on sales of mortgage originations. Mortgage production revenue declined in 2000 as a result of lower mortgage production

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volume compared to 1999, driven by the higher mortgage interest rate environment.

MSR amortization increased \$23 million to \$380 million in 2000, due to the above-mentioned rise in the average servicing portfolio. Since MSR's are an interest rate-sensitive asset, the value of the Corporation's mortgage servicing portfolio and related mortgage banking revenue may be adversely impacted if mortgage interest rates decline and loan prepayments increase. The Corporation hedges this interest rate risk with a variety of derivative instruments. For additional information concerning the management of this risk, refer to the Asset and Liability Management section of this discussion and analysis.

### OTHER

Gains on branch divestitures and sales of businesses for 2000 consisted of an \$843 million gain on the Corporation's divestitures of 312 branches and approximately \$9 billion of loans and \$13 billion of deposits to Sovereign and various community banks. The \$50 million gain in 1999 related to the sale of the Corporation's minority interest in Partner's First, a credit card company.

Other noninterest income increased \$105 million to \$581 million in 2000, due primarily to growth in existing businesses and a portion of the revenues that resulted from acquisitions, as well as increases in the Corporation's insurance and lease residual income.

### NONINTEREST EXPENSE

Year ended December 31 In millions	2000	1999	1998
Employee compensation and benefits	\$4,523	\$4,568	\$3,556
Occupancy and equipment	1,088	1,114	1,003
Intangible asset amortization	352	349	274
Legal and other professional	331	307	254
Marketing and public relations	289	276	253
Merger- and restructuring-related charges	--	850	138
Other	2,050	1,893	1,572
<b>Total noninterest expense</b>	<b>\$8,633</b>	<b>\$9,357</b>	<b>\$7,050</b>

In connection with the Fleet/BankBoston merger, the Corporation recorded merger- and restructuring-related charges and other costs of \$1.1 billion in the fourth quarter of 1999. These costs were composed of \$850 million of charges to accrue for merger-related costs and a restructuring plan; \$102 million of integration costs incurred during the fourth quarter; and \$150 million to establish a defined contribution plan for retention incentives at Robertson Stephens. The Corporation incurred an additional \$227 million of integration costs in 2000.

Noninterest expense decreased \$724 million, or 8%, to \$8.6 billion in 2000, due to the absence of the merger- and restructuring-related charges recorded in 1999. Excluding the 1999 charges and the 2000 integration costs, noninterest expense increased \$151 million from 1999, due primarily to higher compensation and benefit costs directly attributable to higher levels of revenue, offset in part by aggregate expense reductions of approximately \$540 million from merger integration activities and branch divestitures.

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Employee compensation and benefits decreased \$45 million to \$4.5 billion during 2000 compared to 1999. Excluding merger integration costs of \$26 million and \$25 million incurred in 2000 and 1999, respectively, and the \$150 million charge in 1999 related to retention incentives at Robertson Stephens, employee compensation and benefits increased \$104 million. This increase was a result of incentive and volume-related increases at both Quick & Reilly and Robertson Stephens, offset, in part, by expense reductions of approximately \$350 million from merger integration activities and branch divestitures.

Occupancy and equipment decreased \$26 million during 2000. This decline was a result of approximately \$100 million of expense reductions, offset in part by merger integration costs of \$73 million incurred in 2000 compared to \$39 million in 1999.

Intangible asset amortization increased slightly to \$352 million in 2000 due mainly to the acquisition of M.J. Meehan, as well as additional goodwill recorded related to the NatWest Bancorp earnout agreement. These items were offset, in part, by the impact of the write-off of goodwill related to branch divestitures.

Legal and other professional expenses increased \$24 million during 2000, primarily the result of \$28 million of merger integration costs incurred in 2000 compared to \$17 million incurred in 1999.

Marketing and public relations increased \$13 million to \$289 million in 2000, the result of \$23 million of integration costs incurred in 2000, offset, in part, by a portion of the above-mentioned expense reductions.

Other noninterest expense rose \$157 million, or 8%, primarily the result of merger integration costs of \$77 million incurred in 2000, compared to \$21 million in 1999, as well as increases due to the aforementioned acquisitions and growth in existing businesses.

The Corporation expects to achieve total annual cost savings of \$1 billion in connection with the Fleet/BankBoston merger integration and the branch divestitures. As of the end of 2000, approximately \$970 million of aggregate annualized reductions in expenses had been achieved. Because the divestitures and merger integration process occurred throughout 2000, the actual calendar year expense reductions, which totaled approximately \$540 million, were less than the annualized amount.

#### INCOME TAXES

The Corporation recorded income tax expense of \$2.3 billion for 2000 compared with \$1.4 billion for 1999. The effective tax rate was 40.2% in 2000 compared with 40.5% in 1999.

#### LINE OF BUSINESS INFORMATION

In 2000, the Corporation was organized and managed along three principal lines of business: Global Banking and Financial Services, Commercial and Retail Banking and National Financial Services. The financial performance of business lines is monitored by an internal profitability measurement system, which provides business line results and key performance measures. The following table presents selected line of business results on a reported basis. Information for 1999 has been restated for comparative purposes to reflect changes in business units and management reporting methodologies implemented in 2000. The information is presented on a fully taxable equivalent basis. Refer to Note 17

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of the "Notes to Consolidated Financial Statements," included under Item 8 of this Report, for additional information on these business lines.

In November 2000, the Corporation announced a realignment of senior management, which resulted in a revised organizational structure. Effective January 1, 2001, the Corporation will be organized and managed along the following principal lines of business - Consumer and Investment Group; Corporate and Global Banking; and Capital Markets Businesses. The information presented below and in Note 17 does not reflect this realignment.

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### LINE OF BUSINESS EARNINGS SUMMARY

Year ended December 31 Dollars in millions	2000	1999	2000	1999
	Net Income		Total Revenue	
Global Banking and Financial Services	\$1,777	\$1,246	\$ 7,458	\$6,000
Commercial and Retail Banking	1,201	1,080	5,318	5,400
National Financial Services	424	393	1,991	2,100
All Other	18	(681)	839	1,000
<b>Total</b>	<b>\$3,420</b>	<b>\$2,038</b>	<b>\$15,606</b>	<b>\$13,700</b>

During 2000, each of the three principal business lines posted increases in earnings compared to 1999. Improved results were driven primarily by growth in the capital markets units (Quick & Reilly, Robertson Stephens and Principal Investing), as well as growth in the core banking businesses and cost savings from merger integration efforts.

The following discussion focuses on the components and results of each of the three major business lines.

### GLOBAL BANKING AND FINANCIAL SERVICES

Year ended December 31 Dollars in millions	2000	1999
<b>Income Statement Data:</b>		
Net interest income (FTE)	\$ 2,185	\$ 2,019
Noninterest income	5,273	4,027
Provision for credit losses	314	294
Noninterest expense	4,183	3,681
Taxes/FTE adjustment	1,184	825
<b>Net Income</b>	<b>\$ 1,777</b>	<b>\$ 1,246</b>
<b>Balance Sheet Data:</b>		
Average assets	\$79,914	\$74,489
Average loans and leases	47,245	43,829
Average deposits	21,449	19,589



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Return on Equity	29%	23%
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Global Banking and Financial Services includes International Banking, Corporate Banking, Principal Investing, Robertson Stephens, Quick & Reilly and Investment Services. This unit earned \$1.8 billion in 2000, a 43% increase over 1999 earnings of \$1.2 billion. Increased earnings for Global Banking and Financial Services were driven by capital markets and investment services revenues, as the Corporation benefited from the strength of world financial markets during the first half of the year.

A more detailed analysis of the supporting business units follows.

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Year ended December 31 Dollars in millions	2000 Net Income	1999	% Change	2000 Total Revenue	1999	% Change
International Banking	\$ 383	\$ 316	21 %	\$1,832	\$1,739	5%
Corporate Banking	376	281	34	1,220	1,150	6
Principal Investing	373	215	73	740	460	61
Robertson Stephens	218	99	120	1,550	933	66
Quick & Reilly	217	172	26	1,178	876	34
Investment Services	210	163	29	938	888	6
Total	\$1,777	\$1,246	43%	\$7,458	\$6,046	23%

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#### International Banking

The International Banking unit includes the Corporation's international operations, the largest of which are in Brazil, where the Corporation has been in business since 1947, and Argentina, where the Corporation has done business since 1917. In both countries, the Corporation is a recognized leader among financial institutions. This business unit also includes operations in other Latin American countries, as well as Asia, and offers sophisticated foreign exchange and derivative products and other services through the Global Markets unit.

The Corporation has 64 branch banking locations in Brazil. The Corporation's total average assets in Brazil amounted to approximately \$8.4 billion for 2000, compared to approximately \$6.4 billion for 1999. The Corporation currently operates 137 branches in Argentina, and its total average assets in that country amounted to approximately \$9.5 billion for 2000, compared to approximately \$9.3 billion for 1999.

Compared to 1999, International Banking earnings increased \$67 million, or 21%, driven primarily by increased earnings in Argentina and Brazil, as well as increased trading profits and foreign exchange revenues, primarily in the Global Markets unit. Revenues increased as a result of higher loan volumes and lower credit costs, primarily in Brazil, as well as increased mutual fund fees, banking fees, credit card revenues, foreign exchange revenues and trading profits. These higher revenues were partly offset by increased compensation and

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equipment expenses.

For 2000, average deposit balances were \$11 billion, compared to \$9.6 billion for 1999. Average loan balances for 2000 were \$2.1 billion higher than 1999 at \$14.3 billion, due primarily to growth in commercial loans in Brazil. Additional information relating to international cross-border outstandings and currency positions and risks related to the Corporation's International Banking unit is presented in the Cross-Border Outstandings and Asset and Liability Management sections of this discussion and analysis.

### Corporate Banking

This business unit includes national specialized industry lending, institutional banking, investment banking, and certain capital markets activities. As a result of its focus on the needs of large corporate customers and specialized industries, this unit represents a diverse mix of corporate customers both by geographic region and industry. These units provide business customers with capital formation, acquisition finance and long-term financing strategies. The specialized industry and institutional lending units provide financial services to corporate customers across the nation in high growth industries such as media, communications, high tech, energy, financial institutions and healthcare. This unit also services international clients through the multinational and European units.

Corporate Banking earnings increased \$95 million, or 34%, compared to 1999, due primarily to increased capital markets revenue, higher cash management fees, and lower operating costs due to merger-related cost savings, as well as the absence of securities losses and other write-downs recorded in 1999. These items were partially offset by decreased investment banking fees and higher credit costs.

### Principal Investing

This business unit provides start-up capital and debt financing to new ventures and selected small business ventures that are predominantly privately or closely held companies. At December 31, 2000, the aggregate carrying value of the Principal Investing portfolio was approximately \$4.4 billion. In 2000, earnings increased \$158 million, or 73%, to \$373 million. Higher earnings were driven primarily by realized gains on the sale of several equity investments. Principal Investing earnings fluctuate with the condition of equity markets, the general state of the economy and the timing of sales.

### Robertson Stephens

Robertson Stephens conducts investment banking activities and provides brokerage services, as well as some private client services for high-net-worth individuals. Robertson Stephens, which is headquartered in San Francisco, has both domestic and international operations. Robertson Stephens focuses on the high-technology business sector, and is a leader in technology IPOs.

Robertson Stephens earned \$218 million in 2000 on \$1.6 billion in revenues, representing increases over the prior year of 120% and 66%, respectively. These increased earnings were driven by increased brokerage and investment banking activity, partially offset by higher operating expenses, primarily revenue-related incentive compensation and infrastructure expenses necessary to support the unit's growth.

### Quick & Reilly

Quick & Reilly, a leading provider of securities brokerage, market-making and securities clearing services, and one of the nation's largest and most successful brokerage firms, earned \$217 million in 2000, a 26% increase over the

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\$172 million earned in 1999. Increased earnings were driven by higher brokerage and market-making revenues which resulted from the large volume of transaction activity in the financial markets, particularly during the early part of 2000. Higher revenues were partially offset by higher revenue-related incentive compensation, and increased expenses related to investment in the retail brokerage infrastructure undertaken as part of a continuing program to integrate Quick & Reilly's services into the Corporation's existing distribution channels.

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### Investment Services

The Investment Services business unit is composed of several businesses targeting the growing customer need for investment products and services. These businesses include the Private Clients Group, which offers specialized asset management, estate settlement and deposit and credit products to high-net-worth customers; Columbia Management, which sells proprietary mutual funds and a wide range of investment products to retail and institutional customers; and the Mutual Fund & Investment Group, which markets the Corporation's proprietary mutual fund family, as well as third party mutual funds and annuity products through traditional retail distribution channels. In addition, the Investment Services unit includes several businesses that offer retirement planning, large institutional asset management and not-for-profit investment services.

The Investment Services unit earned \$210 million in 2000, an increase of \$47 million, or 29%, compared to 1999. Higher revenues from a higher average level of assets under management, as well as increased brokerage fees and commissions and lower operating expenses due to merger-related cost savings, drove increased earnings. Investment management revenue remained strong at \$732 million versus \$694 million in 1999. At December 31, 2000, domestic assets under management totaled approximately \$119 billion.

### COMMERCIAL AND RETAIL BANKING

Year ended December 31	2000	1999
Dollars in millions		
<b>Income Statement Data:</b>		
Net interest income (FTE)	\$ 3,864	\$ 3,989
Noninterest income	1,454	1,467
Provision for credit losses	334	352
Noninterest expense	2,958	3,265
Taxes/FTE adjustment	825	759
<b>Net Income</b>	<b>\$1,201</b>	<b>\$1,080</b>
<b>Balance Sheet Data:</b>		
Average assets	\$59,897	\$63,811
Average loans and leases	51,290	52,661
Average deposits	71,273	77,726
<b>Return on Equity</b>	<b>22%</b>	<b>19%</b>

Commercial and Retail Banking includes domestic banking to consumer and small business customers, as well as domestic commercial banking operations, which

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includes middle-market lending, asset-based lending, leasing, cash management, trade finance and government banking services. Results reflect year over year declines in both the loan and deposit portfolios, reflecting the impact of the divestitures of 312 branches in connection with the Fleet/BankBoston merger. Earnings for this unit increased \$121 million, or 11%, as expense reductions from divestitures and merger integration efforts and a lower provision for credit losses more than offset divestiture-related decreases in revenues. Excluding the impact of the divestitures, total revenue increased 6% over 1999.

Year ended December 31 Dollars in millions	2000 Net Income	1999	%	2000 Total Revenue	1999	%
			Change			Change
Retail Distribution	\$ 402	\$ 354	14%	\$2,204	\$2,341	(6)%
Commercial Finance	316	297	6	970	949	2
Commercial Banking	240	218	10	943	969	(3)
Small Business	194	170	14	888	855	4
Consumer Lending	49	41	20	313	342	(8)
<b>Total</b>	<b>\$1,201</b>	<b>\$1,080</b>	<b>11 %</b>	<b>\$5,318</b>	<b>\$5,456</b>	<b>(3)%</b>

### Retail Distribution

Retail Distribution offers consumer retail services through various delivery channels, and includes consumer deposit products and direct banking services. Consumer retail products and services are distributed through a network of over 1,250 branches, including convenient in-store branches, 3,400 ATMs, electronic banking products, Internet banking and 24-hour customer call centers. These delivery channels provide customers with the convenience to manage their finances in virtually any manner suited to their needs. The Corporation continues to expand its electronic banking customer base, which has grown from 669,000 in 1999 to over 1,000,000 in 2000.

This unit also includes the Corporation's Community Banking group. Community Banking includes 46 branches in select inner-city neighborhoods where it serves the needs and reflects the linguistic and cultural diversity of its customers. In addition to providing traditional banking products and services, this group is a leading provider of equity and at-risk capital for low and moderate and historically underserved minority and women-owned businesses.

In 2000, Retail Distribution earned \$402 million, a 14% increase over 1999 earnings of \$354 million, despite a divestiture-related revenue decline of 6%. These increased earnings were driven by higher spreads on deposits during the current year, and lower operating costs, as this unit realigned staffing requirements to optimize merger-related cost savings. During 2000, Retail Distribution's average core deposit balances declined to \$49 billion from \$55 billion during 1999, reflecting the impact of the aforementioned divestitures.

### Commercial Finance

Commercial Finance focuses on the asset financing needs of corporate customers, and offers asset-based lending and leasing products to corporate customers located throughout the nation. Commercial Finance customers also have access to commercial real estate lending, debt capital markets, cash management, trade services, foreign exchange, international services, interest rate protection and investment products.

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Commercial Finance earned \$316 million in 2000, an increase of 6% compared to 1999. This increase in earnings was primarily driven by improved results in the leasing business, which experienced growth of \$1.7 billion in lease receivables and a significant increase in lease-related fees. Commercial Finance had \$22.7 billion in average loans and leases outstanding during 2000, compared to \$21.6 billion during 1999.

#### Commercial Banking

Commercial Banking represents middle-market commercial lending, government banking services, trade services and cash management services. Commercial Banking provides a wide range of credit and banking services to customers generally ranging in size from \$10 million to \$500 million in annual sales, as well as government banking customers. Commercial Banking provides its customers with superior access to financial solutions, and supports its customers with services such as foreign exchange, international services, interest rate protection and investment products.

Commercial Banking earned \$240 million in 2000, a 10% increase over \$218 million recorded in 1999, resulting from increased levels of cash management fees and trade services revenues in Middle Market, and higher processing fees in Government Banking, as well as lower operating expenses attributable to merger integration-related cost savings. Average loans declined \$1 billion from the prior year to \$15.4 billion, due mainly to the impact of divestitures as well as the strategic sale of other credits.

#### Small Business

The Small Business group provides a full range of financial services to businesses with annual sales of up to \$10 million and credit needs up to \$2 million. Services offered include commercial lending, real estate lending, deposit products and cash management. The Corporation is widely recognized as the leading small business lender in the Northeast, and was recently ranked the number one Small Business Administration (SBA) lender in the country during the SBA's fiscal year ended September 30, 2000.

Earnings for this unit were \$194 million in 2000, \$24 million, or 14%, higher than 1999 earnings of \$170 million, despite the fact that the Small Business unit was one of the groups most adversely impacted by the aforementioned divestitures. Much of the current year earnings increase was driven by improved spreads on deposits and lower operating costs due to merger-related cost savings. Average loan balances were down slightly from 1999 to \$3.5 billion for 2000, and average deposit balances decreased to \$11.2 billion, as a result of the divestitures.

#### Consumer Lending

Consumer Lending offers a convenient and competitive selection of loan products to consumers. Products and services are delivered through the many types of retail distribution channels available to the Corporation's customers. Products offered include home equity loans and student loans, as well as both direct and indirect installment lending programs. The Consumer Lending business does not include credit card and residential mortgage products, which are managed as part of National Financial Services and Treasury, respectively.

The Consumer Lending business earned \$49 million in 2000, an increase of 20% from 1999. Higher earnings were primarily the result of lower operating costs and improved credit quality, as average loan portfolio balances continued to decline to \$9.1 billion, down from \$9.8 billion last year, due primarily to

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divestitures and the sale of certain student loan portfolios.

### NATIONAL FINANCIAL SERVICES

Year ended December 31	2000	1999
Dollars in millions		
<b>Income Statement Data:</b>		
Net interest income (FTE)	\$ 667	\$ 775
Noninterest income	1,324	1,340
Provision for credit losses	269	367
Noninterest expense	1,020	1,092
Taxes/FTE adjustment	278	263
<b>Net Income</b>	<b>\$ 424</b>	<b>\$ 393</b>
<b>Balance Sheet Data:</b>		
Average assets	\$23,114	\$24,229
Average loans and leases	14,450	14,799
Average deposits	4,204	4,172
<b>Return on Equity</b>	<b>15%</b>	<b>14%</b>

National Financial Services includes credit card services, commercial real estate lending, mortgage banking and student loan and other processing. A more detailed analysis of these business units follows.

Year ended December 31	2000	1999	%	2000	1999	%
Dollars in millions	Net Income			Total Revenue		
			Change			Change
Credit Cards	\$171	\$152	13%	\$1,038	\$1,133	(8)%
Commercial Real Estate	159	140	14	401	389	3
Mortgage Banking	58	71	(18)	328	405	(19)
Student Loan and Other Processing	36	30	20	224	188	19
<b>Total</b>	<b>\$424</b>	<b>\$393</b>	<b>8%</b>	<b>\$1,991</b>	<b>\$2,115</b>	<b>(6)%</b>

The Corporation's credit card subsidiary is the tenth largest bank credit card issuer in the nation in terms of managed credit card receivables. Fleet Mortgage, with offices

located in 19 states, originated approximately \$23 billion of loans in 2000 and currently services a mortgage portfolio of \$136 billion and 1.5 million loans. The Corporation's AFSA subsidiary, included in Student Loan and Other Processing, services approximately 7.6 million accounts nationwide and is the largest student loan service provider in the nation, with approximately \$72

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billion of student loans serviced.

National Financial Services earnings increased \$31 million compared to 1999. Increased earnings in the credit card business were driven by improvements in credit quality and lower operating expenses, which more than offset lower revenues. The commercial real estate unit earnings increase of \$19 million resulted from growth in investment banking fees and lower operating expenses. Earnings and revenue in the mortgage unit decreased \$13 million and \$77 million, respectively, the result of lower loan production reflecting the higher interest rate environment in 2000, somewhat offset by lower operating expenses. Student Loan and Other Processing had increased earnings, due largely to increases in servicing volume.

### ALL OTHER

All Other includes transactions not allocated to the principal business lines, the residual impact of methodology allocations, such as the provision for credit losses, credit loss reserves and equity allocations, combined with transfer pricing offsets. The business activities of the Corporation's Treasury unit are also included in All Other. The Treasury unit is responsible for managing the Corporation's securities and residential mortgage portfolios, the balance sheet management function and wholesale funding needs. Earnings in All Other can fluctuate with changes affecting the consolidated provision for credit losses, one-time charges, gains and other actions not driven by specific business units. All Other had net income of \$18 million in 2000 compared to a net loss of \$681 million in 1999. All Other in 2000 included divestiture gains of \$843 million (\$420 million after-tax) resulting from the divestiture of 312 branches to Sovereign and other community banks, as well as merger integration costs of \$227 million (\$137 million after-tax) incurred in conjunction with the Fleet/BankBoston merger. In 1999, All Other included \$1.1 billion (\$760 million after-tax) of merger- and restructuring-related charges and other costs. These costs are more fully discussed in Note 14 of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report.

### FINANCIAL CONDITION

Total assets were \$179.5 billion as of December 31, 2000, a decrease of \$11.2 billion from December 31, 1999, reflecting the aforementioned divestitures of approximately \$9 billion of loans in 2000, as well as a decrease of \$1.5 billion in securities, resulting partly from a decline in the fair value of securities held by the Corporation's Principal Investing business and partly from a repositioning of the Corporation's bond portfolio.

Total loans and leases at December 31, 2000 were \$109.4 billion, a decrease of \$10.3 billion, or 9%, compared with \$119.7 billion at December 31, 1999. This decline was due mainly to the above-mentioned divestitures, new credit card and commercial loan securitizations completed during the year, lower levels of domestic C&I loans, and the sale of approximately \$940 million of troubled commercial loans in December 2000. These declines were offset, in part, by strong growth in the domestic lease financing portfolio and international commercial loans, primarily in Brazil.

The decline in total deposits of \$13.6 billion, to \$101.3 billion at December 31, 2000, was primarily the result of the aforementioned divestitures of approximately \$13 billion of deposits in 2000.

Long-term debt increased \$3 billion to \$28.4 billion at December 31, 2000, compared to \$25.3 billion at December 31, 1999. This increase was due to the issuance of approximately \$6.9 billion of medium-term floating-rate notes

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(including \$5.5 billion of bank notes), \$1.5 billion of fixed-rate senior notes and \$300 million of trust preferred securities. These issuances were offset, in part, by maturities and the redemption of \$186 million of floating-rate subordinated notes.

The investment securities portfolio plays a significant role in the management of the Corporation's balance sheet, as the liquid nature of the securities portfolio enhances the efficiency of the balance sheet. The amortized cost of securities available for sale decreased \$400 million to \$23 billion at December 31, 2000, compared to \$23.4 billion at December 31, 1999. The valuation of securities available for sale decreased \$638 million to a net unrealized (pre-tax) gain position of \$54 million at December 31, 2000, due primarily to declines in the value of marketable equity securities, primarily investments held by the Principal Investing business.

### SECURITIES

December 31	2000		1999	
In millions	Amortized Cost	Market Value	Amortized Cost	Mar Va
-----				
Securities available for sale:				
U.S. Treasury and government agencies	\$ 1,174	\$ 1,166	\$ 2,282	\$ 2
Mortgage-backed securities	13,864	13,942	14,157	13
Foreign debt securities	2,734	2,754	2,906	2
Other debt securities	2,477	2,467	1,944	1
-----				
Total debt securities	20,249	20,329	21,289	20
-----				
Marketable equity securities	763	737	977	2
Other equity securities	2,027	2,027	1,173	1
-----				
Total securities available for sale	23,039	23,093	23,439	24
-----				
Total securities held to maturity	627	631	1,081	1
-----				
Total securities	\$23,666	\$23,724	\$24,520	\$25
-----				

### LOANS AND LEASES

December 31	2000	1999	1998
In millions			
-----			
Domestic:			
Commercial and industrial	\$ 46,697	\$ 55,184	\$ 54,447
Commercial real estate	8,390	7,945	8,176
Consumer	24,170	30,885	29,789
Lease financing	12,959	10,933	5,750
-----			
Total domestic loans and leases	92,216	104,947	98,162
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International:			
Commercial	14,221	11,855	11,126
Consumer	2,935	2,898	2,806
<hr/>			
Total international loans and leases	17,156	14,753	13,932
<hr/>			
Total loans and leases	\$109,372	\$119,700	\$112,094
<hr/>			

The loan and lease portfolio inherently includes credit risk. The Corporation controls such risk through analysis of credit applications, portfolio diversification and ongoing examinations of outstandings and delinquencies.

Total loans and leases decreased \$10.3 billion, or 9%, from December 31, 1999. Domestic loans and leases decreased \$12.7 billion, or 12%, while international loans and leases increased \$2.4 billion, or 16%. The decrease in domestic loans and leases was due primarily to the aforementioned divestiture of \$9 billion of C&I and consumer loans in 2000, new securitizations of approximately \$3 billion of credit card receivables and approximately \$2 billion of C&I loans during the year, and the sale of approximately \$940 million of troubled commercial loans

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in December 2000. Strong growth in the Corporation's domestic lease financing portfolio partially offset the impact of these transactions. The increase in the Corporation's international loan portfolio resulted from new business growth, primarily in Brazil.

### Commercial and Industrial Loans

Domestic C&I loans decreased \$8.5 billion to \$46.7 billion at December 31, 2000, primarily the result of the divestiture of \$3 billion of loans, a \$2 billion securitization transaction, the sale of \$940 million of troubled commercial loans and a decline in the level of domestic C&I loans.

Domestic C&I borrowers consist primarily of middle-market and large corporate customers, and are well-diversified as to industry and companies within each industry. International commercial borrower industry concentrations consist primarily of banking and insurance, transportation, communications and energy production and distribution.

### Lease Financing

The Corporation is engaged in lease financing on both a domestic and international basis. Domestic lease financing totaled \$13 billion at December 31, 2000, compared with \$10.9 billion at December 31, 1999. This \$2 billion, or 18.5%, increase was primarily attributable to new business growth.

### Consumer Loans

December 31	2000	1999
In millions		
<hr/>		

Domestic:		
Residential real estate	\$ 6,085	\$10,881

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Home equity	7,156	7,095
Credit card	5,020	5,455
Student loans	1,022	1,407
Installment/other	4,887	6,047
-----		
Total domestic loans	24,170	30,885
-----		
International	2,935	2,898
-----		
Total consumer loans	\$27,105	\$33,783
-----		

Approximately 55% of the domestic consumer loan portfolio at December 31, 2000 consisted of loans secured by residential real estate, including second mortgages, home equity loans and lines of credit. The Corporation manages the risk associated with most types of consumer loans by utilizing uniform credit standards when extending credit, together with systems that streamline the process of monitoring delinquencies.

Domestic residential real estate loans, secured by one- to four-family properties, decreased \$4.8 billion, or 44%, to \$6.1 billion at December 31, 2000. This decline was primarily the result of the divestiture of \$4.3 billion of such loans.

Domestic credit card loans decreased \$435 million to \$5 billion at December 31, 2000. The decrease was mainly the result of \$3 billion of new securitizations during 2000, offset by growth in the owned portfolio and activity related to prior year securitizations.

The aggregate decreases in the remaining consumer loan categories were directly attributable to divestitures of \$1.7 billion, as well as student loan sales during the period.

#### Cross-Border Outstandings

In accordance with Federal Financial Institutions Examination Council (FFIEC) guidelines, cross-border outstandings are amounts payable to the Corporation by residents of foreign countries, regardless of the currency in which the claim is denominated, and local country claims in excess of local country obligations. At December 31, 2000 and 1999, total cross-border outstandings were approximately \$13 billion, which included \$6.5 billion of cross-border outstandings to Latin America.

In addition to credit risk, cross-border outstandings have the risk that, as a result of political or economic conditions in a country, borrowers may be unable to meet their contractual repayment obligations of principal and/or interest when due because of the unavailability of, or restrictions on, foreign exchange needed by borrowers to repay their obligations. The Corporation manages its cross-border outstandings using country exposure limits established by the Country Exposure Committee.

The following table details, by country, the Corporation's approximate cross-border outstandings that individually amounted to 1% or more of its consolidated total assets at December 31, 2000, 1999 and 1998. There were no countries in which cross-border outstandings totaled between .75% and 1% of consolidated total assets at December 31, 2000, 1999 and 1998.

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December 31	2000 (b) (c)	1999 (b) (c)	1998
Dollars in millions			
-----			
Argentina:			
Banks	\$ 115	\$ 405	\$ 125
Government entities and agencies	835	1,470	775
Other	1,425	795	1,155
-----			
Total	\$2,375	\$2,670	\$2,055
-----			
Percentage of total assets	1.3 %	1.4 %	1.2 %
-----			
Commitments (d)	\$ 13	\$ 12	\$ 11
-----			
Brazil:			
Banks	\$ 15	\$ 170	--
Government entities and agencies	1,335	1,540	--
Other	690	210	--
-----			
Total	\$2,040	\$1,920	--
-----			
Percentage of total assets	1.1 %	1.0 %	--
-----			
Commitments (d)	\$ 80	\$ 30	--
-----			

- (a) Cross-border outstandings include deposits in other banks, resale agreements, trading securities, securities available for sale and held to maturity, loans and leases, amounts due from customers on acceptances, accrued interest receivable and revaluation gains on trading derivatives. Excluded from cross-border outstandings are claims reallocated as a result of external guarantees, cash collateral and insurance contracts primarily issued by U.S. government agencies.
- (b) Local country assets and local country liabilities for Argentina and Brazil are summarized below. Local country assets in excess of local country liabilities are included in cross-border outstandings.

December 31	2000		1999	
	Local Country Assets	Local Country Liabilities	Local Country Assets	Local Country Liabilities
Dollars in billions				
Argentina	\$6.2	\$5.5	\$6.9	\$5.3
Brazil	6.5	5.2	6.0	4.4

Included in local country liabilities are liabilities where the provider of funds assumes the risk of nonpayment due to currency exchange restrictions in a given country. Such liabilities were \$3.5 billion and \$2.7 billion at December 31, 2000 and 1999, respectively.

- (c) Excluding net local country outstandings, cross-border outstandings with a

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remaining maturity of less than one year, as a percentage of total outstandings, were approximately 55% for Argentina and 70% for Brazil at December 31, 2000.

- (d) Commitments include legally binding cross-border letters of credit, guarantees and other commitments defined by the FFIEC guidelines.

During 2000, the Argentine economy began to recover slowly from the recession that it experienced in 1999. Political discussions regarding a plan to improve the economy have continued. This situation has led to a new letter of intent with the International Monetary Fund. The related agreement includes reforms of the country's tax and pension systems and reductions in state provinces' fiscal deficits. These reforms are aimed at reducing Argentina's public deficit and improving the country's overall economic performance. To date, Argentine cross-border outstandings and securities portfolios have not been significantly impacted by the economic and political situation described above. In management's judgment, the Argentine situation has not significantly impacted other Latin American countries where the Corporation has operations. The Corporation will continue to closely monitor the Argentine economic and political situation and its potential impact on Argentine and other Latin American operations. However, it is not possible to predict what effect, if any, the economic and political events in Argentina will ultimately have on that country's economic growth or on the Corporation's operations in Argentina or in other Latin American countries. For additional information concerning the Corporation's Latin American operations, including Argentina, refer to the Line of Business Information section of this discussion and analysis.

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### NONPERFORMING ASSETS (a)

December 31	2000			1999		
In millions	Current or less than 90 days past due	Noncurrent	Total	Current or less than 90 days past due	Noncurrent	Total
<b>Domestic:</b>						
C&I	\$535	\$ 97	\$632	\$336	\$ 99	\$435
CRE	3	9	12	6	23	29
Consumer	3	34	37	6	82	88
OREO	--	24	24	--	29	29
Total Domestic	\$541	\$164	\$705	\$348	\$233	\$581
<b>International:</b>						
C&I	\$ 3	\$ 78	\$ 81	\$ 11	\$ 85	\$ 96
CRE	2	64	66	--	48	48
Consumer	--	55	55	--	99	99
OREO	--	18	18	--	17	17
Total International	\$ 5	\$215	\$220	\$ 11	\$249	\$260
Total NPAs	\$546	\$379	\$925	\$359	\$482	\$841

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December 31	1997			1996		
In millions	Current or less than 90 days past due	Noncurrent	Total	Current or less than 90 days past due	Noncurrent	Total
<b>Domestic:</b>						
C&I	\$166	\$149	\$315	\$188	\$245	\$ 433
CRE	49	74	123	83	148	231
Consumer	4	161	165	12	316	328
OREO	--	59	59	--	74	74
<b>Total Domestic</b>	<b>\$219</b>	<b>\$443</b>	<b>\$662</b>	<b>\$283</b>	<b>\$783</b>	<b>\$1,066</b>
<b>International:</b>						
C&I	\$ 13	\$ 51	\$ 64	\$ 1	\$ 73	\$ 74
CRE	--	--	--	--	--	--
Consumer	--	44	44	--	32	32
OREO	--	2	2	--	3	3
<b>Total International</b>	<b>\$ 13</b>	<b>\$ 97</b>	<b>\$110</b>	<b>\$ 1</b>	<b>\$108</b>	<b>\$ 109</b>
<b>Total NPAs</b>	<b>\$232</b>	<b>\$540</b>	<b>\$772</b>	<b>\$284</b>	<b>\$891</b>	<b>\$1,175</b>

(a) Throughout this Report, NPAs and related ratios do not include loans greater than 90 days past due and still accruing interest (\$361 million, \$320 million, \$275 million, \$233 million and \$288 million at December 31, 2000, 1999, 1998, 1997 and 1996, respectively). Included in these amounts were \$276 million, \$251 million, \$248 million, \$202 million and \$232 million of consumer loans at December 31, 2000, 1999, 1998, 1997 and 1996, respectively.

Nonperforming assets (NPAs) are assets on which income recognition has ceased or is limited. NPAs negatively affect the Corporation's earnings by reducing interest income. In addition to NPAs, asset quality is measured by the provision for credit losses, charge-offs and certain credit quality-related ratios.

NPAs at December 31, 2000, as a percentage of total loans, leases and OREO, and as a percentage of total assets, were .85% and .52%, respectively, compared to .70% and .44%, respectively, at December 31, 1999. NPAs increased \$84 million, or 10%, over the prior year, the result of an increase in domestic NPAs of \$124 million, attributable to C&I loans, offset by a \$40 million decrease in international NPAs, primarily consumer loans. The December 2000 sale of approximately \$940 million of troubled commercial loans included approximately \$225 million of NPAs.

Activity in Nonperforming Assets

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Year ended December 31	2000	1999
In millions		
-----		
Balance at beginning of year	\$ 841	\$ 684
Additions	1,854	1,615
Reductions:		
Payments/interest applied	(651)	(501)
Returned to accrual	(70)	(74)
Charge-offs/write-downs	(552)	(656)
Sales/other	(327)	(64)
-----		
Total reductions	(1,600)	(1,295)
-----		
Subtotal	1,095	1,004
-----		
Assets reclassified as held for sale by accelerated disposition	(170)	(163)
-----		
Balance at end of year	\$ 925	\$ 841
-----		

The Corporation anticipates increases in the overall level of NPAs in 2001, principally as a result of increases in nonperforming domestic C&I loans. Future levels of NPAs will be influenced by the economic environment, interest rates and other internal and external factors existing at the time. As such, no assurance can be given as to future levels of NPAs.

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At December 31, 2000 and 1999, the Corporation had assets held for sale by accelerated disposition with a net carrying value of \$138 million and \$370 million, respectively, of which approximately \$136 million and \$130 million, respectively, were not accruing interest. Transfers to this category are made in accordance with management's intention to focus appropriate resources on the disposition of these assets. Such assets are included in other assets in the consolidated balance sheet.

RESERVE FOR CREDIT LOSSES

The reserve for credit losses represents the amount available for credit losses inherent in the Corporation's loan and lease portfolios. Loans are charged off when they are deemed uncollectible, after giving consideration to factors such as the customer's financial condition, underlying collateral and guarantees, as well as general and industry economic conditions.

The Corporation performs periodic, systematic reviews of its portfolios to identify these inherent losses, and to assess the overall probability of collection of these portfolios. These reviews result in the identification and quantification of loss factors, which are used in determining the amount of the reserve for credit losses. In addition, the Corporation periodically evaluates prevailing economic and business conditions, industry concentrations, including emerging markets risks and cross-border outstandings, changes in the size and characteristics of the portfolio and other pertinent factors. Portions of the reserve for credit losses are allocated to cover the estimated losses inherent in each loan and lease category based on the results of this detailed review process.

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Commercial loans and leases are individually reviewed and assigned a credit risk rating from "1" (low risk of loss) to "10" (high risk of loss). This process includes the review of loans with a credit risk rating of "8" and above and a principal balance greater than \$250,000 to determine the need for a specific loan loss allocation. Additionally, derived or calculated loan loss allocations are provided for credit risk rated loans not specifically allocated. Estimated loss factors are provided for loans with a credit risk rating of "1" to "7" based on their specific credit risk rating classification. The combination of these analyses is the basis for the determination of the commercial loan and lease portions of the reserve for credit losses.

Consumer loans, which include credit cards, residential mortgages, home equity loans/lines, direct/indirect loans, consumer finance and international consumer loans, are generally evaluated as a group based on product type. The determination of the consumer loan portion of the reserve for credit losses is based on one year of forecasted net credit losses. This forecast is determined using several modeling tools, including a delinquency roll rate model, a vintage model and a regression model. Small business loans are analyzed in a similar manner based on delinquency migration. This analysis includes two years of forecasted net credit losses. The results of the analyses are reviewed and discussed by the Corporation's Loss Reserve Management Committee, the respective lines of business and the Collections group.

A "sovereign risk" analysis, which assesses the cross-border risk of credit loss, is performed as part of the Corporation's review of its international commercial and consumer loan portfolios.

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Testing of forecasted net credit losses and specific allocations of the reserve are performed on a quarterly basis. Adjustments to reserve allocations for specific segments of the loan and lease portfolio may be made as a result of this testing, based on the accuracy of forecasted net credit losses and other credit- or policy-related issues.

The process used by the Corporation to determine the appropriate overall reserve for credit losses is based on this analysis, taking into consideration management's judgment. Reserve methodology is reviewed on a periodic basis and modified as appropriate. Based on this analysis, including the aforementioned assumptions, the Corporation believes that the reserve for credit losses is adequate as of December 31, 2000.

An integral component of the Corporation's risk management process is to ensure the proper allocation of the reserve for credit losses based upon an analysis of risk characteristics, demonstrated losses, loan segmentations, and other factors. The unallocated component of the reserve for credit losses represents management's view that, given the complexities of the loan portfolio, there are estimable losses that have been incurred within the portfolio but not yet specifically identified.

This unallocated reserve may change periodically after evaluating factors impacting assumptions utilized in the allocated reserve calculation. At December 31, 2000, the Corporation's allocated reserve for credit losses amounted to 94% of the total reserve for credit losses.

Reserve for Credit Losses Allocation

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December 31	2000		1999		
Dollars in millions	Amount	Percent of Loan Type to Total Loans	Amount	Percent of Loan Type to Total Loans	Amount
Commercial and industrial	\$1,327	42.70%	\$1,429	46.10%	\$ 9
Commercial real estate:					
Construction	16	1.76	10	1.39	
Interim/permanent	58	5.91	55	5.25	
Residential real estate	21	5.56	33	9.09	
Consumer	328	16.54	382	16.71	6
Lease financing	152	11.85	112	9.13	
International	329	15.68	353	12.33	2
Unallocated	147	-	114	--	2
Total	\$2,378	100.0%	\$2,488	100.0%	\$2,3

December 31	1997		1996		
Dollars in millions	Amount	Percent of Loan Type to Total Loans	Amount	Percent of Loan Type to Total Loans	
Commercial and industrial	\$ 854	44.08%	\$ 898	41.54%	
Commercial real estate:					
Construction	15	1.09	26	1.35	
Interim/permanent	118	8.46	212	8.55	
Residential real estate	50	11.82	80	11.13	
Consumer	444	17.86	558	23.20	
Lease financing	28	4.70	36	4.10	
International	189	11.99	217	10.13	
Unallocated	446	--	344	--	
Total	\$2,144	100.0%	\$2,371	100.0%	

During 2000, the Corporation experienced a decline in loans of \$10.3 billion, or almost 9%. The Corporation's reserve for credit losses decreased \$110 million, or 4.4%, from December 31, 1999, to \$2.4 billion at December 31, 2000. This decline was primarily the result of aggregate reductions of reserves in connection with divestitures and the sale of troubled commercial loans, offset by the excess of the provision for credit losses over net charge-offs.

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Reserve for Credit Losses Activity

Year ended December 31	2000	1999	1998	1997	1996
In millions					



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Balance at beginning of year	\$ 2,488	\$ 2,306	\$ 2,144	\$ 2,371	\$ 2,211
Gross charge-offs:					
Domestic:					
Commercial and industrial	785	398	240	174	181
Commercial real estate	6	17	23	46	105
Residential real estate	4	12	21	29	45
Consumer	109	148	164	253	246
Credit card	273	372	369	300	161
Lease financing	44	47	1	2	4
International:					
Commercial	46	71	141	38	20
Consumer	123	121	91	38	32
Total gross charge-offs	1,390	1,186	1,050	880	794
Recoveries:					
Domestic:					
Commercial and industrial	105	79	73	73	72
Commercial real estate	11	18	28	39	33
Residential real estate	6	4	4	7	6
Consumer	32	36	42	60	54
Credit card	33	38	32	19	10
Lease financing	7	8	2	2	4
International:					
Commercial	16	77	12	12	4
Consumer	40	30	23	13	11
Total recoveries	250	290	216	225	194
Net charge-offs	1,140	896	834	655	600
Provision	1,196	933	850	522	444
Acquired/divestitures/other	(166)	145	146	(94)	316
Balance at end of year	\$ 2,378	\$ 2,488	\$ 2,306	\$ 2,144	\$ 2,371

Net charge-offs increased \$244 million to \$1.1 billion in 2000, primarily the result of higher credit losses in the domestic C&I portfolio and lower recoveries in the international C&I portfolio, offset, in part, by lower credit losses in the consumer loan and credit card portfolios.

The ratio of net charge-offs to average loans increased to .99%, compared to .76% at December 31, 1999.

#### ASSET AND LIABILITY MANAGEMENT

The goal of asset and liability management is the prudent control of market risk, liquidity risk and use of capital. Asset and liability management is governed by policies reviewed and approved annually by the Corporation's Board of Directors (the Board). The Board delegates responsibility for asset and liability management to the Corporation's Asset, Liability and Capital Committee (ALCCO). ALCCO sets strategic directives that guide the day-to-day market risk management activities of the Corporation, and also reviews and approves all major market risk, liquidity risk and capital management programs.

#### MARKET RISK MANAGEMENT

Market risk is defined as the sensitivity of income and capital to variations in

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interest rates, foreign exchange rates, equity prices, commodity prices and other market-driven rates or prices. The Corporation is exposed to market risk both in its balance sheet management activities and in its trading activities. The Corporation's market risk management process for these activities applies to both balance sheet and off-balance sheet exposures.

### Balance Sheet Management - U.S. Dollar Denominated Risk

U.S. dollar denominated assets and liabilities comprise the majority of the Corporation's balance sheet. Interest rate risk, including mortgage prepayment risk, is by far the most significant non-trading market risk to which the U.S. dollar denominated positions are exposed. Interest rate risk is defined as the sensitivity of income or financial condition to variations in interest rates and arises directly from the Corporation's core banking activities - lending, deposit gathering and loan servicing. The interest rate risk exposure of U.S. dollar denominated assets and liabilities results almost entirely from domestic operations. Such exposure of U.S. dollar denominated assets and liabilities in the Corporation's overseas operations is not significant.

The primary goal of interest rate risk management is to control exposure to interest rate risk, both within limits approved by the Board and within narrower guidelines approved by ALCCO. These limits and guidelines reflect the Corporation's tolerance for interest rate risk over both short-term and long-term time horizons.

The major source of the Corporation's non-trading interest rate risk is the difference in the maturity and repricing characteristics between the Corporation's core banking assets and liabilities - loans and deposits. This difference, or mismatch, poses a risk to net interest income.

Most significantly, the Corporation's core banking assets and liabilities are mismatched with respect to repricing frequency, maturity and/or index. Most of the Corporation's commercial loans, for example, reprice rapidly in response to changes in short-term interest rates (e.g., LIBOR and prime rate). In contrast, many of the Corporation's consumer deposits reprice slowly, if at all, in response to changes in market interest rates. As a result, the core bank is asset-sensitive.

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The Corporation controls interest rate risk by identifying, quantifying and hedging its exposures. The Corporation identifies and quantifies its interest rate exposures using sophisticated simulation and valuation models, as well as simpler gap analyses, reflecting the known or assumed maturity, repricing, and other cash flow characteristics of the Corporation's assets and liabilities.

The Corporation hedges the interest rate risk inherent in its core banking operations using both on-balance sheet instruments, mainly fixed-rate portfolio securities, and a variety of off-balance sheet instruments. The most frequently used off-balance sheet instruments are interest rate swaps and options (e.g., interest rate caps and floors). When appropriate, forward rate agreements, options on swaps, and exchange-traded futures and options are also used. At December 31, 2000, interest rate swaps totaling approximately \$33 billion (notional amount) were being used to manage risk to net interest income.

A second major source of non-trading interest rate risk is the sensitivity of MSRs to prepayments. A mortgage borrower has the option to prepay a mortgage loan at any time, without penalty. As a result, the Corporation's mortgage-based assets (not only MSRs but also mortgage loans and securities) are subject to prepayment risk. This risk tends to increase when interest rates fall due to the

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benefits of refinancing. Since MSRs represent the right to service mortgage loans, a decline in interest rates and an actual (or probable) increase in mortgage prepayments shorten the expected life of the MSR asset and reduce the expected amount of servicing fees to be received and, therefore, the economic value of the MSRs. The expected income from and, therefore, the economic value of MSRs is sensitive to movements in interest rates due to this sensitivity to mortgage prepayments.

To mitigate the risk of declining long-term interest rates, increased mortgage prepayments and the potential impairment of MSRs, the Corporation uses a variety of risk management instruments, including interest rate swaps, caps and floors tied to "constant maturity" yields on long-term (e.g., 10-year) Treasury notes and swaps, options on swaps, exchange-traded options on Treasury bond and note futures contracts, and swaps linked to mortgage assets such as "principal only" (P.O.) securities. These instruments gain value as interest rates decline, mitigating the impairment of MSRs. At December 31, 2000, the Corporation had approximately \$49 billion (notional amount) of outstanding derivatives being used to manage risk to the MSRs' valuation.

Complicating management's efforts to control non-trading exposure to interest rate risk is the fundamental uncertainty of the maturity, repricing, and/or runoff characteristics of some of the Corporation's core banking assets and liabilities. This uncertainty often reflects options embedded in these financial instruments. The most important embedded options are contained in consumer deposits and loans.

For example, many of the Corporation's interest bearing retail deposit products (e.g., interest checking, savings and money market deposits) have no contractual maturity. Customers have the right to withdraw funds from these deposit accounts freely. Deposit balances may therefore run off unexpectedly due to changes in competitive or market conditions. To forestall such runoff, rates on interest bearing deposits may have to be increased more (or reduced less) than expected. Such repricing may not be highly correlated with the repricing of prime rate-based or LIBOR-based loans. Finally, balances that leave the banking franchise may have to be replaced with other more expensive retail or wholesale deposits. Given the uncertainties surrounding deposit runoff and repricing, the interest rate sensitivity of core bank liabilities cannot be determined precisely.

To cope with such uncertainties, management has developed a number of assumptions. Depending on the product or behavior in question, each assumption will reflect some combination of market data, research analysis and business judgment. For example, assumptions for mortgage prepayments are derived from third party prepayment estimates for comparable mortgage loans. Assumptions for noncontractual deposits are based on a historical analysis of repricing and runoff trends, heavily weighted to the recent past, modified by business judgment concerning prospective competitive market influences.

To measure the sensitivity of its income to changes in interest rates, the Corporation uses a variety of methods, including simulation and valuation analyses.

SIMULATION ANALYSIS involves dynamically modeling interest income and expense from the Corporation's on-balance sheet and off-balance sheet positions over a specified time period under various interest rate scenarios and balance sheet structures. The Corporation uses simulation analysis primarily to measure the sensitivity of net interest income over relatively short (e.g., less than 2-year) time horizons.

Key assumptions in these simulation analyses (and in the valuation analyses discussed below) relate to the behavior of interest rates and spreads, the growth or shrinkage of product balances and the behavior of the

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Corporation's deposit and loan customers. As indicated above, the most material assumptions relate to the prepayment of mortgage assets, as well as the repricing and/or runoff of noncontractual deposits.

As the future path of interest rates cannot be known in advance, management uses simulation analysis to project earnings under various interest rate scenarios. Some scenarios reflect reasonable or "most likely" economic

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forecasts. Other scenarios are deliberately extreme, including immediate interest rate "shocks," gradual interest rate "ramps," spread narrowings/widenings, and yield curve "twists." Usually, each analysis incorporates what management believes to be the most appropriate assumptions about customer and competitor behavior in the specified interest rate scenario. But in some analyses, assumptions are deliberately manipulated to test the Corporation's exposure to "assumption risk."

The Corporation's Board-approved limits on interest rate risk specify that if interest rates in the base forecast scenario were to shift immediately up or down 200 basis points, estimated net interest income for the subsequent 12 months should decline by less than 7.5%. The base scenario as of December 31, 2000, intended to reflect current market consensus, envisioned 100 basis points of easing in Federal Reserve Board interest rate policy. The limit relates to the impact of an immediate increase or decrease in forecasted interest rates relative to this base scenario. The Corporation was in compliance with the limit at December 31, 2000 and 1999.

The following table reflects the estimated exposure of the Corporation's net interest income for the next 12 months due to an immediate shift in forecasted interest rates. Management believes that these estimates reflect a complete and reasonable representation of the Corporation's balance sheet. It should be emphasized, however, that the estimated exposures set forth below are dependent on material assumptions such as those previously discussed.

Rate Change (Basis Points)	Estimated Exposure to Net Interest Income (In millions)	
	2000	1999
+200	\$ (121)	\$ (58)
-200	97	(12)

As indicated, an immediate 200 basis point increase in interest rates would tend to reduce net interest income but by an amount that is well within corporate limits. An immediate 200 basis point decrease in interest rates would tend to enhance net interest income. Thus, the balance sheet position as of December 31, 2000 is modestly liability-sensitive. While an immediate and severe shift in interest rates is used in this analysis to provide an estimate of exposure under an extremely adverse scenario, management believes that the exposure of the Corporation's net interest income to gradual and modest changes in interest rates is relatively insignificant.

Estimated net interest income exposures at December 31, 2000 differ from those at year-end 1999. The rising rate scenario shows greater exposure; the

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declining rate scenario now shows a benefit. These changes are a direct result of interest rate risk management strategy. As the Federal Reserve Board continued to tighten monetary policy in the first half of 2000 and as the prospect of a subsequent economic slowdown increased, the Corporation added interest rate swaps, as well as fixed-rate securities, to reduce the exposure of net interest income (as well as economic value) to any possible future decline in interest rates.

The Corporation also performs VALUATION ANALYSIS, which involves projecting future cash flows from the Corporation's current assets, liabilities and off-balance sheet positions over a very long-term horizon, discounting those cash flows at appropriate interest rates, and then aggregating the discounted cash flows. The Corporation's "Economic Value of Equity" (EVE) is the estimated net present value of these discounted cash flows. Valuation analysis provides a somewhat more comprehensive measure than simulation analysis, not only because valuation analysis incorporates a longer time horizon, but also because it includes certain interest rate-sensitive components of noninterest income, specifically mortgage banking revenue.

The sensitivity of EVE to changes in the level of interest rates is a measure of the sensitivity of long-term earnings to changes in interest rates. The Corporation uses the sensitivity of EVE primarily to measure the exposure of earnings and equity to changes in interest rates over a relatively long (e.g., greater than 2-year) time horizon.

The Corporation's Board-approved limits on interest rate risk specify that if interest rates in the base forecast scenario were to shift immediately up or down 200 basis points, the estimated EVE should decline by less than 10%. The Corporation was in compliance with this limit at December 31, 2000 and 1999.

The following table reflects the Corporation's estimated EVE exposures assuming an immediate shift in interest rates. Exposures are reported for shifts of +/- 100 basis points as well as +/- 200 basis points because the sensitivity of EVE to changes in interest rates can be very nonlinear. Management believes that these estimates reflect a complete and reasonable representation of the Corporation's balance sheet but, again, it should be emphasized that the estimated exposures are dependent on material assumptions.

Rate Change (Basis Points)	Estimated Exposure to Economic Value (In millions)	
	2000	1999
+200	\$ (611)	\$ 118
+100	(155)	65
-100	(315)	(539)
-200	(451)	(1,457)

As indicated, an immediate 200 basis point change in interest rates in either direction would reduce EVE, but by an amount that is well within corporate limits. These exposures have two different sources: An immediate 200

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immediate 200 basis point decrease would reduce the value of MSR's. Again, while an immediate and severe shift in interest rates is used in this analysis to provide an estimate of exposure under an extremely adverse scenario, management believes that a gradual shift in interest rates would have a much more modest impact, due partly to anticipated adjustments in MSR hedges.

Estimated EVE exposures at December 31, 2000 are more symmetrical than at year-end 1999. This change, similar to the change in net interest income exposure, is a direct result of interest rate risk management strategy: In the first half of 2000, the Corporation added interest rate swaps and fixed-rate securities, reducing the exposure of economic value to a decline in interest rates.

It should be emphasized that valuation analysis focuses on the long-term economic value of the Corporation's future cash flows. For some financial instruments, the adverse impact of current movements in interest rates on expected future cash flows must be recognized immediately. For example, if interest rates decline and the related hedge is not effective, thereby reducing estimated future fee income from MSR's such that the estimated economic value of the MSR's falls below its book value, an immediate impairment charge is required. In contrast, for other financial instruments, such as fixed-rate investment securities, the beneficial impact of a decline in interest rates on future income is unrecognized unless the instruments are sold.

As a result of such accounting requirements, a portion of the EVE exposure attributable to MSR's could materially impact earnings within the next 12 months under certain extreme scenarios involving changes in market spreads, a decline in implied option volatilities, and/or a greater-than-anticipated increase in prepayments.

Off-balance sheet interest rate instruments used to manage net interest income are designated as hedges of specific assets and liabilities. Accrual accounting is applied to these hedges, and the income or expense is recorded in the same category as that of the related balance sheet item. The periodic net settlement of the interest rate risk management instruments is recorded as an adjustment to net interest income. As of December 31, 2000, the Corporation had net deferred income of \$18 million relating to terminated interest rate swap contracts, which will be amortized over the remaining life of the underlying terminated interest rate contracts of approximately 9 years.

The interest rate instruments used to manage potential impairment of MSR's are designated as hedges of the MSR's. Changes in fair value of the hedges are recorded as adjustments to the carrying value of the MSR's and related hedges. During 2000, net hedge gains of \$415 million were deferred and recorded as adjustments to the carrying value of the MSR's and related hedges. At December 31, 2000, the carrying value and fair value of the Corporation's MSR's were approximately \$2.7 billion.

In connection with the Corporation's management of its MSR hedge program, the Corporation terminated (in notional amounts) \$60 billion of interest rate floor and option on swap agreements and \$5 billion of call options purchased, and added \$33 billion and \$4 billion of interest rate floor and option on swap agreements and call options purchased, respectively, during 2000. Additionally, the Corporation added \$5 billion of interest rate cap and cap corridors and \$13 billion of interest rate swap contracts, and terminated \$9 billion and \$13 billion, respectively, of these instruments during 2000.

These risk management activities do not completely eliminate interest rate risk in the MSR's. The MSR hedges utilized were indexed to Treasury rates, swap rates and mortgage rates. Treasury rates and swap rates may not move in tandem with mortgage interest rates. In addition, as mortgage interest rates change, actual prepayments may not respond exactly as anticipated. Other pricing

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factors, such as the implied volatility of market yields, may affect the value of the option hedges without similarly impacting the MSRs. Therefore, the Corporation's hedging activity may not be sufficient to eliminate prepayment and other market risk completely in all interest rate scenarios.

The Corporation adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as of January 1, 2001. For additional information on the accounting requirements of this new Standard, refer to Note 19 of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report.

### Balance Sheet Management - Non-U.S. Dollar Denominated Risk

The Corporation's non-U.S. dollar denominated assets and liabilities are exposed to interest rate and foreign exchange rate risks. The majority of the non-U.S. dollar denominated interest rate and foreign exchange rate risk exposure stems from the Corporation's operations in Latin America, primarily Argentina and Brazil. At December 31, 2000, the Corporation's exposure to non-trading interest rate risk in its Latin American operations was not significant. Exposure to non-trading foreign exchange rate risk in Latin American operations is managed using a VAR methodology, which is discussed in the Trading Activities section of this discussion and analysis.

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### Risk Management Instruments

December 31, 2000 Dollars in millions	Notional Value	Assets- Liabilities Hedged
<hr style="border-top: 1px dashed black;"/>		
DOMESTIC INTEREST RATE RISK MANAGEMENT INSTRUMENTS		
Interest rate swaps:		
Receive fixed/pay variable	\$20,393	Variable-rate loans
	1,950	Fixed-rate deposits
	166	Short-term debt
	5,559	Long-term debt
	28,068	
Pay fixed/receive variable	3,957	Securities
	175	Short-term debt
	65	Long-term debt
	4,197	
Forward and futures contracts	4,317	Securities
	4,317	
Options	1,500	Securities
	835	Fixed-rate deposits
	2,335	
<hr style="border-top: 1px dashed black;"/>		
Total domestic interest rate risk management instruments	38,917	

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INTERNATIONAL INTEREST RATE RISK MANAGEMENT INSTRUMENTS

Interest rate swaps	1,147	Short-term assets and liabilities
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Total international interest rate risk management instruments	1,147	
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Total hedges of net interest income	\$40,064	
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MORTGAGE BANKING RISK MANAGEMENT INSTRUMENTS

Swaps:

Interest rate, P.O., and MBS swaps	\$ 5,864	MSRs
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Options:

Interest rate floors and options on swaps	30,350	MSRs
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Interest rate caps	13,200	MSRs
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Total options	43,550	
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Total hedges of mortgage servicing rights	\$49,414	
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FOREIGN EXCHANGE RISK MANAGEMENT INSTRUMENTS

Swaps

\$ 4,666	Foreign currency denominated assets and liabilities
----------	---

Spot and forward contracts

442	Foreign currency denominated assets and liabilities
-----	---

Total hedges of foreign exchange	\$ 5,108	
----------------------------------	----------	--

Total risk management instruments	\$94,586	
-----------------------------------	----------	--

(a) These interest rate swaps typically include the exchange of floating rate indices that are indigenous to the Brazilian market and have been excluded from the weighted average rate.

(b) The mortgage banking risk management interest rate floors and options on swaps, and interest rate caps have weighted average strike rates of 5.81% and 7.47%, respectively.

Trading Activities

The Corporation's trading activities create exposure to price risk, or the risk of loss of income arising from adverse changes in the value of financial instrument trading portfolios. This exposure arises in the normal course of the Corporation's business as a financial intermediary. The Corporation enters into interest rate, currency exchange and precious metals contracts primarily to satisfy the investment and risk management needs of its customers. Equity positions result mainly from the Corporation's market-making and underwriting activities.

In addition, the Corporation takes certain proprietary trading positions, including positions in high yield and emerging markets fixed-income securities, local currency debt and equity securities, and related derivative instruments. The Corporation expects these proprietary trading positions to benefit from short-term movements in the prices of securities and from perceived inefficiencies among the prices of various securities issued by the same country or entity. Domestic fixed-income trading activities also include position-taking



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in U.S. Treasury and U.S. government agency securities.

The Corporation's price risk management process identifies, measures, monitors and controls the effects of changes in interest rates, foreign exchange rates and equity prices on the Corporation's results of operations and financial condition. Management seeks to limit the volatility of earnings and protect economic value to its shareholders and customers. ALCCO delegates oversight responsibility for managing price risk associated with trading activities to the Market Risk Committee (MRC). The MRC allocates the overall price risk limits set by ALCCO to the Corporation's trading activities. As part of the Corporation's price risk control process, the MRC establishes formal limits consistent with the policies, standards and procedures that define responsibility for risk-taking and independent oversight. Some controls reflect outright prohibitions on certain activities or instruments. Many of these controls involve explicit limits related to various risk measures, as appropriate for each individual line of business. The Corporation's risk monitoring process ensures timely review of all risk positions. Market risk policies and limits are reviewed by ALCCO and the MRC at least annually, or more often if warranted by current market, economic or business conditions.

Line of business management has primary responsibility for the actual market risk profile, ensuring the appropriate measurement, monitoring and control of exposures within approved policies and limits. Through monthly meetings, senior management oversees the worldwide market risks arising from the Corporation's trading activities.

The Corporation evaluates the overall profitability of its trading positions by measuring the daily change in the mark-to-market value of these portfolios, including other related revenues. The Corporation's price risk management process is intended to limit the potential of large negative daily earnings results. The following histogram presents the distribution of aggregate daily trading-related revenues, in millions of dollars, that resulted from the Corporation's combined trading activities during 2000.

[GRAPHIC OMITTED - Bar Chart Representation of Daily Trading-Related Revenues Through December 31, 2000]

Revenues -----	Number of Days -----
(In Millions)	
\$ (3) - 0	9
\$ 0 - 3	43
\$ 3 - 6	103
\$ 6 - 9	61
\$ 9 - 12	30
\$ 12 - 15	11
Above \$15	3
Total Days	260

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Trading-related revenues include trading profits and commissions, foreign exchange revenue and market-making revenue, which are all components of capital markets revenue, as well as net interest income from these trading positions. Through December 31, 2000, daily trading-related revenues ranged from a loss of \$2.7 million to a profit of \$18.2 million.

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Market conditions throughout 2000 posed ongoing challenges to the Corporation's trading businesses and risk management processes. At times, market volatility increased dramatically in a variety of sectors, including domestic equities, currency exchange and emerging markets and high-yield securities. As shown in the chart above, the Corporation's risk management discipline effectively controlled the size and extent of negative trading results.

Risk measurement processes represent an important pillar of the Corporation's risk management framework. To measure the overall price risk inherent in its trading activities, the Corporation uses a Value-at-Risk (VAR) methodology, based on industry-standard risk measurement techniques. The system draws on historical and current market data to estimate potential market volatility, and measures the risk to earnings at a 99% confidence level, which means that the Corporation expects daily results to exceed the potential loss as calculated by VAR only occasionally (i.e., no more than one time for at least 100 trading days).

The VAR methodology includes holding periods for each position based upon an assessment of relative trading market liquidity for each instrument, and a conservative view of cross-product correlations that does not reflect the full diversification benefits of positions taken across different trading businesses. During 2000, the Corporation continued to enhance its processes for price risk measurement and monitoring against approved limits.

The Corporation's aggregate VAR averaged \$40 million daily during 2000, a slight increase from the \$38 million reported for 1999. At December 31, 2000 total VAR usage measured \$37 million. At no time during the year did the Corporation's daily VAR measure exceed the MRC's approved limit.

The table below presents the Corporation's exposure with respect to its combined trading portfolios:

### Value-at-Risk (VAR)

In millions	Average	High	Low
Year ended December 31, 2000	\$40	\$59	\$28
Year ended December 31, 1999	38	56	27

During 2000, most of the price risk in the Corporation's trading activities arose from interest rate risk. Such risk, which included directional and spread components, averaged \$21 million, or 53% of aggregate VAR. Interest rate risk arises primarily from trading activity in various domestic fixed-income markets, the Argentine and Brazilian sovereign and high-end corporate bond markets, and some exposure to fixed-income markets in the Asia-Pacific region.

The contribution to the Corporation's VAR from equity trading activities through the year ended December 31, 2000 increased somewhat, to an average of \$14 million, or 35% of aggregate VAR. The activities that generate most of these risks include the Corporation's large NYSE specialist firm, NASDAQ market-making, equity trading and a convertible bond trading and underwriting business.

Risks from foreign exchange trading activities through the year ended December 31, 2000 declined to an average of \$5 million, or 12% of aggregate VAR. The majority of these risks arise from the Corporation's Argentine and Brazilian operations.

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The following table presents the Corporation's aggregate average VAR by risk type for the periods presented. Average VAR for commodity risk remained insignificant for the periods shown.

### VAR by Risk Type

In millions	2000 Average	1999 Average
Interest rate risk	\$21	\$19
Equity risk	14	12
Foreign exchange risk	5	7
Aggregate price risk	\$40	\$38

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The Corporation's independent Market Risk Management function routinely validates the Corporation's measurement framework by conducting backtests, which compare the actual daily trading-related results against the estimated VAR with a one-day holding period. The following graph presents this comparison for the 12 months ended December 31, 2000. In no instance did a daily aggregate trading loss exceed the one-day aggregate VAR measure associated with that date, which compares very favorably with the Corporation's statistical expectation that approximately three such breaches will occur over a year.

[GRAPHIC OMITTED - Line Graph Representation of Daily Trading-Related Revenues and VAR Measure With a One-Day Holding Period for the Twelve Months Ended December 31, 2000]

During the twelve months ended December 31, 2000, the daily trading-related revenues ranged from a loss of \$2.7 million to a profit of \$18.2 million. Over the same time period, VAR with a one-day holding period ranged from \$20 million to \$41 million.

In addition to the VAR framework, the Corporation employs other risk measurement tools to evaluate and control price risk. These tools include cumulative loss limits and overall portfolio size limits, as well as regular stress tests and scenario analyses. Stress testing involves modifying the VAR model's assumptions to reflect rare events that have the potential for high impact. Scenario analyses involve calculating the impact of a pre-determined set of events, irrespective of their statistical likelihood of occurrence. Such analyses may reflect historically observed market changes, incorporate specific scenarios that reflect some judgement about potential market conditions or identify the kind of scenario that would cause the most harm to existing positions.

While the VAR framework and the additional risk measurement tools effectively ensure exposures remain within the Corporation's expressed tolerance for price risk, they do not guarantee the avoidance of trading losses during periods of extreme volatility.

When deemed appropriate, the Corporation will take positions in certain currencies with the intention of taking advantage of expected movements in

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currency and interest rates. The Corporation takes currency positions by funding local currency assets with dollars or by funding dollar assets with local currency liabilities. Currency positions expose the Corporation to gains or losses that depend on the relationship between currency price movements and interest rate differentials. These positions are

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subject to limits established by ALCCO. The majority of the Corporation's foreign exchange risk is generated by its operations in Argentina and Brazil, and is managed within the overall currency positions. The following table represents the Corporation's currency positions in Argentina and Brazil for 2000 and 1999.

### Currency Positions

December 31	2000		1999	
In millions	Year-end	Average	Year-end	Average
-----				
Argentina (a)	\$262	\$328	\$297	\$330
Brazil (b)	75	6	35	20
=====				

- (a) Positions represent local currency assets funded by U.S. dollars for both periods presented.
- (b) 2000 positions and 1999 year-end position represent local currency assets funded by U.S. dollars; 1999 average position represents U.S. dollar assets funded by local currency liabilities.

To date, the Corporation's currency positions have been liquid in nature, and management has been able to close and re-open these positions as necessary.

### LIQUIDITY RISK MANAGEMENT

The objective of liquidity risk management is to ensure the ability of the Corporation and its subsidiaries to meet their financial obligations. These obligations are the payment of deposits on demand or at their contractual maturity, the repayment of borrowings as they mature, the ability to fund new and existing loan commitments and the ability to take advantage of new business opportunities. Liquidity is achieved by the maintenance of a strong base of core customer funds; maturing short-term assets; the ability to sell marketable securities; committed lines of credit and access to capital markets. Liquidity may also be enhanced through the securitization of commercial and consumer receivables. Liquidity is measured and monitored daily, allowing management to better understand and react to balance sheet trends. ALCCO is responsible for implementing the Board's policies and guidelines governing liquidity. U.S. dollar liquidity management is centralized in Boston, with overseas operations managing their own local currency liquidity requirements.

The primary sources of liquidity for the parent company are interest and dividends from subsidiaries, committed lines of credit and access to the money and capital markets. Dividends from banking subsidiaries are limited by various regulatory requirements related to capital adequacy and retained earnings. The Corporation's subsidiaries rely on cash flows from operations, core deposits, borrowings, short-term high-quality liquid assets, and, in the case of non-banking subsidiaries, funds from the parent company.

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Liquidity at the bank level is managed through the monitoring of anticipated changes in loans, core deposits and wholesale funds. Diversification of liquidity sources by maturity, market, product and funds provider are mandated through ALCCO guidelines. Management also maintains a detailed contingency liquidity plan designed to respond to an overall decline in the condition of the banking industry or a problem specific to the Corporation. The strength of the Corporation's liquidity position is its base of core customer deposits. These core deposits are supplemented by wholesale funding sources in the capital markets, as well as from direct customer contacts. Wholesale funding sources include large certificates of deposit, foreign branch deposits, federal funds, collateralized borrowings and a \$10 billion bank note program. Greater funding diversification was achieved in 2000 through the Corporation's global issuance of \$1.5 billion of senior notes and FNB's issuance of \$500 million of Euro notes under a \$3 billion Euro medium-term note program. Another important source of bank funding is the securitization market. During 2000, approximately \$2 billion of C&I loans and \$3 billion of credit card receivables were securitized.

At December 31, 2000, the Corporation's parent company had commercial paper outstanding of \$1 billion, compared with \$1.6 billion at December 31, 1999. The Corporation's parent company had excess funds at December 31, 2000 of \$1.6 billion compared to \$1.5 billion at December 31, 1999. The Corporation has backup lines of credit totaling \$1 billion to ensure funding is not interrupted if commercial paper is not available. At December 31, 2000 and 1999, the Corporation had no outstanding balances under these lines of credit.

The parent company had \$2.2 billion available for the issuance of common stock, preferred stock or trust preferred securities, senior or subordinated securities and other debt securities at December 31, 2000 under an effective shelf registration filed with the Securities and Exchange Commission (the SEC).

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### FUNDING SOURCES

#### Components of Funding Sources

December 31	2000	1999
In millions		
-----		
Deposits:		
Domestic:		
Demand	\$ 17,416	\$ 19,865
Regular savings and NOW	5,707	10,443
Money market	40,221	41,916
Time	18,987	25,977
International	18,959	16,695
-----		
Total deposits	101,290	114,896
-----		
Short-term borrowings:		
Federal funds purchased	4,001	4,134
Securities sold under agreements		
to repurchase	5,351	5,395
Commercial paper	1,173	1,649
Other	7,337	6,928
-----		
Total short-term borrowings	17,862	18,106

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Due to brokers/dealers	4,121	4,468
Long-term debt	28,357	25,349
Total	\$151,630	\$162,819

Certificates of deposit and other time deposits issued by domestic offices in amounts of \$100,000 or more as of December 31, 2000 will mature as presented in the following table.

Maturity of Time Deposits - Domestic

December 31, 2000 In millions Remaining maturity	Certificates of Deposit
3 months or less	\$3,276
3 to 6 months	479
6 to 12 months	1,042
Over 12 months	1,032
Total	\$5,829

The majority of foreign office deposits are in denominations of \$100,000 or more.

Management believes the Corporation has sufficient liquidity to meet its liabilities to customers and debt holders.

CAPITAL MANAGEMENT

A financial institution's capital serves to support asset growth and provide protection against loss to depositors and creditors. The Corporation strives to maintain an optimal level of capital, commensurate with its risk profile, on which an attractive return to stockholders will be realized over both the short and long term, while serving depositors', creditors' and regulatory needs. In determining optimal capital levels, the Corporation also considers the capital levels of its peers and the evaluations of the major rating agencies that assign ratings to the Corporation's public debt. Common equity represents the stockholders' investment in the Corporation. In addition to common equity, regulatory capital includes, within certain limits, preferred stock, trust preferred securities, subordinated debt, and the reserve for credit losses.

In blending the requirements of each of these constituencies, the Corporation has established target capital ranges that it believes will provide for management flexibility and the deployment of capital in an optimally efficient and profitable manner. These targets are reviewed periodically relative to the Corporation's risk profile and prevailing economic conditions.

The Corporation strives to maintain regulatory capital at approximately .75%-1.25% above the minimum regulatory requirements for a well capitalized institution, as defined in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). To be categorized as well capitalized, the Corporation and its banking subsidiaries must maintain a risk-based Total Capital ratio of at least 10%, a risk-based Tier 1 Capital ratio of at least 6%, and a Tier 1 Leverage ratio of at least 5%, and not be subject to a written agreement, order

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or capital directive with any of its regulators.

### CAPITAL RATIOS

December 31	2000	1999
-----		
Risk-adjusted assets (in millions)	\$182,150	\$189,488
Tier 1 risk-based capital (4% minimum)	7.87%	6.82%
Total risk-based capital (8% minimum)	12.08	11.50
Leverage (3% minimum)	8.17	6.81
Common equity to assets	8.69	7.66
Total equity to assets	9.01	8.03
Tangible common equity to assets	6.61	5.60
Tangible common equity to managed assets	6.06	5.20
Tangible total equity to assets	6.93	5.97
=====		

At December 31, 2000, the Corporation and all of its banking subsidiaries exceeded all regulatory required minimum capital ratios, and satisfied the requirements of the well capitalized category established by FDICIA. The Corporation's risk-based capital ratios increased compared with December 31, 1999, reflecting the impact of the gain on branch divestitures, the related reduction in asset levels and the strong internal generation of capital.

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Prior year risk-based capital ratios were impacted by the merger- and restructuring-related charges and other costs recorded in 1999. Excess capital, defined as common equity above the capital target, is available for core business investments and acquisitions.

During the first quarter of 2001, the Corporation purchased 12 million outstanding shares of its common stock at an aggregate cost of approximately \$490 million.

As registered brokers/dealers and member firms of the NYSE, certain subsidiaries of the Corporation are subject to rules of both the SEC and the NYSE. These rules require members to maintain minimum levels of net capital, as defined, and may restrict a member from expanding its business and declaring dividends as its net capital approaches specified levels. At December 31, 2000, these subsidiaries had aggregate net capital of approximately \$782 million, which exceeded aggregate minimum net capital requirements by approximately \$698 million.

### COMPARISON OF 1999 AND 1998

The Corporation's net income for 1999, inclusive of the aforementioned merger- and restructuring-related charges and other costs, was \$2 billion, or \$2.10 per diluted share, compared with \$2.3 billion, or \$2.41 per diluted share, in 1998 on the same basis. ROA and ROE were 1.08% and 14.12%, respectively, for 1999 compared with 1.37% and 17.64%, respectively, for 1998.

Net interest income on an FTE basis totaled \$6.8 billion in 1999, compared with \$6.5 billion in 1998, the result of strong loan growth in the domestic

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commercial and lease financing portfolios, primarily from the Sanwa Business Credit (Sanwa) acquisition. Net interest margin for 1999 was 4.23%, compared with 4.40% in 1998. The decrease in net interest margin was primarily attributable to a higher level of low-yielding earning assets necessary to support an expanding investment banking operation, as well as an increased reliance on wholesale funding.

The provision for credit losses was \$933 million in 1999 compared with \$850 million in 1998, with the increase due principally to the acquisition of Sanwa, as well as higher credit losses in the domestic commercial loan portfolio compared to 1998.

Noninterest income increased \$1.7 billion to \$7 billion in 1999. Increases were noted in nearly all core revenue categories including capital markets, investment services, credit cards and processing-related revenues. Strong growth was noted over 1998 as a result of acquisitions, as well as growth within existing and acquired businesses.

Noninterest expense totaled \$9.4 billion in 1999, compared with \$7.1 billion in 1998. This increase was driven primarily by the acquisitions of Robertson Stephens in August 1998 and Sanwa in February 1999; growth in many of the Corporation's businesses; a rise in compensation expense due to incentive payments related to higher revenue levels; and the aforementioned merger- and restructuring-related charges and other costs.

Total loans at December 31, 1999 were \$119.7 billion, compared with \$112.1 billion at December 31, 1998. The increase was attributable to the acquisition of Sanwa and strong loan growth in the domestic commercial loan and lease financing portfolios, offset, in part, by securitization activity of \$2.3 billion.

Total deposits decreased \$3.3 billion to \$114.9 billion at December 31, 1999. The decrease was due principally to declines of \$1.4 billion in domestic regular savings and NOW deposits, \$2.6 billion in domestic time deposits and \$698 million in international deposits, partially offset by a \$1.5 billion increase in domestic money market deposits.

Long-term debt increased \$10.9 billion to \$25.3 billion as a result of the funding of both acquisitions and balance sheet growth.

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### RECENT ACCOUNTING DEVELOPMENTS

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133," establishes comprehensive accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Standard requires that all derivative instruments be recorded in the balance sheet at fair value. However, the accounting for changes in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. If the derivative instrument does not qualify as a hedge, changes in fair value are reported in earnings when they occur. If the derivative instrument qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged.

The Corporation adopted SFAS No. 133 as of January 1, 2001. The related transition adjustments resulted in an after-tax increase to stockholders' equity of approximately \$200 million, and an after-tax increase of approximately \$8 million to net income. The ultimate impact of the Standard on the Corporation's



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results of operations will depend on a variety of factors, including interest rates and other market conditions, as well as future interpretive guidance from the Financial Accounting Standards Board, which continues to address implementation issues.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140, which replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," provides accounting and reporting standards for securitizations and other transfers of assets. The Standard is based on the application of a financial components approach that focuses on control, and provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The Standard requires disclosure of information about securitized assets, including principal outstanding of securitized and other managed assets, accounting policies, key assumptions related to the determination of the fair value of retained interests, delinquencies and credit losses. The accounting requirements of the Standard are effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001, and must be applied prospectively. The disclosures related to securitization transactions are required for fiscal years ending after December 15, 2000, and comparative disclosures for prior periods are not required. The Corporation has provided the required disclosures as of December 31, 2000 in Note 18 of the "Notes to Consolidated Financial Statements" included under Item 8 of this Report, and does not expect the impact of the accounting requirements of the Standard to be material to its financial position or results of operations in future periods.

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### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth in the "Asset and Liability Management" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations," included under Item 7 of this Report, is incorporated by reference herein.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

#### MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

The accompanying consolidated financial statements and related notes of the Corporation were prepared by management in conformity with accounting principles generally accepted in the United States. Management is responsible for the integrity and fair presentation of these financial statements.

Management has in place an internal accounting control system designed to safeguard corporate assets from material loss or misuse and to ensure that all transactions are first properly authorized and then recorded in the Corporation's records. The internal control system includes an organizational structure that provides appropriate delegation of authority and segregation of duties, established policies and procedures, and comprehensive internal audit and loan review programs. Management believes that this system provides assurance that the Corporation's assets are adequately safeguarded and that its records, which are the basis for the preparation of all financial statements, are reliable.

The Audit and Risk Management Committees of the Board of Directors consist solely of directors who are not employees of the Corporation or its subsidiaries. During 2000, the Audit Committee met five times, and the Risk Management Committee separately met four times, with internal auditors, credit review management, the independent accountants, and representatives of senior management to discuss the results of examinations and to review their activities

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to ensure that each is properly discharging its responsibilities. The independent accountants, internal auditors, and credit review management have direct and unrestricted access to these committees at all times.

The Corporation's consolidated financial statements have been audited by PricewaterhouseCoopers LLP, independent certified public accountants. Its report, which is based on an audit made in accordance with auditing standards generally accepted in the United States, expresses an opinion as to the fair presentation of the consolidated financial statements. In performing its audit, PricewaterhouseCoopers LLP considers the Corporation's internal control structure to the extent it deems necessary in order to issue its opinion on the consolidated financial statements.

/s/ Terrence Murray	/s/ Charles K. Gifford	/s/ Eugene M. McQuade
-----	-----	-----
Terrence Murray Chairman and Chief Executive Officer	Charles K. Gifford President and Chief Operating Officer	Eugene M. McQuade Vice Chairman and Chief Financial Officer

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[PRICEWATERHOUSECOOPERS LOGO]

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and  
Stockholders of FleetBoston Financial Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of FleetBoston Financial Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts  
January 17, 2001

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FLEETBOSTON FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31	2000	1999	
Dollars in millions, except per share amounts			
-----			
Interest income:			
Interest and fees on loans and leases	\$11,124	\$10,561	\$
Interest on securities and trading assets	1,834	1,699	
Other	626	792	
-----			
Total interest income	13,584	13,052	
-----			
Interest expense:			
Deposits of domestic offices	2,376	2,407	
Deposits of international offices	1,269	1,109	
Short-term borrowings	1,258	1,230	
Long-term debt	1,887	1,371	
Other	273	193	
-----			
Total interest expense	7,063	6,310	
-----			
Net interest income	6,521	6,742	
-----			
Provision for credit losses	1,196	933	
-----			
Net interest income after provision for credit losses	5,325	5,809	
-----			
Noninterest income:			
Capital markets revenue	3,157	2,104	
Investment services revenue	1,704	1,513	
Banking fees and commissions	1,423	1,485	
Credit card revenue	707	737	
Processing-related revenue	609	609	
Gains on branch divestitures and sales of businesses	843	50	
Other	581	476	
-----			
Total noninterest income	9,024	6,974	
-----			
Noninterest expense:			
Employee compensation and benefits	4,523	4,568	
Occupancy	542	586	
Equipment	546	528	
Intangible asset amortization	352	349	
Legal and other professional	331	307	
Marketing and public relations	289	276	
Merger- and restructuring-related charges	--	850	
Other	2,050	1,893	
-----			
Total noninterest expense	8,633	9,357	
-----			
Income before income taxes	5,716	3,426	
Applicable income taxes	2,296	1,388	
-----			
Net income	\$ 3,420	\$ 2,038	\$
=====			

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Diluted weighted average common shares outstanding (in millions)	919.9	943.5	
Net income applicable to common shares	\$ 3,381	\$ 1,982	\$
Basic earnings per share	3.74	2.16	
Diluted earnings per share	3.68	2.10	

See accompanying Notes to Consolidated Financial Statements.

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FLEETBOSTON FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31  
Dollars in millions, except share and per share amounts

ASSETS

Cash, due from banks and interest-bearing deposits	\$ 11
Federal funds sold and securities purchased under agreements to resell	1
Trading assets	7
Mortgages held for resale	2
Securities available for sale	23
Securities held to maturity (market value: \$631 in 2000 and \$1,081 in 1999)	
Loans and leases	109
Reserve for credit losses	(2)
Net loans and leases	106
Due from brokers/dealers	2
Premises and equipment	2
Mortgage servicing rights	2
Intangible assets	4
Other assets	13
Total assets	\$ 179

LIABILITIES

Deposits:	
Domestic:	
Noninterest bearing	\$ 24
Interest bearing	58
International:	
Noninterest bearing	1
Interest bearing	17
Total deposits	101
Federal funds purchased and securities sold under agreements to repurchase	9
Other short-term borrowings	8
Trading liabilities	2
Due to brokers/dealers	4
Long-term debt	28
Accrued expenses and other liabilities	9

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Total liabilities	163
-----	
Commitments and contingencies (Note 15)	
STOCKHOLDERS' EQUITY	
Preferred stock, no par value (16 million shares authorized, 2.3 million shares issued and outstanding in 2000 and 2.8 million shares issued and outstanding in 1999)	
Common stock, par value \$.01 (2 billion shares authorized, 919.6 million shares issued in 2000 and 917.1 million shares issued in 1999)	
Common surplus	3
Retained earnings	12
Accumulated other comprehensive income:	
Net unrealized gain on securities available for sale, net of tax	
Cumulative translation adjustments, net of tax	
Treasury stock, at cost (12.6 million shares in 2000 and 1.4 million shares in 1999)	
-----	
Total stockholders' equity	16
-----	
Total liabilities and stockholders' equity	\$ 179
=====	

See accompanying Notes to Consolidated Financial Statements.

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FLEETBOSTON FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Dollars in millions, except per share amounts	Preferred Stock	Common Stock	Common Surplus	Retained Earnings
-----				
Balance at December 31, 1997	\$ 969	\$ 5	\$4,777	\$ 7,887
Net income	--	--	--	2,324
Other comprehensive income:				
Net unrealized securities gains arising during the period, net of taxes of \$109	--	--	--	--
Less: reclassification adjustment for net gains included in net income, net of taxes of \$134	--	--	--	--
Change in translation adjustment, net of taxes of \$2	--	--	--	--
Other comprehensive income	--	--	--	--
Total comprehensive income	--	--	--	--
Cash dividends declared on common stock (\$1.00 per share)	--	--	--	(568)
Cash dividends declared on preferred stock	--	--	--	(51)
Cash dividends declared by pooled company prior to merger	--	--	--	(350)
Redemption of preferred stock	(278)	--	--	--
Common stock issued in connection with dividend reinvestment and employee benefit plans (5.5 million net shares)	--	--	(65)	(34)
Treasury stock purchased (.7 million shares)	--	--	--	--

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Two-for-one common stock split (457.9 million shares)	--	4	(4)	--
Other, net	--	--	(2)	2
<hr/>				
Balance at December 31, 1998	\$ 691	\$ 9	\$4,706	\$ 9,210
<hr/>				
Net income	--	--	--	2,038
Other comprehensive income:				
Net unrealized securities gains arising during the period, net of taxes of \$378	--	--	--	--
Less: reclassification adjustment for net gains included in net income, net of taxes of \$148	--	--	--	--
Change in translation adjustment, net of taxes of \$5	--	--	--	--
Other comprehensive income	--	--	--	--
Total comprehensive income	--	--	--	--
Cash dividends declared on common stock (\$1.11 per share)	--	--	--	(736)
Cash dividends declared on preferred stock	--	--	--	(51)
Cash dividends declared by pooled company prior to merger	--	--	--	(285)
Common stock issued in connection with dividend reinvestment and employee benefit plans (5.3 million net shares)	--	--	219	(44)
Retirement of treasury stock (22.4 million shares)	--	--	(840)	--
Treasury stock purchased (.6 million shares)	--	--	--	--
Settlement of forward purchase contracts (12.3 million shares)	--	--	49	(6)
Other, net	--	--	16	3
<hr/>				
Balance at December 31, 1999	\$ 691	\$ 9	\$4,150	\$ 10,129
<hr/>				
Net income	--	--	--	3,420
Other comprehensive income:				
Net unrealized securities losses arising during the period, net of taxes of \$181	--	--	--	--
Less: reclassification adjustment for net gains included in net income, net of taxes of \$98	--	--	--	--
Change in translation adjustment, net of taxes of \$3	--	--	--	--
Other comprehensive income	--	--	--	--
Total comprehensive income	--	--	--	--
Cash dividends declared on common stock (\$1.23 per share)	--	--	--	(1,111)
Cash dividends declared on preferred stock	--	--	--	(39)
Common stock issued in connection with dividend reinvestment and employee benefit plans (6.3 million net shares)	--	--	22	--
Exercise of common stock warrants (1.2 million shares)	--	--	26	--
Redemption of preferred stock	(125)	--	--	--
Settlement of forward purchase contracts (16.2 million shares)	--	--	--	--
Settlement of common stock warrants	--	--	(441)	--
Other, net	--	--	(15)	--
<hr/>				
Balance at December 31, 2000	\$ 566	\$ 9	\$3,742	\$ 12,399
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See accompanying Notes to Consolidated Financial Statements.

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FLEETBOSTON FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31	2000	1999
In millions		
<hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,420	\$ 2,800
Adjustments for noncash items:		
Depreciation and amortization of premises and equipment	522	
Amortization and impairment of mortgage servicing rights	380	
Amortization of other intangible assets	352	
Provision for credit losses	1,196	
Deferred income tax expense	545	
Securities gains	(10)	
Gains on branch divestitures and sales of businesses	(843)	
Merger- and restructuring-related charges	--	
Originations and purchases of mortgages held for resale	(19,314)	(28,314)
Proceeds from sales of mortgages held for resale	18,481	31,314
Decrease/(increase) in trading assets	768	(3,314)
(Decrease)/increase in trading liabilities	(1,267)	1,314
Decrease/(increase) in due from brokers/dealers	17	
Increase in accrued receivables, net	(236)	
(Decrease)/increase in due to brokers/dealers	(347)	
Increase in accrued liabilities, net	403	
Other, net	(2,308)	(2,308)
<hr/>		
Net cash flow provided by (used in) operating activities	1,759	5,300
<hr/>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease/(increase) in federal funds sold and securities purchased under agreements to resell	395	
Purchases of securities available for sale	(13,822)	(15,314)
Proceeds from sales of securities available for sale	11,099	9,314
Proceeds from maturities of securities available for sale	3,285	4,314
Purchases of securities held to maturity	(648)	(1,314)
Proceeds from maturities of securities held to maturity	1,097	1,314
Net cash and cash equivalents paid for businesses acquired	--	
Purchases of credit card loan portfolios	--	
Proceeds from sales of loan portfolios by banking subsidiary	5,890	2,314
Net increase in loans and leases	(5,901)	(5,314)
Net cash paid in conjunction with branch divestitures	(2,171)	
Net cash and cash equivalents received from sales of businesses	--	
Purchase of investment in bank-owned life insurance	--	
Purchases of premises and equipment	(547)	
Net sales/(purchases) of mortgage servicing rights	327	
<hr/>		
Net cash flow used in investing activities	(996)	(6,314)
<hr/>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease)/increase in deposits	(466)	(3,314)

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Net decrease in short-term borrowings	(244)	(1,
Proceeds from issuance of long-term debt	9,273	7,
Repayments of long-term debt	(6,265)	(1,
Proceeds from issuance of common stock	209	
Repurchase of common stock	--	
Settlement of forward purchase contracts	(679)	(
Redemption of preferred stock	(125)	
Settlement of common stock warrants	(441)	
Cash dividends paid	(1,125)	(
-----		
Net cash flow provided by financing activities	137	
-----		
Effect of foreign currency translation on cash	(25)	
-----		
Net increase/(decrease) in cash and cash equivalents	875	(
-----		
Cash and cash equivalents at beginning of year	10,627	10,
-----		
Cash and cash equivalents at end of year	\$ 11,502	\$ 10,
=====		

See accompanying Notes to Consolidated Financial Statements.

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FLEETBOSTON FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and financial reporting policies of FleetBoston Financial Corporation (the Corporation) conform to accounting principles generally accepted in the United States. The Corporation is a diversified financial services company headquartered in Boston, Massachusetts, and organized along functional lines of business, which include Global Banking and Financial Services, Commercial and Retail Banking and National Financial Services.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. The following is a summary of the significant accounting policies.

**BASIS OF PRESENTATION.** The consolidated financial statements of the Corporation include the accounts of the Corporation and its subsidiaries, including its principal banking subsidiary, Fleet National Bank (FNB). All material intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform to current year presentation.

**CASH AND CASH EQUIVALENTS.** For purposes of the accompanying consolidated statement of cash flows, the Corporation defines cash and cash equivalents to include cash, due from banks and interest-bearing deposits. Foreign currency cash flows are converted to U.S. dollars using average rates for the period.

**TRADING ASSETS AND LIABILITIES.** Trading assets include securities held in anticipation of short-term market movements and for resale to customers. Trading liabilities include obligations to deliver securities not yet purchased. Trading assets and liabilities also include derivative financial instruments, primarily interest rate derivatives, including futures and forwards, interest rate swaps and interest rate options, as well as foreign exchange products.



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The Corporation values trading assets at fair value. Trading securities and derivative financial instruments are valued using quoted market prices, when available. If quoted market prices are not available, the fair value is estimated by using pricing models, quoted prices of instruments with similar characteristics or discounted cash flows. Realized and unrealized gains and losses are recorded in trading profits and commissions, a component of capital markets revenue. Foreign exchange products are valued at prevailing market rates on a present value basis, and the resulting realized and unrealized gains and losses are recorded in foreign exchange revenue, a component of capital markets revenue. Interest on trading assets, including off-balance sheet instruments, is included in interest income.

**MORTGAGES HELD FOR RESALE.** Mortgages held for resale are recorded at the lower of aggregate cost or fair value. Fair value is determined by outstanding commitments from investors or by current investor yield requirements.

**SECURITIES AVAILABLE FOR SALE AND HELD TO MATURITY.** This portfolio principally includes debt securities that are purchased in connection with the Corporation's asset-liability management activities and debt and equity securities purchased by the Corporation's Principal Investing and capital markets-related businesses. These securities are classified at the time of purchase, based on management's intentions, as held to maturity or available for sale.

Securities held to maturity are debt securities that management has the positive intent and ability to hold to maturity. Securities held to maturity are stated at cost, net of the amortization of any premium and the accretion of any discount. Securities available for sale are those that management intends to hold for an indefinite period of time, including securities used as part of the balance sheet management strategy, that may be sold in response to changes in interest rates, prepayment risk, liquidity needs or other similar factors. Within the available for sale category, equity securities that have a readily determinable fair value and debt securities are reported at fair value, with unrealized gains and losses recorded, net of tax, as a separate component of stockholders' equity. Equity securities that do not have a readily determinable fair value are reported at cost. Realized gains and losses, which are computed using the specific identification method, and unrealized losses on individual securities that are deemed to be other than temporary are recorded in securities gains, a component of capital markets revenue.

**LOANS AND LEASES.** Loans are stated at the principal amount outstanding, net of unearned income, if any. Lease financing receivables, including leveraged leases, are reported at the aggregate of lease payments receivable and estimated residual values, net of unearned and deferred income, including unamortized investment credits. Leveraged leases are reported net of non-recourse debt. Unearned income is recognized to yield a level rate of return on the net investment in the leases.

Loans and lease financing receivables are placed on nonaccrual status as a result of past-due status or a judgment by management that, although payments are current, such action is prudent. Commercial loans and leases on which payments are past due 90 days or more are placed on nonaccrual status, unless they are well-secured and in the process of collection or renewal. Consumer loans are placed on nonaccrual status and charged off at no more than 180 days past due. When a loan or lease is placed on nonaccrual status, interest accrued but uncollected is generally reversed against interest income. Cash receipts on nonaccruing commercial loans and leases are generally

applied to reduce the unpaid principal balance, and cash receipts on nonaccruing consumer loans are recognized in income on a cash basis.

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Loans and leases are returned to accrual status when they become current as to principal and interest or demonstrate a period of performance under the contractual terms and, in management's opinion, are fully collectible.

RESERVE FOR CREDIT LOSSES. The reserve for credit losses is available for future charge-offs of existing extensions of credit. Loans and leases, or portions thereof, deemed uncollectible are charged off against the reserve, while recoveries of amounts previously charged off are credited to the reserve. Amounts are charged off after giving consideration to such factors as the customer's financial condition, underlying collateral and guarantees, and general and industry economic conditions.

The reserve for credit losses reflects management's estimate of losses inherent in the portfolio, considering evaluations of individual credits and concentrations of credit risk, changes in the quality of the credit portfolio, levels of nonaccrual loans and leases, current economic conditions, cross-border risks, changes in the size and character of the credit risks and other pertinent factors. The reserve for credit losses related to loans that are identified as impaired, which are primarily commercial and commercial real estate loans on nonaccrual status, is based on discounted cash flows using the loan's effective interest rate, or the fair value of the collateral for collateral-dependent loans, or the observable market price of the impaired loan. Based on these analyses, the reserve for credit losses is maintained at levels considered adequate by management to provide for credit losses inherent in these portfolios.

DUE FROM/DUE TO BROKERS/DEALERS. Receivables from brokers/dealers and clearing organizations include amounts receivable for securities failed to deliver, certain deposits for securities borrowed, amounts receivable from clearing organizations relating to open transactions, good-faith and margin deposits, and commissions and floor-brokerage receivables. Payables to brokers/dealers and clearing organizations include amounts payable for securities failed to receive, certain deposits received for securities loaned, amounts payable to clearing organizations on open transactions, and floor-brokerage payables. In addition, the net receivable or payable arising from unsettled trades is reflected in these classifications.

MORTGAGE SERVICING RIGHTS (MSRS). The Corporation recognizes rights to service mortgage loans as separate assets. The total cost of mortgage loans sold or securitized is allocated between loans and servicing rights based upon the relative fair values of each. Purchased MSRs are initially recorded at cost. All MSRs are subsequently carried at the lower of the initial carrying value, adjusted for amortization and deferred hedge gains/losses, or fair value. Fair values are estimated based on market prices for similar MSRs and on the discounted anticipated future net cash flows considering market loan prepayment predictions, interest rates, servicing costs and other economic factors. For purposes of impairment evaluation and measurement, the Corporation stratifies MSRs based on predominant risk characteristics of the underlying loans, including loan type, amortization type (fixed or adjustable) and note rate. To the extent that the carrying value of MSRs exceeds fair value by individual stratum, a valuation reserve is established, which is adjusted in the future as the value of MSRs increases or decreases. The cost of MSRs is amortized in proportion to, and over the period of, estimated net servicing income.

INTANGIBLE ASSETS. Intangible assets are generally amortized on a straight-line basis over the estimated period benefited. The excess of cost over the assigned value of net assets acquired in business combinations (goodwill) is amortized on a straight-line basis over periods generally ranging from ten to twenty five years. In certain acquisitions, a core deposit intangible asset is recorded and amortized over a period not to exceed ten years. Purchased credit card intangibles are amortized over a period not to exceed six years. The Corporation

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reviews its intangible assets for events or changes in circumstances that may indicate that the carrying amount of the assets may not be recoverable, in which case an impairment charge is recorded.

**LOAN AND LEASE SALES AND SECURITIZATIONS.** The Corporation sells residential mortgages and other loans, and securitizes commercial loans and credit card receivables. Loans and leases held for sale are recorded at the lower of aggregate cost or fair value. Retained interests in securitized assets, including debt securities and interest-only strips, are initially recorded at their allocated carrying amounts based on the relative fair value of assets sold and retained. Retained interests are subsequently carried at fair value, which is generally estimated based on the present value of expected cash flows, calculated using management's best estimates of key assumptions, including credit losses, loan repayment speeds and discount rates commensurate with the risks involved. Gains on sale and servicing fees are recorded in noninterest income.

**INCOME TAXES.** The Corporation records current tax liabilities or assets through charges or credits to the current tax provision for the estimated taxes payable or refundable for the current year. The Corporation records deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A deferred tax valuation allowance is established if it is more likely than not that all or a portion of the Corporation's deferred tax assets will not be realized.

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**RISK MANAGEMENT INSTRUMENTS.** The Corporation enters into certain interest rate instruments, including interest rate swaps, caps and floor agreements, and futures contracts to manage exposure to interest rate risk associated with interest earning assets and interest bearing liabilities. For those interest rate instruments that alter the repricing characteristics of assets or liabilities, the net differential to be paid or received on the instruments is treated as an adjustment to the yield on the underlying assets or liabilities (the accrual method).

To qualify for accrual accounting, the interest rate instrument must be designated to specific assets or liabilities or pools of similar assets or liabilities and must effectively alter the interest rate characteristics of the related assets or liabilities. For instruments that are designated to floating-rate assets or liabilities to be effective, there must be high correlation between the floating interest rate index on the underlying asset or liability and the offsetting rate on the derivative. The Corporation measures initial and ongoing correlation by statistical analysis of the relative movements of the interest rate indices over time.

If correlation were to cease on any interest rate instrument hedging net interest income, it would then be accounted for as a trading instrument. If an interest rate instrument hedging net interest income is terminated, the gain or loss is deferred and amortized over the shorter of the remaining contractual life of the terminated risk management instrument or the maturity of the designated asset or liability. If the designated asset or liability matures, is sold, is settled or its balance falls below the notional amount of the hedging instrument, the hedge is usually terminated; if not, accrual accounting is discontinued to the extent that the notional amount exceeds the balance, and accounting for trading instruments is applied to the excess amount.

The Corporation also uses interest rate instruments and combinations of interest rate instruments to hedge the value of its mortgage servicing

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portfolio. Such instruments are designated as hedges of specific strata of MSRs. To qualify for hedge accounting, net changes in value of the hedges are expected to be highly correlated with changes in the value of the hedged MSRs, and combinations of options purchased and sold must be entered into contemporaneously and result in a net purchased option position. Changes in the value of risk management instruments are treated as adjustments to the carrying value of the hedged MSRs.

If correlation were to cease on the interest rate instruments hedging MSRs, they would then be accounted for as trading instruments. If an interest rate instrument hedging MSRs is terminated, the gain or loss is treated as an adjustment to the carrying value of hedged MSRs and amortized over its remaining life.

The Corporation also enters into foreign exchange contracts to hedge a portion of its own foreign exchange exposure, including foreign currency positions. Such contracts are revalued at the spot rate, with any forward premium or discount amortized over the life of the contract to net interest income.

FOREIGN CURRENCY TRANSLATION. The Corporation translates the financial statements of its foreign operations into U.S. dollars. A functional currency is designated for each foreign unit, generally the currency of the primary economic environment in which it operates. Where the functional currency is not the U.S. dollar, assets and liabilities are translated into U.S. dollars at period-end exchange rates, while income and expenses are translated using average rates for the period. The resulting translation adjustments and any related hedge gains and losses are recorded, net of tax, as a separate component of stockholders' equity.

For foreign units where the functional currency is the U.S. dollar, including units that operate in a hyperinflationary environment, the financial statements are translated into U.S. dollars using period-end exchange rates for monetary assets and liabilities, exchange rates in effect on the date of acquisition for premises and equipment (and related depreciation), and the average exchange rate during the period for income and expenses. The resulting translation adjustments and related hedge gains and losses for these units are recorded in current period income.

The Corporation hedges a portion of its exposure to translation gains and losses in overseas branches and foreign subsidiaries through the purchase of foreign exchange rate contracts and through investments in fixed assets and securities.

### NOTE 2. MERGERS, ACQUISITIONS AND DIVESTITURES

On October 1, 2000, the Corporation entered into a definitive agreement to acquire Summit Bancorp. (Summit), a New Jersey-based financial services company with approximately \$40 billion in assets and approximately \$3 billion in stockholders' equity at December 31, 2000. Under the terms of the agreement, Summit stockholders will receive 1.02 shares of the Corporation's common stock for each share of Summit common stock. The acquisition, which has received the required stockholder and regulatory approvals, is expected to close before the end of the first quarter of 2001, and is planned to be accounted for as a pooling of interests.

On October 27, 2000, the Corporation acquired M.J. Meehan & Co., LLC, a New York Stock Exchange (NYSE) specialist firm. Since this acquisition was accounted for under the purchase method of accounting, the acquisition has been included in the accompanying consolidated financial statements since the acquisition date. Goodwill of approximately \$150 million was recorded and is being amortized on a straight-line basis over fifteen years. Pro forma results of operations

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including M.J. Meehan for the years ended December 31, 2000 and 1999 are not presented, since the results would not have been significantly different in relation to the Corporation's results of operations.

On October 1, 1999, the Corporation completed its merger with BankBoston Corporation (BankBoston). The Corporation issued 353 million shares of its common stock

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in exchange for substantially all of the outstanding common shares of BankBoston, by exchanging 1.1844 shares of its common stock for each outstanding BankBoston share. The merger was accounted for as a pooling of interests and, accordingly, is reflected in the accompanying consolidated financial statements as though the Corporation and BankBoston had operated as a combined entity for all periods presented.

In connection with obtaining regulatory approvals for the merger, the Corporation agreed to divest \$13 billion of deposits and \$9 billion of loans. The Corporation substantially completed these divestitures in phases throughout 2000, and recorded related aggregate pre-tax gains of \$843 million, or \$420 million after-tax. In connection with the merger, the Corporation recorded merger- and restructuring-related charges and merger integration costs of \$850 million and \$102 million, respectively, in 1999, and an additional \$227 million of integration costs in 2000. These costs are more fully discussed in Note 14.

On February 1, 1999, the Corporation acquired Sanwa Business Credit (Sanwa), a leasing and asset-based lending company with approximately \$6 billion in assets at the date of acquisition. Since this acquisition was accounted for under the purchase method of accounting, the acquisition has been included in the accompanying consolidated financial statements since the acquisition date. Goodwill of approximately \$385 million was recorded and is being amortized on a straight-line basis over twenty five years.

### NOTE 3. DISCLOSURE FOR STATEMENTS OF CASH FLOWS

Year ended December 31	2000	1999	1998
In millions			
-----			
Supplemental disclosure for			
cash paid during the period for:			
Interest expense	\$ 7,216	\$6,083	\$5,878
Income taxes, net of refund	1,597	936	823
-----			
Assets acquired and liabilities			
assumed in business combinations:			
Assets acquired, net of cash			
and cash equivalents received	--	\$6,073	\$5,284
Net cash and cash equivalents paid	--	(613)	(226)
Liabilities assumed	--	5,460	5,058
-----			
Divestitures:			
Assets sold	\$10,166	--	\$ 239
Net cash (paid)/received	(2,171)	--	213
Liabilities sold	13,180	--	280
-----			

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NOTE 4. SECURITIES

December 31	2000				
In millions	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	Amortized Cost
<b>SECURITIES AVAILABLE FOR SALE:</b>					
U.S. Treasury and government agencies	\$ 1,174	\$ 1	\$ 9	\$ 1,166	\$ 2,282
Mortgage-backed securities	13,864	166	88	13,942	14,157
Foreign debt securities	2,734	37	17	2,754	2,906
Other debt securities	2,477	5	15	2,467	1,944
<b>Total debt securities</b>	<b>20,249</b>	<b>209</b>	<b>129</b>	<b>20,329</b>	<b>21,289</b>
Marketable equity securities	763	63	89	737	977
Other equity securities	2,027	--	--	2,027	1,173
<b>Total securities available for sale</b>	<b>23,039</b>	<b>272</b>	<b>218</b>	<b>23,093</b>	<b>23,439</b>
<b>SECURITIES HELD TO MATURITY:</b>					
State and municipal	597	4	--	601	1,053
U.S. Treasury and government agencies	16	--	--	16	15
Foreign debt securities	13	--	--	13	13
Other debt securities	1	--	--	1	--
<b>Total securities held to maturity</b>	<b>627</b>	<b>4</b>	<b>--</b>	<b>631</b>	<b>1,081</b>
<b>Total securities</b>	<b>\$23,666</b>	<b>\$276</b>	<b>\$218</b>	<b>\$23,724</b>	<b>\$24,520</b>

At December 31, 2000, \$8.9 billion of securities were pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes, compared with \$4.5 billion at December 31, 1999.

Proceeds from sales of available for sale securities during 2000, 1999 and 1998 were \$11 billion, \$9 billion and \$15 billion, respectively. Gross gains of \$117 million and gross losses of \$107 million were realized on those sales in 2000, gross gains of \$89 million and gross losses of \$28 million were realized on those sales in 1999, and gross gains of \$165 million and gross losses of \$28 million were realized on those sales in 1998. In addition, the Corporation recognized losses of \$54 million in 1999 and \$22 million in 1998 which resulted from the write-down of certain securities available for sale which experienced a decline in value that was deemed other than temporary. The above amounts for each year exclude principal investing revenues, which are included in capital markets revenue.

The carrying values, by contractual maturity, of debt securities held to maturity and securities available for sale are shown in the following tables. Actual maturities will differ from contractual maturities because borrowers may

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have the right to call or prepay obligations with or without call or prepayment penalties.

Maturities of Securities Available for Sale

December 31, 2000 Dollars in millions	Within 1 Year	1 to 5 Years	5 to 10 Years	After 10 Years	Total
Carrying value:					
U.S. Treasury and government agencies	\$ 267	\$ 427	\$ 472	\$ --	\$ 1,166
Mortgage-backed securities	1	226	2,517	11,198	13,942
Foreign debt securities	963	1,545	85	161	2,754
Other debt securities	567	971	516	413	2,467
<b>Total debt securities</b>	<b>\$1,798</b>	<b>\$3,169</b>	<b>\$3,590</b>	<b>\$11,772</b>	<b>\$20,329</b>
Percent of total debt securities	8.84%	15.59%	17.66%	57.91%	100%
Weighted average yield(a)	7.87	9.27	6.69	6.68	7.19
<b>Amortized cost</b>	<b>\$1,789</b>	<b>\$3,140</b>	<b>\$3,589</b>	<b>\$11,731</b>	<b>\$20,249</b>

Maturities of Securities Held to Maturity

December 31, 2000 Dollars in millions	Within 1 Year	1 to 5 Years	5 to 10 Years	After 10 Years	Total
Carrying value:					
State and minicipal	\$547	\$ 38	\$ 11	\$ 1	\$597
U.S. Treasury and government agencies	3	13	--	--	16
Foreign debt securities	1	6	6	--	13
Other debt securities	1	--	--	--	1
<b>Total debt securities</b>	<b>\$552</b>	<b>\$ 57</b>	<b>\$ 17</b>	<b>\$ 1</b>	<b>\$627</b>
Percent of total debt securities	88.04%	9.09%	2.71%	.16%	100%
Weighted average yield(a)	6.96	8.05	8.78	8.52	7.11
<b>Market value</b>	<b>\$553</b>	<b>\$ 59</b>	<b>\$ 18</b>	<b>\$ 1</b>	<b>\$631</b>

(a) A tax-equivalent adjustment has been included in the calculations of the

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yields to reflect this income as if it had been fully taxable. The tax-equivalent adjustment is based upon the applicable federal and state income tax rates.

### NOTE 5. LOANS AND LEASES

December 31	2000	1999
In millions		
-----		
Domestic:		
Commercial and industrial	\$ 46,697	\$ 55,184
Commercial real estate:		
Construction	1,925	1,659
Interim/permanent	6,465	6,286
Residential real estate	6,085	10,881
Consumer	18,085	20,004
Lease financing(a)	12,959	10,933
-----		
Total domestic loans and leases, net of unearned income	92,216	104,947
-----		
International:		
Commercial	14,221	11,855
Consumer	2,935	2,898
-----		
Total international loans and leases, net of unearned income	17,156	14,753
-----		
Total loans and leases, net of unearned income(b)	\$109,372	\$119,700
-----		

(a) The Corporation's leases consist principally of full-payout, direct financing leases. The Corporation's investment in leveraged leases totaled \$2.9 billion for 2000. For federal income tax purposes, the Corporation has the tax benefit of depreciation on the entire leased unit and interest on the long-term debt. Deferred taxes arising from leveraged leases totaled \$2.2 billion in 2000. Future minimum lease payments to be received are \$2.86 billion, 2001; \$2.23 billion, 2002; \$1.66 billion, 2003; \$1.09 billion, 2004; \$787 million, 2005; \$4.33 billion, 2006 and thereafter.

(b) Net of unearned income of \$3.1 billion and \$2.7 billion at December 31, 2000 and 1999, respectively.

On December 28, 2000, the Corporation completed a sale of troubled commercial loans with a recorded investment of approximately \$940 million, as well as related funding commitments of approximately \$150 million. In consideration for the sale, the Corporation received approximately \$665 million in cash and approximately \$200 million in an investment grade note. As a result of the sale, the reserve for credit losses was reduced by approximately \$75 million. The sale did not result in any significant gain or loss to the Corporation.

At December 31, 2000 and 1999 the Corporation's nonperforming assets (NPAs) totaled \$925 million and \$841 million, respectively, including \$42 million and \$46 million, respectively, of other real estate owned (OREO). NPAs as a percentage of outstanding loans, leases and OREO were .85% and .70% at December



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31, 2000 and 1999, respectively.

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The following table presents impaired loans, which are primarily commercial and commercial real estate loans on nonaccrual status:

Impaired Loans

December 31 In millions	2000	1999
-----		
Impaired loans with a reserve	\$691	\$512
Impaired loans without a reserve	59	60
-----		
Total impaired loans	\$750	\$572
-----		
Reserve for impaired loans (a)	\$257	\$163
-----		
Average balance of impaired loans during the year ended December 31	\$743	\$449
-----		

(a) The reserve for impaired loans is part of the Corporation's overall reserve for credit losses.

Substantially all of the impaired loans presented above were on nonaccrual status and the amount of interest income recognized on impaired loans was not significant. The Corporation had no significant outstanding commitments to lend additional funds to customers whose loans have been placed on nonaccrual status or the terms of which have been modified.

NOTE 6. RESERVE FOR CREDIT LOSSES

Year ended December 31 In millions	2000	1999	1998
-----			
Balance at beginning of year	\$ 2,488	\$ 2,306	\$ 2,144
Provision charged to income	1,196	933	850
Loans and leases charged off	(1,390)	(1,186)	(1,050)
Recoveries of loans and leases charged off	250	290	216
Acquisitions/divestitures/other	(166)	145	146
-----			
Balance at end of year	\$ 2,378	\$ 2,488	\$ 2,306
-----			

In 2000, "acquisitions/divestitures/other" was primarily composed of reserves related to divestitures of loans, which are more fully discussed in Note 2, as well as a reduction of \$75 million related to the sale of troubled commercial loans, which is more fully discussed in Note 5. "Acquisitions/Divestitures/Other" in 1999 and 1998 primarily related to the 1999 acquisition of Sanwa, and the 1998 acquisitions of credit card receivables and Deutsche Argentina,

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respectively.

NOTE 7. MORTGAGE SERVICING RIGHTS

Year ended December 31	2000	1999	1998
In millions			
Balance at beginning of year	\$3,325	\$1,405	\$1,768
Additions	628	1,370	803
Sales	(485)	(40)	(66)
Deferred hedge (gain)/loss	(415)	947	(667)
Amortization/impairment charge	(380)	(357)	(433)
Balance at end of year	\$2,673	\$3,325	\$1,405

Various interest rate instruments, which are designated as hedges of MSRs, are used to manage potential MSR impairment. Changes in fair value of the hedges are recorded as adjustments to the carrying value of the MSRs and related hedges. During 2000 and 1999, net hedge gains of \$415 million and net hedge losses of \$947 million, respectively, were deferred and recorded as adjustments to the carrying value of the MSRs and the related hedges. The aggregate fair value of the Corporation's MSRs was approximately \$2.7 billion as of December 31, 2000. Additional information on the Corporation's accounting for MSRs, including related risk management activities, is included in Notes 1 and 19.

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NOTE 8. SHORT-TERM BORROWINGS

Dollars in millions	Federal Funds Purchased	Securities Sold Under Agreements to Repurchase	Oth Short-Te Borrowin
2000			
Balance at December 31	\$4,001	\$ 5,351	\$ 8,51
Highest balance at any month-end	4,001	9,252	21,48
Average balance for the year	1,889	5,668	12,78
Weighted average interest rate as of December 31	3.97%	5.68%	8.3
Weighted average interest rate paid for the year	6.11	5.55	6.3
1999			
Balance at December 31	\$4,134	\$ 5,395	\$ 8,57
Highest balance at any month-end	4,334	13,543	12,49
Average balance for the year	3,430	10,172	9,50
Weighted average interest rate as of December 31	2.70%	3.01%	6.9
Weighted average interest rate paid for the year	5.06	4.63	6.1
1998			
Balance at December 31	\$3,953	\$ 5,744	\$ 9,47
Highest balance at any month-end	5,649	7,642	16,03
Average balance for the year	5,043	5,380	11,24

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Weighted average interest rate as of December 31	4.53%	4.31%	6.1
Weighted average interest rate paid for the year	5.48	4.65	6.5

Federal funds purchased and securities sold under agreements to repurchase generally mature within 30 days of the transaction date. The Corporation generally maintains control of the securities in repurchase transactions.

Other short-term borrowings generally mature within 90 days, although commercial paper may have a term of up to 270 days. Total credit facilities available at December 31, 2000 and 1999 were \$1 billion and \$1.3 billion, respectively, with no amount outstanding at either year-end.

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NOTE 9. LONG-TERM DEBT

December 31 Dollars in millions	Maturity Date	2000	1999
-----			
Senior notes and debentures:			
Parent company:			
Floating-rate MTNs	2000-2005	\$ 3,040	\$ 2,380
Fixed-rate MTNs 6.125%-6.849%	2000-2005	340	395
7.25% notes	2005	1,500	--
7.125% notes	2000	--	250
Other	2013	1	1
-----			
Total parent company		4,881	3,026
-----			
Affiliates:			
FHLB borrowings	2000-2020	558	303
Floating-rate notes	2000-2039	13,373	12,032
Fixed-rate notes	2000-2012	787	1,290
Other	2000-2026	103	168
-----			
Total affiliates		14,821	13,793
-----			
Total senior notes and debentures		19,702	16,819
-----			
Subordinated notes and debentures:			
Parent company:			
Floating-rate subordinated notes	2001	--	186
9.00%-9.90% subordinated notes	2001	325	325
6.875%-7.20% subordinated notes	2003	400	400
6.625%-8.125% subordinated notes	2004	549	549
6.625% subordinated notes	2005	350	350
7.125% subordinated notes	2006	300	300
8.625% subordinated notes	2007	107	107
6.375%-6.50% subordinated notes	2008	500	500
7.375% subordinated notes	2009	500	500
7.00%-7.75% subordinated MTNs	2011-2013	320	320
6.70%-6.875% subordinated notes	2028	750	750
-----			
Total parent company		4,101	4,287
-----			

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Affiliates:

8.375% subordinated notes	2002	200	200
8.00% subordinated notes	2004	200	199
8.625% subordinated notes	2005	250	250
7.375% subordinated notes	2006	200	200
6.50%-7.00% subordinated notes	2007	400	397
6.375% subordinated notes	2008	750	748
5.75% subordinated notes	2009	400	400
Total affiliates		2,400	2,394
Total subordinated notes and debentures		6,501	6,681
Company-obligated mandatorily redeemable trust securities of capital trusts:			
BankBoston Capital Trust I, 8.25%	2026	250	250
Fleet Capital Trust I, 8.00%	2027	84	84
BankBoston Capital Trust II, 7.75%	2026	250	250
Fleet Capital Trust II, 7.92%	2026	250	250
BankBoston Capital Trust III, floating-rate	2027	250	248
Fleet Capital Trust III, 7.05%	2028	120	120
BankBoston Capital Trust IV, floating-rate	2028	250	247
Fleet Capital Trust IV, 7.17%	2028	150	150
Fleet Capital Trust V, floating-rate	2028	250	250
Fleet Capital Trust VI, 8.80%	2030	300	--
Total company-obligated mandatorily redeemable trust securities of capital trusts		2,154	1,849
Total long-term debt		\$28,357	\$25,349

The subordinated notes all provide for single principal payments at maturity, with the exception of \$320 million of subordinated medium-term notes (MTNs), which are callable as follows: \$100 million currently callable, \$170 million in 2001 and \$50 million in 2002. The \$186 million of floating-rate subordinated notes due 2001 were called on May 31, 2000. All of the parent company fixed-rate senior notes pay interest semiannually, provide for single principal payments and are not redeemable prior to maturity.

During 2000, the Corporation issued \$1.4 billion of senior floating-rate MTNs due 2001 through 2003 and \$1.5 billion of 7.25% senior fixed-rate notes due 2005. The senior floating-rate MTNs pay interest at rates tied to the three-month London Interbank Offered Rate (LIBOR), reset quarterly. Additionally, the Corporation's statutory business trust, Fleet Capital Trust VI, issued \$300 million of 8.80% fixed-rate trust preferred securities due 2030.

The Corporation's banking subsidiaries issued \$5.5 billion of senior floating-rate bank notes during 2000, including \$500 million in the Euro market. The floating-rate bank notes pay interest at rates tied to the one-month or three-month LIBOR reset monthly or quarterly, the Federal Funds rate, reset daily, and the prime rate, reset daily.

As part of its interest rate risk management process, the Corporation uses

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interest rate swaps to modify the repricing and maturity characteristics of certain long-term debt. These interest rate risk management activities are discussed in greater detail in Note 19.

The aggregate payments required to retire long-term debt are: \$7.6 billion in 2001; \$6.5 billion in 2002; \$3.1 billion in 2003; \$1.8 billion in 2004; \$2.9 billion in 2005; \$500 million in 2006, and \$6 billion thereafter.

The Corporation has an effective shelf registration statement filed with the Securities and Exchange Commission (the SEC), providing for the issuance of common and preferred stock or trust preferred securities, senior or subordinated debt securities and other debt securities, with a remaining availability of \$2.2 billion at December 31, 2000. Additionally, the Corporation and FNB have access to the Euro market under a \$3 billion Euro medium-term note program.

### Trust Preferred Securities

The Corporation has ten statutory business trusts, of which the Corporation owns all of the common securities. These trusts have no independent assets or operations, and exist for the sole purpose of issuing trust preferred securities and investing the proceeds thereof in an equivalent amount of junior subordinated debentures issued by the Corporation.

The junior subordinated debentures, which are the sole assets of the trusts, are unsecured obligations of the

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Corporation, and are subordinate and junior in right of payment to all present and future senior and subordinated indebtedness and certain other financial obligations of the Corporation. The principal amount of subordinated debentures held by each trust equals the aggregate liquidation amount of its trust preferred securities and its common securities. See Note 21 for the aggregate amount of subordinated debentures currently outstanding. The subordinated debentures bear interest at the same rate, and will mature on the same date, as the corresponding trust securities. The Corporation fully and unconditionally guarantees each trust's obligations under the trust securities. Additional information concerning restrictions on the ability of the Corporation to obtain funds from its subsidiary banks is included in Note 12.

All of the trust preferred securities may be prepaid at the option of the trusts, in whole or in part, on or after their respective prepayment dates. At December 31, 2000, the interest rates on the BankBoston Capital Trust III and IV and Fleet Capital Trust V floating-rate trust preferred securities were 7.33%, 7.22% and 7.55%, respectively.

### NOTE 10. PREFERRED STOCK

The following is a summary of the Corporation's preferred stock outstanding:

December 31 Dollars in millions, except per share amounts	Stated Value Per Share	Shares	2000 Outstanding	1999 Outstanding	Earli Redempt D
7.25% Series V perpetual preferred	\$250	765,010	\$191	\$191	4/15/

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6.75% Series VI perpetual preferred	250	600,000	150	150	4/15/
6.60% Series VII cumulative preferred(b)	250	700,000	175	175	4/01/
6.59% Series VIII noncumulative preferred(c)	250	200,000	50	50	10/01/
9.35% cumulative preferred	250	500,000	---	125	1/15/
-----					
Total preferred stock			\$566	\$691	
-----					

- (a) Plus accrued but unpaid dividends.
- (b) After April 1, 2006, the rate will adjust based on a U.S. Treasury security rate.
- (c) After October 1, 2006, the rate will adjust based on a U.S. Treasury security rate.
- (d) Ownership held in the form of depository shares.

On January 15, 2000, the Corporation redeemed all of the outstanding shares of its 9.35% cumulative preferred stock at its aggregate carrying value of \$125 million.

Dividends on outstanding preferred stock issues are payable quarterly. All the preferred stock outstanding has preference over the Corporation's common stock with respect to the payment of dividends and distribution of assets in the event of a liquidation or dissolution of the Corporation. Except in certain circumstances, the holders of preferred stock have no voting rights.

NOTE 11. COMMON STOCK AND EARNINGS PER COMMON SHARE

At December 31, 2000, warrants were outstanding on 3.6 million shares of the Corporation's common stock at an exercise price of \$21.94 per share. Substantially all such warrants were exercised in the first quarter of 2001, and the remaining warrants expired unexercised. During the third quarter of 2000, the Corporation agreed to settle outstanding warrants on 13 million shares of its common stock, for an aggregate payment of approximately \$441 million to the holders of the warrants.

On August 16, 2000, the Corporation's Board of Directors declared a dividend of one preferred share purchase right (a "right") for each outstanding share of the Corporation's common stock. The dividend was payable on November 22, 2000 to the stockholders of record on November 21, 2000. Under certain conditions, a right may be exercised to purchase one ten-thousandth of a share of the Corporation's cumulative participating junior preferred stock at an exercise price of \$175, subject to certain adjustments. In general, the rights would become exercisable if a party acquires 10% or more (in the case of certain qualified investors, 15% or more) of the issued and outstanding shares of the Corporation's common stock, or after the commencement of a tender or exchange offer for 10% or more of the issued and outstanding shares. When exercisable under certain conditions, each right would entitle the holder to receive upon exercise of a right that number of shares of the Corporation's common stock (or, in certain cases, the common stock of an acquiring company) having a market value of two times the exercise price of the right. The rights will expire in 2010 and may be redeemed in whole, but not in part, at a price of \$.005 per share at any time prior to expiration or the

acquisition of 10% of the Corporation's common stock. The rights replaced similar rights issued by the Corporation in 1990, which expired on November 21,

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2000.

The following table presents a reconciliation of earnings per common share as of December 31, 2000, 1999 and 1998:

Year ended December 31	2000		1999	
Dollars in millions, except share and per share amounts	Basic	Diluted	Basic	Diluted
Average shares outstanding	903,655,315	903,655,315	919,347,086	919,347,086
Additional shares due to:				
Stock options	--	7,624,887	--	11,742,926
Warrants	--	8,589,274	--	12,437,929
Total equivalent shares	903,655,315	919,869,476	919,347,086	943,527,941
Earnings per share:				
Net income	\$ 3,420	\$ 3,420	\$ 2,038	\$ 2,038
Less preferred stock dividends and other	(39)	(39)	(56)	(56)
Net income available to common stockholders	\$ 3,381	\$ 3,381	\$ 1,982	\$ 1,982
Total equivalent shares	903,655,315	919,869,476	919,347,086	943,527,941
Earnings per share	\$ 3.74	\$ 3.68	\$ 2.16	\$ 2.10

Options to purchase 30,673,560 shares of common stock at exercise prices between \$35.63 and \$48.97; 15,408,054 shares of common stock at exercise prices between \$36.66 and \$48.97; and 8,237,060 shares of common stock at exercise prices between \$31.88 and \$37.02 at December 31, 2000, 1999, and 1998, respectively, were outstanding but were not included in the computation of diluted earnings per share because such options were antidilutive.

#### NOTE 12. REGULATORY MATTERS

**RESTRICTIONS ON CASH AND DUE FROM BANKS.** The Corporation's banking subsidiaries are subject to requirements of the Board of Governors of the Federal Reserve Board (the Federal Reserve) to maintain certain reserve balances. At December 31, 2000 and 1999, these reserve balances were \$1.5 billion and \$2.5 billion, respectively.

**TRANSACTION AND DIVIDEND RESTRICTIONS.** The Corporation's banking subsidiaries are subject to restrictions under federal law that limit the transfer of funds by the subsidiary banks to the Corporation and its non-banking subsidiaries. Such transfers by any subsidiary bank to the Corporation or any non-banking subsidiary are limited in amount to 10% of such bank's capital and surplus.

Various federal and state banking statutes limit the amount of dividends the subsidiary banks can pay to the Corporation without regulatory approval. The payment of dividends by any subsidiary bank may also be affected by other factors, such as the maintenance of adequate capital for such subsidiary bank. Various regulators and the Boards of Directors of the affected institutions continue to review dividend declarations and capital requirements of the Corporation and its subsidiaries consistent with current earnings, future

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earning prospects and other factors. At December 31, 2000, the banking subsidiaries in the aggregate could have declared an additional \$1.1 billion of dividends without prior regulatory approval.

REGULATORY CAPITAL. As a bank holding company, the Corporation is subject to regulation by the Federal Reserve, the Office of the Comptroller of the Currency (the OCC) and the Federal Deposit Insurance Corporation (the FDIC), as well as state regulators. Under the regulatory capital adequacy guidelines and the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), the Corporation and its banking subsidiaries must meet specific capital requirements. These requirements are expressed in terms of the following ratios: (1) Risk-based Total Capital (Total Capital/risk-weighted on- and off-balance sheet assets); (2) Risk-based Tier 1 Capital (Tier 1 Capital/risk-weighted on- and off-balance sheet assets); and (3) Leverage (Tier 1 Capital/adjusted average quarterly assets). To meet all minimum regulatory capital requirements, the Corporation and its banking subsidiaries must maintain a Risk-based Total Capital ratio of at least 8%, a Risk-based Tier 1 Capital ratio of at least 4%, and a Tier 1 Leverage ratio of at least 3%. Failure to meet minimum capital requirements can result in the initiation of certain actions that, if undertaken, could have a material effect on the Corporation's financial statements. To be categorized as well capitalized under the prompt corrective action provisions of FDICIA, the Corporation and its banking subsidiaries must maintain a Risk-based Total Capital ratio of at least 10%, a Risk-based Tier 1 Capital ratio of at least 6%, and a Tier 1 Leverage ratio of at least 5%, and not be subject to a written agreement, order or capital directive with any of its regulators.

The following table presents capital and capital ratio information for the Corporation as of December 31, 2000 and 1999:

### Regulatory Capital Ratios

December 31	2000		1999	
Dollars in millions	-----			
Actual:				
Tier 1 risk-based capital	\$14,334	7.87%	\$12,927	6.82%
Total risk-based capital	22,001	12.08	21,782	11.50
Leverage	14,334	8.17	12,927	6.81
Minimum regulatory capital standards:				
Tier 1 risk-based capital	7,286	4.00	7,580	4.00
Total risk-based capital	14,572	8.00	15,159	8.00
Leverage	5,263	3.00	5,698	3.00
-----				

As of December 31, 2000, each of the Corporation's banking subsidiaries satisfied the requirements of the well capitalized category under the regulatory framework established by FDICIA. There are no conditions or events

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since that date that management believes have changed the capital category of these subsidiaries. The capital categories of each of the Corporation's bank subsidiaries are determined solely for purposes of applying FDICIA's provisions, and such capital categories may not constitute an accurate representation of the overall financial condition or prospects of any of the Corporation's banking



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subsidiaries.

As registered broker/dealers and member firms of the NYSE, certain subsidiaries of the Corporation are subject to rules of both the SEC and the NYSE. These rules require these subsidiaries to maintain minimum levels of net capital, as defined, and may restrict them from expanding their business and declaring dividends if their net capital falls below specified levels. At December 31, 2000, these subsidiaries had aggregate net capital of approximately \$782 million, which exceeded aggregate minimum net capital requirements by approximately \$698 million.

### NOTE 13. EMPLOYEE BENEFITS

#### STOCK INCENTIVE PLANS

##### Stock Options

The Corporation maintains stock incentive plans for certain employees and for non-employee directors. The plans provide for the grant of stock options, restricted stock, stock appreciation rights (SARs) and other stock awards.

Options to purchase common stock are granted at fair value on the grant date, generally vest over one- to five-year periods and expire at the end of six to ten years. Shares reserved for future issuance in connection with the Corporation's stock plans, stock options and outstanding rights and warrants totaled 124 million at December 31, 2000.

Stock Options December 31	2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	77,518,018	\$30.85	65,144,978	\$28.84
Granted	19,450,228	34.85	21,466,132	35.44
Exercised	(5,856,184)	24.48	(6,079,648)	24.73
Forfeited	(2,194,673)	35.45	(3,013,444)	33.58
Outstanding at end of year	88,917,389	\$32.03	77,518,018	\$30.85
Options exercisable at year-end	56,441,992	\$29.92	51,962,759	\$28.27

#### Stock Options Outstanding and Exercisable December 31, 2000

Range of Exercise Prices	Options Outstanding		
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 3 - \$20	9,972,525	3.7 Years	\$17.48
\$21 - \$30	24,767,893	7.1 Years	28.65

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\$31 - \$34	23,279,590	8.6 Years	34.24
\$35 - \$38	21,543,253	8.5 Years	36.96
\$39 - \$49	9,354,128	7.3 Years	39.67
-----			
	88,917,389	7.5 Years	\$32.03
-----			

Restricted Stock Awards

The Corporation maintains stock plans under which key employees are awarded shares of the Corporation's common stock, subject to certain vesting requirements.

Under the terms of the Corporation's restricted stock awards, employees are generally required to continue employment with the Corporation for a stated period after the award in order to become fully vested in the shares awarded. For certain restricted stock awards, vesting is contingent upon, or will be accelerated if, certain pre-established performance goals are attained. The performance periods generally range from two to five years. During 2000, 1999, and 1998, grants of 1,358,861 shares; 3,430,879 shares; and 1,554,713 shares, respectively, of restricted stock were made. As of December 31, 2000, 1999, and 1998, outstanding shares totaled 3,732,729, 3,226,668; and 2,774,303, respectively, with average grant prices of \$36.06, \$36.90, and \$38.30, respectively. Compensation expense recognized for restricted stock during 2000, 1999, and 1998 was \$42 million, \$56 million and \$32 million, respectively.

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Pro Forma Fair Value Information

The Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," in 1996. As permitted by that Standard, the Corporation elected not to adopt the fair value accounting provisions of the Standard and to continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Had compensation expense for the Corporation's stock options and awards been determined in accordance with the fair value accounting provisions of SFAS No. 123, the Corporation's net income and diluted earnings per share would have been as follows:

Year ended December 31		2000	1999	1998
-----				
Net income (in millions)	As reported	\$3,420	\$2,038	\$2,324
	Pro forma	3,354	1,930	2,271
Diluted earnings per share	As reported	\$3.68	\$2.10	\$2.41
	Pro forma	3.60	2.00	2.36
-----				

Solely for purposes of providing the disclosures required by SFAS No. 123, the fair value of each stock option and stock award was estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted average assumptions:

Year ended December 31	2000	1999	1998
------------------------	------	------	------

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Dividend yield	3.0%	3.0%	2.9%
Volatility	35	28	27
Risk-free interest rate	6	6	5
Expected option life	5 years	5 years	5 years

The estimated weighted average grant date fair values per share of stock options granted and restricted stock granted were as follows:

Year ended December 31	2000	1999	1998
Stock options	\$10.57	\$ 9.20	\$ 8.50
Restricted stock	33.24	30.52	34.80

PENSION AND POSTRETIREMENT BENEFIT PLANS

The Corporation maintains qualified noncontributory, defined benefit pension plans covering substantially all domestic employees, as well as nonqualified noncontributory defined benefit plans for certain executives. The qualified plans are funded in compliance with the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code of 1986, as amended.

The Corporation also provides certain postretirement health and life insurance benefits for eligible retired domestic employees. Postretirement benefits are accrued over the service lives of the employees.

The following tables summarize benefit obligation, asset activity, funded status and expense for the plans:

December 31 In millions	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
<b>CHANGE IN BENEFIT OBLIGATION</b>				
Benefit obligation at beginning of year	\$1,528	\$1,665	\$ 169	\$ 19
Service cost	65	76	--	--
Interest cost	118	111	13	1
Participant contributions	--	--	6	--
Curtailment (gain)	(20)	(10)	--	(
Settlement (gain)/loss	(2)	2	--	--
Acquisitions	--	28	--	--
Special termination benefits	--	8	--	--
Plan amendments	25	(5)	--	--
Benefits paid	(189)	(130)	(26)	(2
Actuarial loss/(gain)	98	(217)	9	(1
Benefit obligation at end of year	\$1,623	\$1,528	\$ 171	\$ 16

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CHANGE IN PLAN ASSETS				
Fair value of plan assets				
at beginning of year	\$2,347	\$2,064	\$ 42	\$ 3
Actual return on plan assets	23	377	2	
Acquisitions	--	20	--	--
Employer contributions	17	8	19	1
Participant contributions	--	--	6	
Benefits paid	(189)	(122)	(26)	(2)
Fair value of plan assets				
at end of year	\$2,198	\$2,347	\$ 43	\$ 4
RECONCILIATION OF FUNDED STATUS				
Plan assets in excess of benefit obligation	\$ 575	\$ 819	\$(128)	\$(12)
Unrecognized actuarial gain	(178)	(486)	(35)	(5)
Unrecognized transition (asset)/obligation	(1)	(3)	49	5
Unrecognized prior service cost	18	(9)	--	--
Net amount recognized	\$ 414	\$ 321	\$(114)	\$(12)
Prepaid pension cost	\$ 549	\$ 443	\$ --	\$ --
Accrued benefit liability, net	(135)	(122)	(114)	(12)
Net amount recognized	\$ 414	\$ 321	\$(114)	\$(12)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$249 million, \$189 million, and \$3 million, respectively, as of December 31, 2000 and \$203 million, \$161 million, and \$4 million, respectively, as of December 31, 1999.

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Pension and Postretirement Benefit Expense

Year ended December 31 Dollars in millions	Pension Benefits			Othe
	2000	1999	1998	
COMPONENTS OF NET PERIODIC BENEFIT EXPENSE/(INCOME)				
Service cost	\$ 65	\$ 76	\$ 65	
Interest cost	118	111	109	
Expected return on plan assets	(199)	(171)	(171)	
Net amortization and recognized actuarial (gain)/loss	(5)	5	5	
Net periodic benefit (income)/expense	\$ (21)	\$ 21	\$ 8	
ASSUMPTIONS AS OF DECEMBER 31				
Discount rate	7.50%	8.00%	6.75%	
Expected rate of return on plan assets	10.00	10.00	9.56	
Rate of compensation increase	5.00	5.00	4.81	
Healthcare cost trend rate				

The healthcare cost trend rate is projected to decrease gradually over the next several years to approximately 5%, and remain level thereafter. A 1% increase or decrease in the healthcare cost trend rate assumption does not have a significant effect on postretirement benefit obligation or expense.

Staffing reductions and lump sum benefit payments during 2000 resulted in pension curtailment and settlement gains of approximately \$54 million. These gains, which were recorded in 2000, are excluded from the pension and postretirement benefit expense table presented above.

The Corporation maintains defined contribution savings plans covering substantially all domestic employees. The Corporation's expense for these plans was \$83 million, \$75 million and \$71 million for 2000, 1999 and 1998, respectively.

#### NOTE 14. MERGER- AND RESTRUCTURING-RELATED CHARGES

In 1999, the Corporation recorded \$850 million of merger- and restructuring-related charges in connection with its merger with BankBoston, composed of \$383 million of merger-related charges and \$467 million of restructuring charges. In addition to the merger- and restructuring-related charges, the Corporation incurred \$102 million of integration costs. The Corporation incurred an additional \$227 million of integration costs in 2000. These integration costs were expensed as incurred and resulted from the merger integration process the Corporation began in the fourth quarter of 1999 and substantially completed in 2000.

#### RESTRUCTURING-RELATED CHARGES

The Corporation's restructuring-related charges of \$467 million resulted from a restructuring plan that management committed to and communicated to employees in 1999 in connection with its integration of the combining companies. Of the \$467 million charge, \$357 million related to personnel, \$77 million related to technology and operations, \$28 million related to facilities and \$5 million related to other restructuring expenses. Management fully implemented the restructuring plan during 2000.

Personnel-related costs of \$357 million related to severance, benefit program changes and outplacement services for approximately 4,000 employees identified in 1999 for termination in connection with the restructuring, principally as a result of duplicate functions within the combined company. Of the total employees to be terminated, approximately 14% were in Global Banking and Financial Services; approximately 15% were in Commercial and Retail Banking; approximately 1% were in National Financial Services; and the remaining 70% were in support units. Substantially all of the affected employees were notified by September 30, 2000, and left the Corporation by December 31, 2000. As of December 31, 2000, \$238 million in personnel-related benefits had been paid.

Technology and operations costs of \$77 million included \$37 million of liabilities incurred for contract cancellation penalties resulting from duplicate or incompatible systems, and \$40 million of write-offs of certain capitalized assets, including business projects in process that will not be completed by the Corporation, and losses incurred from the write-off of computer hardware and software held for disposition. As of December 31, 2000, \$31 million in contract cancellation penalties had been paid, and all of the assets written off were taken out of service.

Facilities charges of \$28 million represent the present value of future lease obligations and lease cancellation penalties recorded in connection with

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vacating duplicate headquarters, banking operation facilities and branch offices. During 2000, \$5 million of facilities charges were paid.

The following table discloses activity in the restructuring-related accrual during the year ended December 31, 2000. The remaining accrual at December 31, 2000 is composed primarily of expected cash outlays related to severance and facilities obligations.

### Restructuring Accrual Activity

In millions

Balance At December 31, 1999	\$387
Cash payments	(234)
Noncash write-downs	(7)
Balance At December 31, 2000	\$146

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### INTEGRATION COSTS

The Corporation's integration costs, which were expensed as incurred, included the costs of converting duplicate computer systems, training and relocation of employees and departments, consolidation of facilities and customer communications. Certain assets, principally computer hardware and software, banking operations and administrative facilities, were used during 2000 until the integration of computer systems and banking operations was completed, and were then disposed. Approximately \$68 million of the total integration costs incurred in 2000 related to the incremental depreciation on these assets, which was calculated based on the assets' shortened useful lives, over the depreciation that would otherwise have been recorded.

### 1998 MERGER- AND RESTRUCTURING-RELATED CHARGES

In 1998, the Corporation recorded \$138 million of merger- and restructuring-related charges, composed of \$59 million of merger-related charges and \$79 million of restructuring-related charges. These charges resulted from the Corporation's acquisitions of Quick & Reilly and the domestic consumer credit card operations of Advanta, as well as a realignment of its Asian operations and reductions in staff in its Emerging Market Sales, Trading and Research unit. The merger-related charges were composed of professional fees pertaining to investment banking, legal and accounting services, personnel-related costs, including retention payments, and costs related to system conversions. The restructuring-related charges were composed of personnel costs such as employee severance and outplacement assistance, facilities charges, including costs of terminating lease obligations, and asset write-offs resulting primarily from the closing of offices in India, Japan, the Philippines and Taiwan. At December 31, 2000, no accruals related to these restructuring-related charges remained.

### NOTE 15. COMMITMENTS AND CONTINGENCIES

The Corporation has obligations under a number of noncancelable operating leases for premises and equipment. The minimum annual rental commitments under these leases at December 31, 2000, exclusive of taxes and other charges, were as

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follows: \$257 million in 2001; \$229 million in 2002; \$191 million in 2003; \$161 million in 2004; \$138 million in 2005; \$453 million in 2006; and thereafter. Total rental expense for 2000, 1999 and 1998, including cancelable and noncancelable leases, amounted to \$277 million, \$279 million and \$264 million, respectively.

Certain leases contain escalation clauses, which correspond with increased real estate taxes and other operating expenses, and renewal options calling for increased rents as the leases are renewed. No restrictions are imposed by any lease agreement regarding the payment of dividends, additional debt financing, or entering into further lease agreements.

The Corporation and its subsidiaries are involved in various legal proceedings arising out of, and incidental to, their respective businesses. Management of the Corporation, based on its review with counsel of the development of these matters to date, considers that the aggregate loss resulting from the final outcome, if any, of these proceedings should not be material to the Corporation's financial condition or results of operations.

### NOTE 16. INCOME TAXES

The components of income before income taxes and income tax expense are summarized below:

#### Income Before Income Taxes

Year ended December 31 In millions	2000	1999	1998
-----			
Income before income taxes:			
Domestic	\$4,958	\$2,841	\$3,426
Foreign	758	585	350
-----			
Total income before income taxes	\$5,716	\$3,426	\$3,776
-----			

#### Income Tax Expense

Year ended December 31 In millions	2000	1999	1998
-----			
Current income taxes:			
Federal	\$1,252	\$ 503	\$ 893
Foreign:			
Based on income	155	197	106
Withheld on interest and dividends	73	73	60
State and local	271	116	183
-----			
Total current income taxes	\$1,751	\$ 889	\$1,242
-----			
Deferred income taxes:			
Federal	\$ 446	\$ 399	\$ 159

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State and local	99	100	51
Total deferred income taxes	\$ 545	\$ 499	\$ 210
Total income tax expense:			
Federal	\$1,698	\$ 902	\$1,052
Foreign	228	270	166
State and local	370	216	234
Applicable income taxes	\$2,296	\$1,388	\$1,452

Income tax expense for the years ended December 31, 2000, 1999 and 1998 varied from the amount computed by applying the statutory income tax rate to income before income taxes. A reconciliation between the statutory and effective tax rates follows:

Statutory Rate Analysis

Year ended December 31	2000	1999	1998
Tax at statutory rate	35.0%	35.0%	35.0%
Increases/(decreases) in taxes resulting from:			
State and local income taxes, net of federal income tax benefit	4.2	4.1	4.0
Non-creditable foreign taxes	---	---	.5
Goodwill amortization	2.2	1.7	1.3
Tax-exempt income	(.5)	(.7)	(.7)
Other, net	(.7)	.4	(1.6)
Effective tax rate	40.2%	40.5%	38.5%

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Significant components of the Corporation's net deferred tax liability as of December 31, 2000 and 1999 are presented in the following table:

Net Deferred Tax Liability

December 31 In millions	2000	1999
Deferred tax assets:		
Reserve for credit losses	\$ 695	\$ 745
Expenses not currently deductible	612	519
Employee benefits	178	286
Other	497	469



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Total gross deferred tax assets	1,982	2,019
Less: valuation allowance	35	30
<hr/>		
Total gross deferred tax assets	\$1,947	\$1,989
<hr/>		
Deferred tax liabilities:		
Lease financing	\$2,582	\$2,279
Mortgage banking	497	508
Net unrealized (loss)/gain on securities available for sale	(9)	362
Other	567	445
<hr/>		
Total gross deferred tax liabilities	\$3,637	\$3,594
<hr/>		
Net deferred tax liability	\$1,690	\$1,605
<hr/>		

The Corporation has evaluated the available evidence supporting the future realization of its gross deferred tax assets of \$1.9 billion at December 31, 2000, including the amount and timing of future taxable income, and has determined that it is more likely than not that the assets will be realized. Given the nature of state tax laws, the Corporation believes that uncertainty remains concerning the realization of tax benefits in various state jurisdictions. The Corporation recorded cumulative state tax benefits, net of federal taxes, of \$103 million and \$112 million as of December 31, 2000 and 1999, respectively. State valuation reserves of \$35 million and \$30 million have been established at December 31, 2000 and 1999, respectively.

NOTE 17. LINE OF BUSINESS INFORMATION

In 2000, the Corporation was managed along three principal business lines: Global Banking and Financial Services, Commercial and Retail Banking and National Financial Services. GLOBAL BANKING AND FINANCIAL SERVICES includes International Banking, Corporate Banking, Principal Investing, Robertson Stephens, Quick & Reilly and Investment Services. COMMERCIAL AND RETAIL BANKING includes domestic retail banking to consumer and small business customers, as well as domestic commercial banking operations, which includes middle-market lending, asset-based lending, leasing, cash management, trade finance and government banking services. NATIONAL FINANCIAL SERVICES includes Credit Cards, Commercial Real Estate, Mortgage Banking and Student Loan and Other Processing. ALL OTHER includes allocated support units, the management accounting control units and certain transactions or events not driven by specific business lines, including merger- and restructuring-related charges and other costs and gains on sales of businesses. Management accounting control units include management accounting offsets to transfer pricing, equity and provision for credit loss allocations. All Other also includes the Corporation's Treasury function, which is responsible for managing the interest rate risk, liquidity and wholesale funding needs of the Corporation. The financial performance of the Corporation's lines of business is monitored by an internal profitability measurement system. Periodic financial statements are produced and reviewed by senior management. Within business units, assets, liabilities and equity are match-funded utilizing similar maturity, liquidity and repricing information. Additionally, equity, provision for credit losses and reserve for credit losses are assigned on an economic basis. The Corporation has developed a risk-adjusted methodology that quantifies risk types (e.g., credit and operating risk) within business units and assigns capital accordingly. Provisions for credit losses and reserves for credit losses are allocated to each business line based on economic modeling of long-term expected loss rates. Management reporting methodologies are in place for assigning expenses that are not directly incurred by businesses, such as overhead, operations and technology expense. These methodologies are

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periodically refined and results are restated to reflect methodological and/or management organization changes.

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The following table presents financial information for the Corporation's lines of business for 2000, 1999 and 1998, on a fully taxable equivalent basis. Consolidated net interest income and income taxes include tax-equivalent adjustments of \$61 million, \$57 million and \$59 million for 2000, 1999 and 1998, respectively. Information for 1999 and 1998 is presented on a basis consistent with 2000, and, as such, has been restated for changes in the Corporation's organizational structure and internal management reporting methodologies implemented during 2000.

Year ended December 31, 2000 In millions	Global Banking and Financial Services(a)	Commercial and Retail Banking	National Financial Services	All Other(b)
<b>Income Statement Data:</b>				
Net interest income	\$ 2,185	\$ 3,864	\$ 667	\$ (134)
Noninterest income	5,273	1,454	1,324	973
Total revenue	7,458	5,318	1,991	839
Provision for credit losses	314	334	269	279
Noninterest expense	4,183	2,958	1,020	472
Income taxes	1,184	825	278	70
Net income	\$ 1,777	\$ 1,201	\$ 424	\$ 18
<b>Balance Sheet Data:</b>				
Average total assets	\$ 79,914	\$ 59,897	\$ 23,114	\$ 22,643
<b>Other Financial Data (pre-tax):</b>				
Depreciation and amortization	\$ 188	\$ 270	\$ 550	\$ 246
Branch divestiture gains	--	--	--	843
<b>Year ended December 31, 1999 In millions</b>				
<b>Income Statement Data:</b>				
Net interest income	\$ 2,019	\$ 3,989	\$ 775	\$ 16
Noninterest income	4,027	1,467	1,340	140
Total revenue	6,046	5,456	2,115	156
Provision for credit losses	294	352	367	(80)
Noninterest expense	3,681	3,265	1,092	1,319
Income taxes	825	759	263	(402)
Net income	\$ 1,246	\$ 1,080	\$ 393	\$ (681)
<b>Balance Sheet Data:</b>				
Average total assets	\$ 74,489	\$ 63,811	\$ 24,229	\$ 26,250
<b>Other Financial Data (pre-tax):</b>				

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Depreciation and amortization	\$ 166	\$ 283	\$ 518	\$ 213
Merger- and restructuring-related charges	--	--	--	850

Year ended December 31, 1998  
In millions

Income Statement Data:				
Net interest income	\$ 1,714	\$ 3,721	\$ 867	\$ 152
Noninterest income	2,530	1,312	943	496
-----				
Total revenue	4,244	5,033	1,810	648
Provision for credit losses	231	308	372	(61)
Noninterest expense	2,635	3,102	954	359
Income taxes	555	688	195	73
-----				
Net income	\$ 823	\$ 935	\$ 289	\$ 277
-----				
Balance Sheet Data:				
Average total assets	\$ 59,834	\$ 53,980	\$ 23,576	\$ 32,838
-----				
Other Financial Data (pre-tax):				
Depreciation and amortization	\$ 125	\$ 268	\$ 549	\$ 169
Merger- and restructuring-related charges	--	--	--	138

- (a) Includes revenue and net income from overseas operations, principally Argentina and Brazil, of \$1.7 billion and \$343 million, respectively, in 2000; \$1.6 billion and \$292 million, respectively, in 1999; and \$1.3 billion and \$214 million, respectively, in 1998. International average total assets were \$24.6 billion, \$21.8 billion and \$21.2 billion for 2000, 1999 and 1998, respectively.
- (b) All Other includes net income of the Treasury unit of \$125 million in 2000, \$118 million in 1999, and \$157 million in 1998. Average total assets allocated to All Other primarily consist of residential mortgage loans and securities managed by the Treasury unit.

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The following table presents financial information for the supporting business units of each of the Corporation's lines of business.

Year ended December 31 In millions	2000		1999	
	Net Income	Revenue	Net Income	Revenue
Global Banking and Financial Services				
International Banking	\$ 383	\$ 1,832	\$ 316	\$ 1,730
Corporate Banking	376	1,220	281	1,150
Principal Investing	373	740	215	460
Robertson Stephens	218	1,550	99	930
Quick & Reilly	217	1,178	172	870
Investment Services	210	938	163	880

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Total Global Banking and Financial Services	1,777	7,458	1,246	6,04
Commercial and Retail Banking				
Retail Distribution	402	2,204	354	2,34
Commercial Finance	316	970	297	94
Commercial Banking	240	943	218	96
Small Business	194	888	170	85
Consumer Lending	49	313	41	34
-----				
Total Commercial and Retail Banking	1,201	5,318	1,080	5,45
National Financial Services				
Credit Cards	171	1,038	152	1,13
Commercial Real Estate	159	401	140	38
Mortgage Banking	58	328	71	40
Student Loan and Other Processing	36	224	30	18
-----				
Total National Financial Services	424	1,991	393	2,11
All Other	18	839	(681)	15
-----				
FleetBoston Financial Corporation	\$3,420	\$15,606	\$2,038	\$13,77
=====				

NOTE 18. SECURITIZATIONS OF ASSETS

During 2000, the Corporation sold approximately \$2 billion of commercial loans and approximately \$3 billion of credit card receivables in new securitization transactions. The Corporation will receive annual servicing fees as compensation for servicing the outstanding balances. The Corporation's retained interests are subordinate to investors' interests. The value of these retained interests is subject to credit, prepayment and interest rate risks related to the transferred assets. In 2000, pre-tax gains recognized on new credit card securitizations and replenishment of revolving credit card securitization pools were approximately \$374 million. This revenue is recorded in securitization income, a component of credit card revenue. Gains recognized on commercial loan securitization activities in 2000 were not significant.

Key economic assumptions used in measuring the initial retained interests resulting from the securitizations completed in 2000 were as follows:

	Commercial Loans	Credit Card Receivables
Repayment speed (monthly rate)	4.5%	10-12%
Weighted average life	10 months	5 months
Expected credit losses (annual rate)	.47%	5-7%
Discount rate	15%	8-11%
=====		

At December 31, 2000, key economic assumptions and the reduction in the carrying amount of retained interests caused by immediate adverse changes in those assumptions are as follows:

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Dollars in millions	Commercial Loans	Credit Card Receivables
Carrying amount of retained interests	\$130	\$ 124
REPAYMENT SPEED (MONTHLY RATE)	4.5%	11.2%
Impact of 5% change	\$ --	\$ 3.9
Impact of 10% change	1.1	7.9
EXPECTED CREDIT LOSSES (ANNUAL RATE)	.50%	5.34%
Impact of 5% change	\$1.0	\$11.1
Impact of 10% change	2.0	22.3
DISCOUNT RATE	15.00%	10.32%
Impact of 5% change	\$1.4	\$ .1
Impact of 10% change	2.9	.2

These sensitivities are hypothetical and are presented for illustrative purposes only. Changes in carrying amount based on a change in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in carrying amount may not be linear. The changes in assumptions presented in the above table were calculated without changing any other assumption; in reality, changes in one assumption may result in changes in another, which may magnify or counteract the sensitivities. For example, changes in market interest rates may simultaneously impact repayment speed, credit losses and the discount rate.

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The table below summarizes certain cash flows received from and paid to securitization trusts for the year ended December 31, 2000.

In millions	Commercial Loans	Credit Card Receivables
Proceeds from new securitizations	\$ 2,000	\$ 2,898
Proceeds from replenishment of revolving securitization pools	1,281	10,465
Servicing fees received	4	177
Other cash flows received on retained interests, including excess spread and interest on reserve accounts	19	482
Purchases of credit-impaired assets	(127)	--

The following table presents information about principal balances of managed and securitized credit card receivables as of and for the year ended December 31, 2000.

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In millions	Total Principal	Principal 90 days or more past due	Net Credit Losses
Total loans managed	\$14,327	\$353	\$789
Less: loans securitized	9,802	217	549
Total loans owned	\$ 4,525	\$136	\$240

NOTE 19. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

BALANCE SHEET MANAGEMENT ACTIVITIES. The Corporation's principal objective in holding or issuing derivatives for purposes other than trading is the management of interest rate and currency risk.

The major source of the Corporation's non-trading U.S. dollar denominated interest rate risk is the difference in the repricing characteristics of the Corporation's core banking assets and liabilities - loans and deposits. This difference, or mismatch, poses a risk to net interest income. In managing net interest income, the Corporation uses interest rate swaps to offset the general asset sensitivity of the core bank. Additionally, the Corporation uses interest rate swaps to offset basis risk, including the specific exposure to changes in prime interest rates.

A second major source of the Corporation's non-trading U.S. dollar denominated interest rate risk is the sensitivity of its MSRs to prepayments. A mortgage borrower has the option to prepay a mortgage loan at any time. When mortgage interest rates decline, borrowers have a greater incentive to prepay mortgage loans through a refinancing. To mitigate the risk of declining long-term interest rates, increased mortgage prepayments, and the potential impairment of MSRs, the Corporation uses a variety of risk management instruments, including interest rate swaps, caps and floors, options on swaps, and exchange-traded options on Treasury bond and note futures. These instruments gain value as interest rates decline, mitigating the impairment of MSRs. Increases in the value of these instruments and related cash flows aggregating \$415 million were recorded as adjustments to the carrying value of MSRs during 2000.

The Corporation's non-U.S. dollar denominated assets and liabilities are exposed to interest rate and foreign exchange rate risks. The majority of the Corporation's non-U.S. dollar denominated interest rate and foreign exchange rate risk exposure stems from its operations in Latin America, primarily Argentina and Brazil. This interest rate risk is managed through the use of interest rate swap instruments. Foreign exchange rate risk is managed through the use of foreign currency spot, forward, futures, option and swap contracts. The primary risks in these transactions arise from the exposure to changes in foreign currency exchange rates and the ability of counterparties to meet the terms of those contracts.

The following table presents the notional amount and fair value of risk management instruments at December 31, 2000 and 1999:

Risk Management Instruments

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December 31	2000		1999	
In millions	Notional Amount	Fair Value	Notional Amount	
<b>INTEREST RATE RISK MANAGEMENT INSTRUMENTS:</b>				
Domestic:				
Receive fixed/pay variable swaps	\$28,068	\$ 568	\$ 18,806	
Pay fixed/receive variable swaps	4,197	(95)	22	
Basis swaps	--	--	3,172	
Futures and forwards	4,317	(52)	--	
Options	2,335	25	--	
International:				
Interest rate swaps	1,147	8	1,202	
Futures and forwards	--	--	523	
Interest rate options purchased	--	--	337	
Interest rate options written	--	--	337	
<b>MORTGAGE BANKING RISK MANAGEMENT INSTRUMENTS:</b>				
Interest rate, P.O., and MBS swaps	5,864	39	6,127	
Futures	--	--	330	
Interest rate floors and options on swaps	30,350	403	59,735	
Interest rate caps and cap corridors	13,200	55	16,700	
Call options purchased	--	--	960	
<b>FOREIGN EXCHANGE RISK MANAGEMENT INSTRUMENTS:</b>				
Swaps	4,666	73	5,000	
Spot and forward contracts	442	7	1,764	
Futures	--	--	361	
<b>Total risk management instruments</b>	<b>\$94,586</b>	<b>\$1,031</b>	<b>\$115,376</b>	<b>\$ (</b>

Interest rate swap agreements involve the exchange of fixed- and variable-rate interest payments based upon a notional principal amount and maturity date. Interest rate basis swaps involve the exchange of floating-rate interest payments based on various indices, such as U.S. Treasury bill rates and LIBOR. In a purchased interest rate floor agreement, cash interest payments are received only if current interest rates fall below a predetermined interest rate. Purchased or sold interest rate cap agreements are similar to interest rate floor agreements, except that cash interest payments are received or made only if current interest rates rise above predetermined interest rates. Options on swap agreements provide the holder the right to enter into an interest rate swap at a predetermined rate and time in the future.

The Corporation's interest rate risk management instruments had credit exposure, which arises from amounts due from counterparties, of \$720 million at December 31, 2000, versus \$96 million at December 31, 1999. The Corporation's mortgage banking risk management instruments had credit exposure of \$217 million at December 31, 2000, versus \$175 million at December 31, 1999. The Corporation's foreign exchange rate risk management instruments had credit exposure of \$132 million at December 31, 2000, versus \$124 million at December 31, 1999. The periodic net settlement of interest rate risk management instruments is recorded as an adjustment to net interest income. As of December

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31, 2000, the Corporation had net deferred income of \$18 million related to terminated interest rate swap contracts, which will be amortized over the remaining life of the underlying terminated contracts of approximately 9 years. Reserves related to credit exposure associated with risk management instruments are included in other liabilities in the accompanying consolidated balance sheet.

### Other Financial Instruments

December 31 In millions	Contract or Notional Amount	
	2000	1999
-----		
Commitments to extend credit:		
Commercial and industrial loans	\$ 61,551	\$ 69,936
Commercial real estate	3,489	3,367
Credit card lines	51,118	50,360
Home equity lines	5,445	5,359
Other unused commitments	9,868	4,824
Residential mortgages	1,743	1,098
-----		
Total commitments to extend credit	\$133,214	\$134,944
Letters of credit, financial guarantees and foreign office guarantees (net of participations)	\$ 12,389	\$ 12,974
Commitments to sell loans	3,860	2,130
Recourse on assets sold	1,380	994
=====		

Commitments to extend credit are agreements to lend to customers in accordance with contractual provisions. These commitments usually are for specific periods or contain termination clauses and may require the payment of a fee. The total amounts of unused commitments do not necessarily represent future cash requirements, in that commitments often expire without being drawn upon.

Letters of credit and financial guarantees are agreements whereby the Corporation guarantees the performance of a customer to a third party. Collateral is required to support letters of credit in accordance with management's evaluation of the creditworthiness of each customer. The credit exposure assumed in issuing letters of credit is essentially equal to that in other lending activities. Management does not anticipate any significant losses as a result of these transactions.

Commitments to sell loans have off-balance sheet market risk to the extent that the Corporation does not have available loans to fill those commitments. This would require the Corporation to purchase loans in the open market.

TRADING ACTIVITIES. The following table represents the notional, or contractual, amount of the Corporation's off-balance sheet interest rate, foreign exchange and equity trading instruments and related credit exposure:

### Trading Instruments with Off-Balance Sheet Risk



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December 31 In millions	Contract or Notional Amount		Credit Exposure	
	2000	1999	2000	1999
Interest rate contracts	\$240,101	\$127,584	\$1,287	\$1,685
Foreign exchange contracts	43,336	91,378	1,029	1,846
Equity contracts	5,530	2,400	507	402

Notional principal amounts are a measure of the volume of agreements transacted, but the level of credit exposure is significantly less. The amount of credit exposure can be estimated by calculating the cost to replace, on a present value basis and at current market rates, all profitable contracts outstanding at year-end. Credit exposure disclosures relate to accounting losses that would be recognized if the counterparties completely failed to perform their obligations. To manage its level of credit exposure, the Corporation deals with counterparties of good credit standing, establishes counterparty credit limits, in certain cases has the ability to require securities collateral, and enters into netting agreements whenever possible.

The amounts disclosed below represent the end-of-period fair values of derivative financial instruments held or issued for trading purposes and the average aggregate fair values during 2000 for those instruments:

Trading Instruments

December 31, 2000 In millions	Fair Value (Carrying Amount)	Average Fair Value
	Interest rate contracts:	
Assets	\$1,287	\$1,089
Liabilities	1,112	1,044
Foreign exchange contracts:		
Assets	1,029	985
Liabilities	959	970
Equity contracts:		
Assets	507	370
Liabilities	358	238

The Corporation adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as of January 1, 2001. The Standard requires that all derivative instruments be recorded in the balance sheet at fair value. However, the accounting for changes in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. If the derivative instrument does not qualify as a hedge, changes in fair value are reported in earnings when they occur. If the derivative instrument qualifies as a hedge, the accounting

treatment varies based on the type of risk being hedged. The transition adjustments related to adoption of the Standard resulted in an after-tax increase to stockholders' equity of approximately \$200 million, and an after-tax increase of approximately \$8 million to net income.

#### NOTE 20. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, quoted market prices are used. In other cases, fair values are based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Disclosure of fair values is not required for certain items, such as lease financing, investments accounted for under the equity method of accounting, obligations for pension and other postretirement benefits, premises and equipment, OREO, prepaid expenses, core deposit intangibles and the value of customer relationships associated with certain types of consumer loans, particularly the credit card portfolio, other intangible assets, MSRs and income tax assets and liabilities. Accordingly, the aggregate fair value amounts presented do not purport to represent, and should not be considered representative of, the underlying "market" or franchise value of the Corporation. In addition, because of differences in methodologies and assumptions used to estimate fair values, the Corporation's fair values should not be compared to those of other financial institutions.

The following describes the methods and assumptions used by the Corporation in estimating the fair values of financial instruments.

**CASH AND CASH EQUIVALENTS.** The carrying amounts reported in the balance sheet approximate fair values because maturities are less than 90 days.

**TRADING ASSETS AND LIABILITIES.** Trading assets and liabilities are carried at fair value in the balance sheet. Values for trading securities are generally based on quoted, or other independent, market prices. Values for interest rate and foreign exchange products are based on quoted, or other independent, market prices, or are estimated using pricing models or discounted cash flows.

**MORTGAGES HELD FOR RESALE.** Fair value is estimated using the quoted market prices for securities backed by similar types of loans and current dealer commitments to purchase loans. These loans are priced to be sold with servicing rights retained.

**SECURITIES AVAILABLE FOR SALE AND HELD TO MATURITY.** Fair values are based primarily on quoted, or other independent, market prices. For certain debt and equity investments made in connection with the Corporation's Principal Investing business that do not trade on established exchanges, and for which markets do not exist, estimates of fair value are based upon management's review of the investee's financial results, condition and prospects.

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LOANS. The fair values of certain commercial and consumer loans are estimated by discounting the contractual cash flows using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying value of certain other loans approximates fair value due to the short-term and/or frequent repricing characteristics of these loans. For residential real estate loans, fair value is estimated by reference to quoted market prices. For nonperforming loans and certain loans where the credit quality of the borrower has deteriorated significantly, fair values are estimated by discounting expected cash flows at a rate commensurate with the risk associated with the estimated cash flows, based on recent appraisals of the underlying collateral or by reference to recent loan sales.

DEPOSITS. The carrying amount of deposits with no stated maturity or a maturity of less than 90 days is considered, by definition, to be equal to their fair value. Fair value of fixed-rate time deposits is estimated by discounting contractual cash flows using interest rates currently offered on the deposit products. Fair value for variable-rate time deposits approximates their carrying value. Fair value estimates for deposits do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of alternative forms of funding (core deposit intangibles).

SHORT-TERM BORROWINGS. Short-term borrowings generally mature in 90 days or less and, accordingly, the carrying amount reported in the balance sheet approximates fair value.

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LONG-TERM DEBT. The fair value of the Corporation's long-term debt, including the short-term portion, is estimated based on quoted market prices for the issues for which there is a market, or by discounting cash flows based on current rates available to the Corporation for similar types of borrowing arrangements.

OFF-BALANCE SHEET INSTRUMENTS. Fair values for off-balance sheet instruments are estimated based on quoted market prices or dealer quotes, and represent the amount the Corporation would receive or pay to execute a new agreement with identical terms considering current interest rates. Commitments to extend credit and letters of credit typically result in loans with a market interest rate when funded. The recorded book value of deferred fee income approximates the fair value.

INTEREST RATE AND FOREIGN EXCHANGE INSTRUMENTS. The fair values of interest rate and foreign exchange contracts used to manage interest rate, currency and market risks are estimated based on market information and other relevant characteristics using pricing models, including option models.

Fair Value of Financial Instruments

December 31	2000		
In millions	Carrying Value	Fair Value	Carrying Value
-----			
On-balance sheet financial assets:			
Financial assets for which carrying value approximates fair value	\$ 14,829	\$ 14,829	\$ 14,367
Trading assets	7,081	7,081	7,849

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Mortgages held for resale	2,077	2,077	1,244
Securities	23,720	23,958	25,212
Loans (a)	93,841	96,029	105,863
Financial instruments included in other assets	6,918	6,918	3,214
On-balance sheet financial liabilities:			
Deposits	101,290	101,555	114,896
Short-term borrowings	17,862	17,862	18,106
Trading liabilities	2,540	2,540	3,807
Long-term debt	28,357	28,309	25,349
Financial instruments included in other liabilities	860	860	1,278
Off-balance sheet financial instruments:			
Interest rate risk management instruments	36	454	(2)
Foreign exchange risk management instruments	--	80	--
Commitments to originate or purchase loans	2,073	2,098	--
Commitments to sell loans	1	(19)	1

(a) Excludes net book value of leases of \$13.4 billion and \$11.3 billion at December 31, 2000 and 1999, respectively.

NOTE 21. PARENT COMPANY ONLY FINANCIAL STATEMENTS

Statements of Income

Year ended December 31 In millions	2000	1999	1998
Dividends from subsidiaries:			
Banking subsidiaries	\$ 2,876	\$ 1,860	\$ 1,229
Other subsidiaries	105	202	450
Interest income	654	471	418
Other	51	7	45
Total income	3,686	2,540	2,142
Interest expense			
Noninterest expense	852	643	550
Total expense	14	238	42
Income before income taxes and equity in undistributed income of subsidiaries			
Applicable income taxes (benefit)	2,820	1,659	1,550
	(59)	(92)	(51)
Income before equity in undistributed income of subsidiaries			
Equity in undistributed income of subsidiaries	2,879	1,751	1,601
	541	287	723
Net income	\$ 3,420	\$ 2,038	\$ 2,324

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Balance Sheets

December 31	2000	1999
In millions		
-----		
Assets:		
Money market instruments	\$ 1,641	\$ 1,636
Securities	8	8
Loans receivable from:		
Banking subsidiaries	2,922	2,922
Other subsidiaries	5,314	3,875
	8,236	6,797
Investment in subsidiaries:		
Banking subsidiaries	15,573	15,275
Other subsidiaries	2,908	2,294
	18,481	17,569
Other	1,161	1,109
	18,481	17,569
Total assets	\$29,527	\$27,119
=====		
Liabilities:		
Short-term borrowings	\$ 1,283	\$ 1,649
Accrued liabilities	869	944
Long-term debt (a)	11,203	9,219
	13,355	11,812
Total liabilities	13,355	11,812
	13,355	11,812
Stockholders' equity	16,172	15,307
	16,172	15,307
Total liabilities and stockholders' equity	\$29,527	\$27,119
	\$29,527	\$27,119
=====		

(a) Includes junior subordinated debentures payable to subsidiary trusts of \$2,220 million in 2000 and \$1,906 million in 1999.

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Statements of Cash Flows

Year ended December 31	2000	1999	1998
In millions			
-----			
Cash flows from operating activities:			
Net income	\$ 3,420	\$ 2,038	\$ 2,324
Adjustments for noncash items:			
Equity in undistributed income of subsidiaries	(541)	(287)	(723)
Depreciation and amortization	14	15	10
Net securities gains	(7)	--	(33)
Increase/(decrease) in accrued			

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liabilities, net	(76)	248	35
Other, net	(112)	370	(439)
-----			
Net cash flow provided by operating activities	2,698	2,384	1,174
-----			
Cash flows from investing activities:			
Purchases of securities	--	(6)	--
Proceeds from sales and maturities of securities	7	--	80
Net cash provided used for short-term investments in bank subsidiary	--	--	(302)
Net increase in loans made to affiliates	(1,439)	(1,029)	(1,339)
Return of capital from subsidiaries	--	60	112
Proceeds from liquidation of subsidiary	--	12	14
Capital contributions to subsidiaries	(719)	(895)	(1,484)
-----			
Net cash flow used in investing activities	(2,151)	(1,858)	(2,919)
-----			
Cash flows from financing activities:			
Net (decrease)/increase in short-term borrowings	(365)	570	177
Proceeds from issuance of long-term debt	3,215	2,034	3,281
Repayments of long-term debt	(1,231)	(966)	(907)
Proceeds from issuance of common stock	209	299	182
Redemption and repurchase of common and preferred stock	(804)	(473)	(329)
Settlement of common stock warrants	(441)	--	--
Cash dividends paid	(1,125)	(950)	(937)
-----			
Net cash flow (used in)/provided by financing activities	(542)	514	1,467
-----			
Net increase/(decrease) in cash and cash equivalents	5	1,040	(278)
-----			
Cash and cash equivalents at beginning of year	1,636	596	874
-----			
Cash and cash equivalents at end of year	\$ 1,641	\$ 1,636	\$ 596
=====			

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FLEETBOSTON FINANCIAL CORPORATION

STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES

Consolidated Average Balances/Interest Earned-Paid/Rates 1998-2000 (Unaudited)

December 31	2000			
Dollars in millions (a)	Average Balance	Interest Earned / Paid (b)	Rate	Average Balance
-----				

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Assets:

Interest bearing deposits	\$ 2,000	\$ 127	6.34 %	\$ 1,4
Federal funds sold and securities purchased under agreements to resell	4,366	299	6.85	8,3
Trading account securities	4,566	281	6.15	2,7
Securities	23,883	1,592	6.67	24,5
Loans and leases - domestic(c)	99,044	8,794	8.88	103,5
Loans and leases - international(c)	15,857	2,217	13.98	14,0
Due from brokers/dealers	3,602	200	5.55	3,2
Mortgages held for resale	1,477	121	8.19	2,4
Assets held for disposition	369	14	3.66	3
Foreclosed property and repossessed equipment	45	--	--	

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Total interest earning assets	155,209	13,645	8.79	160,6
-------------------------------	---------	--------	------	-------

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Accrued interest receivable	1,289	--	--	1,3
Reserve for credit losses	(2,549)	--	--	(2,4
Other assets	31,619	--	--	29,3

---

Total assets (d)	\$185,568	\$13,645	--	\$ 188,7
------------------	-----------	----------	----	----------

---

Liabilities and stockholders' equity:

Deposits				
Savings	\$ 42,249	\$ 1,184	2.80 %	\$47,2
Time	21,867	1,192	5.45	27,1
International	17,241	1,269	7.36	16,2

---

Total interest bearing deposits	81,357	3,645	4.48	90,6
---------------------------------	--------	-------	------	------

---

Short-term borrowings	20,344	1,258	6.11	23,1
Due to brokers/dealers	4,825	273	5.66	4,1
Long-term debt	27,416	1,887	6.88	22,2

---

Total interest bearing liabilities	133,942	7,063	5.26	140,2
------------------------------------	---------	-------	------	-------

---

Net interest spread	--	6,582	3.53	
---------------------	----	-------	------	--

---

Demand deposits and other noninterest-bearing time deposits	24,569	--	--	24,0
Other liabilities	11,853	--	--	9,6

---

Total liabilities	170,364	7,063	--	174,0
-------------------	---------	-------	----	-------

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Stockholders' equity and dual convertible preferred stock	15,204	--	--	14,7
--	--------	----	----	------

---

Total liabilities and stockholders' equity	\$185,568	\$7,063	--	\$ 188,7
--	-----------	---------	----	----------

---

Net interest margin			4.24 %	
---------------------	--	--	--------	--

---

December 31

Dollars in millions (a)	Average Balance	1998 Interest Earned / Paid (b)	Rate
-------------------------	--------------------	--	------

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Assets:

Interest bearing deposits	\$ 1,552	\$ 131	8.46 %
Federal funds sold and securities purchased			

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under agreements to resell	3,488	325	9.32
Trading account securities	2,223	132	5.93
Securities	21,727	1,478	6.81
Loans and leases - domestic(c)	96,806	8,236	8.51
Loans and leases - international(c)	14,233	1,723	12.11
Due from brokers/dealers	3,765	184	4.89
Mortgages held for resale	2,685	189	7.04
Assets held for disposition	161	2	1.12
Foreclosed property and repossessed equipment	54	--	--
-----			
Total interest earning assets	146,694	12,400	8.45
-----			
Accrued interest receivable	1,032	--	--
Reserve for credit losses	(2,244)	--	--
Other assets	24,746	--	--
-----			
Total assets (d)	\$ 170,228	\$ 12,400	--
=====			
Liabilities and stockholders' equity:			
Deposits			
Savings	\$44,332	\$ 1,078	2.43 %
Time	28,348	1,523	5.37
International	15,954	1,105	6.92
-----			
Total interest bearing deposits	88,634	3,706	4.18
-----			
Short-term borrowings	21,669	1,259	5.81
Due to brokers/dealers	4,501	214	4.75
Long-term debt	10,962	767	7.00
-----			
Total interest bearing liabilities	125,766	5,946	4.73
-----			
Net interest spread	--	6,454	3.72
-----			
Demand deposits and other			
noninterest-bearing time deposits	24,042	--	--
Other liabilities	6,746	--	--
-----			
Total liabilities	156,554	5,946	--
-----			
Stockholders' equity and dual convertible			
preferred stock	13,674	--	--
-----			
Total liabilities and stockholders' equity	\$ 170,228	\$ 5,946	--
-----			
Net interest margin			4.40 %
=====			

- (a) The data in this table is presented on a fully taxable equivalent basis. The tax-equivalent adjustment is based upon the applicable federal and state income tax rates.
- (b) Includes fee income of \$407 million, \$402 million, and \$340 million for the years ended December 31, 2000, 1999 and 1998, respectively.
- (c) Nonperforming loans are included in average balances used to determine rates.
- (d) At December 31, 2000, 1999 and 1998, average international assets and liabilities, as a percentage of total average consolidated assets and liabilities, amounted to 14.6% and 14.3%, 12.4% and 12.2% and 12.0% and



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12.1%, respectively.

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Rate/Volume Analysis (Unaudited)

In millions	2000 Compared to 1999			1999
	Volume	Rate	Net	
Interest earned on: (b)				
Interest bearing deposits	\$ 41	\$ (43)	\$ (2)	\$
Federal funds sold and securities purchased				
under agreements to resell	(266)	50	(216)	
Trading account securities	108	23	131	
Securities	(41)	44	3	
Loans and leases - domestic	(377)	674	297	
Loans and leases - international	255	74	329	
Due from brokers/dealers	18	34	52	
Mortgages held for resale	(77)	22	(55)	
Assets held for disposition	3	(6)	(3)	
<b>Total interest earning assets</b>	<b>(336)</b>	<b>872</b>	<b>536</b>	
Interest paid on:				
Deposits-				
Savings-domestic	(121)	247	126	
Time-domestic	(279)	122	(157)	
International	66	94	160	
<b>Total interest bearing deposits</b>	<b>(334)</b>	<b>463</b>	<b>129</b>	
Short-term borrowings	(151)	179	28	
Due to brokers/dealers	35	45	80	
Long-term debt	340	176	516	
<b>Total interest bearing liabilities</b>	<b>(110)</b>	<b>863</b>	<b>753</b>	
<b>Net interest differential(c)</b>	<b>\$ (226)</b>	<b>\$ 9</b>	<b>\$ (217)</b>	<b>\$</b>

- (a) The change in interest due to both rate and volume has been allocated to rate and volume changes in proportion to the relationship of the absolute dollar amounts of the changes in each.
- (b) Tax-equivalent adjustment has been included in the calculations to reflect this income as if it had been fully taxable. The tax-equivalent adjustment is based upon the applicable federal and state income tax rates. The adjustment included in interest income was \$61 million in 2000, \$57 million in 1999, and \$59 million in 1998.
- (c) Includes fee income of \$407 million, \$402 million, and \$340 million for the years ended December 31, 2000, 1999 and 1998, respectively.

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Quarterly Summarized Financial Information (Unaudited)

	2000				
Dollars in millions, except per share amounts	4	3	2	1	4
Interest income	\$ 3,379	\$ 3,384	\$ 3,361	\$ 3,461	\$ 3,374
Interest expense	1,823	1,799	1,690	1,753	1,702
Net interest income	1,556	1,585	1,671	1,708	1,672
Provision for credit losses	285	300	310	300	245
Net interest income after provision for credit losses	1,271	1,285	1,361	1,408	1,427
Securities gains (losses)	56	5	7	(58)	(2)
Other noninterest income	1,738	2,145	2,351	2,780	1,975
Noninterest expense	3,065	3,435	3,719	4,130	3,400
Income before income taxes	1,215	1,388	1,496	1,618	75
Applicable income taxes	441	547	649	661	109
Net income	\$ 774	\$ 841	\$ 847	\$ 957	\$ (34)
Net income applicable to common shares	\$ 764	\$ 831	\$ 837	\$ 947	\$ (46)
PER COMMON SHARE:					
Basic earnings	\$ .84	\$ .92	\$ .93	\$ 1.05	\$ (.05)
Diluted earnings	.84	.90	.91	1.03	(.05)
Dividends declared	.33	.30	.30	.30	.30
Dividends paid	.30	.30	.30	.30	.27
STOCK PRICE:					
High	\$ 39.63	\$ 43.00	\$ 42.00	\$ 36.50	\$ 43.69
Low	32.13	35.00	33.13	25.25	33.81
AVERAGE NUMBER OF COMMON SHARES (IN THOUSANDS):					
Basic	905,377	903,382	901,937	903,906	915,431
Diluted	914,522	923,215	921,987	919,733	915,431

The Corporation's common stock is listed on the New York and Boston Stock Exchanges under the symbol "FBF." The table above sets forth, for the periods indicated, the range of high and low sale prices per share of the Corporation's common stock on the composite tape and dividends declared and paid per share. At December 31, 2000, the Corporation had 67,166 shareholders of record.

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December 31, 2000 In millions	WITHIN 1 YEAR	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
Domestic:				
Commercial and industrial	\$ 17,903	\$ 23,452	\$ 5,342	\$ 46,697
Commercial real estate:				
Construction	738	967	220	1,925
Interim/permanent	2,479	3,247	739	6,465
Residential real estate	647	2,049	3,389	6,085
Consumer	7,533	7,681	2,871	18,085
Lease financing	3,343	8,504	1,112	12,959
-----				
Total domestic loans and leases	32,643	45,900	13,673	92,216
-----				
International:				
Commercial	10,973	3,056	192	14,221
Consumer	2,264	631	40	2,935
-----				
Total international loans and leases	13,237	3,687	232	17,156
-----				
Total	\$ 45,880	\$ 49,587	\$ 13,905	\$109,372
=====				

Interest Sensitivity of Loans and Leases Over One Year  
(Unaudited)

December 31, 2000 In millions	PREDETERMINED INTEREST RATES	FLOATING INTEREST RATES	TOTAL
1 to 5 years	\$15,898	\$33,689	\$49,587
After 5 years	5,535	8,370	13,905
-----			
Total	\$21,433	\$42,059	\$63,492
=====			

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

There were no changes in or disagreements with accountants on accounting and financial disclosure as defined by Item 304 of Regulation S-K.

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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Information concerning executive officers of the Corporation which responds to this Item is incorporated by reference from Item 3A contained in Part I of this Report. The information that responds to this Item with respect to directors is incorporated by reference from the section entitled "Election of Directors" in the Corporation's definitive proxy statement for its 2001 Annual Meeting of Stockholders, which is required to be filed pursuant to Regulation 14A under the Exchange Act and which will be filed with the SEC not later than 120 days after the end of the Corporation's fiscal year (the "Proxy Statement"). Information with respect to compliance by the Corporation's directors and executive officers with Section 16(a) of the Exchange Act is incorporated by reference from the subsection entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

### ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this Item is incorporated by reference from the section entitled "Compensation of Executive Officers" in the Proxy Statement.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required in response to this Item is incorporated by reference from the sections entitled "Election of Directors," "Security Ownership of Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners" in the Proxy Statement.

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### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required in response to this Item is incorporated by reference from the subsection entitled "Indebtedness and Other Transactions" in the Proxy Statement.

### PART IV.

### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) (1). The financial statements of the Corporation required in response to this Item are incorporated by reference from Item 8 of this Report.
- (a) (2). Not applicable.
- (a) (3). See the exhibits listed below under Item 14(c).
- (b) The Corporation filed three Current Reports on Form 8-K from October 1, 2000 to the date of this Report:
- Current Report on Form 8-K dated October 1, 2000, announcing that the Corporation and Summit Bancorp. had entered into an Agreement and Plan of Merger.
  - Current Report on Form 8-K dated October 17, 2000, announcing the Corporation's third quarter 2000 earnings.
  - Current Report on Form 8-K dated January 17, 2001, announcing the Corporation's earnings for the quarter and year ended December 31, 2000.

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(c) EXHIBIT INDEX

EXHIBIT  
NUMBER

- 3 (a) Restated Articles of Incorporation of the Corporation, as amended through April 18, 2000 (incorporated by reference to Exhibit 3 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and Exhibit 3(b) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000)
- 3 (b) Certificate of Designations establishing the Corporation's Series V 7.25% Perpetual Preferred Stock (incorporated by reference to Exhibit 4(a) of the Corporation's Current Report on Form 8-K dated February 21, 1996)
- 3 (c) Certificate of Designations establishing the Corporation's Series VI 6.75% Perpetual Preferred Stock (incorporated by reference to Exhibit 4(b) of the Corporation's Current Report on Form 8-K dated February 21, 1996)
- 3 (d) Certificate of Designations establishing the Corporation's Series VII Fixed/Adjustable Rate Cumulative Preferred Stock (incorporated by reference to Exhibit 4(a) of the Corporation's Current Report on Form 8-K dated March 26, 1996)
- 3 (e) Certificate of Designations establishing the Corporation's Series VIII Fixed/Adjustable Rate Noncumulative Preferred Stock (incorporated by reference to Exhibit 4(a) of the Corporation's Current Report on Form 8-K dated September 27, 1996)
- 3 (f) By-Laws of the Corporation, as amended (incorporated by reference to Exhibit 4(1) of the Corporation's Registration Statement on Form S-3 (File No. 333-86829))
- 4 (a) Rights Agreement, dated as of August 16, 2000, between the Corporation and EquiServe, LP, as Rights Agent (incorporated by reference to Exhibit 4 of the Corporation's Registration Statement on Form 8-A dated November 7, 2000)
- 4 (b) Instruments defining the rights of security holders, including indentures (The Corporation has no instruments defining the rights of holders of its long-term debt where the amount of securities authorized under any such instrument exceeds 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation hereby agrees to furnish a copy of any such instrument to the Commission upon request.)
- 10 (a) \* Form of Change in Control Agreement for certain officers, together with Schedule of Persons who have entered into such agreements (incorporated by reference to Exhibit 10(a) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997)
- 10 (b) \* Revised Schedule of Executive Officers who have entered into certain Change in Control Agreements
- 10 (c) \* Supplemental Executive Retirement Plan, as amended by Amendment One thereto effective January 1, 1997, Amendment Two thereto effective October 15, 1997, Amendment Three thereto effective July 1, 1998,

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Amendment Four thereto effective August 15, 1999 and Amendment Five thereto effective January 1, 2000 (incorporated by reference to Exhibit 10 (d) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996, Exhibit 10(c) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, and Exhibits 10(g), 10(h), 10(i) and 10(j) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)

- 10 (d) \* Amended and Restated 1994 Performance-Based Bonus Plan for the Named Executive Officers (incorporated by reference to Exhibit 10(k) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (e) \* Amended and Restated 1992 Stock Option and Restricted Stock Plan (incorporated by reference to Exhibit 10(l) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (f) \* Employment Agreement, dated as of February 20, 1995, between the Corporation and Joel B. Alvord (incorporated by reference to Exhibit 10(j) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995)
- 10 (g) \* Shawmut National Corporation 1989 Nonemployee Directors' Restricted Stock Plan (assumed by the Corporation on November 30, 1995) (incorporated by reference to Shawmut's 1989 Proxy Statement dated March 31, 1989 (File No. 1-10102))
- 10 (h) \* 1995 Restricted Stock Plan (incorporated by reference to Exhibit 10(o) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995)

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- 10 (i) \* Executive Deferred Compensation Plan No. 1, as amended by Amendment One thereto effective January 1, 2000 (incorporated by reference to Exhibits 10(p) and 10(q) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (j) \* Executive Deferred Compensation Plan No. 2, as amended by Amendment One thereto effective February 1, 1999 and Amendment Two thereto effective January 1, 2000 (incorporated by reference to Exhibits 10(r), 10(s) and 10(t) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (k) \* Executive Supplemental Plan, as amended by Amendment One thereto effective January 1, 2000 (incorporated by reference to Exhibit 10(c) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 and Exhibit 10(v) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (l) \* Retirement Income Assurance Plan, as amended by Amendment One thereto effective January 1, 1997 and Amendment Two thereto effective January 1, 2000 (incorporated by reference to Exhibit 10(e) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 and Exhibits 10(x) and 10(y) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (m) \* Trust Agreement for the Executive Deferred Compensation Plans No. 1 and 2 (incorporated by reference to Exhibit 10(z) of the

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Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)

- 10 (n) \* Trust Agreement for the Executive Supplemental Plan (incorporated by reference to Exhibit 10(g) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996)
- 10 (o) \* Trust Agreement for the Retirement Income Assurance Plan and the Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10(h) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996)
- 10 (p) \* Employment Agreement, dated September 16, 1997, between Thomas C. Quick and The Quick & Reilly Group, Inc. (assumed by a subsidiary of the Corporation on February 1, 1998) (incorporated by reference to Exhibit 10(w) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997)
- 10 (q) \* Stock Unit Contract, dated December 17, 1997, between the Corporation and Terrence Murray, as amended by an amendment dated January 25, 2000 (incorporated by reference to Exhibit 10(z) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997 and Exhibit 10(ee) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (r) \* Fleet Financial Group, Inc./Quick & Reilly Group, Inc. Stock Option Plan, as amended by Amendment No. 1 to Fleet Financial Group, Inc./Quick & Reilly Group, Inc. Stock Option Plan and Amendment No. 2 to Fleet Financial Group, Inc./Quick & Reilly Group, Inc. Stock Option Plan (incorporated by reference to Exhibits 4.1, 4.2 and 4.3 of the Corporation's Registration on Form S-8 (File No. 333-42247))
- 10 (s) \* Directors Deferred Compensation and Stock Unit Plan, as amended effective as of July 1, 2000 (incorporated by reference to Exhibit 10(bb) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998 and Exhibit 10(a) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000)
- 10 (t) \* FleetBoston Financial 1996 Long-Term Incentive Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(hh) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (u) \* BankBoston Corporation 1991 Long-Term Stock Incentive Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(c) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-6522))
- 10 (v) \* BankBoston Corporation Executive Deferred Compensation Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(d) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-6522))
- 10 (w) \* BankBoston, N.A. Bonus Supplemental Employee Retirement Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(e) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-6522))
- 10 (x) \* Description of BankBoston Corporation's Supplemental Life Insurance Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(h) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1998 (File No.

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1-6522))

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- 10 (y) \* BankBoston, N.A. Excess Benefit Supplemental Employee Retirement Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(g) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-6522))
- 10 (z) \* Description of BankBoston Corporation's Supplemental Long-Term Disability Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(l) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 1-6522))
- 10 (aa) \* BankBoston Corporation's Director Stock Award Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(l) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-6522))
- 10 (bb) \* BankBoston Corporation Directors Deferred Compensation Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(q) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-6522))
- 10 (cc) \* BankBoston, N.A. Directors Deferred Compensation Plan (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(r) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-6522))
- 10 (dd) \* BankBoston Corporation 1997 Stock Option Plan for Non-Employee Directors (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(q) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-6522))
- 10 (ee) \* Description of BankBoston Corporation's Director Retirement Benefits Exchange Program (assumed by the Corporation on October 1, 1999) (incorporated by reference to Exhibit 10(r) of BankBoston Corporation's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-6522))
- 10 (ff) \* Letter Agreement, dated as of May 24, 2000, between BankBoston Corporation and Henrique C. Meirelles (incorporated by reference to Exhibit 10(b) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000)
- 10 (gg) \* Employment Agreement, dated as of March 14, 1999, between the Corporation and Charles K. Gifford, as amended by an amendment effective February 7, 2000 (incorporated by reference to Exhibit 10(a) of the Corporation's Registration Statement on Form S-4 (File No. 333-82433) and Exhibit 10(b) of the Corporation's Form 10-Q for the quarter ended March 31, 2000)
- 10 (hh) \* Employment Agreement, dated as of March 14, 1999, between the Corporation and Henrique C. Meirelles, as amended by an amendment effective March 14, 2000, with related side letter (incorporated by reference to Exhibit 10(b) of the Corporation's Registration Statement on Form S-4 (File No. 333-82433) and Exhibit 10(c) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended



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March 31, 2000)

- 10 (ii) \* Employment Agreement, dated as of March 14, 1999, between the Corporation and Paul F. Hogan, as amended by an amendment effective March 17, 2000, with related side letter (incorporated by reference to Exhibit 10(c) of the Corporation's Registration Statement on Form S-4 (File No. 333-82433) and Exhibit 10(d) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000)
- 10 (jj) \* Employment Agreement, dated as of March 14, 1999, between the Corporation and Bradford H. Warner, as amended by an amendment effective March 30, 2000, with related side letter (incorporated by reference to Exhibit 10(d) of the Corporation's Registration Statement on Form S-4 (File No. 333-82433) and Exhibit 10(e) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000)
- 10 (kk) \* Employment Agreement, dated September 7, 1999, between the Corporation and Robert J. Higgins (incorporated by reference to Exhibit 10 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999)
- 10 (ll) \* Form of Change in Control Agreement entered into with Charles K. Gifford, Henrique C. Meirelles, Paul F. Hogan and Bradford H. Warner (incorporated by reference to Exhibit 10(bbb) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (mm) \* Form of Change in Control Agreement entered into with Joseph Smialowski (incorporated by reference to Exhibit 10(ccc) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10 (nn) \* Retention and Deferred Compensation Agreement, dated December 31, 1999, between the Corporation and Peter J. Manning (incorporated by reference to Exhibit 10(ddd) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999)

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- 10 (oo) \* Employment Agreement, dated as of March 3, 2000, between the Corporation and M. Anne Szostak
- 10 (pp) \* Form of Letter Agreement for certain officers, together with Schedule of Executive Officers who have entered into such agreements (incorporated by reference to Exhibit 10(a) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000)
- 10 (qq) \* Retention and Deferred Compensation Agreement, dated February 28, 2000, between the Corporation and John L. Mastromarino (incorporated by reference to Exhibit 10(f) of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000)
- 10 (rr) \* Employment Agreement, dated as of October 1, 2000, between the Corporation and T. Joseph Semrod (incorporated by reference to Exhibit 10(a) of the Corporation's Registration Statement on Form S-4 (File No. 333-50346))
- 10 (ss) \* Employment Agreement, dated as of October 1, 2000, between the Corporation and John G. Collins (incorporated by reference to Exhibit 10(b) of the Corporation's Registration Statement on Form S-4 (File No. 333-50346))

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12	Computation of Consolidated Ratios of Earnings to Fixed Charges
21	Subsidiaries of the Corporation
23	Consent of Independent Accountants

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\* Management contract, or compensatory plan or arrangement

(d) Financial Statement Schedules - None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

FLEETBOSTON FINANCIAL CORPORATION

(Registrant)

/s/ Eugene M. McQuade

/s/ Ernest L. Puschaver

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Eugene M. McQuade  
Vice Chairman and  
Chief Financial Officer  
Dated February 28, 2001

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Ernest L. Puschaver  
Chief Accounting Officer  
Dated February 28, 2001

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

/s/ Terrence Murray

/s/ James F. Hardyman

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Terrence Murray, Chairman,  
Chief Executive Officer and Director

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James F. Hardyman, Director

/s/ Charles K. Gifford

/s/ Marian L. Heard

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Charles K. Gifford, President,  
Chief Operating Officer and Director

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Marian L. Heard, Director

/s/ Robert J. Higgins

/s/ Robert M. Kavner

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Robert J. Higgins  
President of Consumer Banking  
and Investment Services and Director

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Robert M. Kavner, Director

/s/ Henrique de Campos Meirelles

/s/ Thomas J. May

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Henrique de Campos Meirelles  
President of Corporate and  
Global Banking and Director

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Thomas J. May, Director

/s/ Joel B. Alvord

/s/ Donald F. McHenry

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Joel B. Alvord, Director

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Donald F. McHenry, Director

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/s/ William Barnet, III

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William Barnet, III, Director

/s/ Daniel P. Burnham

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Daniel P. Burnham, Director

/s/ Paul J. Choquette, Jr.

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Paul J. Choquette, Jr., Director

/s/ John T. Collins

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John T. Collins, Director

/s/ William F. Connell

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William F. Connell, Director

/s/ Gary L. Countryman

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Gary L. Countryman, Director

/s/ Alice F. Emerson

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Alice F. Emerson, Director

/s/ Michael B. Picotte

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Michael B. Picotte, Director

/s/ Thomas R. Piper

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Thomas R. Piper, Director

/s/ Thomas C. Quick

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Thomas C. Quick, Director

/s/ Francene S. Rodgers

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Francene S. Rodgers, Director

/s/ John W. Rowe

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John W. Rowe, Director

/s/ Thomas M. Ryan

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Thomas M. Ryan, Director

/s/ Paul R. Tregurtha

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Paul R. Tregurtha, Director