

As filed with the Securities and Exchange Commission
on January 16, 1997

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

Date of Report (Date of Earliest Event Reported): December 31, 1996

NATIONSBANK CORPORATION

(Exact Name of Registrant as Specified in its Charter)

| | | |
|--------------------------|--------------|---------------------|
| North Carolina | 1-6523 | 56-0906609 |
| (State of Incorporation) | (Commission | (IRS Employer |
| | File Number) | Identification No.) |

NationsBank Corporate Center, Charlotte, North Carolina 28255
(Address of Principal Executive Offices) (Zip Code)

(704) 386-5000
(Registrant's Telephone Number, including Area Code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

Effective January 7, 1997, Boatmen's Bancshares, Inc. ("Boatmen's") merged with and into NB Holdings Corporation ("Holdings"), a Delaware corporation and wholly owned subsidiary of the Registrant, pursuant to an Agreement and Plan of Merger, dated as of August 29, 1996, as amended, among Boatmen's, Holdings and the Registrant (the "Merger Agreement"). Pursuant to the Merger Agreement, upon consummation of the Merger on January 7, 1997 (the "Effective Date"), each share of Boatmen's common stock, \$1.00 par value per share ("Boatmen's Common Stock"), was converted into the right to receive 0.6525 of a share of the Registrant's common stock ("NationsBank Common Stock"), with cash in lieu of fractional shares; provided that, in lieu of all or a portion of the NationsBank Common Stock to which they would be entitled under the Merger Agreement, holders of Boatmen's Common Stock could elect to receive cash in an amount equal to the average closing price of NationsBank Common Stock on the New York Stock Exchange during the ten consecutive trading day period ending on the tenth calendar day immediately prior to the Effective Date. A copy of the press release announcing the closing of the Merger is filed as Exhibit 99.1 to this Current Report on Form 8-K.

The Registrant's Registration Statement on Form S-4 (Registration No. 333-16189), which was declared effective by the Securities and Exchange Commission on December 18, 1996 (the "Registration Statement"), sets forth certain information regarding the Merger, the Registrant and Boatmen's, including, but not limited to, the date and manner of the Merger, a description of the assets involved, the nature and amount of consideration paid by the Registrant therefor, the method used for determining the amount of such consideration, the nature of any material relationships between Boatmen's and the Registrant or any officer or director of the Registrant or any associate of any such officer or director, the nature of Boatmen's business and the Registrant's intended use of the assets acquired in the Merger. In addition, the information set forth under section heading "A" of Item 5 of this Current Report on Form 8-K is incorporated herein by reference.

ITEM 5. OTHER EVENTS

A. Matters Related to the Acquisition of Boatmen's Bancshares, Inc.

Merger Consideration. By election of the holders of the Boatmen's Common Stock, approximately four percent of the shares of Boatmen's Common Stock were exchanged in the Merger for cash and the remaining approximately 96 percent of the shares of Boatmen's Common Stock were exchanged in the Merger for approximately 98 million shares of NationsBank Common Stock. The Registrant intends to continue its program of repurchasing shares of NationsBank Common Stock so that the net shares of NationsBank Common Stock issued in connection with the Merger represent 60 percent of the total consideration paid by the Registrant in the Merger. To achieve this allocation of the Merger consideration, the Registrant intends to repurchase from time to time in open market or private transactions approximately 37 million shares of NationsBank Common Stock. A copy of the press release announcing the election of the Boatmen's shareholders to

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receive in the Merger shares of NationsBank Common Stock or cash and the Registrant's intent to repurchase shares of NationsBank Common Stock is filed as Exhibit 99.2 to this Current Report on Form 8-K.

Exchange of Preferred Stock. On the Effective Date, (i) each share of Cumulative Convertible Preferred Stock, Series A, of Boatmen's (the "Boatmen's Series A Preferred Stock") was converted into one share of the Registrant's Cumulative Convertible Preferred Stock, Series A (the "NationsBank New Series A Preferred Stock"); (ii) each share of 7% Cumulative Redeemable Preferred Stock, Series B, of Boatmen's (the "Boatmen's Series B Preferred Stock") was converted into one share of the Registrant's 7% Cumulative Redeemable Preferred Stock, Series B (the "NationsBank New Series B Preferred Stock"); and (iii) each depository share relating to the Boatmen's Series A Preferred Stock (the "Boatmen's Depository Shares") was converted into one depository share of the Registrant (the "NationsBank Depository Shares"). The NationsBank New Series A Preferred Stock, NationsBank New Series B Preferred Stock and NationsBank Depository Shares have rights, preferences and terms substantially identical to the rights, preferences and terms of the Boatmen's Series A Preferred Stock, Boatmen's Series B Preferred Stock and Boatmen's Depository Shares, respectively.

Board of Directors. On the Effective Date, the following persons, who were immediately prior thereto serving as members of the Board of Directors of Boatmen's, became members of the Board of Directors of the Registrant: Andrew B. Craig, III, previously Chairman and CEO of Boatmen's; B.A. Bridgewater, Jr., Chairman, President and CEO of Brown Group, Inc.; C. Ray Holman, Chairman and CEO of Mallinckrodt, Inc.; Russell W. Meyer, Jr., Chairman and CEO of The Cessna Aircraft Company; and Albert E. Suter, Senior Vice Chairman and COO of Emerson Electric Co. On the Effective Date, Mr. Craig became Chairman of the Board of Directors of the Registrant and a member of its Executive Committee.

In addition, on January 1, 1997, Richard B. Priory, President and COO of Duke Power Company, became a member of the Registrant's Board of Directors. A copy of the press release announcing the election of the new members of the Board of Directors of the Registrant is filed as Exhibit 99.3 to this Current Report on Form 8-K.

Grant of Options. As a result of the Merger, on the Effective Date options to purchase approximately five million shares of NationsBank Common Stock were granted to approximately 19,700 qualified employees of Boatmen's under the terms of the NationsBank Corporation 1996 Associates Stock Option Award Plan. The exercise price for such options is \$98.875, equal to the closing price of NationsBank Common Stock on the Effective Date. Fifty percent of options granted to qualified Boatmen's employees may be exercised as early as April 1, 1997 after NationsBank Common Stock closes at or above \$100 a share on the New York Stock Exchange for ten consecutive trading days. The remaining 50 percent may be exercised after NationsBank Common Stock closes at or above \$120 per share on the New York Stock Exchange for ten consecutive trading days. Regardless of the price of NationsBank Common Stock, the options will vest fully on July 1, 2000 and expire on June 29, 2001.

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Results of Operations of Boatmen's. Filed as Exhibit 99.4 to this Current Report on Form 8-K is a summary of selected financial information reflecting the results of operations of Boatmen's for the fiscal year ended December 31, 1996.

B. Restated Articles of Incorporation.

Effective January 2, 1997, the Registrant's Articles of Incorporation were amended and restated to (i) increase the number of shares of NationsBank Common Stock authorized for issuance from 800,000,000 to 1,250,000,000; and (ii) designate the preferences, limitations and relative rights of the NationsBank New Series A Preferred Stock and NationsBank New Series B Preferred Stock. A copy of the Registrant's Restated Articles of Incorporation is filed as Exhibit 3.1 to this Current Report on Form 8-K.

C. Release of Fiscal Year Earnings.

On January 13, 1997, the Registrant announced financial results for the fiscal year ended December 31, 1996, reporting net income of \$2.38 billion and earnings per common share of \$8.00. A copy of the press release announcing the results of the Registrant's fiscal year ended December 31, 1996 is filed as Exhibit 99.5 to this Current Report on Form 8-K.

D. Description of NationsBank Common Stock

The following is an updated Description of Common Stock of NationsBank Corporation, which has been previously filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and updated and amended from time to time. The following description reflects an increase in the authorized capital stock of the Registrant and the designation of the preferences, limitations and relative rights of the NationsBank New Series A Preferred Stock and NationsBank New Series B Preferred Stock. To the extent the following description is inconsistent with prior filings, it modifies and supersedes such filings.

NationsBank Common Stock

General. The Registrant is authorized to issue 1,250,000,000 shares of NationsBank Common Stock, of which 384,488,669 shares were outstanding as of January 7, 1997. NationsBank Common Stock is traded on the New York Stock Exchange and the Pacific Stock Exchange under the trading symbol "NB." NationsBank Common Stock is also listed on the London Stock Exchange and certain shares are listed and traded on the Tokyo Stock Exchange. As of January 7, 1997, (i) approximately 65.3 million shares of NationsBank Common Stock were reserved for issuance under various employee benefit plans and the directors' stock plan of the Registrant and upon conversion of the ESOP Convertible Preferred Stock, Series C, of the Registrant (the "NationsBank ESOP Preferred Stock"); (ii) approximately 2.8 million shares were reserved for issuance under the NationsBank Dividend Reinvestment and Stock Purchase Plan; (iii) approximately 1.8 million shares were reserved for issuance upon conversion of the NationsBank New Series A Preferred Stock; (iv) approximately 25,000 shares were reserved for issuance upon the

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conversion of the Registrant's 6.25% Convertible Subordinated Debentures due May 1, 2011; and (v) approximately 1.5 million shares were reserved for issuance in connection with the acquisition of First Federal Savings Bank of Brunswick, Georgia. After taking into account the shares reserved as described above, the number of authorized shares of NationsBank Common Stock available for other corporate purposes as of January 7, 1997 is approximately 794 million.

Voting and Other Rights. The holders of NationsBank Common Stock are entitled to one vote per share, and, in general, a majority of votes cast with respect to a matter is sufficient to authorize action upon routine matters. Directors are elected by a plurality of the votes cast, and each shareholder entitled to vote in such election is entitled to vote each share of stock for as many persons as there are directors to be elected. In elections for directors, such shareholders do not have the right to cumulate their votes, so long as the Registrant has a class of shares registered under Section 12 of the Exchange Act (unless action is taken to provide otherwise by charter amendment, which action management does not currently intend to propose). In general, (i) amendments to the Registrant's Articles of Incorporation must be approved by each voting group entitled to vote separately thereon by a majority of the votes cast by that voting group, unless the amendment creates dissenters' rights for a particular voting group, in which case such amendment must be approved by a majority of the votes entitled to be cast by such voting group; (ii) a merger or share exchange required to be approved by the shareholders must be approved by each voting group entitled to vote separately thereon by a majority of the votes entitled to be cast by that voting group; and (iii) the dissolution of the Registrant, or the sale of all or substantially all of the property of the Registrant other than in the usual and regular course of business, must be approved by a majority of all votes entitled to be cast thereon.

In the event of liquidation, holders of NationsBank Common Stock would be entitled to receive pro rata any assets legally available for distribution to shareholders with respect to shares held by them, subject to any prior rights of any the Registrant's preferred stock (as described below) then outstanding.

NationsBank Common Stock does not have any preemptive rights, redemption privileges, sinking fund privileges or conversion rights. All the outstanding shares of NationsBank Common Stock are validly issued, fully paid and nonassessable.

ChaseMellon Shareholder Services, L.L.C. acts as transfer agent and registrar for NationsBank Common Stock.

Distributions. The holders of NationsBank Common Stock are entitled to receive such dividends or distributions as the Board of Directors of the Registrant (the "NationsBank Board") may declare out of funds legally available for such payments. The payment of distributions by the Registrant is subject to the restrictions of North Carolina law applicable to the declaration of distributions by a business corporation. A corporation generally may not authorize and make distributions if, after giving effect thereto, it would be unable to meet its debts as they become due in the usual course of business or if the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if it were to be dissolved at the time of distribution, to satisfy claims upon dissolution of shareholders who have preferential rights superior to the rights of the

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holders of its common stock. In addition, the payment of distributions to shareholders is subject to any prior rights of outstanding preferred stock of the Registrant. Share dividends, if any are declared, may be paid from authorized but unissued shares.

Capital Guidelines. The ability of the Registrant to pay dividends in the future is influenced by the various minimum capital requirements and the capital and non-capital standards established under the Federal Deposit Insurance Corporation Improvement Act of 1991.

The Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, those regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth.

The Federal Reserve Board's risk-based guidelines define a two-tier capital framework. Tier 1 capital consists of common and qualifying preferred shareholders' equity, less certain intangibles and other adjustments. Tier 2 capital consists of subordinated and other qualifying debt, and the allowance for credit losses up to 1.25 percent of risk-weighted assets. The sum of Tier 1 and Tier 2 capital less investments in unconsolidated subsidiaries represents qualifying total capital, at least 50 percent of which must consist of Tier 1 capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Asset and off-balance sheet exposures are assigned to one of four categories of risk weights, based primarily on relative credit risk. The minimum Tier 1 capital ratio is four percent and the minimum total capital ratio is eight percent.

The leverage ratio is determined by dividing Tier 1 capital by total adjusted assets. Although the stated minimum ratio is three percent, most banking organizations are required to maintain ratios of at least 100 to 200 basis points above three percent.

Covenants Restricting Dividends. Various indentures and other instruments under which the Registrant has issued debt securities, or under which the Registrant has assumed the obligations of such issuer, contain certain provisions prohibiting the Registrant from paying dividends on its capital stock, or purchasing, redeeming, or otherwise acquiring or making distributions with respect to its capital stock if, after giving effect thereto, certain financial conditions are not met. The Registrant believes that these provisions will not materially affect the Registrant's ability to pay dividends on its capital stock.

NationsBank Preferred Stock

The Registrant has authorized 45,000,000 shares of preferred stock and may issue such preferred stock in one or more series, each with such preferences, limitations, designations, conversion rights, voting rights, distribution rights, voluntary and

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involuntary liquidation rights and other rights as it may determine. The Registrant has designated 3,000,000 shares of NationsBank ESOP Preferred Stock, of which 2,319,060 shares were issued and outstanding as of January 7, 1997. In connection with the Merger, the Registrant designated out of its authorized preferred stock 250,000 shares of NationsBank New Series A Preferred

Stock and 35,045 shares of NationsBank New Series B Preferred Stock (collectively, the "NationsBank New Preferred Stock"). As of January 7, 1997, 203,087 shares of NationsBank New Series A Preferred Stock and 9,341 shares of NationsBank New Series B Preferred Stock were issued and outstanding.

NationsBank ESOP Preferred Stock

The NationsBank ESOP Preferred Stock was first issued in the transaction by which the Registrant was formed from the merger of NCNB Corporation and C&S/Sovran Corporation in 1991 upon the conversion of shares of ESOP Convertible Preferred Stock, Series C of C&S/Sovran Corporation. All shares are held by the trustee under the NationsBank Corporation Retirement Savings Plan (the "ESOP"). The NationsBank ESOP Preferred Stock ranks senior to the NationsBank Common Stock, but ranks junior to the NationsBank New Preferred Stock, with respect to dividends and distributions upon liquidation.

Preferential Rights. Shares of NationsBank ESOP Preferred Stock have no preemptive or preferential rights to purchase or subscribe for shares of the Registrant's capital stock of any class and are not subject to any sinking fund or other obligation of the Registrant to repurchase or retire the series, except as discussed below.

Dividends. Each share of NationsBank ESOP Preferred Stock is entitled to an annual dividend, subject to certain adjustments, of \$3.30 per share, payable semiannually. Unpaid dividends accumulate as of the date on which they first became payable, without interest. So long as any shares of NationsBank ESOP Preferred Stock are outstanding, no dividend may be declared, paid or set apart for payment on any other series of stock ranking on a parity with NationsBank ESOP Preferred Stock as to dividends, unless like dividends have been declared and paid, or set apart for payment, on the NationsBank ESOP Preferred Stock for all dividend payment periods ending on or before the dividend payment date for such parity stock, ratably in proportion to their respective amounts of accumulated and unpaid dividends. The Registrant generally may not declare, pay or set apart for payment any dividends (except for, among other things, dividends payable solely in shares of stock ranking junior to the NationsBank ESOP Preferred Stock as to dividends or upon liquidation) on, make any other distribution on, or make payment on account of the purchase, redemption or other retirement of, any other class or series of the Registrant's capital stock ranking junior to the NationsBank ESOP Preferred Stock as to dividends or upon liquidation, until full cumulative dividends on the NationsBank ESOP Preferred Stock have been declared and paid or set apart for payment when due.

Voting Rights. The holder of the NationsBank ESOP Preferred Stock is entitled to vote on all matters submitted to a vote of the holders of NationsBank Common Stock and

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votes together with the holders of NationsBank Common Stock as one class. Except as otherwise required by applicable law, the holder of the NationsBank ESOP Preferred Stock has no special voting rights. To the extent that the holder of such shares is entitled to vote, each share is entitled to the number of votes equal to the number of shares of NationsBank Common Stock into which such share of NationsBank ESOP Preferred Stock could be converted on the record date for determining the shareholders entitled to vote, rounded to the nearest whole vote.

Shares of the NationsBank ESOP Preferred Stock initially are convertible into NationsBank Common Stock at a conversion rate equal to 0.84 shares of NationsBank Common Stock per share of NationsBank ESOP Preferred Stock, and a conversion price of \$42.50 per 0.84 shares of NationsBank Common Stock, subject to certain customary anti-dilution adjustments.

Distributions. In the event of any voluntary or involuntary dissolution, liquidation or winding-up of the Registrant, the holder of the NationsBank ESOP Preferred Stock will be entitled to receive out of the assets of the Registrant available for distribution to shareholders, subject to the rights of the holders of any of the Registrant's preferred stock ranking senior to or on a parity with the NationsBank ESOP Preferred Stock as to distributions upon liquidation, dissolution or winding-up but before any amount will be paid or distributed among the holders of NationsBank Common Stock or any other shares ranking junior to the NationsBank ESOP Preferred Stock as to such distributions, liquidating distributions of \$42.50 per share plus all accrued and unpaid dividends thereon to the date fixed for distribution. If, upon any voluntary or involuntary dissolution, liquidation or winding-up of the Registrant, the amounts payable with respect to the NationsBank ESOP Preferred Stock and any other stock ranking on a parity therewith as to any such distribution are not paid in full, the holder of the NationsBank ESOP Preferred Stock and such other stock will share ratably in any distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which it is entitled, the holder of the NationsBank ESOP Preferred Stock will not be entitled to any further distribution of assets by the Registrant. Neither a merger or consolidation of

the Registrant with or into any other corporation, nor a merger or consolidation of any other corporation with or into the Registrant nor a sale, transfer or lease of all or any portion of the Registrant's assets, will be deemed to be a dissolution, liquidation or winding-up of the Registrant.

Redemption. The NationsBank ESOP Preferred Stock is redeemable, in whole or in part, at the option of the Registrant, at any time. The redemption price for the shares of the NationsBank ESOP Preferred Stock will depend upon the time of redemption. Specifically, the redemption price for the 12-month period that began on July 1, 1996, is \$43.49 per share; on each succeeding July 1, the redemption price will be reduced by \$.33 per share, except that on and after July 1, 1999, the redemption price will be \$42.50 per share, and the redemption price may be paid in cash or shares of NationsBank Common Stock. In each case, the redemption price also must include all accrued and unpaid dividends to the date of redemption. To the extent that the NationsBank ESOP Preferred Stock is treated as Tier 1

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capital for bank regulatory purposes, the approval of the Federal Reserve Board may be required for redemption of the NationsBank ESOP Preferred Stock.

The Registrant is required to redeem shares of the NationsBank ESOP Preferred Stock at the option of the holder of such shares to the extent necessary either to provide for distributions required to be made under the ESOP or to make payments of principal, interest or premium due and payable on any indebtedness incurred by the holder of the shares for the benefit of the ESOP. The redemption price in such case will be the greater of \$42.50 per share plus accrued and unpaid dividends to the date of redemption or the fair market value of the aggregate number of shares of NationsBank Common Stock into which a share of NationsBank ESOP Preferred Stock then is convertible.

NationsBank Depositary Shares

General. The shares of NationsBank New Series A Preferred Stock are represented by the NationsBank Depositary Shares. Each NationsBank Depositary Share represents a 1/16th interest in a share of NationsBank New Series A Preferred Stock. The NationsBank Depositary Shares are freely transferable under the Securities Act, subject to certain restrictions on resales by affiliates.

The shares of the NationsBank New Series A Preferred Stock underlying the NationsBank Depositary Shares have been deposited under a separate Deposit Agreement, dated as of February 24, 1992, and amended January 31, 1996 (the "Deposit Agreement") between Boatmen's and BANK IV, N.A. (the "Depositary") and, following the closing of the Merger, are evidenced by NationsBank Depositary Receipts. Pursuant to the Merger Agreement, the Deposit Agreement was automatically assumed by Holdings, was assigned by it to the Registrant and thereafter relates to the shares of NationsBank New Series A Preferred Stock issued in the Merger. Subject to the terms of the Deposit Agreement, each owner of a NationsBank Depositary Share is entitled, in proportion to the applicable fractional interest in a share of NationsBank New Series A Preferred Stock underlying such NationsBank Depositary Share, to all the rights and preferences of the NationsBank New Series A Preferred Stock underlying such NationsBank Depositary Share (including dividend, voting, redemption, conversion, and liquidation rights).

Dividends and Other Distributions. The Depositary will distribute all cash dividends or other cash distributions received in respect of the NationsBank New Series A Preferred Stock to the record holders of NationsBank Depositary Shares relating to such NationsBank New Series A Preferred Stock in proportion to the numbers of such NationsBank Depositary Shares owned by such holders on the relevant record date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any holder of NationsBank Depositary Shares a fraction of one cent, and any balance not so distributed shall be added to and treated as part of the next sum received by the Depositary for distribution to record holders of NationsBank Depositary Shares.

In the event of a distribution other than in cash, the Depositary will distribute property received by it to the record holders of NationsBank Depositary Shares entitled

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thereto, unless the Depositary, after consultation with the Registrant, determines that it is not feasible to make such distribution, in which case the Depositary may, with the approval of the Registrant, sell such property and distribute the net proceeds from such sale to such holders.

Conversion. A holder of NationsBank Depositary Shares will be able to participate in the conversion of the NationsBank New Series A Preferred Stock as discussed below under "NationsBank New Series A Preferred Stock." If the

NationsBank Depository Shares represented by a NationsBank Depository Receipt are to be converted in part only, a new NationsBank Depository Receipt will be issued by the Depository for the NationsBank Depository Shares which are not to be converted. No fractional shares of NationsBank Common Stock will be issued upon conversion, and if such conversion would result in a fractional share being issued, an amount will be paid in cash by the Registrant equal to the value of the fractional interest, based upon the closing price of the NationsBank Common Stock on the last business day prior to the date of conversion.

Redemption of NationsBank Depository Shares. If the NationsBank New Series A Preferred Stock is redeemed, the NationsBank Depository Shares will be redeemed from the proceeds received by the Depository resulting from the redemption, in whole or in part, of the NationsBank New Series A Preferred Stock held by the Depository. The Depository will mail notice of redemption not less than 30 and not more than 60 days prior to the date fixed for redemption to the record holders of the NationsBank Depository Shares to be so redeemed at their respective addresses appearing in the books of the Depository. The redemption price per NationsBank Depository Share will be equal to the applicable fraction of the redemption price per share payable with respect to the NationsBank New Series A Preferred Stock. Whenever the Registrant redeems shares of NationsBank New Series A Preferred Stock held by the Depository, the Depository will redeem as of the same redemption date the number of NationsBank Depository Shares relating to shares of NationsBank New Series A Preferred Stock so redeemed. If less than all the NationsBank Depository Shares are to be redeemed, the NationsBank Depository Shares to be redeemed will be selected by lot or pro rata as may be determined by the Depository.

After the date fixed for redemption, the NationsBank Depository Shares so called for redemption will no longer be deemed to be outstanding and all rights of the holders of the NationsBank Depository Shares will cease, except the right to receive the moneys payable upon such redemption and any money or other property to which the holders of such NationsBank Depository Shares were entitled upon such redemption upon surrender to the Depository of the NationsBank Depository Receipts evidencing such NationsBank Depository Shares.

Voting the NationsBank New Series A Preferred Stock. Upon receipt of notice of any meeting at which the holders of the NationsBank New Series A Preferred Stock are entitled to vote as discussed below under "NationsBank New Series A Preferred Stock", the Depository will mail the information contained in such notice of meeting to the record holders of the NationsBank Depository Shares relating to such NationsBank New Series A Preferred Stock. Each record holder of such NationsBank Depository Shares on the record

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date (which will be the same date as the record date for the NationsBank New Series A Preferred Stock) will be entitled to instruct the Depository as to the exercise of the voting rights pertaining to the number of shares of NationsBank New Series A Preferred Stock underlying such holder's NationsBank Depository Shares. The Depository will endeavor, insofar as practicable, to vote the number of shares of NationsBank New Series A Preferred Stock underlying such NationsBank Depository Shares in accordance with such instructions, and the Registrant will agree to take all action which may be deemed necessary by the Depository in order to enable the Depository to do so. The Depository will abstain from voting shares of NationsBank New Series A Preferred Stock to the extent it does not receive specific instructions from the holders of NationsBank Depository Shares relating to such NationsBank New Series A Preferred Stock.

Amendment and Termination of Deposit Agreement. The form of NationsBank Depository Receipt evidencing the NationsBank Depository Shares and any provision of the Deposit Agreement may at any time be amended by agreement between the Registrant, as assignee of Holdings (successor by merger with Boatmen's), and the Depository. Any amendment, however, which materially and adversely alters the rights of the holders of NationsBank Depository Shares will not be effective unless such amendment has been approved by the record holders of at least a majority of the NationsBank Depository Shares then outstanding. The Deposit Agreement may be terminated by the Registrant or the Depository if, among other reasons, (i) all outstanding NationsBank Depository Shares have been redeemed or converted into NationsBank Common Stock, or (ii) there has been a final distribution in respect of the NationsBank New Series A Preferred Stock in connection with any liquidation, dissolution or winding up of the Registrant and such distribution has been distributed to the holders of the related NationsBank Depository Shares.

Charges of Depository. The Registrant will pay all transfer and other taxes and governmental charges arising solely from the existence of the Deposit Agreement. The Registrant will pay charges of the Depository in connection with the initial deposit of the NationsBank New Series A Preferred Stock and any redemption of the NationsBank New Series A Preferred Stock. Holders of NationsBank Depository Shares will pay other transfer and other taxes and governmental charges and such other charges as are expressly provided in the Deposit Agreement to be for their accounts.

Miscellaneous. The Depository will forward to the holders of

NationsBank Depository Shares all reports and communications from the Registrant which are delivered to the Depository and which the Registrant is required to furnish to the holders of the NationsBank New Series A Preferred Stock.

Neither the Depository nor the Registrant will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the Deposit Agreement. The obligations of the Registrant and the Depository under the Deposit Agreement will be limited to performance in good faith of their duties thereunder and they will not be obligated to prosecute or defend any legal proceeding in respect of any NationsBank Depository Shares or NationsBank New Series A Preferred Stock unless satisfactory indemnity is furnished. They may rely upon written advice of counsel or

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accountants, holders of NationsBank Depository Shares or other persons believed to be competent and on documents believed to be genuine.

Resignation and Removal of Depository. The Depository may resign at any time by delivering to the Registrant notice of its election to do so, and the Registrant may at any time remove the Depository, any such resignation or removal to take effect upon the appointment of a successor Depository and its acceptance of such appointment. Such successor Depository must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

NationsBank New Series A Preferred Stock

The shares of NationsBank New Series A Preferred Stock rank prior to the shares of NationsBank New Series B Preferred Stock and NationsBank ESOP Preferred Stock as to dividends and upon liquidation.

Dividends. Holders of the NationsBank New Series A Preferred Stock will be entitled to receive, when and as declared by the NationsBank Board, out of assets of the Registrant legally available for payment, cash dividends at the rate of 7.00% of the liquidation preference per annum (equivalent to \$1.75 per annum per NationsBank Depository Share). Dividends will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable quarterly on March 1, June 1, September 1, and December 1 of each year. Dividends on the NationsBank New Series A Preferred Stock will be cumulative from the date of original issue. Each dividend will be payable to holders of record as they appear on the stock register of the Registrant on the record dates fixed by the NationsBank Board.

If at any time there are outstanding shares of any other series of preferred stock ranking junior to or on a parity with the NationsBank New Series A Preferred Stock as to dividends, no dividends will be declared or paid or set apart for payment on any such other series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the NationsBank New Series A Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of such dividends. If dividends on the NationsBank New Series A Preferred Stock and on any other series of preferred stock ranking on a parity as to dividends with the NationsBank New Series A Preferred Stock are in arrears, in making any dividend payment on account of such arrears, the Registrant will make payments ratably upon all outstanding shares of the NationsBank New Series A Preferred Stock and shares of such other series of preferred stock in proportion to the respective amounts of dividends in arrears on the NationsBank New Series A Preferred Stock and on such other series of preferred stock to the date of such dividend payment. Holders of shares of the NationsBank New Series A Preferred Stock will not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends.

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Unless full cumulative dividends on all outstanding shares of the NationsBank New Series A Preferred Stock will have been paid or declared and set aside for payment for all past dividend payment periods, no dividends (other than a dividend in NationsBank Common Stock or in any other stock ranking junior to the NationsBank New Series A Preferred Stock as to dividends and upon liquidation) will be declared upon the NationsBank Common Stock or upon any other stock ranking junior to the NationsBank New Series A Preferred Stock as to dividends and upon liquidation, nor will any NationsBank Common Stock or any other stock of the Registrant ranking junior to or on a parity with the NationsBank New Series A Preferred Stock as to dividends or upon liquidation, be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Registrant (except by conversion into or exchange for stock of the Registrant ranking junior to the NationsBank New Series A Preferred

Stock as to dividends and upon liquidation). No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the NationsBank New Series A Preferred Stock which may be in arrears.

Conversion Rights. Shares of the NationsBank New Series A Preferred Stock are convertible at any time at the option of the holder into shares of NationsBank Common Stock at a conversion price of \$44.44 per share of NationsBank Common Stock (equivalent to a conversion rate of approximately 0.562 share of NationsBank Common Stock for each NationsBank Depository Share), subject to adjustment as described below (except that a share of NationsBank New Series A Preferred Stock that has been called for redemption will be convertible up to and including but not after the close of business on the tenth day preceding the date fixed for redemption).

The conversion price is subject to adjustment upon certain events, including the issuance of NationsBank Common Stock as a dividend or distribution on shares of NationsBank Common Stock; subdivisions, splits, combinations or reclassifications of outstanding shares of NationsBank Common Stock; the issuance to holders of NationsBank Common Stock generally of rights or warrants to subscribe for NationsBank Common Stock at less than the then current market price; or the distribution to holders of the NationsBank Common Stock of evidences of indebtedness, assets (excluding cash dividends or distributions payable out of consolidated earnings or earned surplus), or rights or warrants to subscribe for securities of the Registrant other than those mentioned above.

In the case of (i) any consolidation or merger to which the Registrant is a party (other than one in which the Registrant is the continuing corporation and the outstanding shares of the NationsBank Common Stock are not changed into or exchanged for stock or other securities of any other person or cash or other property as a result of or in connection with the consolidation or merger), (ii) a sale or conveyance of the properties and assets of the Registrant as, or substantially as, an entirety, or (iii) any statutory exchange of securities with another corporation, there will be no adjustment of the conversion price, but the holder of each share of NationsBank New Series A Preferred Stock then outstanding will have the right thereafter to convert such share into the kind and amount of securities, cash, or other property that the holder would have owned or been entitled to receive

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immediately after such consolidation, merger, statutory exchange, sale or conveyance if such share had been converted immediately before the effective date of such consolidation, merger, statutory exchange, sale or conveyance.

Upon conversion, no adjustments will be made for accrued dividends and, therefore, NationsBank Depository Shares surrendered for conversion after the record date next preceding a dividend payment date for the NationsBank New Series A Preferred Stock and before the dividend payment date must be accompanied by payment of an amount equal to the dividend thereon which is to be paid on such dividend payment date (unless the NationsBank Depository Shares surrendered for conversion have been called for redemption prior to such dividend payment date).

No adjustment of the conversion price will be required to be made in any case unless the adjustment amounts to 1% or more of the conversion price, but any adjustment not made by reason of this limitation will be required to be carried forward cumulatively and taken into account in any subsequent adjustments.

If at any time the Registrant makes a distribution of property to its shareholders which would be taxable to such shareholders as a dividend for federal income tax purposes (e.g., distributions of evidences of indebtedness or assets of the Registrant, but generally not stock dividends or rights to subscribe to capital stock) and, pursuant to the antidilution provisions described above, the conversion price of the NationsBank New Series A Preferred Stock is reduced, such reduction may be deemed to be the receipt of taxable income by holders of the NationsBank Depository Shares.

A holder may effect the conversion of any whole number of NationsBank Depository Shares (whether or not evenly divisible by sixteen) by delivering the NationsBank Depository Receipts evidencing such shares to the Depository. the Registrant will issue to the Depository a certificate for any fractional share of NationsBank New Series A Preferred Stock remaining unconverted.

Fractional shares of NationsBank Common Stock will not be delivered upon conversion. Instead, a cash adjustment will be paid in respect of such fractional interest, based on the then current market price of NationsBank Common Stock.

Redemption. Shares of NationsBank New Series A Preferred Stock will not be redeemable prior to March 1, 1997. Subject to obtaining the prior approval of the Federal Reserve Board, if required, the shares of NationsBank New Series A Preferred Stock will be redeemable at the option of the Registrant, in whole or in part, at any time or from time to time, on and after March 1, 1997, on not

less than 30 nor more than 60 days' notice by mail, at a redemption price of \$400 per share (equivalent to \$25 per NationsBank Depository Share) plus accrued and unpaid dividends to the redemption date.

The NationsBank New Series A Preferred Stock will not be subject to any sinking fund or other obligation of the Registrant to redeem or retire the NationsBank New Series A Preferred Stock.

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At its election, the Registrant, before the redemption date, may deposit the funds for such redemption, in trust, with a designated depository and authorize such depository to complete the redemption notice, and, after such deposit, all rights of the holders of NationsBank New Series A Preferred Stock and related NationsBank Depository Shares so called for redemption will cease, except the right to receive the redemption price. As and to the extent, however, that the Registrant or the Depository is required or permitted under the abandoned property laws of any jurisdiction to escheat any redemption funds held for the benefit of any holder, the Registrant and the Depository will be absolved of any further liability or obligation to such holder to the full extent provided by law. Notwithstanding the foregoing, if any dividends on the NationsBank New Series A Preferred Stock are in arrears, no shares of NationsBank New Series A Preferred Stock or NationsBank Depository Shares may be redeemed unless all outstanding shares of NationsBank New Series A Preferred Stock are simultaneously redeemed, and the Registrant will not purchase or otherwise acquire any shares of NationsBank New Series A Preferred Stock or NationsBank Depository Shares; provided, however, that the foregoing will not prevent the purchase or acquisition of shares of NationsBank New Series A Preferred Stock or NationsBank Depository Shares by the Registrant pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of NationsBank New Series A Preferred Stock or NationsBank Depository Shares.

If a notice of redemption has been given, from and after the redemption date for the shares of NationsBank New Series A Preferred Stock called for redemption (unless default will be made by the Registrant in providing money for the payment of the redemption price of the shares so called for redemption), dividends on the NationsBank New Series A Preferred Stock so called for redemption will cease to accrue and such shares will no longer be deemed to be outstanding, and all rights of the holders thereof as shareholders of the Registrant (except the right to receive the redemption price) will cease. Upon surrender in accordance with such notice of the certificates representing any shares so redeemed (properly endorsed or assigned for transfer, if the NationsBank Board will so require and the notice will so state), the redemption price set forth above will be paid out of funds provided by the Registrant. If fewer than all of the shares represented by any such certificates are redeemed, a new certificate will be issued representing the unredeemed shares without cost to the holder thereof.

Liquidation Rights. In the event of any voluntary or involuntary dissolution, liquidation, or winding up of the Registrant, the holders of the NationsBank New Series A Preferred Stock will be entitled to receive and to be paid out of assets of the Registrant available for distribution to its shareholders, before any payment or distribution is made to holders of NationsBank Common Stock or any other class of stock ranking junior to the NationsBank New Series A Preferred Stock upon liquidation, a liquidating distribution of \$400 per share of NationsBank New Series A Preferred Stock (equivalent to \$25 per NationsBank Depository Share) plus accrued and unpaid dividends. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the NationsBank New Series A Preferred Stock will have no right or claim to any of the remaining assets of the Registrant. If, upon any voluntary or involuntary dissolution,

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liquidation, or winding up of the Registrant, the amounts payable with respect to the NationsBank New Series A Preferred Stock and any other shares of stock of the Registrant ranking as to any such distribution on a parity with the NationsBank New Series A Preferred Stock are not paid in full, the holders of the NationsBank New Series A Preferred Stock and of such other shares will share ratably in any such distribution of assets of the Registrant in proportion to the full respective distributable amounts to which they are entitled. Neither the sale of all or substantially all the property or business of the Registrant, nor the merger or consolidation of the Registrant into or with any other corporation will be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, of the Registrant.

Voting. Except as otherwise expressly required by applicable law or as described below, holders of the NationsBank Depository Shares or the NationsBank New Series A Preferred Stock will not be entitled to vote on any matter, including but not limited to any merger, consolidation or transfer of assets, and will not be entitled to notice of any meeting of shareholders of the Registrant. Whenever the approval or other action of holders of the NationsBank

New Series A Preferred Stock is required by applicable law or by the NationsBank Articles of Incorporation, each share of the NationsBank New Series A Preferred Stock will be entitled to one vote and, except as described below, the affirmative vote of a majority of such shares at a meeting at which a majority of such shares are present or represented will be sufficient to constitute such approval or other action. Holders of NationsBank Depositary Shares will be entitled to vote the shares of NationsBank New Series A Preferred Stock which their NationsBank Depositary Shares represent.

The affirmative vote of the holders of at least 66 2/3% of the outstanding shares of NationsBank New Series A Preferred Stock is required to (i) authorize, effect or validate the amendment, alteration or repeal of any provision of the NationsBank Articles of Incorporation which would adversely affect the preferences, rights, powers or privileges, qualifications, limitations and restrictions of the NationsBank New Series A Preferred Stock and (ii) create, authorize or issue, or reclassify any authorized stock of the Registrant into, or create, authorize or issue any obligation or security convertible into or evidencing a right to purchase any shares of any class of stock ranking on a parity with or prior to the NationsBank New Series A Preferred Stock in respect of dividends or distribution of assets on liquidation.

If at any time the Registrant falls in arrears in the payment of dividends on the NationsBank New Series A Preferred Stock in an aggregate amount at least equal to the full accrued dividends for six quarterly dividend periods, the number of directors of the Registrant will be increased by two and the holders of the NationsBank New Series A Preferred Stock (and all classes of preferred stock ranking on parity thereto), voting separately as a single class, will have the exclusive right to elect two directors to fill the positions so created, and such right will continue annually until all dividends in arrears for any past dividend period have been paid in full or declared or set aside for payment. Immediately upon the cessation of such special voting rights the terms of the directors so elected will terminate.

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Other Aspects. Holders of the NationsBank New Series A Preferred Stock will have no preemptive rights. Shares of NationsBank New Series A Preferred Stock are validly issued, fully paid and nonassessable.

NationsBank New Series B Preferred

Dividend Rights. Holders of shares of NationsBank New Series B Preferred Stock are entitled to receive, when and as declared by the NationsBank Board, out of any funds legally available for such purpose, cumulative cash dividends at an annual dividend rate per share of 7% of the stated value thereof, payable quarterly. Dividends on NationsBank New Series B Preferred Stock will be cumulative and no cash dividends can be declared or paid on any shares of NationsBank Common Stock unless full cumulative dividends on NationsBank New Series B Preferred Stock have been paid, or declared and funds sufficient for the payment thereof set apart.

Liquidation Rights. In the event of the dissolution, liquidation or winding up of the Registrant, the holders of NationsBank New Series B Preferred Stock will be entitled to receive, after payment of the full liquidation preference on shares of any class of preferred stock ranking superior to NationsBank New Series B Preferred Stock (if any such shares are then outstanding) but before any distribution on shares of NationsBank Common Stock, liquidating dividends of \$100 per share plus accumulated dividends.

Redemption. Shares of NationsBank New Series B Preferred Stock are redeemable, in whole or in part, at the option of the holders thereof, at the redemption price of \$100 per share plus accumulated dividends, provided, that (i) full cumulative dividends have been paid, or declared and funds sufficient for payment set apart, upon any class or series of preferred stock ranking superior to NationsBank New Series B Preferred Stock; and (ii) the Registrant is not then in default or arrears with respect to any sinking or analogous fund or call for tenders obligation or agreement for the purchase of any class or series of preferred stock ranking superior to NationsBank New Series B Preferred Stock.

Voting Rights. Each share of NationsBank New Series B Preferred Stock has equal voting rights, share for share, with each share of NationsBank Common Stock.

Superior Stock. The Registrant may, without the consent of holders of NationsBank New Series B Preferred Stock, issue preferred stock with superior or equal rights or preferences. The shares of NationsBank New Series A Preferred Stock issued in the Merger rank prior to, and the NationsBank ESOP Preferred Stock and NationsBank Common Stock rank junior to, the NationsBank New Series B Preferred Stock as to dividends and upon liquidation.

General. Pursuant to the Merger Agreement, on the Effective Date, the Registrant assumed all of Boatmen's rights and obligations under the 6.25% Convertible Subordinated Debentures due May 1, 2011 (the "Convertible Debentures"), which had been

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assumed by Boatmen's at the time it acquired Centerre Bancorporation. The terms of the Convertible Debentures are set forth in the Indenture, dated as of May 1, 1986, between Centerre Bancorporation and The Boatmen's National Bank of St. Louis, as trustee, a copy of which appears as Exhibit E-18 to the Merger Agreement. As a result of the Merger, the Convertible Debentures are convertible into shares of NationsBank Common Stock in accordance with the terms and conditions set forth in the Indenture.

Conversion. The number of shares of NationsBank Common Stock issuable upon conversion of a Convertible Debenture is determined by (i) dividing the principal amount to be converted by the conversion price set forth in the Convertible Debenture in effect on the date of conversion; and then (ii) multiplying the resulting number by the 0.6525. Pursuant to the Indenture, if NationsBank: (i) pays a dividend or makes a distribution on NationsBank Common Stock in the form of shares of NationsBank Common Stock; (ii) subdivides the outstanding shares of NationsBank Common Stock into a greater number of shares; (iii) combines the outstanding shares of NationsBank Common Stock into a smaller number of shares; (iv) makes a distribution on NationsBank Common Stock in shares of its capital stock other than NationsBank Common stock; or (v) issues by reclassification of NationsBank Common Stock any shares of its capital stock, then, the conversion privilege and conversion price in effect immediately prior to such action will be adjusted so that the holder of a Convertible Debenture thereafter converted may receive the number of shares of capital stock of the Registrant that such holder would have received immediately following such action if the holder had converted the Convertible Debenture immediately prior to such action. The conversion price is subject to further adjustment in the event the Registrant (i) distributes any rights or warrants to all holders of NationsBank Common Stock entitling them, for a period expiring within 60 days of the record date for the determination of such holders, to purchase shares of NationsBank Common Stock at a price per share less than the current market price per share on such record date; or (ii) distributes to all holders of NationsBank Common Stock any of its assets or debt securities or any rights or warrants to purchase securities of the Registrant.

In all cases, no adjustment in the conversion price of the Convertible Debentures is required to be made unless the adjustment would require an increase or decrease of at least 1% in the conversion price. Any adjustments that are not made because they fail to satisfy such requirement are carried forward and taken into account in any subsequent adjustments. In addition, no adjustment to the conversion price is required if holders of the Convertible Debentures are to participate in the transaction otherwise triggering an adjustment on a basis and with notice that the NationsBank Board determines to be fair and appropriate in light of the basis and notice on which holders of NationsBank Common Stock participate in the transaction. No adjustment to the conversion price is required in connection with a grant of rights to purchase NationsBank Common Stock pursuant to a plan of the Registrant for reinvestment of dividends or interest.

The terms of the Indenture require the Registrant to reserve and have available, free from any preemptive rights, out of its authorized but unissued NationsBank Common Stock or NationsBank Common Stock held in treasury enough shares of NationsBank Common Stock to permit the conversion of the Convertible Debentures. All shares of

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NationsBank Common Stock issued upon conversion of the Convertible Debentures will be fully paid and nonassessable.

Effective Law

The rights of holders of NationsBank Common Stock are dependent, directly or indirectly, on applicable state and federal statutes and regulations which are subject to change from time to time. The Registrant has not undertaken to update the foregoing description in each case where such a change may affect the rights of shareholders.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

The Registrant has filed all required financial statements, pro forma financial information and exhibits required by Item 2 hereof with the Securities and Exchange Commission as part of the Registration Statement.

The following exhibits are filed herewith:

| <TABLE> <CAPTION> Exhibit No. | Description of Exhibit |
|-------------------------------------|---|
| <S> 3.1 | <C> Copy of the Registrant's Restated Articles of Incorporation. |
| 99.1 | Press release dated January 7, 1997 with respect to the closing of the Merger. |
| 99.2 | Press release dated January 8, 1997 with respect to the election of the holders of Boatmen's Common Stock to receive in the Merger shares of NationsBank Common Stock or cash and the Registrant's intent to repurchase shares of NationsBank Common Stock. |
| 99.3 | Press release dated December 20, 1996 with respect to the election of new directors to serve on the Registrant's Board of Directors. |
| 99.4 | Summary of selected financial information reflecting the results of the operations of Boatmen's for the fiscal year ended December 31, 1996. |
| 99.5 | Press release dated January 13, 1997 with respect to the Registrant's financial results for the fiscal year ended December 31, 1996. |

</TABLE>

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SIGNATURE

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

NATIONSBANK CORPORATION

By: /s/ Marc D. Oken
 Marc D. Oken
 Chief Accounting Officer

Dated: January 16, 1997

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EXHIBIT INDEX

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- 99.4 Summary of selected financial information reflecting the results of the operations of Boatmen's for the fiscal year ended December 31, 1996.
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RESTATED
ARTICLES OF INCORPORATION
OF
NATIONSBANK CORPORATION

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

1. The name of the Corporation is NationsBank Corporation.

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

3. The number of shares the Corporation is authorized to issue is One Billion Two Hundred Ninety-Five Million (1,295,000,000), divided into the following classes:

| Class | Number of Shares |
|----------------|------------------|
|Common | 1,250,000,000 |
|Preferred | 45,000,000 |

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

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

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

(a) Cumulative Convertible Preferred Stock, Series A.

A. Designation.

The designation of the series of Preferred Stock created by this resolution shall be Cumulative Convertible Preferred Stock, Series A, \$100 stated value, of the Corporation (hereinafter referred to as "Series A

Preferred Stock"), and the number of shares constituting such series shall be 250,000, which number may be increased (but not above the total number of shares of Preferred Stock of the Corporation then authorized by the Restated Articles of Incorporation, as amended from time to time) or decreased (but not below the number of shares then outstanding) from time to time by the Board of Directors. The Series A Preferred Stock shall rank prior to the Common Stock, the 7% Cumulative Redeemable Preferred Stock, Series B, \$100 stated value per share, and the ESOP Convertible Preferred Stock, Series C, with respect to the payment of dividends and the distribution of assets.

B. Dividend Rights.

(1) The holders of shares of Series A Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available therefor, cash dividends, accruing from the date of initial issuance, at the annual rate of 7.00% of the liquidation preference per annum, and no more, payable, when and as declared by the Board of Directors, quarterly on March 1, June 1, September 1, and December 1 of each year (each quarterly period ending on any such date being hereinafter referred to as a "dividend period"), commencing on the first March 1, June 1, September 1, or December 1 to occur after the Issue Date (as hereafter defined), at such annual rate. Each dividend will be payable to holders of record as they appear on the stock books of the Corporation on such record dates as shall be fixed by the Board of Directors of the Corporation. The date of initial issuance of shares of Series A Preferred Stock is hereinafter referred to as the "Issue Date". Dividends payable on the Series A Preferred Stock (i) for any period other than a full dividend period shall be computed on the basis of a 360-day year consisting of twelve 30-day months and (ii) for each full dividend period shall be computed by dividing the annual dividend rate by four.

(2) Dividends on shares of Series A Preferred Stock shall be

cumulative from the Issue Date whether or not there shall be funds legally available for the payment thereof. If there shall be outstanding shares of any other series of Preferred Stock ranking junior to or on a parity with the Series A Preferred Stock as to dividends, no dividends shall be declared or paid or set apart for payment on any such other series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series A Preferred Stock for all dividend periods terminating on or prior to the date of payment of such dividends. If dividends on the Series A Preferred Stock and on any other series of Preferred Stock ranking on a parity as to dividends with the Series A

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Preferred Stock are in arrears, in making any dividend payment on account of such arrears, the Corporation shall make payments ratably upon all outstanding shares of the Series A Preferred Stock and shares of such other series of Preferred Stock in proportion to the respective amounts of dividends in arrears on the Series A Preferred Stock and on such other series of Preferred Stock to the date of such dividend payment. Holders of shares of the Series A Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on such shares. No interest or sum of money in lieu of interest shall be payable in respect of any dividend payment or payments which may be in arrears.

(3) Unless full cumulative dividends on all outstanding shares of the Series A Preferred Stock shall have been paid or declared and set aside for payment for all past dividend periods, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to the Series A Preferred Stock as to dividends and the distribution of assets upon liquidation, dissolution or winding up) shall be declared upon the Common Stock or upon any other stock ranking junior to the Series A Preferred Stock as to dividends and the distribution of assets upon liquidation, dissolution, or winding up, nor shall any Common Stock or any other stock of the Corporation ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon the distribution of assets upon liquidation, dissolution or winding up be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the Series A Preferred Stock as to dividends and the distribution of assets upon liquidation, dissolution or winding up).

C. Liquidation Preferences.

(1) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of Series A Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to stockholders an amount equal to \$400.00 per share plus an amount equal to any accrued and unpaid dividends thereon to and including the date of such distribution, and no more, before any distribution shall be made to the holders of Common Stock or any other class of stock of the Corporation ranking junior to the Series A Preferred Stock as to the distribution of assets. After payment of such liquidating distributions, the holders of shares of Series A Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation.

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(2) In the event the assets of the Corporation available for distribution to stockholders upon any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to the Series A Preferred Stock and any other shares of Preferred Stock ranking on a parity with the Series A Preferred Stock as to the distribution of assets, the holders of Series A Preferred Stock and the holders of such other Preferred Stock shall share ratably in any distribution of assets of the Corporation in proportion to the full respective preferential amounts to which they are entitled.

(3) The merger or consolidation of the Corporation into or with any other corporation, the merger or consolidation of any other corporation into or with the Corporation or the sale of the assets of the Corporation substantially as an entirety shall not be deemed a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this Section 3.

D. Redemption.

(1) Subject to obtaining the prior approval of the Board of Governors of the Federal Reserve System, the Corporation, at its option, may redeem any or all shares of Series A Preferred Stock, at any time or from time to time, on or after March 1, 1997 at a redemption price of \$400.00 per share, plus an amount equal to accrued and unpaid dividends thereon to and including the date of redemption (the "Redemption Price").

(2) If less than all the outstanding shares of Series A Preferred Stock are to be redeemed, the shares to be redeemed shall be selected pro rata as nearly as practicable or by lot, or by such other method as the Board of Directors may determine to be fair and appropriate.

(3) Notice of any redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the date fixed for redemption to the holders of record of the shares of Series A Preferred Stock to be redeemed, at their respective addresses appearing on the books of the Corporation. Notice so mailed shall be conclusively presumed to have been duly given whether or not actually received. Such notice shall state: (i) the date fixed for redemption; (ii) the Redemption Price; (iii) that the holder has the right to convert such shares into Common Stock until the close of business on the tenth day preceding the redemption date; (iv) the then-effective conversion price and the place where certificates for such shares may be surrendered for conversion; (v) the number of shares of Series A Preferred Stock to be redeemed and if less than all the shares held by such holder are to be redeemed, the number of such shares to be so

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redeemed from such holder; (vi) the place where certificates for such shares are to be surrendered for payment of the Redemption Price; and (vii) that after such date fixed for redemption the shares to be redeemed shall not accrue dividends. If such notice is mailed as aforesaid, and if on or before the date fixed for redemption funds sufficient to redeem the shares called for redemption are set aside by the Corporation in trust for the account of the holders of the shares to be redeemed, notwithstanding the fact that any certificate for shares called for redemption shall not have been surrendered for cancellation, on and after the redemption date the shares represented thereby so called for redemption shall be deemed to be no longer outstanding, dividends thereon shall cease to accrue and all rights of the holders of such shares as stockholders of the Corporation shall cease (except the right to receive the Redemption Price, without interest, upon surrender of the certificate representing such shares). Upon surrender in accordance with the aforesaid notice of the certificate for any shares so redeemed (duly endorsed or accompanied by appropriate instruments of transfer, if so required by the Corporation in such notice), the holders of record of such shares shall be entitled to receive the Redemption Price, without interest. Notwithstanding the foregoing, however, as and to the extent that the Corporation is required or permitted under the abandoned property laws of any jurisdiction to escheat any redemption funds held in trust for the benefit of any holder, the Corporation shall be absolved of any further obligation or liability to such holder to the full extent provided by any such law. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(4) At the option of the Corporation, if notice of redemption is mailed as aforesaid, and if prior to the date fixed for redemption funds sufficient to pay in full the Redemption Price are deposited in trust, for the account of the holders of the shares to be redeemed, with a bank or trust company named in such notice doing business in the State of North Carolina or the Borough of Manhattan, The City of New York, State of New York, and having capital and surplus of at least \$50 million (which bank or trust company also may be the transfer agent and/or paying agent for the Series A Preferred Stock) notwithstanding the fact that any certificate(s) for shares called for redemption shall not have been surrendered for cancellation, on and after such date of deposit the shares represented thereby so called for redemption shall be deemed to be no longer outstanding, and all rights of the holders of such shares as shareholders of the Corporation shall cease, except the right of the holders thereof to convert such shares in accordance with the provisions of Section 5 at any time prior to the close of business on the tenth day preceding the redemption date and the right of the holders thereof to receive out of the funds so deposited in trust the Redemption Price, without interest, upon surrender of the certificate(s) representing such shares. Any

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funds so deposited with such bank or trust company in respect of shares of Series A Preferred Stock converted before the close of business on the tenth day preceding the redemption date shall be returned to the Corporation upon such conversion. Unless otherwise required by law, any funds so deposited with such bank or trust company which shall remain unclaimed by the holders of shares called for redemption at the end of two years after the redemption date shall be repaid to the Corporation, on demand, and thereafter the holder of any such shares shall look only to the Corporation for the payment, without interest, of the Redemption Price. Notwithstanding the foregoing, however, as and to the extent that the Corporation is required or permitted under the abandoned property laws of any jurisdiction to escheat any redemption funds held in trust for the benefit of any holder, the Corporation shall be absolved of any further obligation or liability to such holder to the full extent provided by any such laws.

(5) Any provision of this Section 4 to the contrary notwithstanding, in the event that any quarterly dividend payable on the Series A Preferred Stock shall be in arrears and until all such dividends in arrears shall have been paid or declared and set apart for payment, the Corporation shall not redeem any shares of Series A Preferred Stock unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed and shall not purchase or otherwise acquire any shares of Series A Preferred Stock except in accordance with a purchase or exchange offer made on the same terms to all holders of record of Series A Preferred Stock for the purchase of all outstanding shares thereof.

E. Conversion Rights.

The holders of shares of Series A Preferred Stock shall have the right, at their option, to convert such shares into shares of Common Stock on the following terms and conditions:

(1) Shares of Series A Preferred Stock shall be convertible at any time into fully paid and nonassessable shares of Common Stock at a conversion price of \$44.44 per share of Common Stock (the "Conversion Price"). For purposes of this Section 5, references to shares of Series A Preferred Stock shall apply equally to fractional shares thereof, but only to the extent that such fractional shares are integral multiples of 1/16 of one share. The Conversion Price shall be subject to adjustment from time to time as hereinafter provided. For purposes of such conversion, each share of Series A Preferred Stock will be valued at \$400. No payment or adjustment shall be made on account of any accrued and unpaid dividends on shares of Series A Preferred Stock surrendered for conversion prior to the record date for the determination of stockholders entitled to such dividends or on account

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of any dividends on the shares of Common Stock issued upon such conversion subsequent to the record date for the determination of stockholders entitled to such dividends. If any shares of Series A Preferred Stock shall be called for redemption, the right to convert the shares designated for redemption shall terminate at the close of business on the tenth day preceding the date fixed for redemption unless default is made in the payment of the Redemption Price. In the event of default in the payment of the Redemption Price, the right to convert the shares designated for redemption shall terminate at the close of business on the business day immediately preceding the date that such default is cured.

(2) In order to convert shares of Series A Preferred Stock into Common Stock, the holder thereof shall surrender the certificates therefor, duly endorsed if the Corporation shall so require, or accompanied by appropriate instruments of transfer satisfactory to the Corporation, at the office of the transfer agent for the Series A Preferred Stock, or at such other office as may be designated by the Corporation, together with written notice that such holder irrevocably elects to convert such shares or any fraction of a share of Series A Preferred Stock having a denominator of 16, each such fractional interest, measured in 1/16 of a share, being valued for purposes of conversion at \$25; references in this Section 5 to the conversion of any share of Series A Preferred Stock shall also apply, mutatis mutandis, to such fractional interests. Such notice shall also state the name and address in which such holder wishes the certificate for the shares of Common Stock issuable upon conversion to be issued. As soon as practicable after receipt of the certificates representing the shares of Series A Preferred Stock to be converted and the notice of election to convert the same, the Corporation shall issue and deliver at said office a certificate for the number of whole shares of Common Stock issuable upon conversion of the shares of Series A Preferred

Stock surrendered for conversion, together with a cash payment in lieu of any fraction of a share, as hereinafter provided, to the person entitled to receive the same. If more than one stock certificate for Series A Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares represented by all the certificates so surrendered. Shares of Series A Preferred Stock shall be deemed to have been converted immediately prior to the close of business on the date such shares are surrendered for conversion and notice of election to convert the same is received by the Corporation in accordance with the foregoing provision, and the person entitled to receive the Common Stock issuable upon such conversion shall be deemed for all purposes as the record holder of such Common Stock as of such date.

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(3) In the case of any share of Series A Preferred Stock which is converted after any record date with respect to the payment of a dividend on the Series A Preferred Stock and on or prior to the date on which such dividend is payable by the Corporation (the "Dividend Due Date"), the dividend due on such Dividend Due Date shall be payable on such Dividend Due Date to the holder of record of such shares as of such preceding record date notwithstanding such conversion. Shares of Series A Preferred Stock surrendered for conversion during the period from the close of business on any record date with respect to the payment of a dividend on the Series A Preferred Stock next preceding any Dividend Due Date to the opening of business on such Dividend Due Date shall (except in the case of shares of Series A Preferred Stock which have been called for redemption on a redemption date within such period) be accompanied by payment in New York Clearing House funds or other funds acceptable to the Corporation of an amount equal to the dividend payable on such Dividend Due Date on the shares of Series A Preferred Stock being surrendered for conversion. The dividend with respect to a share of Series A Preferred Stock called for redemption on a redemption date during the period from the close of business on any record date with respect to the payment of a dividend on the Series A Preferred Stock next preceding any Dividend Due Date to the opening of business on such Dividend Due Date shall be payable on such Dividend Due Date to the holder of record of such share on such dividend record date, notwithstanding the conversion of such share of Series A Preferred Stock after such record date and prior to such Dividend Due Date, and the holder converting such share of Series A Preferred Stock called for redemption need not include a payment of such dividend amount upon surrender of such share of Series A Preferred Stock for conversion. Except as provided in this subsection, no payment or adjustment shall be made upon any conversion on account of any dividends accrued on shares of Series A Preferred Stock surrendered for conversion or on account of any dividends on the shares of Common Stock issued upon conversion.

(4) No fractional shares of Common Stock shall be issued upon conversion of any shares of Series A Preferred Stock. If more than one share of Series A Preferred Stock is surrendered at one time by the same holder, the number of full shares issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares so surrendered. If the conversion of any shares of Series A Preferred Stock results in a fractional share of Common Stock, the Corporation shall pay cash in lieu thereof in an amount equal to such fraction multiplied by the closing price, determined as provided in subsection (vi) of Section 5(e) below, on the date on which the shares of Series A Preferred Stock were duly surrendered for conversion, or if such date is not a trading date, on the next succeeding trading date.

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(5) The Conversion Price shall be adjusted from time to time as follows:

(i) In case the Corporation shall pay or make a dividend or other distribution on shares of Common Stock in Common Stock, the Conversion Price in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For purposes of this subsection, the number of shares of Common Stock at

any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Corporation will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Corporation.

(ii) In case the Corporation shall issue additional rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the then current market price per share (determined as provided in subsection (vi) below) of the Common Stock on the date fixed for the determination of stockholders entitled to receive such rights or warrants (other than pursuant to a dividend reinvestment plan), the Conversion Price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price (determined as provided in subsection (vi) below) and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this subsection (ii), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Corporation will not issue any

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rights or warrants in respect of shares of Common Stock held in the treasury of the Corporation during the period so held.

(iii) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(iv) In case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding (1) any rights or warrants referred to in subsection (ii) above, (2) any dividend or distribution paid in cash out of the retained earnings of the Corporation and (3) any dividend or distribution referred to in subsection (i) above), the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction of which the numerator shall be the current market price per share (determined as provided in subsection (vi) below) of the Common Stock on the date fixed for such determination less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive and shall be described in a statement filed with the transfer agent for the Series A Preferred Stock) of the portion of the evidences of indebtedness or assets so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution.

(v) For the purposes of this Section 5, the reclassification of Common Stock into securities including securities other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 5(g) below applies) shall be deemed to involve (A) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of stockholders entitled to receive such distribution" and the "date fixed for such determination" within the meaning of subsection (iv) above), and (B) a subdivision or combination, as the

may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision became effective" or "the day upon which such combination becomes effective" as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of subsection (iii) above).

(vi) For the purpose of any computation under subsections (ii) and (iv) above, the current market price per share of Common Stock on any day shall be deemed to be the average of the daily closing prices for the 30 consecutive trading days commencing 45 trading days before the day in question. The closing price for each day shall be as reported on the New York Stock Exchange Composite Tape or, if the Common Stock is no longer listed on such exchange, as reported on the principal national securities exchange or national automated stock quotation system on which the Common Stock is listed, traded or quoted, or, if the Common Stock is not listed, traded or quoted on any national securities exchange or national automated stock quotation system, the closing price shall be deemed to be the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors for that purpose.

(vii) Notwithstanding the foregoing, no adjustment in the Conversion Price for the Series A Preferred Shares shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subsection (vii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

(6) Whenever the Conversion Price shall be adjusted as herein provided (i) the Corporation shall forthwith make available at the office of the transfer agent for the Series A Preferred Stock a statement describing in reasonable detail the adjustment, the facts requiring such adjustment and the method of calculation used; and (ii) the Corporation shall cause to be mailed by first class mail, postage prepaid, as soon as practicable to each holder of record of shares of Series A Preferred Stock a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price.

(7) In the event of any consolidation of the Corporation with or merger of the Corporation into any other corporation (other than a merger in

which the Corporation is the surviving corporation) or a sale, lease or conveyance of the assets of the Corporation as an entirety or substantially as an entirety, or any statutory exchange of securities with another corporation, the holder of each share of Series A Preferred Stock shall have the right, after such consolidation, merger, sale or exchange, to convert such share into the number and kind of shares of stock or other securities and the amount and kind of property which such holder would have been entitled to receive upon such consolidation, merger, sale or exchange of the number of shares of Common Stock that would have been issued to such holder had such shares of Series A Preferred Stock been converted immediately prior to such consolidation, merger or sale. The provisions of this Section 5(g) shall similarly apply to successive consolidations, mergers, sales or exchanges.

(8) The Corporation shall pay any taxes that may be payable in respect of the issuance of shares of Common Stock upon conversion of shares of Series A Preferred Stock, but the Corporation shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance of shares of Common Stock in the name other than that in which the shares of Series A Preferred Stock so converted are registered, and the Corporation shall not be required to issue or deliver any such shares unless and until the person requesting such issuance shall have paid to the Corporation the amount of any such taxes, or shall have established to the satisfaction of the Corporation that such taxes have been paid.

(9) The Corporation may (but shall not be required to) make such reductions in the Conversion Price, in addition to those required

by subsections (i) through (iv) of Section 5(e) above, as it considers to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients.

(10) The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock the full number of shares of Common Stock issuable upon the conversion of all shares of Series A Preferred Stock then outstanding.

(11) In the event that:

(i) the Corporation shall declare a dividend or any other distribution on its Common Stock, payable otherwise than in cash out of retained earnings; or

(ii) the Corporation shall authorize the granting to the holders of its Common Stock of rights to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

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(iii) any capital reorganization of the Corporation, reclassification of the capital stock of the Corporation, consolidation or merger of the Corporation with or into another corporation (other than a merger in which the Corporation is the surviving corporation), or sale, lease or conveyance of the assets of the Corporation as an entirety or substantially as an entirety to another corporation occurs; or

(iv) the voluntary or involuntary dissolution, liquidation or winding up of the Corporation occurs, the Corporation shall cause to be mailed to the holders of record of Series A Preferred Stock at least 15 days prior to the applicable date hereinafter specified a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution of rights or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined or (y) the date on which such reorganization, reclassification, consolidation, merger, sale, lease, conveyance, dissolution, liquidation or winding up is expected to take place, and the date, if any is to be fixed, as of which holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, lease, conveyance, dissolution, liquidation or winding up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reorganization, reclassification, consolidation, merger, sale, lease, conveyance, dissolution, liquidation or winding up.

F. Voting Rights.

Other than as required by applicable law, the Series A Preferred Stock shall not have any voting powers either general or special, except that:

(1) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the affirmative vote or consent of the holders of at least 66-2/3% of all of the shares of the Series A Preferred Stock, and any one or more other series of preferred stock of the Corporation similarly affected, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of the Series A Preferred Stock and any such other series of preferred stock shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Restated Articles of Incorporation, as amended, or of any amendment or supplement thereto (including any certificate of designation or any similar document relating to any series of preferred stock) of the Corporation, which would adversely affect the preferences, rights,

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powers or privileges, qualifications, limitations and restrictions of the Series A Preferred Stock.

(2) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the affirmative vote or consent of the holders of at least 66-2/3% of all of the shares of the Series A Preferred Stock and any other series of preferred stock of the Corporation ranking on a parity with shares of the Series A Preferred Stock, either as to dividends or the distribution of assets upon liquidation, dissolution or winding up, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of the Series A Preferred Stock and any such other series of preferred stock of the Corporation shall vote together as a single class without regard to series, shall be necessary to create, authorize or issue, or reclassify any authorized stock of the Corporation into, or create, authorize or issue any obligation or security convertible into or evidencing a right to purchase, any shares of any class of stock of the Corporation ranking prior to the Series A Preferred Stock or ranking prior to any other series of preferred stock of the Corporation which ranks on a parity with the Series A Preferred Stock as to dividends or upon the distribution of assets upon liquidation, dissolution or winding up. Subject to the foregoing, the Corporation's Restated Articles of Incorporation, as amended, may be amended to increase the number of authorized shares of preferred stock without the vote of the holders of preferred stock, including the Series A Preferred Stock.

(3) Whenever, at any time or times, dividends payable on the shares of Series A Preferred Stock shall be in arrears in an amount equal to at least six full quarterly dividends on shares of the Series A Preferred Stock at the time outstanding, the holders of the outstanding shares of Series A Preferred Stock shall have the exclusive right, voting separately as a class together with holders of shares of any one or more other series of preferred stock ranking on a parity with the Series A Preferred Stock either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, to elect two directors of the Corporation for one-year terms at the Corporation's next annual meeting of stockholders and at each subsequent annual meeting of stockholders. At elections for such directors, each holder of Series A Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any other series of preferred stock ranking on such a parity being entitled to such number of votes, if any, for each share of stock held as may be granted to them). Upon the vesting of such right of the holders of Series A Preferred Stock, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding shares of Series A Preferred Stock (either alone or together with

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the holders of shares of any one or more other series of preferred stock ranking on such a parity) as hereinafter set forth. The right of the holders of Series A Preferred Stock, voting separately as a class to elect (either alone or together with the holders of shares of any one or more other series of preferred stock ranking on such a parity) members of the Board of Directors of the Corporation as aforesaid shall continue until such time as all dividends accumulated on the Series A Preferred Stock shall have been paid in full or declared and set apart for payment, at which time such right shall immediately terminate, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned.

(4) Upon termination of such special voting rights attributable to all holders of the Series A Preferred Stock and any other series or preferred stock ranking on a parity with the Series A Preferred Stock as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, the term of office of each director elected by the holders of shares of Series A Preferred Stock and such parity preferred stock (a "Preferred Stock Director") pursuant to such special voting rights shall immediately terminate and the number of directors constituting the entire Board of Directors shall be reduced by the number of Preferred Stock Directors. Any Preferred Stock Director may be removed by, and shall not be removed otherwise than by, the vote of the holders of record of a majority of the outstanding shares of Series A Preferred Stock and all other series of preferred stock ranking on a parity with the Series A Preferred Stock with respect to dividends who were entitled to participate in such Preferred Stock Director's election, voting as a separate class, at a meeting called for such purposes. If the office of any Preferred Stock Director becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the remaining Preferred Stock Director may choose a successor who shall

hold office for the unexpired term in respect of which such vacancy occurred.

G. Reacquired Shares.

Shares of Series A Preferred Stock converted, redeemed, or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Series A Preferred Stock without designation as to series.

H. Ranking.

Any class or classes of stock of the Corporation shall be deemed to rank:

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(1) prior to the Series A Preferred Stock, as to dividends or as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of the Series A Preferred Stock;

(2) on a parity with the Series A Preferred Stock, as to dividends or as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series A Preferred Stock, if the holders of such class of stock and the Series A Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation prices, without preference or priority one over the other; and

(3) junior to the Series A Preferred Stock, as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such stock shall be Common Stock or if the holders of Series A Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of such stock.

I. No Sinking Fund.

Shares of Series A Preferred Stock are not subject to the operation of a sinking fund or other obligation of the Corporation to redeem or retire the Series A Preferred Stock.

(b) 7% Cumulative Redeemable Preferred Stock, Series B.

A. Designation.

The designation of this series is "7% Cumulative Redeemable Preferred Stock, Series B" (hereinafter referred to as the "Series B Preferred Stock") and the number of shares constituting such series is Thirty-Five Thousand and Forty-Five (35,045). Shares of Series B Preferred Stock shall have a stated value of \$100.00 per share.

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B. Dividends.

The holders of record of the shares of the Series B Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors of the corporation, out of any funds legally available for such purpose, cumulative cash dividends at an annual dividend rate per share of 7% of the stated value thereof, which amount is \$7.00 per annum, per share, and no more. Such dividends shall be payable each calendar quarter at the rate of \$1.75 per share on such dates as shall be fixed by resolution of the Board of Directors of the Corporation. The date from which dividends on such shares shall be cumulative shall be the first day after said shares are issued. Accumulations of dividends shall not bear interest. No cash dividend shall be declared, paid or set apart for any shares of Common Stock unless all dividends on all shares of the Series B Preferred Stock at the time outstanding for all past dividend periods and for the then current dividend shall have been paid, or shall have been declared and a sum sufficient for the payment thereof, shall have been set apart. Subject to the foregoing provisions of this paragraph (2), cash dividends or other cash distributions as may be determined by the Board of Directors of

the Corporation, may be declared and paid upon the shares of the Common Stock of the corporation from time to time out of funds legally available therefor, and the shares of the Series B Preferred Stock shall not be entitled to participate in any such cash dividend or other such cash distribution so declared and paid or made on such shares of Common Stock.

C. Redemption.

From and after October 31, 1988, any holder may, by written request, call upon the Corporation to redeem all or any part of said holder's shares of said Series B Preferred Stock at a redemption price of \$100.00 per share plus accumulated unpaid dividends to the date said request for redemption is received by the Corporation and no more (the "Redemption Price"). Any such request for redemption shall be accompanied by the certificates for which redemption is requested, duly endorsed or with appropriate stock power attached, in either case with signature guaranteed. Upon receipt by the Corporation of any such request for redemption from any holder of the Series B Preferred Stock, the Corporation shall forthwith redeem said stock at the Redemption Price, provided that: (i) full cumulative dividends have been paid or declared and set apart for payment upon all shares of any series of preferred stock ranking superior to the Series B Preferred Stock as to dividends or other distributions (collectively the "Superior Stock"); and (ii) the Corporation is not then in default or in arrears with respect to any sinking or analogous fund or call for tenders obligation or agreement for the purchase, redemption or retirement of any shares of Superior Stock. In the

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event that, upon receipt of a request for redemption, either or both of the conditions set forth in clauses (i) and (ii) above are not met, the Corporation shall forthwith return said request to the submitting shareholder along with a statement that the Corporation is unable to honor such request and explanation of the reasons therefor. From and after the receipt by the Corporation of a request for redemption from any holder of said Series B Preferred Stock, which request may be honored consistent with the foregoing provisions, all rights of such holder in the Series B Preferred Stock for which redemption is requested shall cease and terminate, except only the right to receive the Redemption Price thereof, but without interest.

D. Liquidation Preference.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation, the holders of the Series B Preferred Stock shall be entitled to receive, subject to the provisions of paragraph 7 and before any payment shall be made to the holders of the shares of Common Stock, the amount of \$100.00 each share, plus accumulated dividends. After payment to the holders of the Series B Preferred Stock of the full amount as aforesaid, the holders of the Series B Preferred Stock as such shall have no right or claim to any of the remaining assets which shall be distributed ratably to the holders of the Common Stock. If, upon any such liquidation, dissolution or winding up, the assets available therefore are not sufficient to permit payments to the holders of Series B Preferred Stock of the full amount as aforesaid, then subject to the provisions of paragraph 7, the holders of the Series B Preferred Stock then outstanding shall share ratably in the distribution of assets in accordance with the sums which would be payable if such holders were to receive the full amounts as aforesaid.

E. Sinking Fund.

There shall be no sinking fund applicable to the shares of Series B Preferred Stock.

F. Conversion.

The shares of Series B Preferred Stock shall not be convertible into any shares of Common Stock or any other class of shares, nor exchanged for any shares of Common Stock or any other class of shares.

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G. Superior Stock.

The corporation may issue stock with preferences superior or equal to the shares of the Series B Preferred Stock without the consent of the holders thereof.

H. Voting rights.

Each share of the Series B Preferred Stock shall be entitled to equal voting rights, share for share, with each share of the Common Stock.

(c) ESOP Convertible Preferred Stock, Series C.

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

A. Special Purpose Restricted Transfer Issue.

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

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B. Dividends and Distributions.

(1) Subject to the provisions for adjustment hereinafter set forth, the holders of shares of ESOP Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cash dividends ("Preferred Dividends") in an amount equal to \$3.30 per share per annum, and no more, payable semi-annually, one-half on the first day of January and one-half on the first day of July of each year (each a "Dividend Payment Date") commencing the first such day following the effective time of the Merger (as defined below), to holders of record at the start of business on such Dividend Payment Date. Preferred Dividends shall begin to accrue on shares of ESOP Preferred Stock on the last dividend payment date on the outstanding shares of ESOP Convertible Preferred Stock, Series C, of C&S/Sovran Corporation ("C&S/Sovran") (which shares are to be converted on a one-for-one basis into shares of ESOP Preferred Stock at the effective time of the merger (the "Merger") of C&S/Sovran Merger Corporation ("Merger Corporation"), a Delaware corporation and a wholly owned subsidiary of the Corporation, with and into C&S/Sovran, as provided in the Agreement and Plan of Consolidation, dated July 21, 1991, between the Corporation and C&S/Sovran). Preferred Dividends shall accrue on a daily basis whether or not the Corporation shall have earnings or surplus at the time, but Preferred Dividends on the shares of ESOP Preferred Stock for any period less than a full semi-annual period between Dividend Payment Dates shall be computed on the basis of a 360-day year of 30-day months. Accumulated but unpaid Preferred Dividends shall accumulate as of the Dividend Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid Preferred Dividends.

(2) So long as any ESOP Preferred Stock shall be outstanding, no dividend shall be declared or paid or set apart for payment on any other series of stock ranking on a parity with the ESOP Preferred Stock as to dividends, unless there shall also be or have been declared and paid or set apart for payment on the ESOP Preferred Stock, like dividends for all dividend payment periods of the ESOP Preferred Stock ending on or before the dividend payment date of such parity stock, ratably in proportion to the respective amounts of dividends accumulated and unpaid through such dividend payment period on the ESOP Preferred Stock and accumulated and unpaid or payable on such parity stock through the dividend payment period on such parity stock next

preceding such Dividend Payment Date. In the event that full cumulative dividends on the ESOP Preferred Stock have not been declared and paid or set apart for payment when due, the Corporation shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of the purchase,

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redemption or other retirement of any other class of stock or series thereof of the Corporation ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preferred Stock until full cumulative dividends on the ESOP Preferred Stock shall have been paid or declared and provided for; provided, however, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any stock ranking, as to dividends or as to distributions in the event of the liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preferred Stock, or (ii) the acquisition of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preferred Stock either (A) pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted or (B) in exchange solely for shares of any other stock ranking junior to the ESOP Preferred Stock.

C. Voting Rights.

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

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

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

D. Liquidation, Dissolution or Winding-Up.

(1) Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of ESOP Preferred Stock shall be entitled to receive out of the assets of the Corporation which remain after satisfaction in full of all valid claims of creditors of the Corporation and

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which are available for payment to shareholders and subject to the rights of the holders of any stock of the Corporation ranking senior to or on a parity with the ESOP Preferred Stock in respect of distributions upon liquidation, dissolution or winding-up of the Corporation, before any amount shall be paid or distributed among the holders of Common Stock or any other shares ranking junior to the ESOP Preferred Stock in respect of the distributions upon liquidation, dissolution or winding-up of the Corporation, liquidating distributions in the amount of \$42.50 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for distribution, and no more. If upon any liquidation, dissolution or winding-up of the Corporation, the amounts payable with respect to the ESOP Preferred Stock and any other stock ranking as to any such distribution on a parity with the ESOP Preferred Stock are not paid in full, the holders of the ESOP Preferred Stock and such other stock shall share ratably in any distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount to which they are entitled as provided by the foregoing provisions of this paragraph D(1), the holders of shares of ESOP Preferred Stock shall not be entitled to any further right or claim to any of the remaining assets of the Corporation.

(2) Neither the merger or consolidation of the Corporation with or into any other corporation, nor the merger or consolidation of

any other corporation with or into the Corporation, nor the sale, transfer or lease of all or any portion of the assets of the Corporation, shall be deemed to be a dissolution, liquidation or winding-up of the affairs of the Corporation for purposes of this paragraph D, but the holders of ESOP Preferred Stock shall nevertheless be entitled in the event of any such merger or consolidation to the rights provided by paragraph H hereof.

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

E. Conversion into Common Stock.

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

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conversion rate equal to the ratio of 1.0 shares of ESOP Preferred Stock to 0.84 shares of Common Stock and a conversion price the amount of which initially shall be \$42.50 (as adjusted as hereinafter provided, the "Conversion Price") for, initially, each 0.84 shares of Common Stock. Each of the Conversion Price and the resulting conversion ratio is subject to adjustment as hereinafter provided.

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

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

(4) The issuance by the Corporation of shares of Common Stock upon a conversion of shares of ESOP Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective as of the earlier of (i) the delivery to such holder or such holder's designee of the certificate or certificates representing the shares of Common Stock issued upon conversion thereof or (ii) the commencement of business on the second business day after the surrender of the certificate or certificates for the shares of ESOP Preferred Stock to be converted, duly assigned or endorsed

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for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto) as provided hereby. On and after the effective date of conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all

purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Corporation shall not be obligated to pay any dividends which shall have been declared and shall be payable to holders of shares of ESOP Preferred Stock on a Dividend Payment Date if such Dividend Payment Date for such dividend shall coincide with or be on or subsequent to the effective date of conversion of such shares.

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

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

F. Redemption At the Option of the Corporation.

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

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

and thereafter at \$42.50 per share, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Corporation in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph F(5). From and after the date fixed for redemption, dividends on shares of ESOP Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Corporation shall cease, except the right to receive the redemption price. If less than all of the outstanding shares of ESOP Preferred Stock are to be redeemed, the Corporation shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Corporation.

(2) Unless otherwise required by law, notice of redemption will be sent to the holders of ESOP Preferred Stock at the address shown on the books of the Corporation or any transfer agent for the ESOP Preferred Stock by first-class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be

exercised, and the Conversion Price and number of shares of Common Stock issuable upon conversion of a share of ESOP Preferred Stock at the time. These notice provisions may be supplemented if necessary in order to comply with optional redemption provisions for preferred stock which may be required under the Internal Revenue Code of 1986, as amended, or the

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Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Upon surrender of the certificates for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the date fixed for redemption and at the applicable redemption price set forth in this paragraph F.

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

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

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

G. Other Redemption Rights.

Shares of ESOP Preferred Stock shall be redeemed by the Corporation at a price which is the greater of the Conversion Value (as defined in paragraph I) of the ESOP Preferred Stock on the date fixed for redemption or a redemption price of \$42.50 per share plus accrued and unpaid dividends thereon to the date fixed for redemption, for shares of Common Stock (any such shares of Common Stock to be valued for such purpose as provided by paragraph F(5) hereof), at the option of the holder, at any time and from time to time upon notice to the Corporation given not less than five (5) business days prior to the date fixed by the Corporation in such notice for such

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redemption, when and to the extent necessary (i) to provide for distributions required to be made under, or to satisfy an investment election provided to participants in accordance with, the Plan to participants in the Plan or (ii) to make payment of principal, interest or premium due and payable (whether as scheduled or upon acceleration) on any indebtedness incurred by the holder or Trustee under the Plan for the benefit of the Plan.

H. Consolidation, Merger, etc.

(1) In the event that the Corporation shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting company (including the Corporation and any company that directly or indirectly owns all of the outstanding capital stock of such successor or resulting company) that constitutes "qualifying employer securities" with respect to a holder of ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of ERISA, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of ESOP Preferred Stock of such holder shall be assumed by and shall become preferred stock of such successor or resulting company, having in respect of such company insofar as possible the same powers, preferences and relative,

participating, optional or other special rights (including the redemption rights provided by paragraphs F, G and H hereof), and the qualifications, limitations or restrictions thereon, that the ESOP Preferred Stock had immediately prior to such transaction, except that after such transaction each share of the ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by paragraph E hereof, into the qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election to receive any kind or amount of stock, securities, cash or other property (other than such qualifying employer securities and a cash payment, if applicable, in lieu of fractional shares) receivable upon such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount of qualifying employer securities receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares). The rights of the ESOP Preferred Stock as preferred stock of such successor or resulting company shall successively be subject to adjustments pursuant to paragraph I hereof after any such transaction as nearly equivalent to the adjustments provided

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for by such paragraph prior to such transaction. The Corporation shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of the ESOP Preferred Stock shall be assumed and authorized by the successor or resulting company as aforesaid.

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

(3) In the event the Corporation shall enter into any agreement providing for any consolidation or merger or similar transaction described in paragraph H(2), then the Corporation shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of ESOP Preferred Stock and each such holder shall have the right to elect, by written notice to the Corporation, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Corporation or the successor of the Corporation, in redemption and retirement of such ESOP Preferred Stock, a cash payment equal to the amount payable in respect of shares of ESOP Preferred Stock upon redemption pursuant to paragraph F(1) hereof. No such notice of

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redemption shall be effective unless given to the Corporation prior to the close of business on the second business day prior to consummation of such transaction, unless the Corporation or the successor of the

Corporation shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Corporation prior to the close of business on the second business day prior to consummation of such transaction.

I. Anti-dilution Adjustments.

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

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

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of Common Stock at the time of such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants and the denominator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon exercise in full of all such rights and warrants.

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

for shares of Common Stock), other than any such issuance to holders of shares of Common Stock as a dividend or distribution (including by way of a reclassification of shares or a recapitalization of the Corporation) and other than pursuant to any dividend reinvestment plan or employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted, for a consideration having a Fair Market Value on the date of such issuance, sale or exchange less than the Non-Dilutive Amount (as hereinafter defined), then, subject to the provisions of paragraphs I(5) and (6), the Conversion Price shall be adjusted

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by multiplying such Conversion Price by a fraction the numerator of which shall be the sum of (a) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (b) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange of such right or warrant plus (c) the Fair Market Value at the time of such issuance of the consideration which the Corporation would receive upon exercise in full of all such rights or warrants, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock which could be acquired pursuant to such right or warrant at the time of the issuance, sale or exchange of such right or warrant (assuming shares of Common Stock could be acquired pursuant to such right or warrant at such time).

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

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

(5) Notwithstanding any other provisions of this paragraph I, the Corporation shall not be required to make any adjustment of the

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

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

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

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

"Extraordinary Distribution" shall mean any dividend or other distribution (effected while any of the shares of ESOP Preferred Stock are outstanding) (a) of cash, where the aggregate amount of such cash dividend and distribution together with the amount of all cash dividends and distributions made during the preceding period of 12 months, when combined with the aggregate amount of all Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer made during such period), exceeds Twelve and One-Half percent (12.5%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the record date for determining the shareholders entitled to receive such Extraordinary Distribution and (b) any shares of capital stock of the Corporation (other than shares of Common Stock), other securities of the Corporation (other than securities of the type referred to in paragraph I(2)), evidence of indebtedness of the Corporation or any other person or any other property (including shares of any subsidiary of the Corporation), or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of paragraph I(4) shall be the sum of the Fair Market Value of such Extraordinary Distribution plus the amount of any cash dividends which are not Extraordinary Distributions made during such twelve-month period and not previously included in the calculation of an adjustment pursuant to paragraph I(4).

"Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Corporation or any other issuer which are publicly traded, the average of the Current Market Prices (as hereinafter defined) of such shares or securities for each day of the Adjustment Period (as hereinafter defined). "Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Corporation or any other issuer for a day shall mean the last reported sales price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or,

if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the NASDAQ National Market System or, if such security is not quoted on such National Market System, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm selected for such purpose by the Board of Directors of the Corporation or a committee thereof on each trading day during the Adjustment Period. "Adjustment Period" shall mean the period of five (5) consecutive trading days preceding the date as of which the Fair Market Value of a security is to be determined. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Corporation or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors of the Corporation or such committee.

"Non-Dilutive Amount" in respect of an issuance, sale or exchange by the Corporation of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean the remainder of (a) the product of the Fair Market Value of a share of Common Stock on the day preceding the first public announcement of such issuance, sale or exchange multiplied by the maximum number of shares of Common Stock which could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or exchange of all such convertible or exchangeable securities), whether or not exercisable (or convertible or exchangeable) at such date, minus (b) the aggregate amount payable pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; provided, however, that in no event shall the Non-Dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or warrant to purchase or acquire shares of Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Corporation.

"Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Corporation or any subsidiary thereof, whether for cash, shares

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

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

(8) Whenever an adjustment to the Conversion Price is required pursuant hereto, the Corporation shall forthwith place on file with the transfer agent for the Common Stock and the ESOP Preferred Stock if there be one, and with the Secretary of the Corporation, a statement

signed by two officers of the Corporation, stating the adjusted Conversion Price determined as provided herein and the resulting conversion ratio, and the voting rights (as appropriately adjusted), of the ESOP Preferred Stock. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the Conversion Price and the related voting rights of the ESOP Preferred Stock, the Corporation shall mail a notice thereof and of the then prevailing conversion ratio to each holder of shares of the ESOP Preferred Stock.

J. Ranking; Retirement of Shares.

(1) The ESOP Preferred Stock shall rank (a) senior to the Common Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution and winding-up of the Corporation, (b) junior to the

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

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

K. Miscellaneous.

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

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

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

(3) The Corporation shall pay any and all stock transfer and

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

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

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

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

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

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

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FOR IMMEDIATE RELEASE

NATIONSBANK EARNED \$2.5 BILLION IN OPERATING PROFITS
IN 1996, UP 26%

CHARLOTTE, NC, Jan. 13, 1997 -- With solid revenue growth outpacing expense growth in 1996, NationsBank generated a 26-percent increase in 1996 operating profits to \$2.45 billion.

"During 1996, we continued to improve our performance for both customers and shareholders," said Hugh L. McColl Jr., chief executive officer. "We implemented programs, products and systems over the past year that enable us to more effectively meet customers' needs.

"At the same time, we focused on using our capital wisely on behalf of our shareholders. This focus has been visible in our acquisitions, the shifting of capital away from less profitable businesses, the reduction of low-yielding assets and the aggressive repurchases of common stock. These actions, combined with excellent financial performance, were rewarded with a 40-percent increase in our stock price in 1996."

Earnings Highlights (1996 compared to 1995)

- o Revenues (net interest income plus noninterest income) grew 17 percent to more than \$10 billion
- o Operating earnings per share rose 16 percent to \$8.26
- o Operating return on average common shareholders' equity increased more than 150 basis points to 18.53 percent Efficiency ratio improved 351 basis points to 56.3 percent Capital ratios strengthened, with the total equity to assets ratio rising to 7.38 percent from 6.83 percent

NationsBank earned \$2.45 billion in 1996, before a merger charge primarily related to Bank South. This represented a 26-percent increase over the \$1.95 billion earned in 1995. Operating earnings per common share for 1996 rose 16 percent to \$8.26, from \$7.13 per common share in 1995. Operating return on common shareholders' equity rose to 18.53 percent in 1996, up from 17.01 percent last year.

1

Cash basis earnings (operating net income excluding amortization of intangibles) increased 25 percent to \$2.58 billion in 1996, equaling \$8.69 per common share.

As a result of the merger-related, after-tax charge of \$77 million, reported net income and earnings per share were \$2.38 billion and \$8.00, respectively, in 1996.

For the fourth quarter of 1996, net income rose 24 percent to \$632 million, compared to \$510 million in the fourth quarter of 1995. Earnings per common share in the fourth quarter of 1996 increased 17 percent to \$2.19, from \$1.87 per common share in 1995.

1996 results include the impact of several acquisitions and loan securitizations completed primarily in 1996 and at the end of 1995.

Net Interest Income

In 1996, average loans and leases grew 12 percent over year-earlier levels to \$122 billion. This increase was driven primarily by a 19-percent increase in average consumer loans. This loan growth, combined with a taxable-equivalent 29-basis-point increase in the net interest yield, led to a 16-percent increase in net interest income to \$6.42 billion in 1996. The continuing improvement in the net interest yield to 3.62 percent from 3.33 percent in 1995 was primarily driven by ongoing initiatives focused on balance sheet efficiency and discipline.

Noninterest Income

Noninterest income rose 18 percent to \$3.65 billion in 1996. The year-over-year increase was driven by higher income from investment banking, deposit accounts and mortgage-related activities.

Efficiency

Revenue growth outpaced expense growth in 1996, improving the efficiency ratio 351 basis points to 56.3 percent, compared to 59.8 percent in 1995. This improvement reflected continued productivity increases and the rationalization of business units.

Credit Quality

Total nonperforming assets were \$1.04 billion on Dec. 31, 1996, or .85 percent of net loans, leases and factored receivables and other real estate owned. This compared to \$853 million, or .73 percent of net levels on Dec. 31, 1995. The allowance for credit losses totaled \$2.32 billion at year-end, equaling 260 percent of nonperforming loans, compared to \$2.16 billion, or 306 percent one year earlier. In 1996, net charge-offs were \$598 million. This equaled .48 percent of average net loans, leases and factored receivables, compared to .38 percent of average levels in 1995.

Capital Strength

Total shareholders' equity climbed to \$13.7 billion on Dec. 31, 1996, up 7 percent from levels one year ago. This represented 7.38 percent of period-end assets, compared to 6.83 percent at Dec. 31, 1995. Book value per common share rose to \$47.38 at the end of the 1996. NationsBank repurchased approximately 17 million of its common shares in 1996.

NationsBank Corporation, headquartered in Charlotte, N.C., is a bank holding company that provides financial products and services nationally and internationally to individuals, businesses, corporations, institutional investors and government agencies. Following its Jan. 7, 1997 merger with Boatmen's Bancshares Inc. of St. Louis, Mo., NationsBank has primary retail and commercial banking operations in 16 states and the District of Columbia. On a pro forma combined basis, NationsBank had total assets of approximately \$227 billion at year-end.

NATIONSBANK CORPORATION FINANCIAL HIGHLIGHTS

| | THREE MONTHS | | TWELVE MONTHS | |
|---|-------------------|-------------------|-------------------|-------------------|
| | ENDED DECEMBER 31 | ENDED DECEMBER 31 | ENDED DECEMBER 31 | ENDED DECEMBER 31 |
| | 1996 | 1995 | 1996 | 1995 |
| FINANCIAL OPERATING SUMMARY | | | | |
| (In millions except per-share data) | | | | |
| Net income | \$632 | \$510 | \$2,452 | \$1,950 |
| Earnings per common share | 2.19 | 1.87 | 8.26 | 7.13 |
| Fully diluted earnings per common share | 2.14 | 1.85 | 8.10 | 7.04 |
| Cash basis earnings (1) | 669 | 539 | 2,580 | 2,069 |
| Cash basis earnings per share | 2.31 | 1.98 | 8.69 | 7.56 |
| Average common shares issued | 287.173 | 271.558 | 295.108 | 272.480 |
| Average fully diluted common shares issued | 294.591 | 276.009 | 301.765 | 277.134 |
| Price per share of common stock at period end | \$97.750 | \$69.625 | \$97.750 | \$69.625 |
| Common dividends paid | 189 | 158 | 707 | 567 |
| Common dividends paid per share | .66 | .58 | 2.40 | 2.08 |
| Preferred dividends paid | 4 | 2 | 15 | 8 |

OPERATING EARNINGS SUMMARY (Taxable-equivalent in millions)

| | | | | |
|--|---------|---------|---------|---------|
| Net interest income | \$1,612 | \$1,438 | \$6,423 | \$5,560 |
| Provision for credit losses | (150) | (142) | (605) | (382) |
| Gains on sales of securities | 33 | 21 | 67 | 29 |
| Noninterest income | 958 | 846 | 3,646 | 3,078 |
| Other real estate owned expense | (7) | (8) | (20) | (18) |
| Other noninterest expense | (1,466) | (1,342) | (5,665) | (5,163) |
| Income before income taxes | 980 | 813 | 3,846 | 3,104 |
| Income taxes - including FTE adjustment* | 348 | 303 | 1,394 | 1,154 |
| Net income | \$632 | \$510 | \$2,452 | \$1,950 |
| *FTE adjustment | \$22 | \$25 | \$94 | \$113 |

AVERAGE BALANCE SHEET SUMMARY (In billions)

| | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|
| Loans and leases, net | \$120.892 | \$114.604 | \$122.268 | \$109.487 |
| Securities held for investment | 2.585 | 12.945 | 3.442 | 15.521 |
| Securities available for sale | 11.540 | 10.689 | 17.295 | 10.272 |
| Total securities | 14.125 | 23.634 | 20.737 | 25.793 |
| Earning assets | 171.249 | 169.334 | 177.400 | 167.004 |
| Total assets | 194.321 | 191.693 | 200.885 | 188.547 |
| Noninterest-bearing deposits | 23.971 | 21.908 | 23.990 | 21.128 |

| | | | | |
|-----------------------------|---------|--------|---------|--------|
| Interest-bearing deposits | 81.794 | 76.694 | 83.595 | 78.150 |
| Total deposits | 105.765 | 98.602 | 107.585 | 99.278 |
| Shareholders' equity | 13.224 | 11.903 | 13.263 | 11.451 |
| Common shareholders' equity | 13.108 | 11.866 | 13.149 | 11.415 |

OTHER OPERATING FINANCIAL DATA

| | | | | |
|--|-------|-------|-------|-------|
| Net interest yield | 3.75% | 3.38% | 3.62% | 3.33% |
| Return on average assets | 1.29 | 1.06 | 1.22 | 1.03 |
| Return on average tangible assets | 1.38 | 1.12 | 1.30 | 1.11 |
| Return on average common shareholders' equity | 19.06 | 16.98 | 18.53 | 17.01 |
| Return on average tangible common shareholders' equity | 23.81 | 20.46 | 22.80 | 20.74 |
| Total equity to assets ratio (period end) | 7.38 | 6.83 | 7.38 | 6.83 |
| Gross charge-offs (in millions) | \$208 | \$211 | \$836 | \$636 |
| Net charge-offs (in millions) | 151 | 156 | 598 | 421 |
| % of average loans, leases and factored accounts receivable, net | .49% | .53% | .48% | .38% |
| Efficiency ratio | 57.11 | 58.73 | 56.26 | 59.77 |

REPORTED RESULTS(Operating results including merger-related charge)

| | | | | |
|---|-------|-------|---------|---------|
| Net income | \$632 | \$510 | \$2,375 | \$1,950 |
| Earnings per common share | 2.19 | 1.87 | 8.00 | 7.13 |
| Fully diluted earnings per common share | 2.14 | 1.85 | 7.85 | 7.04 |
| Return on average common shareholders' equity | 19.06 | 16.98 | 17.95 | 17.01 |

(1) Cash basis earnings equal net income excluding amortization of intangibles.

DECEMBER 31
1996 1995

BALANCE SHEET SUMMARY (In billions)

| | | |
|--|-----------|-----------|
| Loans and leases, net | \$121.583 | \$116.042 |
| Securities held for investment | 2.110 | 4.432 |
| Securities available for sale | 12.277 | 19.415 |
| Total securities | 14.387 | 23.847 |
| Earning assets | 165.276 | 167.945 |
| Factored accounts receivable | 1.047 | .991 |
| Mortgage servicing rights | .946 | .707 |
| Goodwill, core deposit and other intangibles | 2.030 | 1.514 |
| Total assets | 185.794 | 187.298 |
| Noninterest-bearing deposits | 25.738 | 23.414 |
| Interest-bearing deposits | 80.760 | 77.277 |
| Total deposits | 106.498 | 100.691 |
| Shareholders' equity | 13.709 | 12.801 |
| Common shareholders' equity | 13.586 | 12.759 |
| Per common share (not in billions) | 47.38 | 46.52 |

RISK-BASED CAPITAL

| | | |
|----------------------|----------|----------|
| Tier 1 capital | \$12.384 | \$10.799 |
| Tier 1 capital ratio | 7.76% | 7.24% |
| Total capital | \$20.208 | \$17.264 |
| Total capital ratio | 12.66% | 11.58% |

Leverage ratio 7.09% 6.27%

Common shares issued (in millions) 286.746 274.269

Allowance for credit losses \$2.315 \$2.163

Allowance for credit losses as % of net loans, leases and factored accounts receivable 1.89% 1.85%

Allowance for credit losses as % of nonperforming loans 260.02 306.49

Nonperforming loans \$.890 \$.706

Nonperforming assets 1.043 .853

Nonperforming assets as % of: Total assets .56% .46%

Net loans, leases, factored accounts receivable and other real estate owned .85% .73%

OTHER DATA

| | | |
|--------------------------------|--------|--------|
| Full-time equivalent headcount | 62,971 | 58,322 |
| Banking centers | 1,979 | 1,833 |
| ATMs | 3,948 | 2,292 |

6

BUSINESS UNIT RESULTS - Three months ended December 31, 1996
(in millions)

| | Total Revenue | | Net Income | | Return on Equity | Average Loans and Leases, net | |
|--------------------|---------------|-----|------------|-----|------------------|-------------------------------|-----|
| General Bank | \$1,786 | 70% | \$373 | 59% | 21% | \$76,728 | 63% |
| Global Finance | 597 | 23 | 186 | 29 | 19 | 36,511 | 30 |
| Financial Services | 173 | 7 | 45 | 7 | 15 | 8,282 | 7 |

FOR IMMEDIATE RELEASE

NATIONSBANK EARNED \$2.5 BILLION IN OPERATING PROFITS
IN 1996, UP 26%

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Credit Quality

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NATIONSBANK CORPORATION FINANCIAL HIGHLIGHTS

| | THREE MONTHS | | TWELVE MONTHS | |
|---|-------------------|-------------------|-------------------|-------------------|
| | ENDED DECEMBER 31 | ENDED DECEMBER 31 | ENDED DECEMBER 31 | ENDED DECEMBER 31 |
| | 1996 | 1995 | 1996 | 1995 |
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| (In millions except per-share data) | | | | |
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| Cash basis earnings per share | 2.31 | 1.98 | 8.69 | 7.56 |
| Average common shares issued | 287.173 | 271.558 | 295.108 | 272.480 |
| Average fully diluted common shares issued | 294.591 | 276.009 | 301.765 | 277.134 |
| Price per share of common stock at period end | \$97.750 | \$69.625 | \$97.750 | \$69.625 |
| Common dividends paid | 189 | 158 | 707 | 567 |
| Common dividends paid per share | .66 | .58 | 2.40 | 2.08 |
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|--|---------|---------|---------|---------|
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| Noninterest income | 958 | 846 | 3,646 | 3,078 |
| Other real estate owned expense | (7) | (8) | (20) | (18) |
| Other noninterest expense | (1,466) | (1,342) | (5,665) | (5,163) |
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| Income taxes - including FTE adjustment* | 348 | 303 | 1,394 | 1,154 |
| Net income | \$632 | \$510 | \$2,452 | \$1,950 |
| *FTE adjustment | \$22 | \$25 | \$94 | \$113 |

AVERAGE BALANCE SHEET SUMMARY (In billions)

| | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|
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| Securities held for investment | 2.585 | 12.945 | 3.442 | 15.521 |
| Securities available for sale | 11.540 | 10.689 | 17.295 | 10.272 |
| Total securities | 14.125 | 23.634 | 20.737 | 25.793 |
| Earning assets | 171.249 | 169.334 | 177.400 | 167.004 |
| Total assets | 194.321 | 191.693 | 200.885 | 188.547 |
| Noninterest-bearing deposits | 23.971 | 21.908 | 23.990 | 21.128 |

| | | | | |
|-----------------------------|---------|--------|---------|--------|
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| Total deposits | 105.765 | 98.602 | 107.585 | 99.278 |
| Shareholders' equity | 13.224 | 11.903 | 13.263 | 11.451 |
| Common shareholders' equity | 13.108 | 11.866 | 13.149 | 11.415 |

OTHER OPERATING FINANCIAL DATA

| | | | | |
|--|-------|-------|-------|-------|
| Net interest yield | 3.75% | 3.38% | 3.62% | 3.33% |
| Return on average assets | 1.29 | 1.06 | 1.22 | 1.03 |
| Return on average tangible assets | 1.38 | 1.12 | 1.30 | 1.11 |
| Return on average common shareholders' equity | 19.06 | 16.98 | 18.53 | 17.01 |
| Return on average tangible common shareholders' equity | 23.81 | 20.46 | 22.80 | 20.74 |
| Total equity to assets ratio (period end) | 7.38 | 6.83 | 7.38 | 6.83 |
| Gross charge-offs (in millions) | \$208 | \$211 | \$836 | \$636 |
| Net charge-offs (in millions) | 151 | 156 | 598 | 421 |
| % of average loans, leases and factored accounts receivable, net | .49% | .53% | .48% | .38% |
| Efficiency ratio | 57.11 | 58.73 | 56.26 | 59.77 |

REPORTED RESULTS(Operating results including merger-related charge)

| | | | | |
|---|-------|-------|---------|---------|
| Net income | \$632 | \$510 | \$2,375 | \$1,950 |
| Earnings per common share | 2.19 | 1.87 | 8.00 | 7.13 |
| Fully diluted earnings per common share | 2.14 | 1.85 | 7.85 | 7.04 |
| Return on average common shareholders' equity | 19.06 | 16.98 | 17.95 | 17.01 |

(1) Cash basis earnings equal net income excluding amortization of intangibles.

DECEMBER 31
1996 1995

BALANCE SHEET SUMMARY (In billions)

| | | |
|--|-----------|-----------|
| Loans and leases, net | \$121.583 | \$116.042 |
| Securities held for investment | 2.110 | 4.432 |
| Securities available for sale | 12.277 | 19.415 |
| Total securities | 14.387 | 23.847 |
| Earning assets | 165.276 | 167.945 |
| Factored accounts receivable | 1.047 | .991 |
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| Goodwill, core deposit and other intangibles | 2.030 | 1.514 |
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| Shareholders' equity | 13.709 | 12.801 |
| Common shareholders' equity | 13.586 | 12.759 |
| Per common share (not in billions) | 47.38 | 46.52 |

RISK-BASED CAPITAL

| | | |
|----------------------|----------|----------|
| Tier 1 capital | \$12.384 | \$10.799 |
| Tier 1 capital ratio | 7.76% | 7.24% |
| Total capital | \$20.208 | \$17.264 |
| Total capital ratio | 12.66% | 11.58% |

Leverage ratio 7.09% 6.27%

Common shares issued (in millions) 286.746 274.269

Allowance for credit losses \$2.315 \$2.163

Allowance for credit losses as % of net loans, leases and factored accounts receivable 1.89% 1.85%

Allowance for credit losses as % of nonperforming loans 260.02 306.49

Nonperforming loans \$.890 \$.706

Nonperforming assets 1.043 .853

Nonperforming assets as % of: Total assets .56% .46%

Net loans, leases, factored accounts receivable and other real estate owned .85% .73%

OTHER DATA

| | | |
|--------------------------------|--------|--------|
| Full-time equivalent headcount | 62,971 | 58,322 |
| Banking centers | 1,979 | 1,833 |
| ATMs | 3,948 | 2,292 |

6

BUSINESS UNIT RESULTS - Three months ended December 31, 1996
(in millions)

| | Total Revenue | | Net Income | | Return on Equity | Average Loans and Leases, net | |
|--------------------|---------------|-----|------------|-----|------------------|-------------------------------|-----|
| General Bank | \$1,786 | 70% | \$373 | 59% | 21% | \$76,728 | 63% |
| Global Finance | 597 | 23 | 186 | 29 | 19 | 36,511 | 30 |
| Financial Services | 173 | 7 | 45 | 7 | 15 | 8,282 | 7 |

FOR IMMEDIATE RELEASE

NATIONSBANK EARNED \$2.5 BILLION IN OPERATING PROFITS
IN 1996, UP 26%

CHARLOTTE, NC, Jan. 13, 1997 -- With solid revenue growth outpacing expense growth in 1996, NationsBank generated a 26-percent increase in 1996 operating profits to \$2.45 billion.

"During 1996, we continued to improve our performance for both customers and shareholders," said Hugh L. McColl Jr., chief executive officer. "We implemented programs, products and systems over the past year that enable us to more effectively meet customers' needs.

"At the same time, we focused on using our capital wisely on behalf of our shareholders. This focus has been visible in our acquisitions, the shifting of capital away from less profitable businesses, the reduction of low-yielding assets and the aggressive repurchases of common stock. These actions, combined with excellent financial performance, were rewarded with a 40-percent increase in our stock price in 1996."

Earnings Highlights (1996 compared to 1995)

- o Revenues (net interest income plus noninterest income) grew 17 percent to more than \$10 billion
- o Operating earnings per share rose 16 percent to \$8.26
- o Operating return on average common shareholders' equity increased more than 150 basis points to 18.53 percent Efficiency ratio improved 351 basis points to 56.3 percent Capital ratios strengthened, with the total equity to assets ratio rising to 7.38 percent from 6.83 percent

NationsBank earned \$2.45 billion in 1996, before a merger charge primarily related to Bank South. This represented a 26-percent increase over the \$1.95 billion earned in 1995. Operating earnings per common share for 1996 rose 16 percent to \$8.26, from \$7.13 per common share in 1995. Operating return on common shareholders' equity rose to 18.53 percent in 1996, up from 17.01 percent last year.

1

Cash basis earnings (operating net income excluding amortization of intangibles) increased 25 percent to \$2.58 billion in 1996, equaling \$8.69 per common share.

As a result of the merger-related, after-tax charge of \$77 million, reported net income and earnings per share were \$2.38 billion and \$8.00, respectively, in 1996.

For the fourth quarter of 1996, net income rose 24 percent to \$632 million, compared to \$510 million in the fourth quarter of 1995. Earnings per common share in the fourth quarter of 1996 increased 17 percent to \$2.19, from \$1.87 per common share in 1995.

1996 results include the impact of several acquisitions and loan securitizations completed primarily in 1996 and at the end of 1995.

Net Interest Income

In 1996, average loans and leases grew 12 percent over year-earlier levels to \$122 billion. This increase was driven primarily by a 19-percent increase in average consumer loans. This loan growth, combined with a taxable-equivalent 29-basis-point increase in the net interest yield, led to a 16-percent increase in net interest income to \$6.42 billion in 1996. The continuing improvement in the net interest yield to 3.62 percent from 3.33 percent in 1995 was primarily driven by ongoing initiatives focused on balance sheet efficiency and discipline.

Noninterest Income

Noninterest income rose 18 percent to \$3.65 billion in 1996. The year-over-year increase was driven by higher income from investment banking, deposit accounts and mortgage-related activities.

Efficiency

Revenue growth outpaced expense growth in 1996, improving the efficiency ratio 351 basis points to 56.3 percent, compared to 59.8 percent in 1995. This improvement reflected continued productivity increases and the rationalization of business units.

Credit Quality

Total nonperforming assets were \$1.04 billion on Dec. 31, 1996, or .85 percent of net loans, leases and factored receivables and other real estate owned. This compared to \$853 million, or .73 percent of net levels on Dec. 31, 1995. The allowance for credit losses totaled \$2.32 billion at year-end, equaling 260 percent of nonperforming loans, compared to \$2.16 billion, or 306 percent one year earlier. In 1996, net charge-offs were \$598 million. This equaled .48 percent of average net loans, leases and factored receivables, compared to .38 percent of average levels in 1995.

Capital Strength

Total shareholders' equity climbed to \$13.7 billion on Dec. 31, 1996, up 7 percent from levels one year ago. This represented 7.38 percent of period-end assets, compared to 6.83 percent at Dec. 31, 1995. Book value per common share rose to \$47.38 at the end of the 1996. NationsBank repurchased approximately 17 million of its common shares in 1996.

NationsBank Corporation, headquartered in Charlotte, N.C., is a bank holding company that provides financial products and services nationally and internationally to individuals, businesses, corporations, institutional investors and government agencies. Following its Jan. 7, 1997 merger with Boatmen's Bancshares Inc. of St. Louis, Mo., NationsBank has primary retail and commercial banking operations in 16 states and the District of Columbia. On a pro forma combined basis, NationsBank had total assets of approximately \$227 billion at year-end.

NATIONSBANK CORPORATION FINANCIAL HIGHLIGHTS

| | THREE MONTHS | | TWELVE MONTHS | |
|--|---------------------------|----------|---------------------------|----------|
| | ENDED DECEMBER 31 1996 | 1995 | ENDED DECEMBER 31 1996 | 1995 |
| FINANCIAL OPERATING SUMMARY | | | | |
| (In millions except per-share data) | | | | |
| Net income | \$632 | \$510 | \$2,452 | \$1,950 |
| Earnings per common share | 2.19 | 1.87 | 8.26 | 7.13 |
| Fully diluted earnings per common share | 2.14 | 1.85 | 8.10 | 7.04 |
| Cash basis earnings (1) | 669 | 539 | 2,580 | 2,069 |
| Cash basis earnings per share | 2.31 | 1.98 | 8.69 | 7.56 |
| Average common shares issued | 287.173 | 271.558 | 295.108 | 272.480 |
| Average fully diluted common shares issued | 294.591 | 276.009 | 301.765 | 277.134 |
| Price per share of common stock at period end | \$97.750 | \$69.625 | \$97.750 | \$69.625 |
| Common dividends paid | 189 | 158 | 707 | 567 |
| Common dividends paid per share | .66 | .58 | 2.40 | 2.08 |
| Preferred dividends paid | 4 | 2 | 15 | 8 |

OPERATING EARNINGS SUMMARY (Taxable-equivalent in millions)

| | | | | |
|---|---------|---------|---------|---------|
| Net interest income | \$1,612 | \$1,438 | \$6,423 | \$5,560 |
| Provision for credit losses | (150) | (142) | (605) | (382) |
| Gains on sales of securities | 33 | 21 | 67 | 29 |
| Noninterest income | 958 | 846 | 3,646 | 3,078 |
| Other real estate owned expense | (7) | (8) | (20) | (18) |
| Other noninterest expense | (1,466) | (1,342) | (5,665) | (5,163) |
| Income before income taxes | 980 | 813 | 3,846 | 3,104 |
| Income taxes - including FTE adjustment* | 348 | 303 | 1,394 | 1,154 |
| Net income | \$632 | \$510 | \$2,452 | \$1,950 |
| *FTE adjustment | \$22 | \$25 | \$94 | \$113 |

AVERAGE BALANCE SHEET SUMMARY (In billions)

| | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|
| Loans and leases, net | \$120.892 | \$114.604 | \$122.268 | \$109.487 |
| Securities held for investment | 2.585 | 12.945 | 3.442 | 15.521 |
| Securities available for sale | 11.540 | 10.689 | 17.295 | 10.272 |
| Total securities | 14.125 | 23.634 | 20.737 | 25.793 |
| Earning assets | 171.249 | 169.334 | 177.400 | 167.004 |
| Total assets | 194.321 | 191.693 | 200.885 | 188.547 |
| Noninterest-bearing deposits | 23.971 | 21.908 | 23.990 | 21.128 |

| | | | | |
|-----------------------------|---------|--------|---------|--------|
| Interest-bearing deposits | 81.794 | 76.694 | 83.595 | 78.150 |
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DECEMBER 31
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(in millions)

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| | THREE MONTHS | | TWELVE MONTHS | |
|---|-------------------|-------------------|-------------------|-------------------|
| | ENDED DECEMBER 31 | ENDED DECEMBER 31 | ENDED DECEMBER 31 | ENDED DECEMBER 31 |
| | 1996 | 1995 | 1996 | 1995 |
| FINANCIAL OPERATING SUMMARY | | | | |
| (In millions except per-share data) | | | | |
| Net income | \$632 | \$510 | \$2,452 | \$1,950 |
| Earnings per common share | 2.19 | 1.87 | 8.26 | 7.13 |
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| Price per share of common stock at period end | \$97.750 | \$69.625 | \$97.750 | \$69.625 |
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BUSINESS UNIT RESULTS - Three months ended December 31, 1996
(in millions)

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CHARLOTTE, NC, Jan. 13, 1997 -- With solid revenue growth outpacing expense growth in 1996, NationsBank generated a 26-percent increase in 1996 operating profits to \$2.45 billion.

"During 1996, we continued to improve our performance for both customers and shareholders," said Hugh L. McColl Jr., chief executive officer. "We implemented programs, products and systems over the past year that enable us to more effectively meet customers' needs.

"At the same time, we focused on using our capital wisely on behalf of our shareholders. This focus has been visible in our acquisitions, the shifting of capital away from less profitable businesses, the reduction of low-yielding assets and the aggressive repurchases of common stock. These actions, combined with excellent financial performance, were rewarded with a 40-percent increase in our stock price in 1996."

Earnings Highlights (1996 compared to 1995)

- o Revenues (net interest income plus noninterest income) grew 17 percent to more than \$10 billion
- o Operating earnings per share rose 16 percent to \$8.26
- o Operating return on average common shareholders' equity increased more than 150 basis points to 18.53 percent Efficiency ratio improved 351 basis points to 56.3 percent Capital ratios strengthened, with the total equity to assets ratio rising to 7.38 percent from 6.83 percent

NationsBank earned \$2.45 billion in 1996, before a merger charge primarily related to Bank South. This represented a 26-percent increase over the \$1.95 billion earned in 1995. Operating earnings per common share for 1996 rose 16 percent to \$8.26, from \$7.13 per common share in 1995. Operating return on common shareholders' equity rose to 18.53 percent in 1996, up from 17.01 percent last year.

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Cash basis earnings (operating net income excluding amortization of intangibles) increased 25 percent to \$2.58 billion in 1996, equaling \$8.69 per common share.

As a result of the merger-related, after-tax charge of \$77 million, reported net income and earnings per share were \$2.38 billion and \$8.00, respectively, in 1996.

For the fourth quarter of 1996, net income rose 24 percent to \$632 million, compared to \$510 million in the fourth quarter of 1995. Earnings per common share in the fourth quarter of 1996 increased 17 percent to \$2.19, from \$1.87 per common share in 1995.

1996 results include the impact of several acquisitions and loan securitizations completed primarily in 1996 and at the end of 1995.

Net Interest Income

In 1996, average loans and leases grew 12 percent over year-earlier levels to \$122 billion. This increase was driven primarily by a 19-percent increase in average consumer loans. This loan growth, combined with a taxable-equivalent 29-basis-point increase in the net interest yield, led to a 16-percent increase in net interest income to \$6.42 billion in 1996. The continuing improvement in the net interest yield to 3.62 percent from 3.33 percent in 1995 was primarily driven by ongoing initiatives focused on balance sheet efficiency and discipline.

Noninterest Income

Noninterest income rose 18 percent to \$3.65 billion in 1996. The year-over-year increase was driven by higher income from investment banking, deposit accounts and mortgage-related activities.

Efficiency

Revenue growth outpaced expense growth in 1996, improving the efficiency ratio 351 basis points to 56.3 percent, compared to 59.8 percent in 1995. This improvement reflected continued productivity increases and the rationalization of business units.

Credit Quality

Total nonperforming assets were \$1.04 billion on Dec. 31, 1996, or .85 percent of net loans, leases and factored receivables and other real estate owned. This compared to \$853 million, or .73 percent of net levels on Dec. 31, 1995. The allowance for credit losses totaled \$2.32 billion at year-end, equaling 260 percent of nonperforming loans, compared to \$2.16 billion, or 306 percent one year earlier. In 1996, net charge-offs were \$598 million. This equaled .48 percent of average net loans, leases and factored receivables, compared to .38 percent of average levels in 1995.

Capital Strength

Total shareholders' equity climbed to \$13.7 billion on Dec. 31, 1996, up 7 percent from levels one year ago. This represented 7.38 percent of period-end assets, compared to 6.83 percent at Dec. 31, 1995. Book value per common share rose to \$47.38 at the end of the 1996. NationsBank repurchased approximately 17 million of its common shares in 1996.

NationsBank Corporation, headquartered in Charlotte, N.C., is a bank holding company that provides financial products and services nationally and internationally to individuals, businesses, corporations, institutional investors and government agencies. Following its Jan. 7, 1997 merger with Boatmen's Bancshares Inc. of St. Louis, Mo., NationsBank has primary retail and commercial banking operations in 16 states and the District of Columbia. On a pro forma combined basis, NationsBank had total assets of approximately \$227 billion at year-end.

NATIONSBANK CORPORATION FINANCIAL HIGHLIGHTS

| | THREE MONTHS | | TWELVE MONTHS | |
|---|-------------------|-------------------|-------------------|-------------------|
| | ENDED DECEMBER 31 | ENDED DECEMBER 31 | ENDED DECEMBER 31 | ENDED DECEMBER 31 |
| | 1996 | 1995 | 1996 | 1995 |
| FINANCIAL OPERATING SUMMARY | | | | |
| (In millions except per-share data) | | | | |
| Net income | \$632 | \$510 | \$2,452 | \$1,950 |
| Earnings per common share | 2.19 | 1.87 | 8.26 | 7.13 |
| Fully diluted earnings per common share | 2.14 | 1.85 | 8.10 | 7.04 |
| Cash basis earnings (1) | 669 | 539 | 2,580 | 2,069 |
| Cash basis earnings per share | 2.31 | 1.98 | 8.69 | 7.56 |
| Average common shares issued | 287.173 | 271.558 | 295.108 | 272.480 |
| Average fully diluted common shares issued | 294.591 | 276.009 | 301.765 | 277.134 |
| Price per share of common stock at period end | \$97.750 | \$69.625 | \$97.750 | \$69.625 |
| Common dividends paid | 189 | 158 | 707 | 567 |
| Common dividends paid per share | .66 | .58 | 2.40 | 2.08 |
| Preferred dividends paid | 4 | 2 | 15 | 8 |

OPERATING EARNINGS SUMMARY (Taxable-equivalent in millions)

| | | | | |
|--|---------|---------|---------|---------|
| Net interest income | \$1,612 | \$1,438 | \$6,423 | \$5,560 |
| Provision for credit losses | (150) | (142) | (605) | (382) |
| Gains on sales of securities | 33 | 21 | 67 | 29 |
| Noninterest income | 958 | 846 | 3,646 | 3,078 |
| Other real estate owned expense | (7) | (8) | (20) | (18) |
| Other noninterest expense | (1,466) | (1,342) | (5,665) | (5,163) |
| Income before income taxes | 980 | 813 | 3,846 | 3,104 |
| Income taxes - including FTE adjustment* | 348 | 303 | 1,394 | 1,154 |
| Net income | \$632 | \$510 | \$2,452 | \$1,950 |
| *FTE adjustment | \$22 | \$25 | \$94 | \$113 |

AVERAGE BALANCE SHEET SUMMARY (In billions)

| | | | | |
|--------------------------------|-----------|-----------|-----------|-----------|
| Loans and leases, net | \$120.892 | \$114.604 | \$122.268 | \$109.487 |
| Securities held for investment | 2.585 | 12.945 | 3.442 | 15.521 |
| Securities available for sale | 11.540 | 10.689 | 17.295 | 10.272 |
| Total securities | 14.125 | 23.634 | 20.737 | 25.793 |
| Earning assets | 171.249 | 169.334 | 177.400 | 167.004 |
| Total assets | 194.321 | 191.693 | 200.885 | 188.547 |
| Noninterest-bearing deposits | 23.971 | 21.908 | 23.990 | 21.128 |

| | | | | |
|-----------------------------|---------|--------|---------|--------|
| Interest-bearing deposits | 81.794 | 76.694 | 83.595 | 78.150 |
| Total deposits | 105.765 | 98.602 | 107.585 | 99.278 |
| Shareholders' equity | 13.224 | 11.903 | 13.263 | 11.451 |
| Common shareholders' equity | 13.108 | 11.866 | 13.149 | 11.415 |

OTHER OPERATING FINANCIAL DATA

| | | | | |
|--|-------|-------|-------|-------|
| Net interest yield | 3.75% | 3.38% | 3.62% | 3.33% |
| Return on average assets | 1.29 | 1.06 | 1.22 | 1.03 |
| Return on average tangible assets | 1.38 | 1.12 | 1.30 | 1.11 |
| Return on average common shareholders' equity | 19.06 | 16.98 | 18.53 | 17.01 |
| Return on average tangible common shareholders' equity | 23.81 | 20.46 | 22.80 | 20.74 |
| Total equity to assets ratio (period end) | 7.38 | 6.83 | 7.38 | 6.83 |
| Gross charge-offs (in millions) | \$208 | \$211 | \$836 | \$636 |
| Net charge-offs (in millions) | 151 | 156 | 598 | 421 |
| % of average loans, leases and factored accounts receivable, net | .49% | .53% | .48% | .38% |
| Efficiency ratio | 57.11 | 58.73 | 56.26 | 59.77 |

REPORTED RESULTS (Operating results including merger-related charge)

| | | | | |
|---|-------|-------|---------|---------|
| Net income | \$632 | \$510 | \$2,375 | \$1,950 |
| Earnings per common share | 2.19 | 1.87 | 8.00 | 7.13 |
| Fully diluted earnings per common share | 2.14 | 1.85 | 7.85 | 7.04 |
| Return on average common shareholders' equity | 19.06 | 16.98 | 17.95 | 17.01 |

(1) Cash basis earnings equal net income excluding amortization of intangibles.

DECEMBER 31
1996 1995

BALANCE SHEET SUMMARY (In billions)

| | | |
|--|-----------|-----------|
| Loans and leases, net | \$121.583 | \$116.042 |
| Securities held for investment | 2.110 | 4.432 |
| Securities available for sale | 12.277 | 19.415 |
| Total securities | 14.387 | 23.847 |
| Earning assets | 165.276 | 167.945 |
| Factored accounts receivable | 1.047 | .991 |
| Mortgage servicing rights | .946 | .707 |
| Goodwill, core deposit and other intangibles | 2.030 | 1.514 |
| Total assets | 185.794 | 187.298 |
| Noninterest-bearing deposits | 25.738 | 23.414 |
| Interest-bearing deposits | 80.760 | 77.277 |
| Total deposits | 106.498 | 100.691 |
| Shareholders' equity | 13.709 | 12.801 |
| Common shareholders' equity | 13.586 | 12.759 |
| Per common share (not in billions) | 47.38 | 46.52 |

RISK-BASED CAPITAL

| | | |
|----------------------|----------|----------|
| Tier 1 capital | \$12.384 | \$10.799 |
| Tier 1 capital ratio | 7.76% | 7.24% |
| Total capital | \$20.208 | \$17.264 |
| Total capital ratio | 12.66% | 11.58% |

Leverage ratio 7.09% 6.27%

Common shares issued (in millions) 286.746 274.269

Allowance for credit losses \$2.315 \$2.163

Allowance for credit losses as % of net loans, leases and factored accounts receivable 1.89% 1.85%

Allowance for credit losses as % of nonperforming loans 260.02 306.49

Nonperforming loans \$.890 \$.706

Nonperforming assets 1.043 .853

Nonperforming assets as % of: Total assets .56% .46%

Net loans, leases, factored accounts receivable and other real estate owned .85% .73%

OTHER DATA

| | | |
|--------------------------------|--------|--------|
| Full-time equivalent headcount | 62,971 | 58,322 |
| Banking centers | 1,979 | 1,833 |
| ATMs | 3,948 | 2,292 |

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BUSINESS UNIT RESULTS - Three months ended December 31, 1996
(in millions)

| | Total Revenue | | Net Income | | Return on Equity | Average Loans and Leases, net | |
|--------------------|---------------|-----|------------|-----|------------------|-------------------------------|-----|
| General Bank | \$1,786 | 70% | \$373 | 59% | 21% | \$76,728 | 63% |
| Global Finance | 597 | 23 | 186 | 29 | 19 | 36,511 | 30 |
| Financial Services | 173 | 7 | 45 | 7 | 15 | 8,282 | 7 |