

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

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

For the Fiscal Year Ended December 31, 1997 -- Commission File Number 1-6523

NationsBank Corporation

(Exact name of registrant as specified in its charter)

North Carolina

56-0906609

(State of incorporation)

(IRS Employer 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)

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

<TABLE>

<CAPTION>

<S>

Title of each class

<C>

Name of each exchange on which registered

Common Stock

New York Stock Exchange

London Stock Exchange

Pacific Stock Exchange

Tokyo Stock Exchange

7 3/4% Debentures, due 2002

American Stock Exchange

8 1/2% Subordinated Capital Notes, due 1999

New York Stock Exchange

9 7/8% Subordinated Notes, due 2001

New York Stock Exchange

8 1/2% Subordinated Notes, due 2007

New York Stock Exchange

10 7/8% Subordinated Notes, due 2003

New York Stock Exchange

</TABLE>

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

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

Yes X No

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

The aggregate market value of the registrant's common stock held by non-affiliates is approximately \$64,517,219,000 (based on the February 27, 1998, closing price of such common stock of \$68.50 per share). As of March 6, 1998, there were 962,209,252 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

<TABLE>
 <CAPTION>
 <S> Document of the Registrant <C> Form 10-K Reference Location
 Portions of the 1998 Proxy Statement PART III
 </TABLE>

 NATIONSBANK CORPORATION

Form 10-K Index

<S>	<C>	Page
PART I		-----
Item 1.	<C>	<C>
Item 1.	Business	2
	Primary Market Areas	2
	Acquisition and Disposition Activity	2
	Government Supervision and Regulation	2
	Competition	5
	Employees	6
	Business Unit Operations	12-14
	Net Interest Income	14-16
	Securities	22, 51, 57-58
	Loans, Leases and Factored Accounts Receivable	17, 22-23, 31-39, 52, 60-61
	Deposits	23
	Short-Term Borrowings	23-24, 61
	Market Risk Management	25-30
	Selected Quarterly Operating Results	41
	Six-Year Consolidated Statistical Summary	80-81
Item 2.	Properties	6
Item 3.	Legal Proceedings	6
Item 4.	Submission of Matters to a Vote of Security Holders	6
Item 4A.	Executive Officers of the Registrant	7
PART II		
Item 5.	Market for Registrant's Common Stock and Related Security Holder Matters	7
Item 6.	Selected Financial Data	9
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	45
Item 8.	Financial Statements and Supplementary Data	45
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	82
PART III		
Item 10.	Directors and Executive Officers of the Registrant	82
Item 11.	Executive Compensation	82
Item 12.	Security Ownership of Certain Beneficial Owners and Management	82
Item 13.	Certain Relationships and Related Transactions	82
PART IV		
Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	83

PART I

Item 1. BUSINESS

NationsBank Corporation is a North Carolina corporation and a multi-bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "Act"), with its principal assets being the stock of its subsidiaries (the "Corporation"). The principal executive offices of the Corporation are located at NationsBank Corporate Center in Charlotte, North Carolina 28255.

On February 27, 1997, the Corporation completed a two-for-one split of its common stock (the "Common Stock"). All financial data included in this Annual Report on Form 10-K reflects the impact of the stock split.

For additional information about the Corporation and its operations, see

Table Two and the narrative comments under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Business Unit Operations."

Primary Market Areas

Through its banking subsidiaries (the "Banks") and various non-banking subsidiaries, the Corporation provides banking and banking-related services primarily throughout the Mid-Atlantic (Maryland, Virginia and the District of Columbia), the Midwest (Illinois, Iowa, Kansas and Missouri), the Southeast (Florida, Georgia, Kentucky, North Carolina, South Carolina and Tennessee) and the Southwest (Arkansas, New Mexico, Oklahoma and Texas). The Corporation serves an aggregate of over 16 million households in these regions, and management believes that these are dynamic regions in which to be located. Personal income levels in these regions as a whole rose 5.4 percent between 1996 and 1997, and the population in these areas as a whole rose an estimated 1.2 percent between 1996 and 1997. The number of housing permits authorized increased 2.6 percent between 1996 and 1997, ranging from a decrease of 3.05 percent in the Midwest to an increase of 5.67 percent in the Southwest. Between 1996 and 1997, the levels of unemployment in these regions as a whole fell by approximately .06 percentage points, for an average unemployment rate of 4.7 percent in 1997. These states created more than one million new jobs in 1997, 2.2 percent above 1996.

The Corporation has the leading bank deposit market share position in Florida, Georgia, Kansas, Maryland, New Mexico and Texas. In addition, the Corporation ranks second in terms of bank deposit market share in Arkansas, Missouri and South Carolina; third in the District of Columbia, Oklahoma and Virginia; fifth in North Carolina and Tennessee; and seventh in Iowa. The Corporation has less than 1.0 percent of the bank deposit market share in Illinois and Kentucky.

Acquisition and Disposition Activity

As part of its operations, the Corporation regularly evaluates the potential acquisition of, and holds discussions with, various financial institutions and other businesses of a type eligible for bank holding company ownership or control. In addition, the Corporation regularly analyzes the values of, and submits bids for, the acquisition of customer-based funds and other liabilities and assets of such financial institutions and other businesses. The Corporation also regularly considers the potential disposition of certain of its assets, branches, subsidiaries or lines of businesses. In 1997, the Corporation sold a number of business units acquired as a result of its acquisition of Boatmen's Bancshares, Inc. ("Boatmen's"), including Boatmen's corporate and institutional trust and stock transfer businesses, relocation management business, insurance premium financing business and an escrow services business. In addition, the Corporation has entered into an agreement to sell Superior Federal Bank, F.S.B., its federal savings bank headquartered in Fort Smith, Arkansas. The Corporation has also entered into an agreement to sell NationsBank of Kentucky, N.A. As a general rule, the Corporation publicly announces any material acquisitions or dispositions when a definitive agreement has been reached.

For additional information regarding the Corporation's acquisition activity, see Note Two of the Notes To Consolidated Financial Statements.

Government Supervision and Regulation

General

As a registered bank holding company, the Corporation is subject to the supervision of, and to regular inspection by, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). The Banks are

organized as national banking associations, which are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (the "Comptroller"), and as state chartered banks, which are subject to regulation, supervision and examination by the relevant state regulators. The Banks are also subject to regulation by the Federal Deposit Insurance Corporation (the "FDIC") and other federal regulatory agencies. The Corporation also owns a federal savings bank which is subject to supervision, regulation and examination by the Office of Thrift Supervision. In addition to banking laws, regulations and regulatory agencies, the Corporation and its subsidiaries and affiliates are subject to various other laws and regulations and supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of the Corporation and its ability to make distributions. The following discussion summarizes certain aspects of those laws and regulations that affect the Corporation.

The activities of the Corporation, and those of companies which it controls or in which it holds more than 5 percent of the voting stock, are limited to banking or managing or controlling banks or furnishing services to or performing services for its subsidiaries, or any other activity which the Federal Reserve Board determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In making such determinations, the Federal Reserve Board is required to consider whether the performance of such activities by a bank holding company or its subsidiaries can reasonably be expected to produce benefits to the public such as greater convenience, increased competition or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. Generally, bank holding companies, such as the Corporation, are required to obtain prior approval of the Federal Reserve Board to engage in any new activity or to acquire more than 5 percent of any class of voting stock of any company.

Bank holding companies are also required to obtain the prior approval of the Federal Reserve Board before acquiring more than 5 percent of any class of voting stock of any bank which is not already majority-owned by the bank holding company. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking and Branching Act"), a bank holding company became able to acquire banks in states other than its home state, beginning September 29, 1995, without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, prior to or following the proposed acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the United States and no more than 30 percent of such deposits in that state (or such lesser or greater amount set by state law).

The Interstate Banking and Branching Act also authorizes banks to merge across state lines, thereby creating interstate branches. This provision, which was effective June 1, 1997, allowed each state, prior to the effective date, the opportunity to "opt out" of this provision, thereby prohibiting interstate branching within that state. Of those states in which the Banks are located, only Texas has adopted legislation to "opt out" of the interstate branching provisions (which Texas law currently expires on September 2, 1999). Furthermore, pursuant to the Interstate Banking and Branching Act, a bank is now able to open new branches in a state in which it does not already have banking operations if such state enacts a law permitting such de novo branching. To the extent permitted under these laws, the Corporation plans to consolidate its banking subsidiaries (with the exception of NationsBank of Delaware, N.A.) into a single bank as soon as practicable. The Corporation currently operates one interstate bank (i.e., a bank with banking centers in more than one state) which is NationsBank, N.A., headquartered in Charlotte, North Carolina, with offices in Arkansas, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Missouri, New Mexico, North Carolina, Oklahoma, South Carolina, Virginia, Texas and the District of Columbia. Separate banks continue to operate in Delaware, Florida, Georgia, Kentucky (which it has agreed to sell), Tennessee and Texas. In addition, the Corporation has a federal savings bank headquartered in Arkansas which it has agreed to sell. As previously described, the Corporation regularly evaluates merger and acquisition opportunities, and it anticipates that it will continue to evaluate such opportunities.

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

Capital and Operational Requirements

The Federal Reserve Board, the Comptroller and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, 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 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. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. The minimum Tier 1 capital ratio is 4 percent and the minimum total capital ratio is 8 percent. The Corporation's

Tier 1 and total risk-based capital ratios under these guidelines at December 31, 1997 were 6.50 percent and 10.89 percent, respectively.

The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Although the stated minimum ratio is 3 percent, most banking organizations are required to maintain ratios of at least 100 to 200 basis points above 3 percent. The Corporation's leverage ratio at December 31, 1997 was 5.57 percent. Management believes that the Corporation meets its leverage ratio requirement.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), among other things, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective Federal regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. An "undercapitalized" bank must develop a capital restoration plan and its parent holding company must guarantee that bank's compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of 5 percent of the bank's assets at the time it became "undercapitalized" or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a "well capitalized" institution must have a Tier 1 capital ratio of at least 6 percent, a total capital ratio of at least 10 percent and a leverage ratio of at least 5 percent and not be subject to a capital directive order. An "adequately capitalized" institution must have a Tier 1 capital ratio of at least 4 percent, a total capital ratio of at least 8 percent and a leverage ratio of at least 4 percent, or 3 percent in some cases. Under these guidelines, each of the Banks is considered well capitalized.

Banking agencies have also adopted final regulations which mandate that regulators take into consideration (i) concentrations of credit risk; (ii) interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance-sheet position); and (iii) risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. That evaluation will be made as a part of the institution's regular safety and soundness examination. In addition, the banking agencies have amended their regulatory capital guidelines to incorporate a measure for market risk. In accordance with the amended guidelines, the Corporation and any Bank with significant trading activity (as defined in the amendment) must incorporate a measure for market risk in their regulatory capital calculations effective for reporting periods after January 1, 1998. The revised guidelines are not expected to have a material impact on the Corporation or the Banks' regulatory capital ratios or their well capitalized status.

4

Distributions

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

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

subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

Source of Strength

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

Competition

The activities in which the Corporation and its three major business units (the General Bank, Global Finance and Financial Services) engage are highly competitive. Generally, the lines of activity and markets served involve competition with other banks, savings and loan associations, credit unions and other non-bank financial institutions, such as investment banking firms, brokerage firms, mutual funds and insurance companies, as well as other entities which offer financial services, located both within and without the United States. The methods of competition center around various factors, such as customer services, interest rates on loans and deposits, lending limits and location of offices.

The commercial banking business in the various local markets served by the Corporation's three major business units is highly competitive. The General Bank, Global Finance and Financial Services compete with other commercial banks, savings and loan associations, finance companies and other businesses which provide similar services. The three major business units actively compete in commercial lending activities with local, regional and international banks and non-bank financial organizations, some of which are larger than certain of the registrant's non-banking subsidiaries and the Banks. In its consumer lending operations, the competitors of the three major business units include other banks, savings and loan associations, credit unions, regulated small loan companies and other non-bank organizations offering financial services. In the investment banking, investment advisory and brokerage business, the Corporation's non-banking subsidiaries compete with other banking and investment banking firms, investment advisory firms, brokerage firms, mutual funds and other organizations offering similar services. The Corporation's mortgage banking subsidiary competes with commercial banks, savings and loan associations, government agencies, mortgage brokers and other non-bank organizations offering mortgage banking services. In the trust business, the Banks compete with other banks, investment counselors and insurance companies in national markets for institutional funds and corporate pension and profit sharing accounts. The Banks also compete with other banks, trust companies, insurance agents, financial counselors and other fiduciaries for personal trust business. The Corporation and its three major business units also actively compete for funds. A primary source of funds for the Banks is deposits, and competition for deposits includes other deposit-taking organizations, such as commercial banks, savings and loan associations and credit unions, as well as money market mutual funds.

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

5

Employees

As of December 31, 1997, the Corporation and its subsidiaries had 80,360 full-time equivalent employees. Of the foregoing employees, 48,998 were employed by the General Bank, 6,882 were employed by Global Finance, 2,768 were employed by Financial Services, 19,416 were employed by NationsBanc Services, Inc. (a subsidiary providing operational support services to the Corporation and its subsidiaries) and the remainder were employed by the Corporation and its other subsidiaries. On January 9, 1998, the Corporation completed its merger with Barnett Banks, Inc., which had 21,487 full-time equivalent employees as of December 31, 1997. None of the Corporation's domestic employees are covered by a collective bargaining agreement. Management considers its employee relations to be good.

Item 2. PROPERTIES

The principal offices of the Corporation, as well as the General Bank and

Global Finance, are located in the 60-story NationsBank Corporate Center in Charlotte, North Carolina, which is owned by a subsidiary of the Corporation. The Corporation occupies approximately 589,000 square feet and leases approximately 524,000 square feet to third parties at market rates, which represents substantially all of the space in this facility. The principal offices of Financial Services are located in two buildings in Jacksonville, Florida, which are owned by a subsidiary of the Corporation. Financial Services occupies substantially all of the approximately 307,000 square feet in these facilities.

The Corporation also leases or owns a significant amount of space in Atlanta, Georgia; Baltimore, Maryland; Dallas, Texas; Jacksonville and Tampa, Florida; Richmond and Norfolk, Virginia; and St. Louis, Missouri; as well as additional premises in Charlotte and throughout its franchise. As of January 9, 1998, the Corporation and its subsidiaries owned or leased approximately 5,300 locations in 46 states, the District of Columbia and 10 foreign countries.

Item 3. LEGAL PROCEEDINGS

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to a number of pending and threatened legal actions and proceedings, including several actions brought on behalf of various classes of claimants. In certain of these actions and proceedings substantial money damages are asserted against the Corporation and its subsidiaries and certain of these actions and proceedings are based on alleged violations of consumer protection, securities, environmental, banking and other laws. Management believes, based upon the advice of counsel, that these actions and proceedings and the losses, if any, resulting from the final outcome thereof, will not be material in the aggregate to the Corporation's financial position or results of operations.

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

A special meeting of shareholders was held on December 19, 1997 (the "Special Meeting"). The Corporation's Common Stock, 7% Cumulative Redeemable Preferred Stock, Series B, and ESOP Convertible Preferred Stock, Series C, voted together as a single class on the matters submitted to the shareholders at the Special Meeting. The following are voting results on each of these matters:

<TABLE> <S>	<C> For -----	<C> Against or Withheld -----	<C> Abstentions -----	<C> Broker Nonvotes -----
1. The issuance of shares of the Corporation's Common Stock and \$2.50 Cumulative Convertible Preferred Stock, Series BB, in the merger with Barnett Banks, Inc.	502,572,758	7,359,802	3,251,244	0
2. The amendment and restatement of the NationsBank Corporation Key Employee Stock Plan	395,758,669	109,390,495	8,034,640	0

</TABLE>

Item 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

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

Andrew B. Craig, III, age 66, Chairman of the Board. Mr. Craig was Chairman of the Board and Chief Executive Officer of Boatmen's Bancshares, Inc. from 1989 until January 7, 1997 when Boatmen's Bancshares, Inc. was merged with the Corporation at which time he was elected as Chairman of the Board and a director of the Corporation. He also served as President of Boatmen's Bancshares, Inc. from 1985 to 1994.

James H. Hance, Jr., age 53, Vice Chairman and Chief Financial Officer. Mr. Hance was named Chief Financial Officer in August 1988, also served as Executive Vice President from March 1987 to October 1993 and was named Vice Chairman in October 1993. He first became an officer in 1987. He also serves as Vice Chairman and a director of NationsBank, N.A., and as a director of the Corporation, NationsBank of Tennessee, N.A. and various other subsidiaries of the Corporation.

Kenneth D. Lewis, age 50, President. Mr. Lewis was named to his present

position in October 1993. Prior to that time, from June 1990 to October 1993 he served as President of the Corporation's General Bank. He first became an officer in 1971. Mr. Lewis also serves as President and a director of NationsBank, N.A. and a director of NationsBank of Texas, N.A. and of the Corporation.

Hugh L. McColl, Jr., age 62, Chief Executive Officer and Chief Executive Officer of the Banks. Mr. McColl was Chairman of the Corporation from September 1983 until December 31, 1991, and from December 31, 1992 until January 7, 1997. He first became an officer in 1962. He also serves as a director of the Corporation.

Marc D. Oken, age 51, Executive Vice President and Principal Accounting Officer. He first became an officer in 1989.

F. William Vandiver, Jr., age 56, Chairman, Corporate Risk Policy. Mr. Vandiver was named to his present position in June 1997. Prior to that time, from January 1996 to June 1997 he served as President of NationsBank Global Finance and from July 1991 to January 1996 he served as President, Specialized Finance Group. He has been an officer since 1968. He also serves as a director of NationsBank, N.A.

PART II

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

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

<TABLE>
<CAPTION>

Quarter	High	Low
1996 first	\$40 11/16	\$32 3/16
second	42 5/16	37 3/8
third	47 1/16	38 3/16
fourth	52 5/8	43 1/8
1997 first	65	48
second	70	54
third	71 11/16	56 5/8
fourth	66 3/8	55

</TABLE>

7

As of January 9, 1998, there were 174,488 record holders of Common Stock. During 1996 and 1997, the Corporation paid dividends on the Common Stock on a quarterly basis. The following table sets forth dividends declared per share of Common Stock for the periods indicated:

<TABLE>
<CAPTION>

Quarter	Dividend
1996 first	\$.29
second	.29
third	.29
fourth	.33
1997 first	.33
second	.33
third	.33
fourth	.38

</TABLE>

For additional information regarding the Corporation's ability to pay dividends, see "Government Supervision and Regulation -- Distributions" and Note Nine of the Notes To Consolidated Financial Statements.

On October 1, 1997, the Corporation completed the acquisition of Montgomery Securities, an investment banking and institutional brokerage partnership, for aggregate consideration of approximately \$1.1 billion, of

which approximately \$840 million was paid in cash and the remainder was paid with 5.3 million unregistered shares of Common Stock. The issuance of the shares in this transaction was deemed to be exempt from registration under the Securities Act of 1933, as amended, in reliance on Section 4(2) as a transaction by an issuer not involving any public offering.

8

Item 6. SELECTED FINANCIAL DATA

See Table One for Selected Financial Data.

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

On February 27, 1997, the Corporation completed a two-for-one split of common stock. All financial data included in this Annual Report on Form 10-K reflects the impact of the stock split.

This report contains certain forward-looking statements which are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements, which are representative only on the date hereof. Readers of this report should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed throughout this report. The Corporation undertakes no obligation to update any forward-looking statements contained herein.

The Corporation's loan growth is dependent on economic conditions as well as various discretionary factors, such as decisions to securitize, sell, or purchase certain loans or loan portfolios, syndications or participations of loans, the retention of residential mortgage loans generated by the mortgage subsidiary, the management of borrower, industry, product and geographic concentrations and the mix of the loan portfolio. The rate of charge-offs and, accordingly, provision expense can be affected by local, regional and international economic conditions, concentrations of borrowers, industries, products and geographic locations, the mix of the loan portfolio and management's judgments regarding the collectibility of loans. Liquidity requirements may change as a result of fluctuations in assets and liabilities and off-balance sheet exposures, which will impact the capital and debt financing needs of the Corporation and the mix of funding sources. Decisions to purchase or sell securities are also dependent on liquidity requirements as well as on- and off-balance sheet positions. Factors that may impact interest rate risk include local, regional and international economic conditions, levels, mix, maturities, yields or rates of assets and liabilities, utilization and effectiveness of interest rate contracts and the wholesale and retail funding sources of the Corporation. Factors that may cause actual noninterest expense to differ from estimates include uncertainties relating to the Corporation's efforts to prepare its systems and technology for the Year 2000, as well as uncertainties relating to the ability of third parties with whom the Corporation has business relationships to address the Year 2000 issue in a timely and adequate manner.

In addition, the banking industry in general is subject to various monetary and fiscal policies and regulations, which include those determined by the Federal Reserve Board, the Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, state regulators and the Office of Thrift Supervision, which policies and regulations could affect the Corporation's results. Other factors that may cause actual results to differ from the forward-looking statements include competition with other local, regional and international banks, savings and loan associations, credit unions and other non-bank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, mutual funds and insurance companies, as well as other entities which offer financial services, located both within and without the United States; interest rate, market and monetary fluctuations; inflation; general economic conditions and economic conditions in the geographic regions and industries in which the Corporation operates; introduction and acceptance of new banking-related products, services and enhancements; fee pricing strategies, mergers and acquisitions and their integration into the Corporation, and management's ability to manage these and other risks.

1997 Compared to 1996

Overview

The Corporation is a multi-bank holding company headquartered in Charlotte, North Carolina, which provides a diversified range of banking and certain non-banking financial services both domestically and internationally through three major Business Units: the General Bank, Global Finance and Financial Services. After the merger on January 9, 1998 with Barnett Banks, Inc. (Barnett), headquartered in Jacksonville, Florida, the Corporation had approximately \$310 billion in assets, making it the third largest banking company in the United States. The Corporation will account for this transaction

as a pooling of interests and, accordingly, the recorded assets, liabilities, shareholders' equity, income and expenses of the Corporation and Barnett will be combined and reflected at their historical amounts.

9

On January 7, 1997, the Corporation completed its acquisition of Boatmen's Bancshares, Inc. (Boatmen's), headquartered in St. Louis, Missouri. In addition, on October 1, 1997, the Corporation acquired Montgomery Securities (Montgomery), an investment banking and institutional brokerage firm headquartered in San Francisco, California. The Corporation accounted for these acquisitions as purchase business combinations; therefore, the results of operations of Boatmen's and Montgomery are included in the financial statements of the Corporation from their dates of acquisition, respectively.

The increases over the prior year in income, expense and balance sheet categories were due largely to the Boatmen's acquisition; however, income and most balance sheet categories were also impacted by internal growth. Other significant changes in the Corporation's results of operations and financial position are described in the following sections.

Refer to Table One and Table Nineteen for annual and quarterly selected financial data, respectively.

Key performance highlights for 1997 were:

- o Net income reflected growth of approximately 30 percent over 1996, amounting to \$3.08 billion for the year ended December 31, 1997 compared to \$2.38 billion in 1996. Earnings per common share for 1997 increased 7 percent to \$4.27 from \$4.00 in 1996 and diluted earnings per common share increased 6 percent to \$4.17 from \$3.92 in 1996. Excluding a merger-related charge of \$118 million (\$77 million, net of tax), net income for 1996 was \$2.5 billion and earnings per common share and diluted earnings per common share were \$4.13 and \$4.05, respectively.
- o Taxable-equivalent net interest income increased 25 percent to \$8.0 billion in 1997. Excluding the impact of the Boatmen's acquisition, loan sales and securitizations, net interest income increased approximately 6 percent. The net interest yield increased to 3.79 percent compared to 3.62 percent in 1996.
- o The provision for credit losses covered net charge-offs and totaled \$800 million in 1997 compared to \$605 million in 1996. Net charge-offs as a percentage of average loans, leases and factored accounts receivable increased to .54 percent in 1997 compared to .48 percent in 1996, while net charge-offs totaled \$798 million in 1997 compared to \$598 million in 1996. Higher net charge-offs were largely the result of an increase in the average loans, leases, and factored accounts receivable portfolio, attributable to both the Boatmen's acquisition and internal growth as well as deterioration in consumer credit quality experienced on an industry-wide basis. Higher total consumer net charge-offs were partially offset by lower net charge-offs in the commercial loan portfolio. Nonperforming assets were \$1.1 billion on December 31, 1997 compared to \$1.0 billion on December 31, 1996, the result of the Boatmen's acquisition.
- o Noninterest income increased 37 percent to \$5.0 billion in 1997. This growth was attributable to higher levels of income from virtually all areas, including service charges on deposit accounts, investment banking income, asset management and fiduciary service fees and brokerage income. Excluding the acquisitions of Boatmen's and Montgomery, noninterest income increased approximately 9 percent.
- o Noninterest expense increased to \$7.4 billion, but was essentially unchanged if the Boatmen's and Montgomery acquisitions and related transition expenses were excluded.
- o Cash basis ratios, which measure operating performance excluding intangible assets and the related amortization expense, improved with cash basis diluted earnings per common share rising 15 percent to \$4.76 in 1997 compared to \$4.13 in 1996. For 1997, return on average tangible common shareholders' equity increased 847 basis points to 30.6 percent compared to 22.1 percent in 1996. The cash basis efficiency ratio was 53.8 percent in 1997, an improvement of 120 basis points from 1996 levels due to successful acquisition integration and expense management efforts.

The remainder of management's discussion and analysis of the consolidated results of operations and financial condition of the Corporation should be read together with the consolidated financial statements and related notes presented on pages 45 through 79.

Table One
Five-Year Summary of Selected Financial Data
(Dollars in Millions Except Per-Share Information)

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Income statement		
Interest income	\$ 16,579	\$ 13,796
Interest expense	8,681	7,467
Net interest income (taxable-equivalent)	8,014	6,423
Net interest income	7,898	6,329
Provision for credit losses	800	605
Gains (losses) on sales of securities	153	67
Noninterest income	5,002	3,646
Foreclosed properties expense (income)	10	20
Merger-related charge	--	118
Other noninterest expense	7,447	5,665
Income before taxes and effect of change in method of accounting for income taxes	4,796	3,634
Income tax expense	1,719	1,259
Income before effect of change in method of accounting for income taxes	3,077	2,375
Effect of change in method of accounting for income taxes	--	--
Net income	3,077	2,375
Net income available to common shareholders	3,066	2,360
Net income (excluding merger-related charge)	3,077	2,452
Average common shares issued (in thousands)	717,450	590,216
Per common share		
Earnings before effect of change in method of accounting for income taxes	\$ 4.27	\$ 4.00
Earnings	4.27	4.00
Earnings (excluding merger-related charge)	4.27	4.13
Diluted earnings	4.17	3.92
Diluted earnings (excluding merger-related charge)	4.17	4.05
Cash dividends paid	1.37	1.20
Shareholders' equity (year-end)	29.87	23.69
Balance sheet (year-end)		
Total loans, leases and factored accounts receivable, net of unearned income	143,792	122,630
Total assets	264,562	185,794
Total deposits	138,194	106,498
Long-term debt	27,204	22,985
Common shareholders' equity	21,274	13,586
Total shareholders' equity	21,337	13,709
Performance ratios		
Return on average assets	1.26%	1.18%
Return on average assets (excluding merger-related charge)	1.26	1.22
Return on average common shareholders' equity (1)	15.26	17.95
Return on average common shareholders' equity (excluding merger-related charge) (1)	15.26	18.53
Efficiency ratio	57.2	56.3
Total equity to total assets	8.07	7.38
Risk-based capital ratios (year-end)		
Tier 1	6.50	7.76
Total	10.89	12.66
Leverage capital ratio	5.57	7.09
Cash basis financial data (2)		
Earnings per common share	4.89	4.21
Earnings per common share (excluding merger-related charge)	4.89	4.34
Diluted earnings per common share	4.76	4.13
Diluted earnings per common share (excluding merger-related charge)	4.76	4.26
Return on average tangible assets	1.49	1.26
Return on average tangible assets (excluding merger-related charge)	1.49	1.30
Return on average tangible common shareholders' equity (1)	30.59	22.12
Return on average tangible common shareholders' equity (excluding merger-related charge) (1)	30.59	22.80
Efficiency ratio	53.8	55.0
Ending tangible equity to tangible assets	4.69	6.36
Market price per share of common stock		
Close at the end of the year	\$60 13/16	\$ 48 7/8
High for the year	71 11/16	52 5/8
Low for the year	48	32 3/16

<CAPTION>

	1995	1994	
	-----	-----	
<S>	<C>	<C>	<C>
Income statement			
Interest income	\$ 13,220	\$ 10,529	\$
8,327			
Interest expense	7,773	5,318	

3,690			
Net interest income (taxable-equivalent)	5,560	5,305	
4,723			
Net interest income	5,447	5,211	
4,637			
Provision for credit losses	382	310	
430			
Gains (losses) on sales of securities	29	(13)	
84			
Noninterest income	3,078	2,597	
2,101			
Foreclosed properties expense (income)	18	(12)	
78			
Merger-related charge	--	--	
30			
Other noninterest expense	5,163	4,942	
4,293			
Income before taxes and effect of change in method of accounting for income taxes	2,991	2,555	
1,991			
Income tax expense	1,041	865	
690			
Income before effect of change in method of accounting for income taxes	1,950	1,690	
1,301			
Effect of change in method of accounting for income taxes	--	--	
200			
Net income	1,950	1,690	
1,501			
Net income available to common shareholders	1,942	1,680	
1,491			
Net income (excluding merger-related charge)	1,950	1,690	
1,521			
Average common shares issued (in thousands)	544,959	549,312	
515,938			
Per common share			
Earnings before effect of change in method of accounting for income taxes	\$ 3.56	\$ 3.06	\$
2.50			
Earnings	3.56	3.06	
2.89			
Earnings (excluding merger-related charge)	3.56	3.06	
2.93			
Diluted earnings	3.52	3.03	
2.86			
Diluted earnings (excluding merger-related charge)	3.52	3.03	
2.90			
Cash dividends paid	1.04	.94	
.82			
Shareholders' equity (year-end)	23.26	19.85	
18.20			
Balance sheet (year-end)			
Total loans, leases and factored accounts receivable, net of unearned income	117,033	103,371	
92,007			
Total assets	187,298	169,604	
157,686			
Total deposits	100,691	100,470	
91,113			
Long-term debt	17,775	8,488	
8,352			
Common shareholders' equity	12,759	10,976	
9,859			
Total shareholders' equity	12,801	11,011	
9,979			
Performance ratios			
Return on average assets	1.03%	1.02%	
.97%			
Return on average assets (excluding merger-related charge)	1.03	1.02	
.98			
Return on average common shareholders' equity (1)	17.01	16.10	
15.00			
Return on average common shareholders' equity (excluding merger-related charge) (1)	17.01	16.10	
15.23			
Efficiency ratio	59.8	62.5	62.9
Total equity to total assets	6.83	6.49	
6.33			
Risk-based capital ratios (year-end)			
Tier 1	7.24	7.43	
7.41			
Total	11.58	11.47	
11.73			
Leverage capital ratio	6.27	6.18	
6.00			
Cash basis financial data (2)			
Earnings per common share	3.78	3.28	
3.06			

Earnings per common share (excluding merger-related charge)	3.78	3.28	
3.10			
Diluted earnings per common share	3.73	3.25	
3.03			
Diluted earnings per common share (excluding merger-related charge)	3.73	3.25	
3.07			
Return on average tangible assets	1.11	1.10	
1.04			
Return on average tangible assets (excluding merger-related charge)	1.11	1.10	
1.06			
Return on average tangible common shareholders' equity (1)	20.74	19.85	
18.08			
Return on average tangible common shareholders' equity (excluding merger-related charge) (1)	20.74	19.85	
18.34			
Efficiency ratio	58.4	61.0	61.6
Ending tangible equity to tangible assets	6.08	5.65	
5.56			
Market price per share of common stock			
Close at the end of the year	\$34 13/16	\$ 22 9/16	\$ 24
1/2			
High for the year	37 3/8	28 11/16	
29			
Low for the year	22 5/16	21 11/16	22
1/4			

</TABLE>

(1) Average common shareholders' equity does not include the effect of market value adjustments to securities available for sale and marketable equity securities.

(2) Cash basis calculations exclude intangible assets and the related amortization expense.

In 1993, return on average assets and return on equity after the tax benefit from the impact of adopting a new income tax accounting standard were 1.12% and 17.33%, respectively.

11

Business Unit Operations

The Corporation provides a diversified range of banking and certain nonbanking financial services and products through its various subsidiaries. The Corporation manages its business activities through three major business units: General Bank, Global Finance and Financial Services. The business units are managed with a focus on numerous performance objectives as presented in Table Two, including business unit earnings, return on average equity and the efficiency ratio. The table also includes certain cash basis information, which excludes the impact of intangible assets and the related amortization expense.

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

The General Bank and Global Finance business unit results reflect the impact of the purchase of Boatmen's, which resulted in an increase in goodwill of approximately \$5.9 billion and approximately \$234 million of related amortization expense on a consolidated basis in 1997. This additional expense had unfavorable impacts on the return on average equity and efficiency ratios for both the General Bank and Global Finance in 1997. Global Finance's results also reflect the impact of the purchase of Montgomery.

The General Bank provides comprehensive retail banking services for individuals and businesses. Within the General Bank, the Banking Group is the service provider to the consumer sector as well as small and medium-size companies. Subsequent to the Barnett merger, the Banking Group's delivery channels included approximately 3,000 banking centers and approximately 7,000 automated teller machines which provide fully-automated, 24-hour cash dispensing and deposit services. These delivery channels are located throughout the Corporation's franchise and serve 16 million households in 16 states and the District of Columbia. Specialized services, such as the origination and servicing of residential mortgage loans, the issuance and servicing of credit cards, indirect lending, dealer finance and certain insurance services, are provided throughout the Corporation's franchise. In addition, certain other products are provided by the Financial Products Group on a nationwide basis. The General Bank also contains the Asset Management Group, which includes businesses that provide full-service and discount brokerage, investment advisory and investment management services. The Asset Management Group also advises the Nations Funds family of mutual funds. The Private Client Group is part of the Asset Management Group and provides asset management, banking and trust services for wealthy individuals, business owners, corporate executives and the private foundations established by them.

The General Bank's earnings increased 21 percent to \$1.9 billion in 1997. The acquisition of Boatmen's accounted for a large portion of the General Bank's increased earnings over 1996 with internal growth also contributing to the increase. Taxable-equivalent net interest income in the General Bank increased \$1.3 billion, primarily reflecting the impact of the Boatmen's acquisition, deposit pricing management efforts and core loan growth. The net interest yield increased slightly in 1997, reflecting higher yields from the loan portfolio and deposit pricing management efforts. Average loans increased from \$78.7 billion in 1996 to \$94.7 billion in 1997 with the increase due to the Boatmen's acquisition. Excluding the impact of the Boatmen's acquisition and the \$8.1-billion of securitizations that occurred mainly during the third quarter of 1997, average loans and leases were essentially unchanged in 1997 compared to 1996 average levels.

Noninterest income in the General Bank rose 37 percent to \$3.4 billion due to higher service charges on deposit accounts, asset management and fiduciary service fees, mortgage servicing and other mortgage-related income and credit card income. The increase was attributable primarily to the acquisition of Boatmen's but also reflected the impact of internal growth of approximately 12 percent for service charges on deposit accounts and approximately 5 percent for credit card income. Higher deposit account service charges were the result of changes in deposit pricing throughout the Corporation's franchise. Also contributing to the increase was a gain on the sale of a \$306-million out-of-market credit card portfolio during the third quarter of 1997. Noninterest expense increased 35 percent to \$5.6 billion due to the acquisition of Boatmen's, which resulted in an increase in full-time equivalent employees and additional amortization expense, with the remaining increase spread across most major expense categories. Excluding the acquisition of Boatmen's, noninterest expense was virtually flat when compared to 1996. The cash basis efficiency ratio was 56.5 percent, an improvement of 80 basis points over the 1996 ratio. The return on average tangible equity increased approximately 200 basis points to 29 percent, the result of revenue growth which offset an increase in operating expenses and higher equity levels resulting from the Boatmen's acquisition.

Table Two
Business Unit Summary
For the Year Ended December 31
(Dollars in Millions)

Services	General Bank		Global Finance		Financial
	1997	1996	1997	1996	1997
1996					
<S>	<C>	<C>	<C>	<C>	<C>
Net interest income (taxable-equivalent)	\$ 5,878	\$ 4,602	\$ 1,416	\$ 1,202	\$ 583
\$ 572					
Noninterest income	3,421	2,500	1,430	1,019	151
122					
-----	-----	-----	-----	-----	-----
Total revenue	9,299	7,102	2,846	2,221	734
694					
Provision for credit losses	580	438	74	43	146
124					
Gains on sales of securities	35	25	2	--	--
--					
Foreclosed properties expense (income)	9	16	(8)	(5)	9
9					
Noninterest expense	5,631	4,165	1,490	1,188	326
313					
-----	-----	-----	-----	-----	-----
Income before income taxes	3,114	2,508	1,292	995	253
248					
Income tax expense	1,192	916	466	360	86
82					
-----	-----	-----	-----	-----	-----
Net income (1)	\$ 1,922	\$ 1,592	\$ 826	\$ 635	\$ 167
\$ 166					
=====	=====	=====	=====	=====	=====

=====					
Cash basis earnings (2)	\$ 2,296	\$ 1,689	\$ 879	\$ 652	\$ 180
\$ 180					
Net interest yield	4.71%	4.68%	3.01%(4)	3.09%(4)	6.71%
7.10%					
Average equity to average assets	8.5	6.8	5.5	4.9	14.4
14.1					
Return on average equity	17	22	17	16	13
14					
Return on average tangible equity (2)	29	27	20	17	16
18					
Efficiency ratio	60.6	58.6	52.4	53.5	44.4
45.1					
Cash basis efficiency ratio (2)	56.5	57.3	50.5	52.7	42.6
43.1					
Average (3)					
Total loans and leases, net of unearned income	\$ 94,719	\$ 78,708	\$42,290	\$36,117	\$8,614
\$8,022					
Total deposits	114,578	87,904	9,992	8,212	--
--					
Total assets	134,710	104,395	89,194	78,368	9,064
8,528					
Period end (3)					
Total loans and leases, net of unearned income	92,275	76,815	41,802	36,763	9,090
8,279					
Total deposits	112,962	90,080	11,458	8,321	--
--					

</TABLE>

- (1) Business Unit results are presented on a fully allocated basis but do not include \$162 million of net income for 1997 and \$18 million of net expenses for 1996, which represent the net impact of earnings associated with unassigned capital, gains on sales of certain securities, merger-related charges and other corporate activities.
- (2) Cash basis calculations exclude intangible assets and the related amortization expense.
- (3) The sums of balance sheet amounts differ from consolidated amounts due to activities between the Business Units.
- (4) Global Finance's net interest yield excludes the impact of trading-related activities. Including trading-related activities, the net interest yield was 1.82 percent for 1997 and 1.78 percent for 1996.

Global Finance provides a broad array of banking, bank-related and investment banking products and services to domestic and international corporations, institutions and other customers through its Corporate Finance/Capital Markets, Specialized Lending, Real Estate, and Transaction Products units. The Global Finance group serves as a principal lender and investor, as well as an advisor, and manages treasury and trade transactions for clients and customers. Loan origination and syndication, asset-backed lending, leasing, factoring, project finance and mergers and acquisitions consulting are representative of the services provided. These services are provided through various domestic and international offices. Through its Section 20 subsidiary, NationsBanc Montgomery Securities LLC, Global Finance is a primary dealer of U.S. Government Securities and underwrites, distributes and makes markets in high-grade and high-yield debt securities and equity securities. Additionally, Global Finance is a market maker in derivative products which include swap agreements, option contracts, forward

settlement contracts, financial futures and other derivative products in certain interest rate, foreign exchange, commodity and equity markets. In support of these activities, Global Finance takes positions to support client demands and its own account. Major centers for the above activities are Charlotte, Chicago, London, New York, San Francisco, Singapore and Tokyo.

Global Finance earned \$826 million in 1997 compared to \$635 million in 1996, the result of higher levels of net interest income and noninterest income, which more than offset higher noninterest and provision expenses. Taxable-equivalent net interest income for 1997 was \$1.4 billion compared to \$1.2 billion in 1996 reflecting loan growth partially offset by increased funding costs and competitive pressure on commercial loan pricing. The average loans and leases portfolio increased to \$42.3 billion in 1997 compared to \$36.1 billion in 1996 as the result of core loan growth and the acquisition of Boatmen's. This increase was net of a securitization of \$4.2 billion of commercial loans completed during the third quarter of 1997.

Noninterest income rose 40 percent over 1996, reflecting higher securities

underwriting and other investment banking income and brokerage income, due to the impact of the Montgomery acquisition and continued growth. Noninterest expense increased to \$1.5 billion in 1997, due mainly to higher personnel and amortization expenses associated with the Montgomery and Boatmen's acquisitions. The cash basis efficiency ratio improved 220 basis points to 50.5 percent as revenue growth outpaced expense increases. The return on average tangible equity increased 300 basis points to 20 percent, reflecting the impact of higher earnings.

Financial Services is primarily comprised of a holding company, NationsCredit Corporation, which includes NationsCredit Consumer Corporation and NationsCredit Commercial Corporation. NationsCredit Consumer Corporation, which has 268 branches in 41 states, provides personal, mortgage and automobile loans to consumers, and retail finance programs to dealers. NationsCredit Commercial Corporation consists of divisions that specialize in the following commercial financing areas: equipment loans and leases; loans for debt restructuring, mergers and acquisitions and working capital; real estate, golf/recreational and health care financing; and inventory financing to manufacturers, distributors and dealers. In addition, EquiCredit Corporation and Oxford Resources are two businesses obtained through the Barnett merger. EquiCredit Corporation provides sub-prime mortgage and home equity loans directly and through correspondents and Oxford Resources provides lease financing for purchasers of new and used cars.

Financial Services' earnings of \$167 million were essentially flat in comparison to 1996. Taxable-equivalent net interest income increased 2 percent resulting from a 7 percent growth in average loans and leases, which was net of securitizations of approximately \$500 million. The net interest yield of 6.71 percent was down 39 basis points from 1996 due principally to increased competitive pressure on loan pricing. Noninterest income rose 24 percent to \$151 million in 1997, reflecting gains associated with the sale of 29 branches during the first quarter of 1997. Noninterest expense increased 4 percent to \$326 million while the cash basis efficiency ratio improved 50 basis points to 42.6 percent, the result of the gains on 1997 branch sales. The return on average tangible equity in 1997 decreased to 16 percent compared to 18 percent in 1996, the result of flat earnings on a higher equity base.

Results of Operations

Net Interest Income

An analysis of the Corporation's taxable-equivalent net interest income and average balance sheet levels for the last three years and most recent five quarters is presented in Tables Three and Twenty, respectively. The changes in net interest income from year to year are analyzed in Table Four.

Taxable-equivalent net interest income increased approximately 25 percent to \$8.0 billion in 1997 compared to \$6.4 billion in 1996 due primarily to the acquisition of Boatmen's. Excluding the impact of the Boatmen's acquisition, loan sales and securitizations, core net interest income increased approximately 6 percent over 1996. This increase was the result of the improved contribution of the securities portfolios, deposit pricing management efforts and core loan growth, partially offset by the impact of the sale of certain consumer loans in the third quarter of 1996 and an increased reliance on long-term debt. While securitizations lowered net interest income by approximately \$324 million in 1997, they did not significantly affect the Corporation's earnings. When the Corporation securitizes loans, its role becomes that of a servicer and the income related to securitized loans is reflected in noninterest income.

Table Three
12-Month Taxable-Equivalent Data
(Dollars in Millions)

<TABLE>
<CAPTION>

	1997			1996		
	Average Balance Sheet	Income or Expense	Yields/ Rates	Average Balance Sheet	Income or Expense	
Yields/ Rates	Amounts	Expense	Rates	Amounts	Expense	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earning assets						

Loans and leases, net of unearned income (1)						
Commercial	\$ 59,425	\$ 4,969	8.36%	\$ 49,553	\$ 4,042	
8.16%						
Real estate commercial	8,052	721	8.95	6,090	550	
9.03						
Real estate construction	3,781	339	8.98	3,165	281	
8.89						

Total commercial	71,258	6,029	8.46	58,808	4,873	
8.29						

Residential mortgage	31,404	2,445	7.79	27,813	2,169	
7.80						
Credit card	6,911	823	11.90	6,228	733	
11.77						
Other consumer	26,610	2,567	9.65	22,467	2,218	
9.87						

Total consumer	64,925	5,835	8.99	56,508	5,120	
9.06						

Foreign	3,427	244	7.13	2,664	183	
6.87						
Lease financing	5,641	436	7.72	4,288	324	
7.58						

Total loans and leases, net	145,251	12,544	8.64	122,268	10,500	
8.59						

Securities						
Held for investment	1,554	95	6.11	3,442	193	
5.59						
Available for sale (2)	26,364	1,810	6.87	17,295	1,146	
6.63						

Total securities	27,918	1,905	6.82	20,737	1,339	
6.46						

Loans held for sale	1,226	88	7.19	1,078	79	
7.30						
Federal funds sold and securities purchased under agreements to resell	12,227	684	5.59	12,834	666	
5.19						
Time deposits placed and other short-term investments	2,114	123	5.82	1,436	80	
5.54						
Trading account securities (3)	22,490	1,351	6.01	19,047	1,226	
6.44						

Total earning assets (4)	211,226	16,695	7.90	177,400	13,890	
7.83						
Cash and cash equivalents	8,788			7,807		
Factored accounts receivable	1,173			1,135		
Other assets, less allowance for credit losses	23,317			14,543		
Total assets	\$244,504			\$200,885		
	=====			=====		
Interest-bearing liabilities						
Savings	\$ 9,885	199	2.02	\$ 9,024	201	
2.22						
NOW and money market deposit accounts	41,122	1,066	2.59	30,243	763	
2.52						
Consumer CDs and IRAs	38,096	1,989	5.22	30,034	1,585	
5.28						
Negotiated CDs, public funds and other time deposits	3,205	175	5.48	3,114	171	
5.49						
Foreign time deposits	9,776	526	5.38	11,180	602	
5.38						
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	41,605	2,264	5.44	39,521	2,155	
5.45						
Trading account liabilities (3)	10,274	678	6.60	10,137	653	
6.44						
Long-term debt (5)	27,340	1,784	6.52	20,603	1,337	

6.51

-----	-----	-----	-----	-----
Total interest-bearing liabilities (6)	181,303	8,681	4.79	153,856
4.85				7,467
Noninterest-bearing sources				
Noninterest-bearing deposits	31,577			23,990
Other liabilities	11,437			9,776
Shareholders' equity	20,187			13,263
	-----			-----
Total liabilities and shareholders' equity	\$244,504			\$200,885
	=====			=====
Net interest spread			3.11	
2.98				
Impact of noninterest-bearing sources .....			.68	
.64				
-----	-----	-----		-----
Net interest income/yield on earning assets	\$ 8,014		3.79%	\$ 6,423
3.62%				
=====	=====	=====		=====

<CAPTION>

	1995		
	Average Balance Sheet Amounts	Income or Expense	Yields/ Rates
<S>	<C>	<C>	<C>
Earning assets			
Loans and leases, net of unearned income (1)			
Commercial	\$ 46,358	\$ 3,797	8.19%
Real estate commercial	7,195	669	9.30
Real estate construction	3,106	302	9.73
	-----	-----	-----
Total commercial	56,659	4,768	8.42
	-----	-----	-----
Residential mortgage	20,562	1,600	7.78
Credit card	5,013	641	12.78
Other consumer	21,940	2,209	10.07
	-----	-----	-----
Total consumer	47,515	4,450	9.37
	-----	-----	-----
Foreign	2,036	157	7.71
Lease financing	3,277	249	7.59
	-----	-----	-----
Total loans and leases, net	109,487	9,624	8.79
	-----	-----	-----
Securities			
Held for investment	15,521	864	5.57
Available for sale (2)	10,272	642	6.25
	-----	-----	-----
Total securities	25,793	1,506	5.84
	-----	-----	-----
Loans held for sale	322	24	7.47
Federal funds sold and securities purchased under agreements to resell	15,159	937	6.18
Time deposits placed and other short-term investments	2,066	142	6.87
Trading account securities (3)	14,177	1,100	7.76
	-----	-----	-----
Total earning assets (4)	167,004	13,333	7.98
Cash and cash equivalents	7,820		
Factored accounts receivable	1,163		
Other assets, less allowance for credit losses	12,560		

Total assets	\$188,547		
	=====		
Interest-bearing liabilities			
Savings	\$ 8,575	204	2.37
NOW and money market deposit accounts	27,640	740	2.68
Consumer CDs and IRAs	24,840	1,290	5.19
Negotiated CDs, public funds and other time deposits	2,992	166	5.56
Foreign time deposits	14,103	881	6.25
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	44,285	2,710	6.12
Trading account liabilities (3)	12,025	896	7.45
Long-term debt (5)	12,652	886	7.00

Total interest-bearing liabilities (6)	147,112	7,773	5.28
Noninterest-bearing sources			
Noninterest-bearing deposits	21,128		
Other liabilities	8,856		
Shareholders' equity	11,451		

Total liabilities and shareholders' equity	\$188,547		
	=====		
Net interest spread			2.70
Impact of noninterest-bearing sources .....			.63
		-----	-----
Net interest income/yield on earning assets		\$ 5,560	3.33%
		=====	=====

</TABLE>

- (1) Nonperforming loans are included in the respective average loan balances. Income on such nonperforming loans is recognized on a cash basis.
- (2) The average balance sheet amounts and yields on securities available for sale are based on the average of historical amortized cost balances.
- (3) The fair values of derivatives-dealer positions are reported in other assets and liabilities, respectively.
- (4) Interest income includes taxable-equivalent adjustments of \$116, \$94 and \$113 in 1997, 1996 and 1995, respectively. Interest income also includes the impact of risk management interest rate contracts, which increased (decreased) interest income on the underlying linked assets \$133, \$26 and (\$209) in 1997, 1996 and 1995, respectively.
- (5) Long-term debt includes trust preferred securities.
- (6) Interest expense includes the impact of risk management interest rate contracts, which (decreased) increased interest expense on the underlying linked liabilities (\$40), \$54 and \$30 in 1997, 1996 and 1995, respectively.

15

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

This table presents an analysis of the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years shown. The changes for each category of income and expense are divided between the portion of change attributable to the variance in average levels or yields/rates for that category. The amount of change that cannot be separated is allocated to each variance proportionately.

<TABLE>
<CAPTION>

	From 1996 to 1997				From 1995 to 1996		
	Increase (Decrease) in Income/Expense Due to Change in				Increase (Decrease) in Income/Expense Due to Change in		
Percentage				Percentage			
Increase	Average	Yields/		Increase	Average	Yields/	
(Decrease)	Levels	Rates	Total	(Decrease)	Levels	Rates	Total
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Interest income							
Loans and leases, net of unearned income							
Commercial	\$ 823	\$ 104	\$ 927	22.9%	\$ 261	\$ (16)	\$ 245
6.5%							
Real estate commercial	176	(5)	171	31.1	(100)	(19)	(119)
(17.8)							
Real estate construction	55	3	58	20.6	6	(27)	(21)
(7.0)							
			-----				-----
-							
Total commercial	1,051	105	1,156	23.7	179	(74)	105
2.2							
			-----				-----
-							
Residential mortgage	280	(4)	276	12.7	565	4	569

35.6							
Credit card	81	9	90	12.3	146	(54)	92
14.4							
Other consumer	401	(52)	349	15.7	52	(43)	9
.4							
-							
Total consumer	757	(42)	715	14.0	819	(149)	670
15.1							
-							
Foreign	54	7	61	33.3	45	(19)	26
16.6							
Lease financing	104	8	112	34.6	76	(1)	75
30.1							
-							
Total loans and leases, net	1,985	59	2,044	19.5	1,102	(226)	876
9.1							
-							
Securities							
Held for investment	(114)	16	(98)	(50.8)	(677)	6	(671)
(77.7)							
Available for sale	621	43	664	57.9	463	41	504
78.5							
-							
Total securities	486	80	566	42.3	(316)	149	(167)
(11.1)							
-							
Loans held for sale	11	(2)	9	11.4	55	--	55
229.2							
Federal funds sold and securities purchased under agreements to resell	(32)	50	18	2.7	(132)	(139)	(271)
(28.9)							
Time deposits placed and other short-term investments	39	4	43	53.8	(38)	(24)	(62)
(43.7)							
Trading account securities	211	(86)	125	10.2	335	(209)	126
11.5							
-							
Total interest income	2,672	133	2,805	20.2	818	(261)	557
4.2							
-							
Interest expense							
Savings	18	(20)	(2)	(1.0)	10	(13)	(3)
(1.5)							
NOW and money market deposit accounts	281	22	303	39.7	67	(44)	23
3.1							
Consumer CDs and IRAs	421	(17)	404	25.5	274	21	295
22.9							
Negotiated CDs, public funds and other time deposits	5	(1)	4	2.3	7	(2)	5
3.0							
Foreign time deposits	(76)	--	(76)	(12.6)	(167)	(112)	(279)
(31.7)							
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	113	(4)	109	5.1	(276)	(279)	(555)
(20.5)							
Trading account liabilities	9	16	25	3.8	(130)	(113)	(243)
(27.1)							
Long-term debt	440	7	447	33.4	520	(69)	451
50.9							

Total interest expense	1,315	(101)	1,214	16.3	346	(652)	(306)
(3.9)							

Net interest income	1,272	319	\$1,591	24.8	359	504	\$ 863
15.5							
=====							

</TABLE>

The net interest yield increased 17 basis points to 3.79 percent in 1997 compared to 3.62 percent in 1996, primarily reflecting the improved

contribution of the securities portfolios and deposit pricing management efforts. The positive impact of the acquisition of Boatmen's on the net interest yield was offset by additional funding costs related to the acquisition.

Loan growth is dependent on economic conditions as well as various discretionary factors, such as decisions to securitize certain loan portfolios, the retention of residential mortgage loans generated by the Corporation's mortgage subsidiary and the management of borrower, industry, product and geographic concentrations.

Provision for Credit Losses

The provision for credit losses was \$800 million in 1997 compared to \$605 million in 1996. The provision for credit losses for 1997 and 1996 covered net charge-offs of \$798 million and \$598 million, respectively. Higher provision expense in 1997 was due to higher net charge-offs resulting from an increase in the average loans, leases, and factored accounts receivable portfolio, attributable to both the Boatmen's acquisition and internal growth, as well as deterioration in consumer credit quality experienced on an industry-wide basis. Higher total consumer net charge-offs were partially offset by lower net charge-offs in the commercial loan portfolio. For additional information on the allowance for credit losses, certain credit quality ratios and credit quality information on specific loan categories, see the Credit Risk Management and Credit Portfolio Review section beginning on page 30.

Gains on Sales of Securities

Gains on the sales of securities were \$153 million in 1997 compared to \$67 million in 1996. The increase in 1997 reflects the Corporation's sale of a significant portion of the Boatmen's portfolio subsequent to the acquisition date as well as the sale of lower-yielding securities and the reinvestment of the proceeds from such sales into higher-spread products.

Noninterest Income

As presented in Table Five, noninterest income increased 37 percent to \$5.0 billion in 1997, reflecting the acquisitions of Boatmen's and Montgomery. Excluding these acquisitions, noninterest income increased approximately 9 percent in 1997.

Table Five
Noninterest Income
(Dollars in Millions)

<TABLE>
<CAPTION>

	1997	1996	Change	
			Amount	Percent
<S>	<C>	<C>	<C>	<C>
Service charges on deposit accounts	\$1,546	\$1,121	\$ 425	37.9%
Mortgage servicing and other mortgage-related income	287	213	74	34.7
Investment banking income	627	356	271	76.1
Trading account profits and fees	265	274	(9)	(3.3)
Brokerage income	234	110	124	112.7
Other nondeposit-related service fees	310	262	48	18.3
Asset management and fiduciary service fees	648	432	216	50.0
Credit card income	371	314	57	18.2
Other income	714	564	150	26.6
	-----	-----	-----	-----
	\$5,002	\$3,646	\$1,356	37.2
	=====	=====	=====	=====

</TABLE>

- o Service charges on deposit accounts amounted to \$1.5 billion in 1997, an increase of 38 percent over 1996, attributable to growth in number of households served due principally to the acquisition of Boatmen's and the impact of changes in deposit pricing throughout the Corporation's franchise. Excluding the impact of the Boatmen's acquisition, service charges increased approximately 12 percent for 1997.
- o Mortgage servicing and other mortgage-related income grew 35 percent to \$287 million in 1997 due to the acquisition of the Boatmen's mortgage portfolio. The average portfolio of loans serviced increased 35 percent from \$89.9 billion in 1996 to \$121.2 billion in 1997. On December 31, 1997, the

servicing portfolio, which includes mortgage loans originated by the Corporation's mortgage subsidiary as well as loans serviced on behalf of the Corporation's banking subsidiaries, totaled \$126.5 billion compared to \$96.4 billion on December 31, 1996. Mortgage loan originations through the Corporation's mortgage subsidiary increased to \$15.2 billion in 1997 compared to \$12.0 billion in 1996. The increase in loan originations experienced in 1997 was due to the acquisition of Boatmen's and the Corporation's efforts to maintain the mortgage servicing portfolio at target levels. Origination volume in 1997 consisted of approximately \$5.8 billion of retail loan volume and \$9.4 billion of correspondent and wholesale loan volume.

17

In conducting its mortgage production activities, the Corporation is exposed to interest rate risk for the period between loan commitment date and subsequent delivery date. To manage this risk, the Corporation enters into various financial instruments including forward delivery and option contracts. The notional amount of such contracts was approximately \$2.7 billion on December 31, 1997. Net unrealized losses associated with these contracts were \$15 million on December 31, 1997. These contracts have an average expected maturity of less than 90 days.

- o Investment banking income increased 76 percent to \$627 million in 1997 reflecting increased levels of securities underwriting activity, syndication fees and advisory fees. Higher syndication fees were the result of 725 deals totaling \$431.0 billion in 1997 compared to 566 deals totaling \$346.0 billion in 1996. Securities underwriting and advisory services fees increased in 1997 reflecting the impact of the Montgomery acquisition and continued internal growth.

An analysis of investment banking income by major business activity follows (in millions):

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Investment Banking Income		
Syndications	\$201	\$119
Securities underwriting	232	82
Principal investment activities	70	79
Advisory services	69	9
Other	55	67
	----	----
Total investment banking income	\$627	\$356
	====	====

</TABLE>

- o Trading account profits and fees totaled \$265 million in 1997, a decrease of 3 percent from \$274 million in 1996. The fair values of the components of the Corporation's trading account assets and liabilities on December 31, 1997 and 1996 as well as their average fair values for 1997 and 1996 are disclosed in Note Four to the consolidated financial statements on page 59.

An analysis of trading account profits and fees by major business activity follows (in millions):

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Trading Account Profits and Fees		
Interest rate contracts	\$141	\$136
Foreign exchange contracts	55	4
Securities trading	24	96
Other	45	38
	----	----
	\$265	\$274
	====	====

</TABLE>

- o Brokerage income increased 113 percent to \$234 million in 1997, due mainly to the acquisition of Montgomery as well as internal growth of approximately 35 percent.

18

o Asset management and fiduciary service fees increased 50 percent to \$648 million in 1997. An analysis of asset management and fiduciary service fees by major business activity for 1997 and 1996 as well as the market values of assets under management and administration on December 31 follows (in millions):

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Asset Management and Fiduciary Service Fees		
Private Client Group	\$ 430	\$ 266
Consumer investing	39	29
Funds and business/institutional investment management	62	54
Retirement services, corporate trust and other	117	83
	-----	-----
Total asset management and fiduciary service fees ...	\$ 648	\$ 432
	=====	=====
Market Value of Assets		
Assets under management	\$103,834	\$ 72,270
Assets under administration	173,135	180,269

</TABLE>

The Private Client Group provides asset management and banking and trust services, primarily to individuals. Fees for these services increased \$164 million in 1997 over 1996, due principally to the Boatmen's acquisition, increased sales, and market appreciation associated with assets under management. Consumer investing revenues reflect fees received as the investment advisor to the Nations Funds family of mutual funds. Funds and business/institutional investment management fees include revenues from Sovran Capital Management and TradeStreet Investment Associates, Inc., which provide institutional investors with investment management services. Retirement services and corporate trust fees include investment advisory, administrative, fiduciary, and record-keeping services for business and institutional customers. Assets under management and administration in 1997 were impacted by the Boatmen's acquisition and the third quarter 1997 sales of certain corporate and institutional trust businesses, which included businesses that provided administrative and record-keeping services for employee benefit plans.

o Credit card income increased 18 percent to \$371 million in 1997 due primarily to the acquisition of Boatmen's and internal growth of approximately 5 percent. Credit card income includes \$28 million and \$47 million from credit card securitizations in 1997 and 1996, respectively. This decrease in credit card securitization income was mainly due to higher than expected charge-off levels.

o Other income totaled \$714 million in 1997, an increase of \$150 million over 1996. Other income includes certain prepayment fees and other fees such as net gains on sales of miscellaneous investments, business activities, premises and other similar items as well as insurance commissions and earnings and bankers' acceptances and letters of credit fees.

Noninterest Expense

Contributing to the Corporation's continued earnings growth was successful acquisition integration and expense management efforts, which resulted in a 120 basis-point decrease in the cash basis efficiency ratio to 53.8 percent in 1997 compared to 55.0 percent in 1996. Excluding the impact of the Boatmen's and Montgomery acquisitions, noninterest expense was essentially unchanged between 1997 and 1996.

19

Table Six
Noninterest Expense
(Dollars in Millions)

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
	Percent of Taxable- Equivalent Net Interest and	Percent of Taxable- Equivalent Net Interest and

	Noninterest		Noninterest		Change	
	Amount	Income	Amount	Income	Amount	Percent
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Personnel	\$3,643	28.0%	\$2,731	27.1%	\$ 912	33.4%
Occupancy, net	634	4.9	523	5.2	111	21.2
Equipment	604	4.6	451	4.5	153	33.9
Marketing	300	2.3	252	2.5	48	19.0
Professional fees	312	2.4	256	2.5	56	21.9
Amortization of intangibles	441	3.4	128	1.3	313	244.5
Data processing	283	2.2	237	2.4	46	19.4
Telecommunications	229	1.7	172	1.7	57	33.1
Other general operating	758	5.8	728	7.2	30	4.1
General administrative and miscellaneous	243	1.9	187	1.9	56	29.9
	-----	-----	-----	-----	-----	-----
	\$7,447	57.2%	\$5,665	56.3%	\$1,782	31.5
	=====	=====	=====	=====	=====	=====

</TABLE>

Based on information in Table Six, a discussion of the significant components and changes in noninterest expense in 1997 compared to 1996 levels follows:

- o Personnel expense increased \$912 million over 1996, due primarily to the impact of the Boatmen's and Montgomery acquisitions. On December 31, 1997, the Corporation had approximately 80,000 full-time equivalent employees compared to approximately 63,000 full-time equivalent employees on December 31, 1996. Excluding the impact of the Boatmen's and Montgomery acquisitions, full-time equivalent employees at December 31, 1997 were essentially unchanged compared to December 31, 1996 levels.
- o Occupancy expense increased 21 percent to \$634 million in 1997 compared to \$523 million in 1996 due to the acquisition of Boatmen's.
- o Equipment expense amounted to \$604 million in 1997, an increase of approximately 34 percent over 1996, reflecting the Boatmen's acquisition as well as enhancements to data delivery channels and product delivery systems throughout the Corporation such as the Model Banking initiative, direct banking (including PC Banking) and data base management.
- o Professional fees increased \$56 million over 1996 to \$312 million, reflecting the impact of the Boatmen's acquisition as well as higher consulting and technical support fees for projects to enhance revenue growth, the development and installation of infrastructure enhancements and customer-related data delivery areas.
- o Intangibles amortization expense increased to \$441 million in 1997, reflecting the impact of the Boatmen's acquisition.
- o Other general operating expenses increased \$30 million to \$758 million in 1997 due to higher expenses associated with the acquisition of Boatmen's.

Noninterest expense includes the cost of projects to ensure accurate date recognition and data processing with respect to the Year 2000 issue as it relates to the Corporation's businesses, operations, customers and vendors. A process of software inventory, analysis, modification, testing and verification and implementation is underway. The Corporation expects to substantially complete the Year 2000 software conversion projects by the end of 1998. The related costs, which are expensed as incurred, are included in professional, data processing, and equipment expenses. Year 2000 expenses incurred through the end of 1997 amounted to approximately \$25 million and the total cost of the Year 2000 project is estimated to be approximately \$120 million.

Management believes that its plans for dealing with the Year 2000 issue will result in timely and adequate modifications of systems and technology. Ultimately, the potential impact of the Year 2000 issue will depend not only on the corrective measures the Corporation undertakes, but also on the way in which the Year 2000 issue is addressed by governmental agencies, businesses, and other entities who provide data to, or receive data from, the Corporation, or whose financial condition or operational capability is important to the Corporation as borrowers, vendors, customers or investment opportunities. Therefore, communications with these parties have commenced to heighten their awareness of the Year 2000 issue. Over the next two years, the plans of such third parties to address the Year 2000 issue will be monitored and any identified impact on the Corporation will be evaluated.

In addition, on January 1, 1999, several countries that are members of the European Monetary Union plan to replace their respective currencies with one common currency-the euro. Costs to prepare systems impacted by this currency change are expected to be immaterial.

Income Taxes

The Corporation's income tax expense for 1997 and 1996 was \$1.7 billion and \$1.3 billion, respectively, for an effective tax rate of 35.8 percent for 1997 and 34.6 percent for 1996.

Note Eleven to the consolidated financial statements on page 74 includes a reconciliation of federal income tax expense computed using the federal statutory rate of 35 percent to actual income tax expense.

Balance Sheet Review And Liquidity Risk Management

The Corporation utilizes an integrated approach in managing its balance sheet which includes management of interest rate sensitivity, credit risk, liquidity risk and its capital position. The average balances discussed below can be derived from Table Three. The following discussion addresses changes in average balances in 1997 compared to 1996.

Average customer-based funds increased \$27.5 billion to \$123.9 billion in 1997 due to deposits obtained in the Boatmen's acquisition. As a percentage of total sources, average customer-based funds increased to 51 percent in 1997 from 48 percent in 1996.

Average market-based funds increased \$817 million in 1997 to \$61.7 billion and comprised a smaller portion of total sources of funds at 25 percent in 1997 compared to 30 percent in 1996. The increase in average market-based funds was due primarily to the Boatmen's acquisition. The \$6.7 billion increase in long-term debt was mainly the result of borrowings to fund repurchases of shares issued in the January 7, 1997 Boatmen's acquisition.

Average loans and leases, the Corporation's primary use of funds, increased \$23.0 billion to \$145.3 billion during 1997. As a percentage of total uses of funds, average loans and leases decreased to 59 percent in 1997 from 61 percent in 1996. The increase in average loans and leases was due primarily to the impact of the Boatmen's acquisition and core loan growth, partially offset by the impact of \$12.8 billion of securitizations, most of which occurred in the third quarter of 1997. The ratio of average loans and leases to customer-based funds was 117 percent in 1997 and 127 percent in 1996.

Average other assets and cash and cash equivalents increased \$9.8 billion to \$32.1 billion in 1997 due largely to an increase in intangible assets related to the acquisition of Boatmen's.

Cash and cash equivalents were \$10.6 billion on December 31, 1997, an increase of \$1.7 billion from December 31, 1996. During 1997, net cash provided by operating activities was \$266 million, net cash used in investing activities was \$19.2 billion and net cash provided by financing activities was \$20.5 billion. For further information on cash flows, see the Consolidated Statement of Cash Flows on page 49 in the consolidated financial statements.

Liquidity is a measure of the Corporation's ability to fulfill its cash requirements and is managed by the Corporation through its asset and liability management process. The Corporation monitors its assets and liabilities and modifies these positions as liquidity requirements change. This process, coupled with the Corporation's ability to raise capital and debt financing, is designed to cover the liquidity needs of the Corporation. Management believes that the Corporation's sources of liquidity are more than adequate to meet its cash requirements.

The following discussion provides an overview of significant on- and off-balance sheet components.

21

Securities

The securities portfolio serves a primary role in the overall context of balance sheet management by the Corporation. The decision to purchase or sell securities is based upon the current assessment of economic and financial conditions, including the interest rate environment, liquidity requirements and on- and off-balance sheet positions.

The securities portfolio on December 31, 1997 consisted of securities held for investment totaling \$1.2 billion and securities available for sale totaling \$46.0 billion compared to \$2.1 billion and \$12.3 billion, respectively, on December 31, 1996. The increase in available for sale securities reflects initiatives to invest excess capital in the securities portfolio and the impact of approximately \$7.5 billion of mortgage-backed securities obtained principally through residential mortgage loans that were securitized and retained primarily during the third quarter of 1997. Also contributing to the increase in available for sale securities since December 31, 1996 was the purchase of higher yielding mortgage-backed securities in the first quarter of 1997.

On December 31, 1997, the market value of the Corporation's securities held for investment reflected net unrealized appreciation of \$5 million. On December 31, 1996, the market value of the Corporation's portfolio of securities held for investment approximated the book value of the portfolio.

The valuation allowance for securities available for sale and marketable equity securities increased shareholders' equity by \$393 million on December 31, 1997, reflecting pretax appreciation of \$115 million on marketable equity securities and \$476 million on debt securities. The valuation allowance increased shareholders' equity by \$86 million on December 31, 1996. The increase in the valuation allowance was primarily attributable to a decrease in interest rates when comparing December 31, 1997 to December 31, 1996, but also reflected the impact of higher securities balances.

The estimated average maturities of securities held for investment and securities available for sale portfolios were 1.48 years and 5.66 years, respectively, on December 31, 1997 compared to 1.47 years and 6.91 years, respectively, on December 31, 1996. The decrease in the average expected maturity of the available for sale portfolio is attributable to purchases of securities during 1997 with shorter average maturities than the weighted average maturities of securities owned on December 31, 1996.

Loans and Leases

Total loans and leases increased approximately 17 percent to \$142.7 billion on December 31, 1997 compared to \$121.6 billion on December 31, 1996. As presented in Table Three, average total loans and leases increased 19 percent to \$145.3 billion in 1997 compared to \$122.3 billion in 1996 due primarily to the impact of the Boatmen's acquisition and core loan growth, partially offset by the impact of \$12.8 billion of securitizations, most of which occurred during the third quarter of 1997.

Average commercial loans increased to \$59.4 billion in 1997 compared to \$49.6 billion in 1996, due largely to the Boatmen's acquisition and core loan growth, partially offset by the impact of a \$4.2-billion commercial loan securitization that occurred during the third quarter of 1997. Average real estate commercial and construction loans increased to \$11.8 billion in 1997 as a result of the addition of Boatmen's. Excluding the Boatmen's acquisition, real estate commercial and construction loans decreased, reflecting the Corporation's efforts to lower its exposure to this line of business.

Average residential mortgage loans increased 13 percent to \$31.4 billion in 1997 compared to \$27.8 billion in 1996, mainly the result of the Boatmen's acquisition as well as core loan growth. The increase in mortgage loans was partially offset by the impact of \$8.1 billion of mortgage loan securitizations which occurred primarily during the third quarter of 1997.

Average credit card and other consumer loans, including direct and indirect consumer loans and home equity loans, increased \$4.8 billion, primarily the result of the Boatmen's acquisition. This increase was partially offset by \$500 million of other consumer loan securitizations.

A significant source of liquidity for the Corporation is the repayment and maturities of loans. Table Seven shows selected loan maturity data on December 31, 1997 and indicates that approximately 36 percent of the selected loans had maturities of one year or less. The securitization and sale of certain loans and the use of loans as collateral in asset-backed financing arrangements are also sources of liquidity.

Table Seven
Selected Loan Maturity Data
December 31, 1997
(Dollars in Millions)

This table presents the maturity distribution and interest sensitivity of selected loan categories (excluding residential mortgage, credit card, other consumer loans, lease financing and factored accounts receivable). Maturities are presented on a contractual basis.

<TABLE>
<CAPTION>

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Total			

	<C>	<C>	<C>	
Commercial	\$ 20,596	\$ 29,297	\$ 10,291	\$
60,184				
Real estate commercial	1,914	4,229	1,078	
7,221				
Real estate construction	1,945	1,730	130	
3,805				
Foreign	2,887	586	370	
3,843				
	-----	-----	-----	
Total selected loans, net of unearned income	\$ 27,342	\$ 35,842	\$ 11,869	\$
75,053	=====	=====	=====	
Percent of total	36.4%	47.8%	15.8%	
100.0%				
Cumulative percent of total	36.4	84.2	100.0	
Sensitivity of loans to changes in interest rates-loans due after one year				
Predetermined interest rate		\$ 9,018	\$ 5,057	\$
14,075				
Floating or adjustable interest rate		26,824	6,812	
33,636				
		-----	-----	
		\$ 35,842	\$ 11,869	
\$ 47,711		=====	=====	

</TABLE>

Deposits

Table Three provides information on the average amounts of deposits and the rates paid by deposit category. Through the Corporation's diverse retail banking network, deposits remain a primary source of funds for the Corporation. Average deposits increased 24 percent in 1997 over 1996 due to deposits acquired in the Boatmen's transaction.

On December 31, 1997, the Corporation had domestic certificates of deposit of \$100 thousand or greater totaling \$8.8 billion, with \$4.0 billion maturing within three months, \$1.8 billion maturing within three to six months, \$1.5 billion maturing within six to twelve months and \$1.5 billion maturing after twelve months. Additionally, on December 31, 1997, the Corporation had other domestic time deposits of \$100 thousand or greater totaling \$506 million, with \$78 million maturing within three months, \$41 million maturing within three to six months, \$78 million maturing within six to twelve months and \$309 million maturing after twelve months. Foreign office certificates of deposit and other time deposits of \$100 thousand or greater totaled \$14.4 billion and \$8.1 billion on December 31, 1997 and 1996, respectively.

Short-Term Borrowings and Trading Account Liabilities

The Corporation uses short-term borrowings as a funding source and in its management of interest rate risk. Table Eight presents the categories of short-term borrowings.

During 1997, total average short-term borrowings increased 5 percent to \$41.6 billion and trading account liabilities (excluding derivatives-dealer positions) remained essentially unchanged from 1996 levels, amounting to \$10.3 billion in 1997.

Table Eight
Short-Term Borrowings
(Dollars in Millions)

<TABLE>
<CAPTION>

	1997		1996		1995	
	Amount	Rate	Amount	Rate	Amount	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal funds purchased						
On December 31	\$ 4,376	5.75%	\$ 3,536	6.58%	\$ 5,940	5.26%
Average during year	4,111	5.56	4,694	5.35	5,455	5.91

Maximum month-end balance during year	6,950	--	8,585	--	7,317	--
Securities sold under agreements to repurchase						
On December 31	39,506	5.24	15,842	5.40	23,034	5.66
Average during year	32,355	5.09	28,517	5.37	30,336	6.14
Maximum month-end balance during year	39,506	--	29,582	--	38,926	--
Commercial paper						
On December 31	2,796	5.75	2,787	5.41	2,773	5.65
Average during year	2,966	5.67	2,966	5.57	2,804	6.10
Maximum month-end balance during year	3,200	--	3,276	--	2,930	--
Other short-term borrowing						
On December 31	4,126	5.62	1,836	5.20	4,143	5.94
Average during year	2,173	5.62	3,344	6.22	5,690	6.20
Maximum month-end balance during year	4,126	--	4,954	--	7,378	--

</TABLE>

Long-Term Debt

Long-term debt increased 18 percent from \$23.0 billion at December 31, 1996 to \$27.2 billion on December 31, 1997 mainly as a result of borrowings to fund repurchases of shares issued in the January 7, 1997 Boatmen's acquisition. During 1997, the Corporation issued \$1.0 billion of trust preferred securities and \$1.0 billion of mortgage backed bonds. Also during 1997, the Corporation issued approximately \$5.1 billion in long-term senior and subordinated debt, including \$2.1 billion which was issued under its medium-term note program and \$2.5 billion under a bank note program. See Note Six to the consolidated financial statements on page 61 for further details on long-term debt.

Other

The Corporation has commercial paper back-up lines totaling \$1.5 billion of which \$1.0 billion expires in October 1998 and \$500 million expires in October 2002. No borrowings have been made under these lines.

The Corporation's financial position is reflected in the following debt ratings, which include upgrades as applicable from December 31, 1996 ratings:

<TABLE>
<CAPTION>

	Commercial Paper	Senior Debt
	-----	-----
<S>	<C>	<C>
Moody's Investors Service	P-1	Aa3
Standard & Poor's Corporation	A-1	A+
Duff and Phelps, Inc.	D-1+	A+
Fitch IBCA, Inc.	F-1	A+
Thomson BankWatch	TBW-1	A+

</TABLE>

In managing liquidity, the Corporation takes into consideration the ability of the subsidiary banks to pay dividends to the parent company. See Note Nine to the consolidated financial statements on page 68 for further details on dividend capabilities of the subsidiary banks.

Capital Resources And Capital Management

Shareholders' equity on December 31, 1997 was \$21.3 billion compared to \$13.7 billion on December 31, 1996. The acquisition of Boatmen's resulted in the issuance of approximately 195 million shares of common

24

stock and an increase of \$9.5 billion in total shareholders' equity. The increase was partially offset by the repurchase of approximately 96 million shares of common stock for \$5.8 billion.

The Corporation's and its significant banking subsidiaries' regulatory capital ratios, along with a description of the components of risk-based capital, capital adequacy requirements and prompt corrective action provisions, are included in Note Nine to the consolidated financial statements on page 68.

Market Risk Management

In the normal course of conducting its business activities, the Corporation is exposed to market risk which includes both price and liquidity risk. Price risk arises from fluctuations in interest rates, foreign exchange rates and commodity and equity prices that may result in changes in the market values of financial instruments. Liquidity risk arises from the possibility that the Corporation may not be able to satisfy current and future financial

commitments or that the Corporation may not be able to liquidate financial instruments at market prices. Risk management procedures and policies have been established and are utilized to manage the Corporation's exposure to market risk. The strategy of the Corporation with respect to market risk is to maximize net income while maintaining an acceptable level of risk to changes in market rates. While achievement of this goal requires a balance between profitability, liquidity and market price risk, there are opportunities to enhance revenues through controlled risks. In implementing strategies to manage interest rate risk, the primary tools used by the Corporation are its securities portfolio and interest rate contracts, and management of the mix, yields or rates and maturities of assets and of the wholesale and retail funding sources of the Corporation.

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

In January 1997, the Securities and Exchange Commission (SEC) adopted new rules that require more comprehensive disclosures of accounting policies for derivatives as well as enhanced quantitative and qualitative disclosures of market risk for derivative and other financial instruments. The market risk disclosures must be presented for most financial instruments, which must be classified into two portfolios: financial instruments entered into for trading purposes and all other covered financial instruments (non-trading portfolio).

For a discussion of non-trading, on-balance sheet financial instruments see Table Nine in the following Market Risk Management section on page 27. For information on market risk associated with Asset and Liability Management (ALM) activities, see the following discussion on page 28 of the Market Risk Management section and the mortgage banking section of Noninterest Income on page 18 as well as the Mortgage Servicing Rights section in Note One to the consolidated financial statements on page 53. Market risk associated with the trading portfolio is discussed in the following Market Risk Management section on page 30. The composition of the trading portfolio and related fair values are included in Note Four to the consolidated financial statements on page 59. Derivatives-dealer positions and related credit risk are presented in Note Eight to the consolidated financial statements on page 67. Accounting policies for ALM and trading derivatives are disclosed in Note One to the consolidated financial statements in the Trading Instruments and Risk Management Instruments sections on pages 51 and 54, respectively.

Non-Trading Portfolio

The Corporation's ALM process is used to manage interest rate risk through the structuring of balance sheet and off-balance sheet portfolios and identifying and linking such off-balance sheet positions to specific assets and liabilities. Interest rate risk represents the only material market risk exposure to the Corporation's non-trading on-balance sheet financial instruments. To effectively measure and manage interest rate risk, the Corporation uses computer simulations which determine the impact on net interest income of numerous interest rate scenarios, balance sheet trends and strategies. These simulations cover the following financial instruments: short-term financial instruments, securities, loans, deposits, borrowings and off-balance sheet financial instruments. These simulations incorporate assumptions about balance sheet dynamics, such as loan and deposit growth and pricing, changes in funding mix and asset and liability repricing and maturity characteristics. Simulations are run under various interest rate scenarios to determine the impact on net income and capital. From these scenarios, interest rate risk is quantified and appropriate strategies are developed and implemented. The overall interest rate risk position and strategies are reviewed on an ongoing basis by executive management.

25

Additionally, duration and market value sensitivity measures are selectively utilized where they provide added value to the overall interest rate risk management process.

On December 31, 1997, the interest rate risk position of the Corporation was relatively neutral as the impact of a gradual parallel 100 basis-point rise or fall in interest rates over the next 12 months when compared to stable rates was estimated to be less than 2 percent of net income.

Table Nine summarizes the expected maturities, unrealized gains and losses and weighted average effective yields and rates associated with the Corporation's significant non-trading, on-balance sheet financial instruments. Cash and cash equivalents, time deposits placed and other short-term investments, fed funds sold and purchased, resale and repurchase agreements, commercial paper, other short-term borrowings and foreign deposits, which are similar in nature to other short-term borrowings, are excluded from Table Nine

as their respective carrying values approximate fair values. These financial instruments generally expose the Corporation to insignificant market risk as they have either no stated maturities or an average maturity of less than 30 days and interest rates that approximate market. However, these financial instruments can expose the Corporation to interest rate risk by requiring more or less reliance on alternative funding sources, such as long-term debt. Loans held for sale are also excluded as their carrying values approximate their fair values, generally exposing the Corporation to insignificant market risk. For further information on the fair value of financial instruments, see Note Twelve to the consolidated financial statements on page 75.

Table Nine
Non-Trading On-Balance Sheet Financial Instruments
December 31, 1997
(Dollars in Millions)

<TABLE>
<CAPTION>

	Total	Unrealized Gain/(Loss)
<S>	<C>	<C>
Assets		
Loans, net of unearned income (1)		
Fixed Rate		
Book value	\$ 58,209	\$1,056
Weighted average effective yield	8.77%	
Variable Rate		
Book value	\$ 78,592	1,343
Weighted average effective yield	8.35%	
Securities held for investment (2)		
Fixed Rate		
Book value	\$ 986	4
Weighted average effective yield	5.94%	
Variable Rate		
Book value	\$ 170	1
Weighted average effective yield	6.65%	
Securities available for sale (2)		
Fixed Rate		
Book value	\$ 44,028	472
Weighted average effective yield	6.41%	
Variable Rate		
Book value	\$ 2,019	4
Weighted average effective yield	7.04%	
Liabilities		
Total Domestic Deposits (3)		
Fixed Rate		
Book value	\$ 92,071	\$(304)
Weighted average effective rate	2.48%	
Variable Rate		
Book value	\$ 31,730	(3)
Weighted average effective rate	5.33%	
Long-term debt (excluding obligations under capital leases) (4)		
Fixed Rate		
Book value	\$ 11,661	(540)
Weighted average effective rate	7.18%	
Variable Rate		
Book value	\$ 15,489	(21)
Weighted average effective rate	6.04%	
Trust preferred securities (4)		
Fixed Rate		
Book value	\$ 1,462	(67)
Weighted average effective rate	8.15%	
Variable Rate		
Book value	\$ 493	(9)
Weighted average effective rate	6.62%	

<CAPTION>

<S>	Expected Maturity					
	1998	1999	2000	2001	2002	After 2002
	<C>	<C>	<C>	<C>	<C>	<C>
Assets						
Loans, net of unearned income (1)						
Fixed Rate						
Book value	\$18,575	\$10,227	\$7,695	\$4,756	\$ 3,021	\$13,935

Weighted average effective yield						
Variable Rate						
Book value	29,347	10,437	8,692	6,122	7,710	16,284
Weighted average effective yield						
Securities held for investment (2)						
Fixed Rate						
Book value	445	458	16	13	9	45
Weighted average effective yield						
Variable Rate						
Book value	5	144	--	21	--	--
Weighted average effective yield						
Securities available for sale (2)						
Fixed Rate						
Book value	374	4,292	1,562	2,665	11,204	23,931
Weighted average effective yield						
Variable Rate						
Book value	--	3	94	1,127	213	582
Weighted average effective yield						
Liabilities						
Total Domestic Deposits (3)						
Fixed Rate						
Book value	\$23,165	\$ 5,874	\$2,090	\$ 626	\$ 580	\$59,736
Weighted average effective rate						
Variable Rate						
Book value	5,074	3,919	3,240	2,773	2,373	14,351
Weighted average effective rate						
Long-term debt (excluding obligations under capital leases) (4)						
Fixed Rate						
Book value	1,077	438	856	1,669	527	7,094
Weighted average effective rate						
Variable Rate						
Book value	3,411	3,031	4,193	923	1,670	2,261
Weighted average effective rate						
Trust preferred securities (4)						
Fixed Rate						
Book value	--	--	--	--	600	862
Weighted average effective rate						
Variable Rate						
Book value	--	--	--	--	--	493
Weighted average effective rate						

</TABLE>

- (1) Expected maturities reflect the impact of prepayment assumptions.
- (2) Expected maturities are based on contractual maturities.
- (3) When measuring and managing market risk associated with domestic deposits, the Corporation considers its long-term relationships with depositors. The unrealized loss on domestic deposits in this table does not consider these long-term relationships.
- (4) Expected maturities of long-term debt and trust preferred securities reflect the Corporation's ability to redeem such debt prior to contractual maturities.

27

Risk management interest rate contracts are utilized in the ALM process. Such contracts, which are generally non-leveraged generic interest rate and basis swaps and options, allow the Corporation to effectively manage its interest rate risk position. As reflected in Table Ten, the total gross notional amount of the Corporation's ALM interest rate swaps on December 31, 1997 was \$32.0 billion, with the Corporation receiving fixed on \$28.2 billion, primarily converting variable-rate commercial loans to fixed rate, and receiving variable on \$1.5 billion. The net receive fixed position of \$26.8 billion on December 31, 1997 was essentially unchanged from December 31, 1996. In addition, the Corporation has \$2.3 billion of basis swaps linked primarily to long-term debt.

Table Ten also summarizes the expected maturities, weighted average pay and receive rates and the unrealized gains and losses on December 31, 1997 of the Corporation's ALM interest rate contracts. Floating rates represent the last repricing and will change in the future primarily based on movements in one-, three- and six-month LIBOR rates.

The net unrealized appreciation of the ALM swap portfolio on December 31, 1997 was \$280 million compared to net unrealized appreciation of \$69 million on December 31, 1996, reflecting a decrease in interest rates when comparing December 31, 1997 to December 31, 1996. The amount of net realized deferred gains associated with terminated ALM swaps was \$34 million on December 31, 1997 compared to \$48 million of net realized deferred losses on December 31, 1996.

To manage interest rate risk, the Corporation also utilizes interest rate

option products, primarily caps and floors. Interest rate caps and floors are agreements where, for a fee, the purchaser obtains the right to receive interest payments when a variable interest rate moves above or below a specified cap or floor rate, respectively. On December 31, 1997, the Corporation had a gross notional amount of \$5.9 billion in outstanding interest rate option contracts used for ALM purposes compared to \$6.4 billion on December 31, 1996. Such instruments are primarily linked to long-term debt, short-term borrowings and pools of similar residential mortgages and consist mainly of purchased options. On December 31, 1997, the net unrealized depreciation of ALM option products was \$7 million compared to net unrealized appreciation of \$2 million on December 31, 1996. The amount of net realized deferred gains associated with terminated ALM options was \$13 million on December 31, 1997 compared to \$4 million of net realized deferred gains on December 31, 1996.

In addition, the Corporation uses foreign currency contracts to manage the foreign exchange risk associated with foreign-denominated liabilities. Foreign currency contracts involve the conversion of certain scheduled interest and principal payments denominated in foreign currencies. On December 31, 1997, these contracts had a notional value of \$2.7 billion and a net market value of negative \$67 million.

The net unrealized appreciation in the estimated value of the ALM interest rate and net negative market value in the ALM foreign exchange portfolios should be viewed in the context of the overall balance sheet. The value of any single component of the balance sheet or off-balance sheet positions should not be viewed in isolation.

For a discussion of the Corporation's management of risk associated with mortgage production activities, see the Noninterest Income section on page 18 and the Mortgage Servicing Rights section in Note One to the consolidated financial statements on page 53.

Table Ten
 Asset and Liability Management Interest Rate Contracts
 December 31, 1997
 (Dollars in Millions, Average Expected Maturity in Years)

<TABLE>
 <CAPTION>

	Unrealized Gain/(Loss)

<S>	<C>
Asset Conversion Swaps	
Receive fixed generic	\$203
Notional amount	
Weighted average receive rate	
Weighted average pay rate	
Pay fixed generic	(19)

Notional amount	
Weighted average pay rate	
Weighted average receive rate	
Total asset conversion swaps	\$184
	====
Notional amount	
Liability Conversion Swaps	
Receive fixed generic	\$100
Notional amount	
Weighted average receive rate	
Weighted average pay rate	
Pay fixed generic	(3)

Notional amount	
Weighted average pay rate	
Weighted average receive rate	
Total liability conversion swaps	\$ 97
	=====
Notional amount	
=====	
Total receive fixed swaps	\$303
Notional amount	
Weighted average receive rate	
Weighted average pay rate	
Total pay fixed swaps	(22)
Notional amount	
Weighted average pay rate	
Weighted average receive rate	
Basis Swaps	(1)

Notional amount	-----
Weighted average receive rate	
Weighted average pay rate	
Total Swaps	\$280
	=====
Notional amount	
=====	
Option Products	
Notional amount	(7)
Weighted average strike rate	
=====	
Total Interest Rate Contracts	\$273
	=====
Notional amount	

<CAPTION>

	----- Expected Maturity -----						
After	Total	1998	1999	2000	2001	2002	
2002							

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Asset Conversion Swaps							
Receive fixed generic							
Notional amount	\$ 20,524	\$ 1,000	\$ 1,275	\$ 6,325	\$ 8,489	\$ 3,435	\$
--							
Weighted average receive rate	6.38%	5.67%	6.38%	6.40%	6.39%	6.54%	
--%							
Weighted average pay rate	5.91	5.94	5.89	5.87	5.91	5.95	
--							
Pay fixed generic							
Notional amount	\$ 1,371	\$ --	\$ 250	\$ 1,000	\$ 70	\$ --	\$
51							
Weighted average pay rate	6.75%	--%	6.46%	6.70%	7.41%	--%	
8.33%							
Weighted average receive rate	6.02	--	5.91	5.81	7.99	--	
7.86							
Total asset conversion swaps							
Notional amount	\$ 21,895	\$ 1,000	\$ 1,525	\$ 7,325	\$ 8,559	\$ 3,435	\$
51							
Liability Conversion Swaps							
Receive fixed generic							
Notional amount	\$ 7,713	\$ 1,687	\$ 826	\$ 308	\$ 1,102	\$ 495	\$
3,295							
Weighted average receive rate	6.77%	6.69%	7.26%	6.79%	6.08%	6.92%	
6.89%							
Weighted average pay rate	6.24	6.57	7.51	6.13	5.97	5.85	
5.92							
Pay fixed generic							
Notional amount	\$ 116	\$ 100	\$ --	\$ 8	\$ --	\$ 8	\$
--							
Weighted average pay rate	8.86%	9.31%	--%	6.01%	--%	6.65%	
--%							
Weighted average receive rate	5.56	5.32	--	5.84	--	5.91	
--							
Total liability conversion swaps							
Notional amount	\$ 7,829	\$ 1,787	\$ 826	\$ 316	\$ 1,102	\$ 503	\$
3,295							
=====							
=====							
Total receive fixed swaps							
Notional amount	\$ 28,237	\$ 2,687	\$ 2,101	\$ 6,633	\$ 9,591	\$ 3,930	\$
3,295							
Weighted average receive rate	6.49%	6.31%	6.73%	6.42%	6.36%	6.59%	
6.89%							
Weighted average pay rate	6.00	6.34	6.52	5.88	5.92	5.94	
5.92							
Total pay fixed swaps							
Notional amount	\$ 1,487	\$ 100	\$ 250	\$ 1,008	\$ 70	\$ 8	\$
51							
Weighted average pay rate	6.92%	9.31%	6.46%	6.69%	7.41%	6.65%	
8.33%							
Weighted average receive rate	5.97	5.32	5.91	5.81	7.99	5.91	
7.86							

Basis Swaps							
Notional amount	\$ 2,308	\$ 700	\$ 1,125	\$ 218	\$ 96	\$ 169	\$
Weighted average receive rate	5.86%	5.72%	5.80%	5.91%	7.23%	5.96%	
Weighted average pay rate	5.92	5.85	5.84	6.00	7.27	5.92	
Total Swaps							
Notional amount	\$ 32,032	\$ 3,487	\$ 3,476	\$ 7,859	\$ 9,757	\$ 4,107	\$

Option Products							
Notional amount	\$ 5,902	\$ 2,450	\$ 2,825	\$ 143	\$ 85	\$ 163	\$
Weighted average strike rate	6.77%	6.35%	6.64%	8.13%	9.43%	7.70%	

Total Interest Rate Contracts							
Notional amount	\$ 37,934	\$ 5,937	\$ 6,301	\$ 8,002	\$ 9,842	\$ 4,270	\$

<CAPTION>

	Average Expected Maturity
<S>	<C>
Asset Conversion Swaps	
Receive fixed generic	3.12
Notional amount	
Weighted average receive rate	
Weighted average pay rate	
Pay fixed generic	2.46
Notional amount	
Weighted average pay rate	
Weighted average receive rate	
Total asset conversion swaps	
Notional amount	
Liability Conversion Swaps	
Receive fixed generic	5.03
Notional amount	
Weighted average receive rate	
Weighted average pay rate	
Pay fixed generic	1.27
Notional amount	
Weighted average pay rate	
Weighted average receive rate	
Total liability conversion swaps	
Notional amount	
Total receive fixed swaps	
	3.64
Notional amount	
Weighted average receive rate	
Weighted average pay rate	
Total pay fixed swaps	2.37
Notional amount	
Weighted average pay rate	
Weighted average receive rate	
Basis Swaps	1.47
Notional amount	
Weighted average receive rate	
Weighted average pay rate	
Total Swaps	
Notional amount	
Option Products	
Notional amount	
Weighted average strike rate	

Total Interest Rate Contracts

Notional amount

</TABLE>

Trading Portfolio

The Corporation manages its exposure to market risk resulting from trading activities through a risk management function which is independent of the business units. Each major trading site is monitored by this risk management unit. Risk limits have been approved by the Corporation's Finance Committee, and daily earnings at risk limits are generally allocated to the business units. In addition to limits placed on these individual business units, limits are also imposed on the risks individual traders can take and on the amount of risk that can be concentrated in a particular product or market. Risk positions are monitored by business unit, risk management personnel and senior management on a daily basis. Business unit and risk management personnel are responsible for continual monitoring of the changing aggregate position of the portfolios under their responsibility, including projection of the profit or loss levels that could result from both normal and extreme market moves. If any market risk limits are inadvertently exceeded, the risk management unit ensures that actions are taken as necessary to bring portfolios within approved trading limits.

To estimate potential losses that could result from adverse market movements, the factor based scenario model is used to calculate daily earnings at risk. This model breaks down yield curve movements into three underlying factors to produce sixteen yield curve scenarios used to estimate hypothetical profit or loss. Earnings at risk represents a one-day measurement of pretax earnings at risk from movements in market prices using the assumption that positions cannot be rehedged during the period of any prescribed price and volatility change. A 99-percent confidence level is utilized, which indicates that actual trading profits and losses may deviate from expected levels and exceed estimates approximately one day out of every 100 days of trading activity.

Earnings at risk estimates are measured on a daily basis at the individual trading unit level, by type of trading activity and for all trading activities in the aggregate. Daily reports of estimates compared to respective limits are reviewed by senior management, and trading strategies are adjusted accordingly. In addition to the earnings at risk analysis, portfolios which have significant option positions are stress tested continually to simulate the potential loss that might occur due to unexpected market movements.

Earnings at risk is measured on both a gross and uncorrelated basis. The gross measure assumes that adverse market movements occur simultaneously across all segments of the trading portfolio, an unlikely assumption. On December 31, 1997, the gross estimates for aggregate interest rate, foreign exchange and equity and commodity trading activities were \$52 million, \$6 million and \$3 million, respectively. Alternately, using a statistical measure which is more likely to capture the effects of market movements, the uncorrelated estimate on December 31, 1997 for aggregate trading activities was \$22 million. Both measures indicate that the Corporation's primary risk exposure is related to its interest rate activities.

Average daily trading revenues in 1997 approximated \$1 million. During 1997, the Corporation's trading activities resulted in positive daily revenues for approximately 64 percent of total trading days. During 1997, the standard deviation of trading revenues was \$4 million. Using this data, one can conclude that the aggregate trading activities should not result in exposure of more than \$8 million for any one day, assuming 99-percent confidence. When comparing daily earnings at risk to trading revenues, daily earnings at risk will average considerably more due to the assumption of no corrective actions as well as the assumption that adverse market movements occur simultaneously across all segments of the trading portfolio. Instruments included in the Corporation's trading portfolio (including derivatives-dealer positions) and their fair values are disclosed in Notes Four and Eight of the notes to the consolidated financial statements on pages 59 and 67, respectively.

Credit Risk Management and Credit Portfolio Review

In conducting business activities, the Corporation is exposed to the possibility that borrowers or counterparties may default on their obligations to the Corporation. Credit risk arises through the extension of loans, leases, factored accounts receivable, certain securities, letters of credit, financial guarantees and through counterparty risk on trading and capital markets transactions. To manage this risk, the Credit Policy group establishes policies and procedures to manage both on- and off-balance sheet credit risk and communicates and monitors the application of these policies and procedures throughout the Corporation.

The Corporation's overall objective in managing credit risk is to minimize

the adverse impact of any single event or set of occurrences. To achieve this objective, the Corporation strives to maintain a credit risk profile that is diverse in terms of product type, industry concentration, geographic distribution and borrower or counterparty concentration.

The Credit Policy group works with lending officers, trading personnel and various other line personnel in areas that conduct activities involving credit risk and is involved in the implementation, refinement and monitoring of credit policies and procedures.

The Corporation manages credit exposure to individual borrowers and counterparties on an aggregate basis including loans, leases, factored accounts receivable, securities, letters of credit, bankers' acceptances, derivatives and unfunded commitments. The creditworthiness of a borrower or counterparty is determined by experienced personnel, and limits are established for the total credit exposure to any one borrower or counterparty. Credit limits are subject to varying levels of approval by senior line and credit policy management. Total exposure to a borrower or counterparty is aggregated and measured against established limits.

The originating credit officer assigns borrowers or counterparties an initial risk rating which is based on the amount of inherent credit risk and reviewed for appropriateness by senior line and credit policy personnel. Credits are monitored by line and credit policy personnel for deterioration in a borrower's or counterparty's financial condition which would impact the ability of the borrower or counterparty to perform under the contract. Risk ratings are adjusted as necessary.

For consumer lending, credit scoring systems are utilized to provide standards for extension of credit. Consumer portfolio credit risk is monitored primarily using statistical models and actual payment experience to predict portfolio behavior.

When required, the Corporation obtains collateral to support credit extensions and commitments. Generally, such collateral is in the form of real and personal property, cash on deposit or other highly liquid instruments. In certain circumstances, the Corporation obtains real property as security for some loans that are made on the general creditworthiness of the borrower and whose proceeds were not used for real estate-related purposes.

The Corporation also manages exposure to a single borrower, industry, product-type or other concentration through syndications of credits, participations, loan sales and securitizations. Through Global Finance, the Corporation is a major participant in the syndications market. In a syndicated facility, each participating lender funds only its portion of the syndicated facility, therefore limiting its exposure to the borrower. The Corporation also identifies and reduces its exposure to funded borrower, product or industry concentrations through loan sales. Generally, these sales are without recourse to the Corporation.

In conducting derivatives activities in certain jurisdictions, the Corporation reduces credit risk to any one counterparty through the use of legally enforceable master netting agreements which allow the Corporation to settle positive and negative positions with the same counterparty on a net basis. For more information on the Corporation's off-balance sheet credit risk, see Note Eight to the consolidated financial statements on page 65.

An independent credit review group conducts ongoing reviews of credit activities and portfolios, reexamining on a regular basis risk assessments for credit exposures and overall compliance with policy.

Loans, Leases and Factored Accounts Receivable Portfolio -- The Corporation's credit exposure is focused in its loans, leases and factored accounts receivable portfolio which totaled \$143.8 billion on December 31, 1997. Table Fifteen presents a distribution of loans by category.

Allowance for Credit Losses -- The Corporation's allowance for credit losses was \$2.8 billion, or 1.94 percent of net loans, leases and factored accounts receivable on December 31, 1997, compared to \$2.3 billion, or 1.89 percent, on December 31, 1996, with the increase in the allowance attributable to the acquisition of Boatmen's. Table Eleven provides an analysis of the changes in the allowance for credit losses. Total net charge-offs increased \$200 million in 1997 to \$798 million, or .54 percent of average loans, leases and factored accounts receivable, compared to \$598 million, or .48 percent, in 1996. Higher net charge-offs were largely the result of an increase in the average loans, leases, and factored accounts receivable portfolio, attributable to both the Boatmen's acquisition and internal growth as well as deterioration in consumer credit quality experienced on an industry-wide basis. This resulted in increases in total consumer net charge-offs, which were partially offset by lower commercial net charge-offs during 1997.

Table Eleven
 Allowance For Credit Losses
 (Dollars in Millions)

<TABLE>
 <CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Balance on January 1	\$ 2,315	\$ 2,163
	-----	-----
Loans, leases and factored accounts receivable charged off		
Commercial	(149)	(150)
Real estate commercial	(24)	(38)
Real estate construction	(3)	(5)
	-----	-----
Total commercial	(176)	(193)
	-----	-----
Residential mortgage	(15)	(12)
Credit card	(474)	(272)
Other consumer	(406)	(329)
	-----	-----
Total consumer	(895)	(613)
	-----	-----
Lease financing	(16)	(4)
Factored accounts receivable	(19)	(26)
	-----	-----
Total loans, leases and factored accounts receivable charged off	(1,106)	(836)
	-----	-----
Recoveries of loans, leases and factored accounts receivable previously charged off		
Commercial	79	66
Real estate commercial	24	13
Real estate construction	6	2
	-----	-----
Total commercial	109	81
	-----	-----
Residential mortgage	3	2
Credit card	79	60
Other consumer	108	85
	-----	-----
Total consumer	190	147
	-----	-----
Foreign	--	--
Lease financing	2	1
Factored accounts receivable	7	9
	-----	-----
Total recoveries of loans, leases and factored accounts receivable previously charged off	308	238
	-----	-----
Net charge-offs	(798)	(598)
	-----	-----
Provision for credit losses	800	605
Allowance applicable to loans of purchased companies and other	465	145
	-----	-----
Balance on December 31	\$ 2,782	\$ 2,315
	=====	=====
Loans, leases and factored accounts receivable, net of unearned income, outstanding on December 31	\$143,792	\$122,630
Allowance for credit losses as a percentage of loans, leases and factored accounts receivable, net of unearned income, outstanding on December 31	1.94%	1.89%
Average loans, leases and factored accounts receivable, net of unearned income, outstanding during the year	\$146,424	\$123,403
Net charge-offs as a percentage of average loans, leases and factored accounts receivable, net of unearned income, outstanding during the year .....	.54%	.48%
Ratio of the allowance for credit losses on December 31 to net charge-offs	3.49	3.87
Allowance for credit losses as a percentage of nonperforming loans	273.34%	260.02%

<CAPTION>

1995 1994 1993

<S>	<C>	<C>	<C>
Balance on January 1	\$ 2,186	\$ 2,169	\$ 1,454
Loans, leases and factored accounts receivable charged off			
Commercial	(98)	(113)	(107)
Real estate commercial	(25)	(32)	(84)
Real estate construction	(17)	(27)	(17)
Total commercial	(140)	(172)	(208)
Residential mortgage	(8)	(7)	(10)
Credit card	(189)	(126)	(184)
Other consumer	(263)	(192)	(172)
Total consumer	(460)	(325)	(366)
Lease financing	(2)	(4)	(5)
Factored accounts receivable	(34)	(32)	(30)
Total loans, leases and factored accounts receivable charged off	(636)	(533)	(609)
Recoveries of loans, leases and factored accounts receivable previously charged off			
Commercial	78	69	67
Real estate commercial	15	17	21
Real estate construction	9	26	12
Total commercial	102	112	100
Residential mortgage	2	2	3
Credit card	26	22	19
Other consumer	72	67	65
Total consumer	100	91	87
Foreign	--	--	1
Lease financing	1	3	2
Factored accounts receivable	12	11	7
Total recoveries of loans, leases and factored accounts receivable previously charged off	215	217	197
Net charge-offs	(421)	(316)	(412)
Provision for credit losses	382	310	430
Allowance applicable to loans of purchased companies and other	16	23	697
Balance on December 31	\$ 2,163	\$ 2,186	\$ 2,169
Loans, leases and factored accounts receivable, net of unearned income, outstanding on December 31	\$117,033	\$103,371	\$92,007
Allowance for credit losses as a percentage of loans, leases and factored accounts receivable, net of unearned income, outstanding on December 31	1.85%	2.11%	2.36%
Average loans, leases and factored accounts receivable, net of unearned income, outstanding during the year	\$110,650	\$96,258	\$80,058
Net charge-offs as a percentage of average loans, leases and factored accounts receivable, net of unearned income, outstanding during the year .....	.38%	.33%	.51%
Ratio of the allowance for credit losses on December 31 to net charge-offs	5.14	6.93	5.27
Allowance for credit losses as a percentage of nonperforming loans	306.49%	273.07%	193.38%

</TABLE>

Excluding increases that resulted from the acquisition of Boatmen's, management expects charge-offs in general to increase modestly in 1998, with increases in the consumer loan categories anticipated as the Corporation continues its efforts to shift the mix of the loan portfolio to a higher consumer loan concentration. Furthermore, future economic conditions also will impact credit quality and may result in increased net charge-offs and higher provision for credit losses.

Portions of the allowance for credit losses are allocated to cover the estimated losses inherent in particular risk categories of loans. The allocation of the allowance for credit losses, as presented in Table Twelve, is based upon the Corporation's loss experience over a period of years and is adjusted for existing economic conditions as well as performance trends within specific portfolio segments and individual concentrations of credit.

The nature of the process by which the Corporation determines the appropriate allowance for credit losses requires the exercise of considerable judgment. Management believes that the allowance for credit losses is appropriate given its analysis of inherent credit losses on December 31, 1997.

Table Twelve
Allocation of the Allowance for Credit Losses
December 31
(Dollars in Millions)

	1997		1996		1995		1994		1993	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	\$ 818	29.4%	\$ 665	28.7%	\$ 626	28.9%	\$ 569	26.0%	\$ 510	23.5%
Real estate										
commercial	369	13.3	267	11.5	311	14.4	397	18.2	403	18.6
Real estate										
construction	186	6.7	140	6.1	146	6.7	147	6.7	160	7.4
-										
Total commercial	1,373	49.4	1,072	46.3	1,083	50.0	1,113	50.9	1,073	49.5
-										
Residential										
mortgage	74	2.7	78	3.4	64	3.0	45	2.0	32	1.4
Credit card	279	10.0	216	9.3	209	9.7	152	7.0	119	5.5
Other consumer	369	13.3	281	12.1	291	13.4	211	9.7	199	9.2
-										
Total consumer	722	26.0	575	24.8	564	26.1	408	18.7	350	16.1
-										
Foreign	31	1.1	23	1.0	21	1.0	19	.9	8	.4
Lease financing	72	2.6	61	2.6	36	1.7	26	1.2	16	.7
Factored accounts										
receivable	22	.8	20	.9	20	.9	13	.6	13	.6
Unallocated	562	20.1	564	24.4	439	20.3	607	27.7	709	32.7
-										
	\$2,782	100.0%	\$2,315	100.0%	\$2,163	100.0%	\$2,186	100.0%	\$2,169	100.0%

Nonperforming Assets -- On December 31, 1997, nonperforming assets were \$1.1 billion, or .79 percent of net loans, leases, factored accounts receivable and foreclosed properties, compared to \$1.0 billion, or .85 percent, on December 31, 1996. As presented in Table Thirteen, nonperforming loans were \$1.0 billion at the end of 1997 compared to \$890 million at the end of 1996. The allowance coverage of nonperforming loans was 273 percent on December 31, 1997 compared to 260 percent at the end of 1996.

Foreclosed properties decreased to \$117 million on December 31, 1997 compared to \$153 million on December 31, 1996.

Table Thirteen
Nonperforming Assets
December 31
(Dollars in Millions)

	1997	1996	1995	1994
1993				
Nonperforming loans				
Commercial	\$ 293	\$ 342	\$ 271	\$ 362

Real estate commercial	157	145	196	201	
318					
Real estate construction	18	28	16	66	
142					

Total commercial	468	515	483	629	
934					

Residential mortgage	272	215	87	66	
77					
Other consumer	245	135	130	94	
93					

Total consumer	517	350	217	160	
170					

Foreign	--	--	--	3	
8					
Lease financing	33	25	6	9	
10					

Total nonperforming loans	1,018	890	706	801	
1,122					

Foreclosed properties	117	153	147	337	
661					

Total nonperforming assets	\$ 1,135	\$ 1,043	\$ 853	\$ 1,138	\$
1,783					
=====					
Nonperforming assets as a percentage of					
Total assets .....	.43%	.56%	.46%	.67%	
1.13%					
Loans, leases and factored accounts receivable, net of					
unearned income, and foreclosed properties .....	.79	.85	.73	1.10	
1.92					

</TABLE>

The loss of income associated with nonperforming loans on December 31 and the cost of carrying foreclosed properties were:

<TABLE>

<CAPTION>

	1997	1996	1995	1994	1993
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Income that would have been recorded in accordance					
with original terms	\$ 128	\$ 103	\$ 102	\$ 96	\$ 80
Less income actually recorded	(49)	(35)	(27)	(31)	(34)
	-----	-----	-----	-----	-----
Loss of income	\$ 79	\$ 68	\$ 75	\$ 65	\$ 46
	=====	=====	=====	=====	=====
Cost of carrying foreclosed properties	\$ 9	\$ 8	\$ 13	\$ 24	\$ 18
	=====	=====	=====	=====	=====

</TABLE>

On December 31, 1997, there were no material commitments to lend additional funds with respect to nonperforming loans.

Internal loan workout units are devoted to the management and/or collection of certain nonperforming assets as well as certain performing loans. Management believes concerted collection strategies and a proactive approach to managing overall credit risk have expedited the disposition, collection and renegotiation of nonperforming and other lower-quality assets. As part of this process, management routinely evaluates all reasonable alternatives, including the sale of assets individually or in groups, and selects the optimal strategy.

Loans Past Due 90 Days or More -- Table Fourteen presents total loans past due 90 days or more and still accruing interest. On December 31, 1997, loans past due 90 days or more and still accruing interest were \$315 million, or .22 percent of net loans, leases and factored accounts receivable, compared to \$245 million, or .20 percent, on December 31, 1996. The increase of \$70 million was

the result of deterioration in consumer credit quality experienced on an industry-wide basis and the Boatmen's acquisition.

Table Fourteen
Loans Past Due 90 Days or More and Still Accruing Interest
December 31
(Dollars in Millions)

<TABLE>
<CAPTION>

	1997		1996	
	Amount	Percent (1)	Amount	Percent (1)
<S>	<C>	<C>	<C>	<C>
Commercial	\$ 34	.06%	\$ 38	.08%
Real estate commercial	10	.14	13	.24
Real estate construction	4	.11	5	.17
	----	----	----	----
Total commercial	48	.07	56	.10
	----	----	----	----
Residential mortgage	64	.23	45	.16
Credit card	149	2.17	105	1.56
Other consumer	46	.17	30	.15
	----	----	----	----
Total consumer	259	.42	180	.33
	----	----	----	----
Factored accounts receivable	8	.74	9	.86
	----	----	----	----
Total	\$315	.22	\$245	.20
	====	====	====	====

</TABLE>

(1) Represents amounts past due 90 days or more and still accruing interest as a percentage of net loans for each loan category and as a percentage of net loans, leases and factored accounts receivable for total loans.

Concentrations of Credit Risk -- In an effort to minimize the adverse impact of any single event or set of occurrences, the Corporation strives to maintain a diverse credit portfolio as outlined in Tables Seventeen and Eighteen. Table Fifteen presents the distribution of loans, leases and factored accounts receivable by category.

35

Table Fifteen
Distribution of Loans, Leases and Factored Accounts Receivable
December 31
(Dollars in Millions)

<TABLE>
<CAPTION>

	1997		1996	
	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>
Domestic				
Commercial	\$ 60,184	41.9%	\$ 50,270	41.0%
Real estate commercial	7,221	5.0	5,445	4.4
Real estate construction	3,805	2.6	2,863	2.3
	----	----	----	----
Total commercial	71,210	49.5	58,578	47.7
	----	----	----	----
Residential mortgage	27,761	19.3	27,963	22.8
Credit card	6,866	4.8	6,747	5.5
Other consumer	27,121	18.8	20,595	16.8
	----	----	----	----
Total consumer	61,748	42.9	55,305	45.1
	----	----	----	----
Lease financing	5,064	3.5	4,198	3.4
Factored accounts receivable	1,074	.8	1,047	.9
	----	----	----	----
	139,096	96.7	119,128	97.1
	----	----	----	----
Foreign				
Commercial and industrial companies	3,070	2.2	2,229	1.8
Banks and other financial				

institutions	773	.5	599	.5
Governments and official institutions	--	--	--	--
Lease financing	853	.6	674	.6
	-----	-----	-----	-----
	4,696	3.3	3,502	2.9
	-----	-----	-----	-----
Total loans, leases and factored accounts receivable, net of unearned income	\$143,792	100.0%	\$122,630	100.0%
	=====	=====	=====	=====

<CAPTION>

	1995		1994		1993	
	Amount	Percent	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Domestic						
Commercial	\$ 47,989	41.0%	\$ 44,665	43.1%	\$40,808	44.3%
Real estate commercial	6,183	5.3	7,349	7.1	8,239	9.0
Real estate construction	2,976	2.5	2,981	2.9	3,256	3.5
	-----	-----	-----	-----	-----	-----
Total commercial	57,148	48.8	54,995	53.1	52,303	56.8
	-----	-----	-----	-----	-----	-----
Residential mortgage	24,026	20.6	17,244	16.7	12,689	13.8
Credit card	6,532	5.6	4,753	4.6	3,728	4.1
Other consumer	22,287	19.0	20,511	19.9	19,326	21.0
	-----	-----	-----	-----	-----	-----
Total consumer	52,845	45.2	42,508	41.2	35,743	38.9
	-----	-----	-----	-----	-----	-----
Lease financing	3,264	2.8	2,440	2.4	1,729	1.9
Factored accounts receivable	991	.8	1,004	1.0	1,001	1.1
	-----	-----	-----	-----	-----	-----
	114,248	97.6	100,947	97.7	90,776	98.7
	-----	-----	-----	-----	-----	-----
Foreign						
Commercial and industrial companies	1,635	1.4	1,183	1.1	510	.5
Banks and other financial institutions	609	.5	795	.8	446	.5
Governments and official institutions	7	--	6	--	22	--
Lease financing	534	.5	440	.4	253	.3
	-----	-----	-----	-----	-----	-----
	2,785	2.4	2,424	2.3	1,231	1.3
	-----	-----	-----	-----	-----	-----
Total loans, leases and factored accounts receivable, net of unearned income	\$117,033	100.0%	\$103,371	100.0%	\$92,007	100.0%
	=====	=====	=====	=====	=====	=====

</TABLE>

The following section discusses credit risk in the loan portfolio, including net charge-offs by loan categories as presented in Table Sixteen.

Table Sixteen
Net Charge-offs in Dollars and as a Percentage of Average Loans Outstanding
(Dollars in Millions)

	1997		1996		1995		1994	
1993								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial	\$70	.12%	\$ 84	.17%	\$ 20	.04%	\$ 44	.11%
Real estate commercial and construction	(3)	n/m	28	.30	18	.17	16	.15
	-----	-----	-----	-----	-----	-----	-----	-----
Total commercial	67	.09	112	.19	38	.07	60	.11
	-----	-----	-----	-----	-----	-----	-----	-----
Residential mortgage	12	.04	10	.03	6	.03	5	.03
Credit card	395	6.02	212	3.58	163	3.40	104	2.76
	-----	-----	-----	-----	-----	-----	-----	-----
	3.99							

Other consumer	298	1.12	244	1.09	191	.87	125	.63	107
.65									
-	-----	-----	-----	-----	-----	-----	-----	-----	-----
-	-----								
Total consumer	705	1.09	466	.82	360	.76	234	.60	279
.88									
-	-----	-----	-----	-----	-----	-----	-----	-----	-----
-	-----								
Foreign	--	--	--	--	--	--	--	--	(1)
n/m									
Lease financing	14	.24	3	.08	1	.03	1	.04	3
.18									
Factored accounts receivable	12	1.00	17	1.45	22	1.91	21	1.68	23
2.14									
-	-----	-----	-----	-----	-----	-----	-----	-----	-----
-	-----								
Total net charge-offs	\$798	.54	\$598	.48	\$421	.38	\$316	.33	\$412
.51									
	=====	=====	=====	=====	=====	=====	=====	=====	=====
===== Selected managed net charge-offs and ratios (1):									
Managed credit cards	\$591	6.49%	\$370	4.54%	\$242	3.95%	\$183	3.59%	\$174
4.00%									
Managed other consumer loans	332	1.14	264	1.07	191	.87	125	.63	107
.65									

n/m = not meaningful

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

Net charge-offs for each loan type are calculated as a percentage of average outstanding or managed loans for each loan category. Total net charge-offs are calculated based on total average outstanding loans, leases and factored accounts receivable.

36

Real Estate -- Total nonresidential real estate commercial and construction loans, the portion of such loans which are nonperforming, foreclosed properties and other credit exposures are presented in Table Seventeen. The exposures presented represent credit extensions for real estate-related purposes to borrowers or counterparties who are primarily in the real estate development or investment business and for which the ultimate repayment of the credit is dependent on the sale, lease, rental or refinancing of the real estate.

Total nonresidential real estate commercial and construction loans totaled \$11.0 billion, or 8 percent of net loans, leases and factored accounts receivable, on December 31, 1997 compared to \$8.3 billion, or 7 percent, at the end of 1996 with the increase due to the acquisition of Boatmen's. Excluding the Boatmen's acquisition, real estate commercial and construction loans decreased as a result of the Corporation's efforts to lower its exposure to this line of business. Real estate loans past due 90 days or more and still accruing interest were \$14 million, or .13 percent of total real estate loans, on December 31, 1997 compared to \$18 million, or .22 percent, on December 31, 1996.

The exposures included in Table Seventeen do not include credit extensions which were made on the general creditworthiness of the borrower for which real estate was obtained as security and for which the ultimate repayment of the credit is not dependent on the sale, lease, rental or refinancing of the real estate. Accordingly, the exposures presented do not include commercial loans secured by owner-occupied real estate, except where the borrower is a real estate developer. In addition to the amounts presented in the tables, on December 31, 1997, the Corporation had approximately \$9.4 billion of commercial loans which were not real estate dependent but for which the Corporation had obtained real estate as secondary repayment security.

37

Table Seventeen
Real Estate Commercial and Construction Loans, Foreclosed Properties and Other
Real Estate Credit Exposures
December 31, 1997
(Dollars in Millions)

<TABLE>
<CAPTION>

Loans (1)		Foreclosed Properties	Other Credit Exposures (2)
Outstanding	Nonperforming		

	<C>	<C>	<C>	<C>
<S>				
By Geographic Region (3):				
Missouri, Kansas, Illinois, Iowa and Arkansas	\$ 2,364	\$ 38	\$ 6	\$ 156
Florida and Georgia	2,260	38	19	464
Texas, Oklahoma and New Mexico	1,500	21	5	353
Maryland, District of Columbia and Virginia	1,249	22	14	366
North Carolina and South Carolina	1,209	26	6	164
Other states	2,444	30	7	624
	-----	-----	---	-----
	\$11,026	\$175	\$57	\$2,127
	=====	=====	===	=====
By Property Type:				
Apartments	\$ 1,742	\$ 7	\$--	\$ 835
Office buildings	1,720	15	7	121
Residential	1,565	24	4	75
Shopping centers/retail	1,430	44	3	461
Hotels	935	14	1	117
Industrial/warehouse	832	14	1	22
Land and land development	713	19	31	95
Resorts/golf courses	412	--	--	3
Commercial-other	343	10	4	141
Unsecured	232	2	--	41
Multiple use	111	4	1	2
Other	991	22	5	214
	-----	-----	---	-----
	\$11,026	\$175	\$57	\$2,127
	=====	=====	===	=====

</TABLE>

(1) On December 31, 1997, the Corporation had unfunded binding real estate commercial and construction loan commitments.

(2) Other credit exposures include letters of credit and loans held for sale.

(3) Distribution based on geographic location of collateral.

Other Industries -- Table Eighteen presents selected industry credit exposures, commercial loans, factored accounts receivable and lease financings. Commercial loan outstandings totaled \$60.2 billion and \$50.3 billion on December 31, 1997 and 1996, respectively, or 42 percent and 41 percent of net loans, leases and factored accounts receivable, respectively. This increase, due largely to the addition of Boatmen's and core loan growth, was partially offset by the impact of the \$4.2-billion commercial loan securitization in the third quarter of 1997. The Corporation had commercial loan net charge-offs in 1997 of \$70 million, or .12 percent of average commercial loans, compared to \$84 million, or .17 percent of average commercial loans, in 1996. Excluding a \$40-million charge-off of one large retail credit, commercial loan net charge-offs were \$30 million, or .05 percent of average commercial loans, in 1997. Commercial loans past due 90 days or more and still accruing interest were \$34 million, or .06 percent of commercial loans, on December 31, 1997 compared to \$38 million, or .08 percent, on December 31, 1996. Nonperforming commercial loans were \$293 million, or .49 percent of commercial loans, on December 31, 1997, compared to \$342 million, or .68 percent, on December 31, 1996.

38

Table Eighteen
Selected Industry Loans, Leases and Factored Accounts Receivable, Net of
Unearned Income
December 31, 1997
(Dollars in Millions)

<TABLE>
<CAPTION>

	Outstanding

<S>	<C>
Health care	\$4,222
Food, including agribusiness	3,657
Machinery and equipment, excluding defense	3,180
Automotive, excluding trucking	3,154
Oil and gas	3,086
Leisure and sports	3,059
Media	2,976
Textiles and apparel, excluding retail	2,930
Retail	2,539
Telecommunications	2,185

</TABLE>

Consumer -- On December 31, 1997 and 1996, total consumer loan outstandings totaled \$61.7 billion and \$55.3 billion, respectively, representing 43 percent of net loans, leases and factored accounts receivable

on December 31, 1997. This increase, due mainly to the addition of Boatmen's and core loan growth, was net of mortgage and other consumer loan securitizations of \$8.1 billion and \$500 million, respectively, during 1997. Credit card net charge-offs during 1997 caused most of the increase in total consumer net charge-offs and were due mainly to deterioration in consumer credit quality experienced on an industry-wide basis. A secondary factor causing the higher levels of net charge-offs during 1997 was an increase in other consumer net charge-offs, primarily the result of the Boatmen's acquisition. In addition to the credit card and other consumer loans reported in the financial statements, the Corporation manages credit card and consumer receivables which have been securitized and is continuing its efforts to shift the loan portfolio mix to a higher consumer concentration.

Average credit card receivables managed by the Card Services group (excluding private label credit cards) increased to \$9.1 billion in 1997 compared to \$8.1 billion in 1996. Average securitized credit card loans totaled \$2.6 billion during 1997 compared to \$2.2 billion during 1996.

Average managed other consumer loans, which includes direct and indirect consumer loans and home equity lines, as well as indirect auto loan and consumer finance securitizations, were \$29.2 billion in 1997, compared to \$24.6 billion in 1996. Both the increase in loans and higher net charge-offs during 1997 were due primarily to the acquisition of Boatmen's.

Total consumer loans past due 90 days or more and still accruing interest were \$259 million, or .42 percent of total consumer loans, on December 31, 1997 compared to \$180 million, or .33 percent, at the end of 1996. Total consumer nonperforming loans were \$517 million, or .84 percent of total consumer loans, on December 31, 1997 compared to \$350 million, or .63 percent, on December 31, 1996. The increases in these categories were due to the previously mentioned deterioration in consumer credit quality experienced on an industry-wide basis and the acquisition of Boatmen's.

Foreign -- Foreign outstandings include loans and leases, interest-bearing deposits with foreign banks, bankers' acceptances and other investments. The Corporation's foreign commercial outstandings totaled \$17.0 billion, \$8.1 billion and \$3.8 billion on December 31, 1997, 1996 and 1995, respectively. The Corporation had foreign outstandings of \$2.3 billion with Germany, \$2.4 billion with countries in Asia (primarily Japan), \$3.3 billion with France and \$3.8 billion with Canada on December 31, 1997. There were no foreign outstandings to any country greater than 1 percent of total assets on December 31, 1996 and 1995.

39

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40

Table Nineteen
Selected Quarterly Operating Results
(Dollars in Millions Except Per-Share Information)

<TABLE>
<CAPTION>

	1997 Quarters			
	Fourth	Third	Second	First
<S>	<C>	<C>	<C>	<C>
Interest income	\$ 4,288	\$ 4,155	\$ 4,109	\$ 4,027
Interest expense	2,300	2,183	2,121	2,077
Net interest income (taxable-equivalent)	2,018	2,001	2,017	1,978
Net interest income	1,988	1,972	1,988	1,950
Provision for credit losses	230	190	190	190
Gains (losses) on sales of securities	62	19	29	43
Noninterest income	1,500	1,224	1,165	1,113
Foreclosed properties expense (income)	3	5	4	(2)
Merger-related charge	--	--	--	--
Other noninterest expense	2,051	1,788	1,798	1,810
Income before income taxes	1,266	1,232	1,190	1,108
Income tax expense	448	444	428	399
Net income	818	788	762	709
Net income (excluding merger-related charge)	818	788	762	709
Earnings per common share	1.15	1.11	1.05	.97
Earnings per common share (excluding merger-related charge)	1.15	1.11	1.05	.97
Diluted earnings per common share	1.12	1.08	1.02	.94
Diluted earnings per common share (excluding merger-related charge)	1.12	1.08	1.02	.94
Dividends per common share .....	.38	.33	.33	.33
Yield on average earning assets	7.87%	7.93%	7.97%	7.85%
Rate on average interest-bearing liabilities	4.89	4.83	4.76	4.68

Net interest spread	2.98	3.10	3.21	3.17
Net interest yield	3.68	3.80	3.89	3.83
Average total assets	\$ 253,342	\$ 241,867	\$240,508	\$242,206
Average total deposits	132,394	132,651	134,661	134,976
Average total shareholders' equity	20,366	19,678	20,057	20,654
Return on average assets	1.28%	1.29%	1.27%	1.19%
Return on average assets (excluding merger-related charge)	1.28	1.29	1.27	1.19
Return on average common shareholders' equity (1)	15.93	15.91	15.25	13.96
Return on average common shareholders' equity (excluding merger-related charge) (1)	15.93	15.91	15.25	13.96
Cash basis financial data (2)				
Earnings per common share	\$ 1.31	\$ 1.27	\$ 1.21	\$ 1.10
Earnings per common share (excluding merger-related charge)	1.31	1.27	1.21	1.10
Diluted earnings per common share	1.28	1.23	1.17	1.07
Diluted earnings per common share (excluding merger-related charge)	1.28	1.23	1.17	1.07
Return on average tangible assets	1.52%	1.53%	1.51%	1.40%
Return on average tangible assets (excluding merger-related charge)	1.52	1.53	1.51	1.40
Return on average tangible common shareholders' equity (1)	33.86	31.96	30.59	26.38
Return on average tangible common shareholders' equity (excluding merger-related charge) (1)	33.86	31.96	30.59	26.38
Market price per share of common stock				
High for the period	\$ 66 3/8	\$71 11/16	\$ 70	\$ 65
Low for the period	55	56 5/8	54	48
Closing price	60 13/16	61 7/8	64 9/16	55 1/2
Tier 1 capital ratio	6.50%	7.00%	6.83%	7.06%
Total capital ratio	10.89	11.56	11.32	11.58

<CAPTION>

	1996 Quarters			
	Fourth	Third	Second	First
	<C>	<C>	<C>	<C>
Interest income	\$ 3,358	\$ 3,423	\$ 3,442	\$ 3,573
Interest expense	1,768	1,828	1,855	2,016
Net interest income (taxable-equivalent)	1,612	1,616	1,611	1,584
Net interest income	1,590	1,595	1,587	1,557
Provision for credit losses	150	145	155	155
Gains (losses) on sales of securities	33	26	(6)	14
Noninterest income	958	886	917	885
Foreclosed properties expense (income)	7	6	7	--
Merger-related charge	--	--	--	118
Other noninterest expense	1,466	1,400	1,405	1,394
Income before income taxes	958	956	931	789
Income tax expense	326	331	326	276
Net income	632	625	605	513
Net income (excluding merger-related charge)	632	625	605	590
Earnings per common share	1.09	1.06	1.00	.85
Earnings per common share (excluding merger-related charge)	1.09	1.06	1.00	.98
Diluted earnings per common share	1.07	1.05	.99	.84
Diluted earnings per common share (excluding merger-related charge)	1.07	1.05	.99	.96
Dividends per common share .....	.33	.29	.29	.29
Yield on average earning assets	7.86%	7.87%	7.80%	7.80%
Rate on average interest-bearing liabilities	4.77	4.84	4.83	4.97
Net interest spread	3.09	3.03	2.97	2.83
Net interest yield	3.75	3.69	3.62	3.43
Average total assets	\$194,321	\$197,923	\$202,796	\$ 208,617
Average total deposits	105,765	107,715	109,988	106,906
Average total shareholders' equity	13,224	13,133	13,552	13,144
Return on average assets	1.29%	1.26%	1.20%	.99%
Return on average assets (excluding merger-related charge)	1.29	1.26	1.20	1.14
Return on average common shareholders' equity (1)	19.06	19.00	18.00	15.71
Return on average common shareholders' equity (excluding merger-related charge) (1)	19.06	19.00	18.00	18.07
Cash basis financial data (2)				
Earnings per common share	\$ 1.16	\$ 1.12	\$ 1.05	\$.89
Earnings per common share (excluding merger-related charge)	1.16	1.12	1.05	1.02
Diluted earnings per common share	1.14	1.11	1.04	.88
Diluted earnings per common share (excluding merger-related charge)	1.14	1.11	1.04	1.00
Return on average tangible assets	1.38%	1.34%	1.28%	1.05%
Return on average tangible assets (excluding				

merger-related charge)	1.38	1.34	1.28	1.20
Return on average tangible common shareholders' equity (1)	23.81	23.56	22.00	19.14
Return on average tangible common shareholders' equity (excluding merger-related charge) (1)	23.81	23.56	22.00	21.85
Market price per share of common stock				
High for the period	\$ 52 5/8	\$47 1/16	\$42 5/16	\$40 11/16
Low for the period	43 1/8	38 3/16	37 3/8	32 3/16
Closing price	48 7/8	43 7/16	41 5/16	40 1/16
Tier 1 capital ratio	7.76%	7.05%	7.58%	7.35%
Total capital ratio	12.66	12.05	11.93	11.71

(1) Average common shareholders' equity does not include the effect of market value adjustments to securities available for sale and marketable equity securities.

(2) Cash basis calculations exclude intangible assets and the related amortization expense.

41

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

<TABLE>
<CAPTION>

Quarter 1997	Fourth Quarter 1997			Third	
	Average Balance Sheet Amounts	Income or Expense	Yields/Rates	Average Balance Sheet Amounts	
Income or Yields/Expense Rates					
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Earning assets					
Loans and leases, net of unearned income (1)					
Commercial	\$ 58,210	\$1,216	8.30%	\$ 59,826	\$1,258
8.34%					
Real estate commercial	7,385	168	8.99	7,747	172
8.82					
Real estate construction	3,850	85	8.71	3,731	83
8.81					
Total commercial	69,445	1,469	8.40	71,304	1,513
8.42					
Residential mortgage	27,419	531	7.73	32,318	635
7.84					
Credit card	6,541	198	12.00	6,841	209
12.10					
Other consumer	26,929	667	9.83	26,482	640
9.60					
Total consumer	60,889	1,396	9.11	65,641	1,484
9.00					
Foreign	3,530	67	7.50	3,770	66
6.89					
Lease financing	5,873	113	7.74	5,821	112
7.68					
Total loans and leases, net	139,737	3,045	8.66	146,536	3,175
8.61					
Securities					
Held for investment	1,231	20	6.26	1,424	22
6.23					
Available for sale (2)	39,059	666	6.81	24,625	427
6.92					

6.88	Total securities	40,290	686	6.79	26,049	449
7.40	Loans held for sale	1,762	31	7.08	1,253	24
5.47	Federal funds sold and securities purchased under agreements to resell	12,610	168	5.29	11,468	158
5.93	Time deposits placed and other short-term investments	2,175	38	6.93	1,755	26
6.21	Trading account securities (3)	21,715	350	6.41	22,617	352
7.93	Total earning assets (4)	218,289	4,318	7.87	209,678	4,184
	Cash and cash equivalents	8,793			8,552	
	Factored accounts receivable	1,227			1,199	
	Other assets, less allowance for credit losses	25,033			22,438	
	Total assets	\$253,342			\$241,867	
	Interest-bearing liabilities					
1.98	Savings	\$ 9,479	48	1.98	\$ 9,754	49
2.55	NOW and money market deposit accounts	39,922	258	2.58	40,665	262
5.21	Consumer CDs and IRAs	36,930	488	5.24	37,549	493
5.54	Negotiated CDs, public funds and other time deposits	2,701	39	5.63	3,114	43
5.43	Foreign time deposits	10,622	150	5.60	9,668	133
5.62	Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	47,433	659	5.51	40,304	571
6.30	Trading account liabilities (3)	11,522	190	6.54	10,231	163
6.60	Long-term debt (5)	28,392	468	6.59	28,416	469
4.83	Total interest-bearing liabilities (6)	187,001	2,300	4.89	179,701	2,183
	Noninterest-bearing sources					
	Noninterest-bearing deposits	32,740			31,901	
	Other liabilities	13,235			10,587	
	Shareholders' equity	20,366			19,678	
	Total liabilities and shareholders' equity	\$253,342			\$241,867	
3.10	Net interest spread			2.98		
.70	Impact of noninterest-bearing sources .....			.70		
3.80%	Net interest income/yield on earning assets		\$2,018	3.68%		\$2,001

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

(2) The average balance sheet amounts and yields on securities available for sale are based on the average of historical amortized cost balances.

(3) The fair values of derivatives-dealer positions are reported in other assets and liabilities, respectively.

(4) Interest income includes taxable-equivalent adjustments of \$30, \$29, \$29 and \$28 in the fourth, third, second and first quarters of 1997, respectively, and \$22 in the fourth quarter of 1996. Interest income also includes the impact of risk management interest rate contracts, which increased interest income on the underlying linked assets \$26, \$25, \$34 and \$48 in the fourth, third, second and first quarters of 1997, respectively, and \$31 in the fourth quarter of 1996.

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

(6) Interest expense includes the impact of risk management interest rate contracts, which decreased interest expense on the underlying linked liabilities \$11, \$8, \$11 and \$10 in the fourth, third, second and first quarters of 1997, respectively, and \$1 in the fourth quarter of 1996.

42

Second Quarter 1997			First Quarter 1997			Fourth Quarter 1996		
Average Balance Sheet Amounts	Income or Expense	Yields/ Rates	Average Balance Sheet Amounts	Income or Expense	Yields/ Rates	Average Balance Sheet Amounts	Income or Expense	Yields/ Rates
\$ 60,133	\$1,265	8.43%	\$ 59,542	\$1,229	8.38%	\$ 49,987	\$1,044	8.30%
8,446	191	9.09	8,646	190	8.90	5,388	122	9.00
3,765	88	9.43	3,778	84	8.98	3,084	67	8.74
72,344	1,544	8.56	71,966	1,503	8.47	58,459	1,233	8.39
33,848	658	7.79	32,072	621	7.78	28,174	548	7.77
7,102	211	11.93	7,170	205	11.60	6,363	185	11.58
26,154	628	9.61	26,872	632	9.54	20,581	503	9.69
67,104	1,497	8.94	66,114	1,458	8.91	55,118	1,236	8.93
3,119	56	7.29	3,283	56	6.86	2,701	47	6.89
5,546	107	7.69	5,316	103	7.79	4,614	87	7.66
148,113	3,204	8.67	146,679	3,120	8.61	120,892	2,603	8.57
1,647	24	5.94	1,920	29	6.05	2,585	36	5.55
20,851	361	6.93	20,740	356	6.89	11,540	205	7.10
22,498	385	6.86	22,660	385	6.82	14,125	241	6.82
819	16	7.91	1,062	17	6.49	802	15	7.31
11,478	169	5.91	13,370	188	5.70	12,291	162	5.24
2,303	31	5.36	2,228	28	5.11	1,991	25	4.86
22,793	333	5.84	22,848	317	5.60	21,148	334	6.32
208,004	4,138	7.97	208,847	4,055	7.85	171,249	3,380	7.86
8,637			9,178			7,720		
1,188			1,078			1,256		
22,679			23,103			14,096		
\$240,508			\$242,206			\$194,321		
\$ 10,096	50	2.00	\$ 10,220	53	2.10	\$ 8,607	46	2.12
41,792	272	2.60	42,138	273	2.64	30,634	191	2.47
38,481	501	5.22	39,458	507	5.21	30,870	405	5.22
3,459	47	5.47	3,555	47	5.31	2,544	35	5.53
9,523	125	5.30	9,278	118	5.14	9,139	117	5.10
38,793	524	5.42	39,828	509	5.18	33,928	455	5.34
9,376	160	6.85	9,949	165	6.73	9,314	152	6.48
27,260	442	6.49	25,244	405	6.50	22,702	367	6.53
178,780	2,121	4.76	179,670	2,077	4.68	147,738	1,768	4.77
31,310			30,327			23,971		
10,361			11,555			9,388		
20,057			20,654			13,224		
\$240,508			\$242,206			\$194,321		
		3.21			3.17			3.09
		.68			.66			.66
	\$2,017	3.89%		\$1,978	3.83%		\$1,612	3.75%

</TABLE>

43

1996 Compared to 1995

The following discussion and analysis provides a comparison of the Corporation's results of operations for the years ended December 31, 1996 and 1995. This discussion should be read in conjunction with the consolidated financial statements and related notes on pages 45 through 79.

Overview

The Corporation's continued earnings momentum was demonstrated through a 26-percent increase in operating net income to \$2.45 billion in 1996 compared to \$1.95 billion in 1995. Operating earnings per common share for 1996 increased 16 percent to \$4.13 from \$3.56 in 1995. Including a merger-related charge of \$118 million (\$77 million, net of tax), net income increased 22 percent to \$2.38 billion while earnings per common share rose 12 percent to \$4.00 and diluted earnings per common share increased 11 percent to \$3.92, respectively.

Business Unit Operations

The General Bank's 1996 earnings increased 35 percent to \$1.6 billion. Return on average equity increased approximately 300 basis points to 22 percent in 1996. Revenue growth and expense control led to a 520-basis point improvement in the efficiency ratio in 1996 to 58.6 percent.

Global Finance's earnings rose to \$635 million in 1996. Return on average equity remained constant at 16 percent in 1996. The efficiency ratio improved slightly to 53.5 percent.

Financial Services' earnings rose 29 percent to \$166 million in 1996. Return on average equity remained constant at 14 percent in 1996. The efficiency ratio was 45.1 percent in 1996 compared to 42.1 percent in 1995 due primarily to office consolidation costs in 1996.

Net Interest Income

Taxable-equivalent net interest income increased 16 percent to \$6.4 billion in 1996 compared to \$5.6 billion in 1995 due to acquisitions of several banking operations, higher spreads in the securities portfolio, core loan growth and increased noninterest-bearing deposits, partially offset by the impact of securitizations and a shift in funding to long-term debt.

The net interest yield increased 29 basis points to 3.62 percent in 1996 compared to 3.33 percent in 1995 due to the sale of low-yielding securities and the reinvestment of proceeds into higher-spread products.

Provision for Credit Losses

The provision for credit losses covered net charge-offs and was \$605 million in 1996 compared to \$382 million in the prior year, reflecting the continuation of a return to more normalized levels of credit losses following periods of unusually low credit losses. Net charge-offs increased \$177 million to \$598 million in 1996 over 1995 due primarily to increases in commercial, other consumer and credit card net charge-offs.

The allowance for credit losses was \$2.3 billion, or 1.89 percent of net loans, leases and factored accounts receivable, on December 31, 1996 compared to \$2.2 billion, or 1.85 percent, at the end of 1995. The allowance for credit losses was 260 percent of nonperforming loans on December 31, 1996 compared to 306 percent on December 31, 1995.

Noninterest Income

Noninterest income increased 19 percent to \$3.6 billion in 1996, driven primarily by higher deposit account service charges, investment banking income and mortgage servicing and other mortgage-related income.

Noninterest Expense

Noninterest expense increased 10 percent to \$5.7 billion. Excluding the impact of acquisitions, noninterest expense increased only 4 percent, the result of increased expenditures in selected areas to support revenue growth through enhancing customer sales and optimizing product and data delivery channels. Higher marketing expenses associated with the 1996 Summer Olympics also contributed to the increase in 1996 expenses.

Income Taxes

The Corporation's income tax expense for 1996 was \$1.3 billion, for an effective tax rate of 34.6 percent of pretax income. Income tax expense for 1995 was \$1.0 billion, for an effective tax rate of 34.8 percent.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Market Risk Management" for Quantitative and Qualitative Disclosures about Market Risk.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management

The management of NationsBank Corporation is responsible for the preparation, integrity and objectivity of the consolidated financial statements of the Corporation. The consolidated financial statements and notes have been prepared by the Corporation in accordance with generally accepted accounting principles and, in the judgment of management, present fairly the Corporation's financial position and results of operations. The financial information contained elsewhere in this report is consistent with that in the financial statements. The financial statements and other financial information in this report include amounts that are based on management's best estimates and judgments and give due consideration to materiality.

The Corporation maintains a system of internal accounting controls to provide reasonable assurance that assets are safe-guarded and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Management recognizes that even a highly effective internal control system has inherent risks, including the possibility of human error and the circumvention or overriding of controls, and that the effectiveness of an internal control system can change with circumstances. However, management believes that the internal control system provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected on a timely basis and corrected through the normal course of business. As of December 31, 1997, management believes that the internal controls are in place and operating effectively.

The Internal Audit Division of the Corporation reviews, evaluates, monitors and makes recommendations on both administrative and accounting control, which acts as an integral, but independent, part of the system of internal controls.

The independent accountants were engaged to perform an independent audit of the consolidated financial statements. In determining the nature and extent of their auditing procedures, they have evaluated the Corporation's accounting policies and procedures and the effectiveness of the related internal control system. An independent audit provides an objective review of management's responsibility to report operating results and financial condition. Their report appears on page 46.

The Board of Directors discharges its responsibility for the Corporation's financial statements through its Audit Committee. The Audit Committee meets periodically with the independent accountants, internal auditors and management. Both the independent accountants and internal auditors have direct access to the Audit Committee to discuss the scope and results of their work, the adequacy of internal accounting controls and the quality of financial reporting.

/s/ Hugh L. McColl Jr.
HUGH L. MCCOLL JR.
Chief Executive Officer

/s/ James H. Hance Jr.
JAMES H. HANCE JR.
Vice Chairman and
Chief Financial Officer

Report Of Independent Accountants

To The Board Of Directors And Shareholders Of NationsBank Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of NationsBank Corporation and its subsidiaries at December 31, 1997

and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

[GRAPHIC OMITTED]

Charlotte, North Carolina
January 9, 1998

46

NationsBank Corporation and Subsidiaries
Consolidated Statement of Income
(Dollars in Millions Except Per-Share Information)

<TABLE>
<CAPTION>

	Year Ended December 31		
	1997	1996	1995
-			
-			
<S>	<C>	<C>	<C>
Interest income			
Interest and fees on loans and leases	\$ 12,481	\$ 10,440	\$ 9,552
Interest and dividends on securities	1,855	1,306	1,468
Federal funds sold and securities purchased under agreements to resell	683	666	937
Trading account securities	1,349	1,225	1,097
Other interest income	211	159	166
Total interest income	16,579	13,796	13,220
Interest expense			
Deposits	3,955	3,322	3,281
Borrowed funds	2,264	2,155	2,710
Trading account liabilities	678	653	896
Long-term debt	1,784	1,337	886
Total interest expense	8,681	7,467	7,773
Net interest income	7,898	6,329	5,447
Provision for credit losses	800	605	382
Net credit income	7,098	5,724	5,065
Gains on sales of securities	153	67	29
Noninterest income			
Service charges on deposit accounts	1,546	1,121	884
Mortgage servicing and other mortgage-related income	287	213	138
Investment banking income	627	356	192
Trading account profits and fees	265	274	306
Brokerage income	234	110	114
Other nondeposit-related service fees	310	262	224
Asset management and fiduciary service fees	648	432	444
Credit card income	371	314	277
Other income	714	564	499
Total noninterest income	5,002	3,646	3,078
Foreclosed properties expense	10	20	18
Merger-related charge	--	118	--
Other noninterest expense			
Personnel	3,643	2,731	2,491
Occupancy, net	634	523	495
Equipment	604	451	397
Marketing	300	252	217
Professional fees	312	256	182

Amortization of intangibles	441	128	119
Data processing	283	237	229
Telecommunications	229	172	150
Other general operating	758	728	719
General administrative and miscellaneous	243	187	164
	-----	-----	-----
Total other noninterest expense	7,447	5,665	5,163
	-----	-----	-----
Income before income taxes	4,796	3,634	2,991
Income tax expense	1,719	1,259	1,041
	-----	-----	-----
Net income	\$ 3,077	\$ 2,375	\$ 1,950
	=====	=====	=====
Net income available to common shareholders	\$ 3,066	\$ 2,360	\$ 1,942
	=====	=====	=====
Per-share information (1)			
Earnings per common share	\$ 4.27	\$ 4.00	\$ 3.56
	=====	=====	=====
Diluted earnings per common share	\$ 4.17	\$ 3.92	\$ 3.52
	=====	=====	=====
Dividends per common share	\$ 1.37	\$ 1.20	\$ 1.04
	=====	=====	=====
Average common shares issued (in thousands) (1)	717,450	590,216	544,959
	=====	=====	=====

(1) Shares and per-share data reflect a 2-for-1 stock split on February 27, 1997.

</TABLE>

See accompanying notes to consolidated financial statements.

47

NationsBank Corporation and Subsidiaries

Consolidated Balance Sheet
(Dollars in Millions)

<TABLE>
<CAPTION>

	December 31	
	1997	1996
	-----	-----
--		
--		
<S>	<C>	<C>
Assets		
Cash and cash equivalents	\$ 10,586	\$ 8,933
Time deposits placed and other short-term investments	2,395	1,843
Securities		
Held for investment, at cost (market value -- \$1,161 and \$2,110).....	1,156	2,110
Available for sale	46,047	12,277
	-----	-----
Total securities	47,203	14,387
	-----	-----
Loans held for sale	2,911	1,215
Federal funds sold and securities purchased under agreements to resell	10,022	6,959
Trading account assets	23,678	18,689
Loans and leases, net of unearned income	142,718	121,583
Factored accounts receivable	1,074	1,047
Allowance for credit losses	(2,782)	(2,315)
	-----	-----
Loans, leases and factored accounts receivable, net of unearned income and allowance for credit losses	141,010	120,315
	-----	-----
Premises and equipment, net	3,225	2,712
Customers' acceptance liability	1,154	858
Interest receivable	1,721	1,159
	-----	-----
Mortgage servicing rights	1,282	946
Goodwill	8,625	1,640
Core deposit and other intangibles	755	390
Other assets	9,995	5,748
	-----	-----
	\$264,562	\$185,794
	=====	=====
Liabilities		
Deposits		
Noninterest-bearing	\$ 34,674	\$ 25,738
Savings	9,385	8,498
NOW and money market deposit accounts	40,611	31,128

Time	39,131	33,081
Foreign time	14,393	8,053
	-----	-----
Total deposits	138,194	106,498
	-----	-----
Federal funds purchased and securities sold under agreements to repurchase	43,882	19,378
Trading account liabilities	15,207	11,752
Commercial paper	2,796	2,787
Other short-term borrowings	4,126	1,836
Liability to factoring clients	591	597
Acceptances outstanding	1,154	858
Accrued expenses and other liabilities	8,116	4,429
Trust preferred securities	1,955	965
Long-term debt	27,204	22,985
	-----	-----
Total liabilities	243,225	172,085
	-----	-----
Contingent liabilities and other financial commitments (Notes Eight and Ten)		
Shareholders' Equity		
Preferred stock: authorized -- 45,000,000 shares; issued -- 2,201,728 and 5,220,459 shares	94	171
Common stock: authorized -- 1,250,000,000 shares; issued -- 712,188,008 and 573,492,308 shares	9,168	3,855
Retained earnings	11,754	9,673
Other, including loan to ESOP trust	321	10
	-----	-----
Total shareholders' equity	21,337	13,709
	-----	-----
	\$264,562	\$185,794
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

48

NationsBank Corporation and Subsidiaries

Consolidated Statement of Cash Flows
(Dollars in Millions)

	Year Ended December		

	1997	1996	
	-----	-----	
31			

1995			

<S>	<C>	<C>	
<C>			
Operating Activities			
Net income	\$ 3,077	\$ 2,375	\$
1,950			
Reconciliation of net income to net cash provided by (used in) operating activities			
Provision for credit losses	800	605	
382			
Gains on sales of securities	(153)	(67)	
(29)			
Depreciation and premises improvements amortization	424	314	
280			
Amortization of intangibles	441	128	
119			
Deferred income tax expense	414	346	
159			
Net change in trading instruments	(1,252)	(3,280)	
(5,175)			
Net (increase) decrease in interest receivable	(270)	518	
(182)			
Net increase (decrease) in interest payable	88	(545)	
208			
Net (increase) decrease in loans held for sale	(1,696)	449	
(1,345)			
Other operating activities	(1,607)	961	
(1,300)			
	-----	-----	
Net cash provided by (used in) operating activities	266	1,804	
(4,933)	-----	-----	

Investing Activities			
Proceeds from maturities of securities held for investment	987	2,329	
5,547			
Purchases of securities held for investment	(128)	(14)	
(545)			
Proceeds from sales and maturities of securities available for sale	34,603	28,998	
25,556			
Purchases of securities available for sale	(48,727)	(12,708)	
(27,594)			
Net (increase) decrease in federal funds sold and securities			
purchased under agreements to resell	(800)	(424)	
4,931			
Net (increase) decrease in time deposits placed and other short-term investments	(756)	(565)	
863			
Purchases and net originations of loans and leases	(20,613)	(13,822)	
(18,331)			
Proceeds from sales and securitizations of loans and leases	15,180	12,286	
4,681			
Purchases and originations of mortgage servicing rights	(397)	(366)	
(598)			
Purchases of factored accounts receivable	(7,919)	(7,738)	
(7,856)			
Collections of factored accounts receivable	7,873	7,656	
7,834			
Net purchases of premises and equipment	(125)	(348)	
(307)			
Proceeds from sales of foreclosed properties	190	174	
204			
Sales and acquisitions of business activities, net of cash	1,478	416	
(567)			
	-----	-----	
Net cash (used in) provided by investing activities	(19,154)	15,874	
(6,182)			
	-----	-----	

Financing Activities			
Net decrease in deposits	(58)	(6,573)	
(158)			
Net increase (decrease) in federal funds purchased and securities			
sold under agreements to repurchase	20,357	(10,601)	
2,909			
Net increase (decrease) in other short-term borrowings and commercial paper	1,010	(3,171)	
(1,244)			
Proceeds from issuance of trust preferred securities	990	965	
--			
Proceeds from issuance of long-term debt	6,127	7,230	
11,393			
Retirement of long-term debt	(2,275)	(3,093)	
(2,061)			
Proceeds from issuance of common stock	1,242	136	
239			
Cash dividends paid	(996)	(722)	
(575)			
Common stock repurchased	(5,769)	(1,503)	
(522)			
Other financing activities	(87)	139	
--			
	-----	-----	
Net cash provided by (used in) financing activities	20,541	(17,193)	
9,981			
	-----	-----	
Net increase (decrease) in cash and cash equivalents	1,653	485	
(1,134)			
Cash and cash equivalents on January 1	8,933	8,448	
9,582			
	-----	-----	
Cash and cash equivalents on December 31	\$ 10,586	\$ 8,933	\$
8,448			
	=====	=====	
=====			
Supplemental cash flow disclosure:			
Cash paid for interest	\$ 8,593	\$ 7,974	\$
7,565			
Cash paid for income taxes	563	786	
675			
</TABLE>			

Loans transferred to foreclosed properties amounted to \$150, \$160 and \$98 in 1997, 1996 and 1995, respectively.

Loans securitized and retained in the available for sale securities portfolio amounted to \$7,532 and \$4,302 in 1997 and 1996, respectively.

The fair values of noncash assets acquired and liabilities assumed in acquisitions during 1997 were approximately \$49,355 and \$40,992, respectively, net of cash acquired.

See accompanying notes to consolidated financial statements.

NationsBank Corporation and Subsidiaries

Consolidated Statement of Changes in Shareholders' Equity
(Dollars in Millions, Shares in Thousands)

<TABLE>
<CAPTION>

Total Share- holders' Equity	Common Stock				Retained Earnings	Other
	Preferred Stock	Shares	Amount			
	-----	-----	-----	-----	-----	-----
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance on December 31, 1994	\$111	552,904	\$ 4,740	\$6,451	\$ (291)	
\$11,011						
Net income				1,950		
1,950						
Cash dividends						
Common				(567)		
(567)						
Preferred				(8)		
(8)						
Common stock issued under dividend reinvestment and employee plans		8,878	214			25
239						
Common stock issued in acquisitions		5,996	217			
217						
Common stock repurchased		(19,466)	(522)			
(522)						
Net change in unrealized gains (losses) on securities available for sale and marketable equity securities						460
460						
Other	(6)	226	6			21
21						
	-----	-----	-----	-----	-----	-----
Balance on December 31, 1995	105	548,538	4,655	7,826	215	
12,801						
Net income				2,375		
2,375						
Cash dividends						
Common				(707)		
(707)						
Preferred				(15)		
(15)						
Common stock issued under employee plans		3,456	109			27
136						
Stock issued in acquisitions	73	55,436	586	192		2
853						
Common stock repurchased		(34,196)	(1,503)			
(1,503)						
Net change in unrealized gains (losses) on securities available for sale and marketable equity securities						(240)
(240)						
Other	(7)	258	8	2		6
9						
	-----	-----	-----	-----	-----	-----
Balance on December 31, 1996	171	573,492	3,855	9,673	10	
13,709						
Net income				3,077		
3,077						
Cash dividends						

Common				(985)	
(985)					
Preferred				(11)	
(11)					
Common stock issued under employee plans		27,725	1,255		(13)
1,242					
Stock issued in acquisitions	82	202,966	9,746		
9,828					
Common stock repurchased		(95,862)	(5,769)		
(5,769)					
Redemption of preferred stock	(73)				
(73)					
Conversion of preferred stock	(86)	3,857	86		
Net change in unrealized gains (losses) on securities available for sale and marketable equity securities					307
307					
Other		10	(5)		17
12					
-----	-----	-----	-----	-----	-----
Balance on December 31, 1997	\$ 94	712,188	\$ 9,168	\$11,754	\$ 321
\$21,337	=====	=====	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

NationsBank Corporation (the Corporation) is a multi-bank holding company organized under the laws of North Carolina in 1968 and registered under the Bank Holding Company Act of 1956, as amended. Through its banking subsidiaries and its various nonbanking subsidiaries, the Corporation provides banking and banking-related services, primarily throughout the Southeast, Mid-Atlantic, Midwestern and Southwestern states.

Note One -- Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Corporation and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Results of operations of companies purchased are included from the dates of acquisition. Certain prior period amounts have been reclassified to conform to current year classifications.

Assets held in an agency or fiduciary capacity are not included in the consolidated financial statements.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates made by management are discussed in these footnotes as applicable.

On February 27, 1997, the Corporation completed a 2-for-1 split of its common stock. Accordingly, the consolidated financial statements for all years presented reflect the impact of the stock split.

Cash and Cash Equivalents

Cash on hand, cash items in the process of collection and amounts due from correspondent banks and the Federal Reserve Bank are included in cash and cash equivalents.

Securities

Securities are classified based on management's intention on the date of purchase. Securities which management has the intent and ability to hold to maturity are classified as held for investment and reported at amortized cost. Other securities, except those used in trading activities, are classified as available for sale and carried at fair value with net unrealized gains and losses included in shareholders' equity on an after-tax basis. Marketable equity securities are carried at fair value with net unrealized gains and losses included in shareholders' equity, net of tax.

Interest and dividends on securities, including amortization of premiums and accretion of discounts, are included in interest income. Realized gains and losses from the sales of securities are determined using the specific

identification method.

Loans Held for Sale

Loans held for sale include residential mortgage, commercial real estate and other loans and are carried at the lower of aggregate cost or market value. Generally, such loans are originated with the intent of sale.

Securities Purchased Under Agreements To Resell And Securities Sold Under Agreements To Repurchase

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. The Corporation's policy is to obtain the use of securities purchased under agreements to resell. The market value of the underlying securities which collateralize the related receivable on agreements to resell is monitored, including accrued interest, and additional collateral is requested when deemed appropriate.

Trading Instruments

Instruments utilized in trading activities include both securities and derivatives and are stated at fair value. Fair value is generally based on quoted market prices. If quoted market prices are not available, fair values are

51

estimated based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics. Gross unrealized gains and losses on trading derivative positions with the same counterparty are generally presented on a net basis for balance sheet reporting purposes where legally enforceable master netting agreements have been executed. Realized and unrealized gains and losses are recognized as trading account profits and fees.

Loans

Loans are reported at their outstanding principal balances net of any charge-offs, unamortized deferred fees and costs on originated loans and premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are deferred and recognized as adjustments to income over the lives of the related loans. Discounts and premiums are amortized to income using methods that approximate the interest method.

Allowance for Credit Losses

The allowance for credit losses is primarily available to absorb losses inherent in the loans, leases and factored accounts receivable portfolios. Credit exposures deemed to be uncollectible are charged against the allowance for credit losses. Recoveries of previously charged-off amounts are credited to the allowance for credit losses.

Individually identified impaired loans are measured based on the present value of payments expected to be received, observable market prices, or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral. If the recorded investment in the impaired loan exceeds the measure of estimated fair value, a valuation allowance is established as a component of the allowance for credit losses.

The Corporation's process for determining an appropriate allowance for credit losses includes management's judgment and use of estimates. The adequacy of the allowance for credit losses is reviewed regularly by management. On a quarterly basis, a comprehensive review of the adequacy of the allowance for credit losses is performed. This assessment is made in the context of historical losses as well as existing economic conditions and performance trends within specific portfolio segments and individual concentrations of credit. Additions to the allowance for credit losses are made by charges to the provision for credit losses.

Nonperforming Loans

Commercial loans and leases that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including loans that are individually identified as being impaired, are generally classified as nonperforming loans unless well secured and in the process of collection. Loans whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial

difficulties are classified as nonperforming until such time as the loan is not impaired based on the terms of the restructured agreement and the interest rate is a market rate as measured at the restructuring date. Impaired loans are included in nonperforming loans. Generally, loans which are past due 180 days or more as to principal or interest are classified as nonperforming regardless of collateral or collection status. Generally, interest accrued but not collected is reversed when a loan or lease is classified as nonperforming.

Interest collections on nonperforming loans and leases for which the ultimate collectibility of principal is uncertain are applied as principal reductions. Otherwise, such collections are credited to income when received.

Credit card loans that are 180 days past due are charged off and not classified as nonperforming. All other consumer loans and residential mortgages are generally charged off at 120 days past due or placed on nonperforming status upon repossession or the inception of foreclosure proceedings. Ordinarily, interest accrued but not collected is charged off along with the principal.

Foreclosed Properties

Assets are classified as foreclosed properties upon actual foreclosure or when physical possession of the collateral is taken regardless of whether foreclosure proceedings have taken place.

Foreclosed properties are carried at the lower of the recorded amount of the loan or lease for which the property previously served as collateral, or the fair value of the property less estimated costs to sell. Prior to foreclosure, the recorded amount of the loan or lease is reduced, if necessary, to the fair value, less estimated costs to sell, of the real estate to be acquired by charging the allowance for credit losses.

52

Subsequent to foreclosure, gains or losses on the sale of and losses on the periodic revaluation of foreclosed properties are credited or charged to expense. Net costs of maintaining and operating foreclosed properties are expensed as incurred.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized principally using the straight-line method over the estimated useful lives of the assets.

Mortgage Servicing Rights

The total cost of mortgage loans originated or purchased is allocated between the cost of the loans and the mortgage servicing rights (MSRs) based on the relative fair values of the loans and the MSRs. MSRs acquired separately are capitalized at cost. During 1997, the Corporation capitalized \$397 million of MSRs. The cost of the MSRs is amortized in proportion to and over the estimated period of net servicing revenues. During 1997, amortization was \$188 million.

The fair value on December 31, 1997 of capitalized MSRs approximated the carrying value of \$1.3 billion. Total loans serviced approximated \$126.5 billion on December 31, 1997, including loans serviced on behalf of the Corporation's banking subsidiaries. The predominant characteristics used as the basis for stratifying MSRs are loan type and interest rate. The MSRs strata are evaluated for impairment by estimating the fair value based on anticipated future net cash flows, taking into consideration prepayment predictions. If the carrying value of the MSRs exceeds the estimated fair value, a valuation allowance is established. Changes to the valuation allowance are charged against or credited to mortgage servicing income and fees. The valuation allowance on December 31, 1997, 1996 and 1995 and changes in the valuation allowance during 1997, 1996 and 1995 were insignificant.

To manage risk associated with changes in prepayment rates, the Corporation uses various financial instruments including options and interest rate swaps. The notional amount on December 31, 1997 was \$8.7 billion and the unrealized gain on such contracts was \$57 million.

Goodwill and Other Intangibles

Net assets of companies acquired in purchase transactions are recorded at fair value at the date of acquisition. Identified intangibles are amortized on an accelerated or straight-line basis over the period benefited. Goodwill is amortized on a straight-line basis over a period not to exceed 25 years. The recoverability of goodwill and other intangibles is evaluated if events or

circumstances indicate a possible inability to realize the carrying amount. Such evaluation is based on various analyses, including undiscounted cash flow projections.

Income Taxes

There are two components of income tax provision: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the applicable period. Balance sheet amounts of deferred taxes are recognized on the temporary differences between the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements. Deferred tax expense or benefit is then recognized for the change in deferred tax liabilities or assets between periods.

Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with certain temporary differences, tax operating loss carryforwards and tax credits will be realized. A valuation allowance is recorded for those deferred tax items for which it is more likely than not that realization will not occur.

Retirement Benefits

The Corporation has established qualified retirement plans covering full-time, salaried employees and certain part-time employees. Pension expense under these plans is charged to current operations and consists of several components of net pension cost based on various actuarial assumptions regarding future experience under the plans.

53

In addition, the Corporation and its subsidiaries have established unfunded supplemental benefit plans providing any benefits that could not be paid from a qualified retirement plan because of Internal Revenue Code restrictions and supplemental executive retirement plans for selected officers of the Corporation and its subsidiaries. These plans are nonqualified and, therefore, in general, a participant's or beneficiary's claim to benefits is as a general creditor.

The Corporation and its subsidiaries have established several postretirement medical benefit plans which are not funded.

Risk Management Instruments

Risk management instruments are utilized to modify the interest rate characteristics of related assets or liabilities or hedge against fluctuations in interest rates, currency exchange rates or other such exposures as part of the Corporation's asset and liability management process. Instruments must be designated as hedges and must be effective throughout the hedge period. To qualify as hedges, risk management instruments must be linked to specific assets or liabilities or pools of similar assets or liabilities.

Swaps, principally interest rate, used in the asset and liability management process are accounted for on the accrual basis with revenues or expenses recognized as adjustments to income or expense on the underlying linked assets or liabilities. In addition, gains or losses on foreign currency contracts are a component of the revaluation of the underlying foreign-denominated liabilities. Risk management swaps generally are not terminated. When terminations do occur, gains or losses are recorded as adjustments to the carrying value of the underlying assets or liabilities and recognized as income or expense over the shorter of either the remaining expected lives of such underlying assets or liabilities or the remaining life of the swap. In circumstances where the underlying assets or liabilities are sold, any remaining carrying value adjustments and the cumulative change in value of any open positions are recognized immediately as a component of the gain or loss on disposition of such underlying assets or liabilities.

Gains and losses associated with interest rate futures and forward contracts used as effective hedges of existing risk positions or anticipated transactions are deferred as an adjustment to the carrying value of the related asset or liability and recognized in income over the remaining term of the related asset or liability.

Risk management instruments used to hedge or modify the interest rate characteristics of debt securities classified as available for sale are carried at fair value with unrealized gains or losses deferred as a component of shareholders' equity.

To manage interest rate risk, the Corporation also uses interest rate option products, primarily caps and floors. Interest rate caps and floors are agreements where, for a fee, the purchaser obtains the right to receive interest payments when a variable interest rate moves above or below a

specified cap or floor rate, respectively. Such instruments are primarily linked to long-term debt, short-term borrowings and pools of similar residential mortgages and consist mainly of purchased options. The Corporation also purchases options in the interest rate market to protect the value of certain assets, principally MSRs, against changes in prepayment rates. Option premiums are amortized over the option life on a straight-line basis. Such contracts are designated as hedges, and gains or losses are recorded as adjustments to the carrying value of the MSRs, which are subjected to impairment valuations as described in the MSRs accounting policy.

The Corporation also utilizes forward delivery contracts and options to reduce the interest rate risk inherent in mortgage loans held for sale and the commitments made to borrowers for mortgage loans which have not been funded. These financial instruments are considered in the Corporation's lower of cost or market valuation of its mortgage loans held for sale.

Earnings Per Common Share

Earnings per common share for all periods presented is computed by dividing net income, reduced by dividends on preferred stock, by the weighted average number of common shares outstanding. Diluted earnings per common share is computed by dividing net income available to common shareholders, adjusted for the effect of assumed conversions, by the weighted average number of common shares outstanding and dilutive potential common shares, which include convertible preferred stock and stock options. Dilutive potential common shares are calculated using the treasury stock method.

54

Recently Issued Accounting Pronouncements

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130) and SFAS 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 130 establishes standards for the reporting and displaying of comprehensive income and its components in financial statements. SFAS 131 supersedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise," and specifies new disclosure requirements for operating segment financial information. In February 1998, SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS 132) was issued. SFAS 132 revises and standardizes employers' disclosures about pension and other postretirement benefit plans. These standards are effective for fiscal years beginning after December 15, 1997. The Corporation will adopt the provisions of these standards during the first quarter of 1998.

Note Two -- Merger-Related Activity

On January 9, 1998, the Corporation completed its merger with Barnett Banks, Inc. (Barnett), a multi-bank holding company headquartered in Jacksonville, Florida (the Merger). Barnett's total assets, total deposits and total shareholders' equity on the date of the Merger amounted to approximately \$46.0 billion, \$35.4 billion and \$3.4 billion, respectively. Each outstanding share of Barnett common stock was converted into 1.1875 shares of the Corporation's common stock, resulting in the net issuance of approximately 233 million common shares to the former Barnett shareholders. In addition, approximately 11 million options to purchase the Corporation's stock were issued to convert similar stock options granted to certain Barnett employees. This transaction will be accounted for as a pooling of interests. Under this method of accounting, the recorded assets, liabilities, shareholders' equity, income and expenses of the Corporation and Barnett will be combined and reflected at their historical amounts.

In connection with the Merger, the Corporation expects to incur pretax merger-related costs during the first quarter of 1998 of approximately \$900 million (\$642 million after-tax), which will include approximately \$375 million in severance, relocation and change in control payments, \$300 million of conversion costs and occupancy and equipment expenses (primarily lease exit costs and the elimination of duplicate facilities and other capitalized assets), \$125 million of exit costs related to contract terminations and \$100 million of other Merger costs (including legal and investment banking fees).

In compliance with certain requirements of the Federal Reserve Board, the Department of Justice and certain Florida authorities in connection with the Merger, the Corporation and Barnett have entered into agreements to divest certain branches of Barnett with loans and deposits aggregating approximately \$2.5 billion and \$4.0 billion, respectively, in various markets in Florida.

The following table presents pro forma condensed combined results of operations of the Corporation and Barnett for the three years ended December 31, 1997, 1996 and 1995 as if the Merger had been effective at the beginning of each year presented. The Corporation and Barnett are still in the process of conforming their respective accounting policies. In management's opinion, any

resulting changes will not be material.

Unaudited Pro Forma Results of Operations
(Dollars in millions, except per-share information)

<TABLE>
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Reported amounts:			
Net interest income	\$ 9,717	\$ 8,228	\$ 7,189
Net income	3,332	2,939	2,483
Net income available to common shareholders	3,321	2,922	2,459
Earnings per common share	3.53	3.56	3.18
Diluted earnings per common share	3.44	3.50	3.10
Operating amounts (excluding merger-related charges):			
Net income	\$ 3,596	\$ 3,016	\$ 2,483
Net income available to common shareholders	3,585	2,999	2,459
Earnings per common share	3.81	3.65	3.18
Diluted earnings per common share	3.71	3.59	3.10

</TABLE>

On October 1, 1997, the Corporation completed the acquisition of Montgomery Securities (Montgomery), an investment banking and institutional brokerage firm headquartered in San Francisco, California. The purchase price consisted of \$840 million in cash and approximately 5.3 million unregistered shares of the Corporation's common stock for an aggregate amount of approximately \$1.1 billion. Montgomery had 1996 revenues of approximately \$600 million and assets of approximately \$3.0 billion on the date of acquisition. The Corporation accounted for this acquisition as a purchase.

On January 7, 1997, the Corporation completed the acquisition of Boatmen's Bancshares, Inc. (Boatmen's), headquartered in St. Louis, Missouri, resulting in the issuance of approximately 195 million shares of the Corporation's common stock valued at \$9.4 billion on the date of the acquisition and aggregate cash payments of \$371 million to Boatmen's shareholders. On the date of the acquisition, Boatmen's total assets and total deposits were approximately \$41.2 billion and \$32.0 billion, respectively. The Corporation accounted for this acquisition as a purchase.

The following table presents condensed pro forma consolidated results of operations for the year ended December 31, 1996 as if the acquisition of Boatmen's had occurred on January 1, 1996. This information combines the historical results of operations of the Corporation and Boatmen's after the effect of purchase accounting adjustments. The cash portion of the purchase price is 35 percent, which reflects the actual cash election of 4 percent paid at closing plus share repurchases completed prior to the initiation of the Barnett merger. The pro forma information does not purport to be indicative of the results that would have been obtained if the operations had actually been combined during the periods presented and is not necessarily indicative of operating results to be expected in future periods.

Unaudited Pro Forma Results of Operations
(Dollars in millions, except per-share information)

<TABLE>
<CAPTION>

	1996

<S>	<C>
Net interest income	7,588
Net income	2,400
Net income available to common shareholders ...	2,378
Earnings per common share	3.29
Diluted earnings per common share	3.26

</TABLE>

The Corporation consummated the acquisition of First Federal Savings Bank of Brunswick, Georgia (Brunswick) on April 15, 1997. As of the acquisition date, Brunswick had assets of approximately \$249 million and deposits of approximately \$219 million. The Corporation issued approximately 2.4 million shares of its common stock in this acquisition. The Corporation accounted for this acquisition as a purchase.

On June 1, 1997, the branching provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 took effect, allowing banking companies to consolidate their subsidiary bank operations across state lines. On December 31, 1997, the Corporation operated its banking activities primarily under three charters: NationsBank, N.A., NationsBank of Texas, N.A., and NationsBank of Delaware, N.A., which operates the Corporation's credit card

business. The Corporation expects to continue the consolidation of other banking subsidiaries throughout 1998, including Barnett Bank, N.A.

56

Note Three -- Securities

The amortized costs and market values of securities held for investment and securities available for sale on December 31 were (dollars in millions):

<TABLE>
<CAPTION>

Securities Held for Investment	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
1997				
U.S. Treasury securities and agency debentures	\$ 500	\$ 1	\$ (1)	\$ 500
Foreign sovereign securities	32	--	--	32
Mortgage-backed securities	532	2	(1)	533
Other taxable securities	5	--	--	5
Total taxable	1,069	3	(2)	1,070
Tax-exempt securities	87	4	--	91
Total	\$ 1,156	\$ 7	\$ (2)	\$ 1,161
1996				
U.S. Treasury securities and agency debentures	\$ 862	\$ --	\$ (3)	\$ 859
Foreign sovereign securities	25	--	--	25
Mortgage-backed securities	1,101	3	(4)	1,100
Other taxable securities	5	--	--	5
Total taxable	1,993	3	(7)	1,989
Tax-exempt securities	117	4	--	121
Total	\$ 2,110	\$ 7	\$ (7)	\$ 2,110

</TABLE>
<TABLE>
<CAPTION>

Securities Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
1997				
U.S. Treasury securities and agency debentures	\$ 7,937	\$ 86	\$ (4)	\$ 8,019
Foreign sovereign securities	6,397	16	(20)	6,393
Mortgage-backed securities	28,668	359	(25)	29,002
Other taxable securities	1,064	8	--	1,072
Total taxable	44,066	469	(49)	44,486
Tax-exempt securities	1,505	56	--	1,561
Total	\$ 45,571	\$ 525	\$ (49)	\$46,047
1996				
U.S. Treasury securities and agency debentures	\$ 1,437	\$ 5	\$ (26)	\$ 1,416
Foreign sovereign securities	952	2	(8)	946
Mortgage-backed securities	8,805	58	(45)	8,818
Other taxable securities	484	5	(1)	488
Total taxable	11,678	70	(80)	11,668
Tax-exempt securities	591	20	(2)	609
Total	\$ 12,269	\$ 90	\$ (82)	\$12,277

</TABLE>

The components, expected maturity distribution and yields (computed on a taxable-equivalent basis) of the Corporation's securities portfolio on December 31, 1997 are summarized below (dollars in millions). Actual maturities may differ from contractual maturities or maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

57

<TABLE>
<CAPTION>

	Due in 1 year or less		Due after 1 through 5 years	
	Amount	Yield	Amount	Yield
<S>	<C>	<C>	<C>	<C>
Amortized cost of securities held for investment				
U.S. Treasury securities and agency debentures	\$101	4.94%	\$ 399	5.86%
Foreign sovereign securities	8	5.86	13	7.60
Mortgage-backed securities	313	5.97	216	6.73
Other taxable securities	3	8.01	--	--
Total taxable	425	5.74	628	6.19
Tax-exempt securities	25	9.62	33	9.36
Total	\$450	5.96	\$ 661	6.35
Market value of securities held for investment	\$448		\$ 665	
Market value of securities available for sale				
U.S. Treasury securities and agency debentures	\$157	5.82%	\$ 4,113	5.95%
Foreign sovereign securities	67	20.13	4,444	4.87
Mortgage-backed securities	45	6.59	12,043	7.29
Other taxable securities	14	6.49	283	17.06
Total taxable	283	9.38	20,883	6.64
Tax-exempt securities	91	5.81	277	6.64
Total	\$374	8.51	\$21,160	6.64
Amortized cost of securities available for sale	\$373		\$20,958	

<CAPTION>

	Due after 5 through 10 years		Due after 10 years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Amortized cost of securities held for investment						
U.S. Treasury securities and agency debentures	\$ --	--%	\$ --	--%	\$ 500	5.68%
Foreign sovereign securities	10	6.59	1	6.62	32	6.84
Mortgage-backed securities	3	5.63	--	--	532	6.28
Other taxable securities	--	--	2	6.56	5	7.18
Total taxable	13	6.40	3	6.74	1,069	6.02
Tax-exempt securities	10	9.34	19	9.29	87	9.42
Total	\$ 23	7.70	\$ 22	8.89	\$ 1,156	6.27
Market value of securities held for investment	\$ 24		\$ 24		\$ 1,161	
Market value of securities available for sale						
U.S. Treasury securities and agency debentures	\$ 3,500	6.03%	\$ 249	6.31%	\$ 8,019	5.99%
Foreign sovereign securities	808	5.76	1,074	5.63	6,393	5.27
Mortgage-backed securities	14,972	6.82	1,942	6.99	29,002	7.03
Other taxable securities	163	7.01	612	5.78	1,072	8.97
Total taxable	19,443	6.64	3,877	6.38	44,486	6.63
Tax-exempt securities	407	7.47	786	8.25	1,561	7.61
Total	\$19,850	6.66	\$4,663	6.68	\$46,047	6.66
Amortized cost of securities available for sale	\$19,632		\$4,608		\$45,571	

</TABLE>

The components of gains and losses on sales of available for sale

securities for the years ended December 31 were (dollars in millions):

<TABLE>
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Gross gains on sales of securities	\$160	\$ 200	\$ 74
Gross losses on sales of securities	(7)	(133)	(45)
	-----	-----	-----
Net gains on sales of securities	\$153	\$ 67	\$ 29
	=====	=====	=====

</TABLE>

There were no sales of securities held for investment in 1997, 1996 or 1995.

Excluding securities issued by the U.S. government and its agencies and corporations, there were no investments in securities from one issuer that exceeded 10 percent of consolidated shareholders' equity on December 31, 1997 or 1996.

The income tax expense attributable to realized net gains on securities sales was \$54 million, \$23 million and \$10 million in 1997, 1996 and 1995, respectively.

Securities are pledged or assigned to secure borrowed funds, government and trust deposits and for other purposes. The carrying value of pledged securities was \$39.6 billion and \$12.6 billion on December 31, 1997 and 1996, respectively.

On December 31, 1997, the valuation allowance for securities available for sale and marketable equity securities increased shareholders' equity by \$393 million, reflecting \$476 million of pretax appreciation on securities available for sale and \$115 million of pretax appreciation on marketable equity securities.

58

Note Four -- Trading Account Assets and Liabilities

The fair values on December 31 and the average fair values for the years ended December 31 of the components of trading account assets and liabilities were (dollars in millions):

<TABLE>
<CAPTION>

	Average Balances			
	1997	1996	1997	1996
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Securities owned				
U.S. Treasury securities	\$ 8,697	\$ 6,914	\$10,251	\$13,168
Securities of other U.S. Government agencies and corporations	1,375	2,096	1,585	1,843
Certificates of deposit, bankers' acceptances and commercial paper	517	501	645	553
Corporate debt	1,808	1,552	1,686	1,410
Foreign sovereign debt	4,939	3,396	6,270	1,044
Mortgage-backed securities	2,299	502	1,698	358
Other securities	403	430	355	671
	-----	-----	-----	-----
Total securities owned	20,038	15,391	22,490	19,047
Derivatives-dealer positions	3,640	3,298	4,261	3,791
	-----	-----	-----	-----
Total trading account assets	\$23,678	\$18,689	\$26,751	\$22,838
	=====	=====	=====	=====
Short sales				
U.S. Treasury securities	\$ 8,970	\$ 7,143	\$ 8,308	\$ 9,287
Corporate debt	140	452	232	535
Foreign sovereign debt	1,825	--	968	--
Other securities	904	309	766	315
	-----	-----	-----	-----
Total short sales	11,839	7,904	10,274	10,137
Derivatives-dealer positions	3,368	3,848	3,848	3,170
	-----	-----	-----	-----
Total trading account liabilities	\$15,207	\$11,752	\$14,122	\$13,307
	=====	=====	=====	=====

</TABLE>

The net change in the unrealized gain or loss on trading securities held on December 31, 1997 and 1996 was included in trading account profits and fees and amounted to a loss of \$31 million for 1997 and a gain of \$68 million for 1996.

Interest rate and foreign exchange contract trading activities generated most of the Corporation's trading account profits and fees.

Derivatives-dealer positions presented in the table above represent the fair values of interest rate, foreign exchange, equity and commodity-related products including financial futures, forward settlement and option contracts and swap agreements associated with the Corporation's derivatives trading activities. See Note Eight for additional information on derivatives-dealer positions, including credit risk.

59

Note Five -- Loans, Leases and Factored Accounts Receivable

Loans, leases and factored accounts receivable on December 31 were (dollars in millions):

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Loans		
Commercial	\$ 60,416	\$ 50,488
Real estate commercial	7,221	5,445
Real estate construction	3,805	2,863
	-----	-----
Total commercial	71,442	58,796
	-----	-----
Residential mortgage	27,831	27,948
Credit card	6,866	6,747
Other consumer	27,398	20,993
	-----	-----
Total consumer	62,095	55,688
	-----	-----
Foreign	3,844	2,829
Factored accounts receivable	1,074	1,047
	-----	-----
Total loans and factored accounts receivable	138,455	118,360
Less unearned income	(580)	(602)
	-----	-----
Loans and factored accounts receivable, net of unearned income	137,875	117,758
	-----	-----
Leases		
Lease receivables	6,175	5,134
Estimated residual value	1,787	1,537
Less unearned income	(2,045)	(1,799)
	-----	-----
Leases, net of unearned income	5,917	4,872
	-----	-----
Loans, leases and factored accounts receivable, net of unearned income	\$143,792	\$122,630
	=====	=====

</TABLE>

Transactions in the allowance for credit losses were (dollars in millions):

<TABLE>
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance on January 1	\$ 2,315	\$2,163	\$2,186
	-----	-----	-----
Loans, leases and factored accounts receivable charged off	(1,106)	(836)	(636)
Recoveries of loans, leases and factored accounts receivable previously charged off	308	238	215
	-----	-----	-----
Net charge offs	(798)	(598)	(421)
Provision for credit losses	800	605	382
Allowance applicable to loans of purchased companies and other	465	145	16
	-----	-----	-----
Balance on December 31	\$ 2,782	\$2,315	\$2,163
	=====	=====	=====

</TABLE>

The following table presents the recorded investment in loans that were considered to be impaired, all of which were classified as nonperforming, on December 31 (dollars in millions):

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Commercial	\$293	\$342
Real estate commercial	157	145
Real estate construction	18	28
	----	----
Total impaired loans	\$468	\$515
	====	====

</TABLE>

The average recorded investment in certain impaired loans for the years ended December 31, 1997, 1996 and 1995 was approximately \$594 million, \$542 million and \$598 million, respectively. For the years ended December 31, 1997, 1996 and 1995, interest income recognized on impaired loans totaled \$20 million for 1997 and \$26 million for both 1996 and 1995, all of which was recognized on a cash basis.

On December 31, 1997, 1996 and 1995, nonperforming loans, including certain loans which are considered impaired, totaled \$1.0 billion, \$890 million and \$706 million, respectively.

60

The net amount of interest recorded during each year on loans that were classified as nonperforming or restructured on December 31, 1997, 1996 and 1995 was \$49 million, \$35 million and \$27 million, respectively. If these loans had been accruing interest at their originally contracted rates, related income would have been \$128 million, \$103 million and \$102 million in 1997, 1996 and 1995, respectively.

Foreclosed properties amounted to \$117 million, \$153 million and \$147 million on December 31, 1997, 1996 and 1995, respectively. The cost of carrying foreclosed properties amounted to \$9 million, \$8 million and \$13 million in 1997, 1996 and 1995, respectively.

Note Six -- Short-Term Borrowings and Long-Term Debt

NationsBank, N.A. and NationsBank of Texas, N.A. maintain a program to offer up to \$9.0 billion of bank notes from time to time with fixed or floating rates and maturities from 30 days to 15 years from date of issue. On December 31, 1997 and 1996, there were short-term bank notes outstanding of \$304 million and \$872 million, respectively. In addition, there were bank notes outstanding on December 31, 1997 and 1996 totaling \$5.1 billion and \$3.5 billion, respectively, which were classified as long-term debt.

On December 31, 1997, the Corporation had unused commercial paper back-up lines of credit totaling \$1.5 billion of which \$1.0 billion expires in October 1998 and \$500 million expires in October 2002. These lines were supported by fees paid to unaffiliated banks.

61

The contractual maturities of long-term debt on December 31 were (dollars in millions):

<TABLE>
<CAPTION>

	1997			
	Various Fixed-Rate Debt Obligations	Various Floating-Rate Debt Obligations	Amount Outstanding	1996 Amount Outstanding
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Parent company				
Senior debt				
Due in 1997	\$ --	\$ --	\$ --	\$ 742
Due in 1998	924	1,065	1,989	1,414
Due in 1999	126	1,648	1,774	1,325

Due in 2000	472	1,118	1,590	1,566
Due in 2001	499	1,103	1,602	1,602
Due in 2002	20	1,455	1,475	1,268
Thereafter	622	1,842	2,464	1,512
	-----	-----	-----	-----
	2,663	8,231	10,894	9,429
	-----	-----	-----	-----
Subordinated debt				
Due in 1997	--	--	--	75
Due in 1999	130	--	130	130
Due in 2001	449	--	449	299
Due in 2002	350	--	350	349
Thereafter	4,259	1,275	5,534	4,968
	-----	-----	-----	-----
	5,188	1,275	6,463	5,821
	-----	-----	-----	-----
Total parent company long-term debt	7,851	9,506	17,357	15,250
	-----	-----	-----	-----
Banking and nonbanking subsidiaries				
Senior debt				
Due in 1997	--	--	--	1,302
Due in 1998	660	2,977	3,637	2,886
Due in 1999	99	1,410	1,509	224
Due in 2000	354	2,932	3,286	1,928
Due in 2001	178	277	455	347
Due in 2002	17	284	301	35
Thereafter	125	172	297	404
	-----	-----	-----	-----
	1,433	8,052	9,485	7,126
	-----	-----	-----	-----
Subordinated debt				
Due in 1997	--	--	--	5
Due in 2004 and thereafter	300	8	308	308
	-----	-----	-----	-----
	300	8	308	313
	-----	-----	-----	-----
Total banking and nonbanking subsidiaries long-term debt	1,733	8,060	9,793	7,439
	-----	-----	-----	-----
	\$9,584	\$17,566	27,150	22,689
	=====	=====	-----	-----
Obligations under capital leases			54	296
			-----	-----
Total long-term debt			\$27,204	\$22,985
			=====	=====

</TABLE>

As part of its interest rate risk management activities, the Corporation enters into risk management interest rate contracts for certain long-term debt issuances. Through the use of interest rate swaps, \$2.2 billion of fixed-rate debt with rates ranging from 5.60 percent to 8.57 percent have been effectively converted to floating rates primarily at spreads over LIBOR.

On December 31, 1997, including the effects of interest rate contracts for certain long-term debt issuances, the weighted average effective interest rates for total long-term debt, total fixed-rate debt and total floating-rate debt (based on the rates in effect on December 31, 1997) were 6.45 percent, 7.30 percent and 5.98 percent, respectively.

62

As described below, certain debt obligations outstanding on December 31, 1997 may be redeemed prior to maturity at the option of the Corporation (dollars in millions):

<TABLE>
<CAPTION>

Year Redeemable	Year of Maturities	Amount Outstanding
-----	-----	-----
<S>	<C>	<C>
Currently redeemable	2002	\$ 28
1998	2000	500
1999 - 2000	2005 - 2011	716
2001 - 2005	2006 - 2024	455

</TABLE>

Main Place Real Estate Investment Trust (MPREIT), a limited purpose subsidiary of NationsBank, N.A., had \$4.0 billion of mortgage-backed bonds outstanding on December 31, 1997. Of this amount, \$1.0 billion was issued during March 1997. MPREIT had outstanding mortgage loans of \$16.6 billion on December 31, 1997, of which \$6.0 billion served as collateral for the

outstanding mortgage-backed bonds.

Under its Euro medium-term note program, the Corporation may offer up to \$4.5 billion of senior or subordinated notes exclusively to non-United States residents. The notes bear interest at fixed or floating rates and may be denominated in U.S. dollars or foreign currencies. The Corporation uses foreign currency contracts to convert foreign-denominated debt into U.S. dollars. On December 31, 1997, \$2.3 billion of notes was outstanding under this program.

Since October 1996, the Corporation formed four wholly owned grantor trusts (Capital Trusts I, II, III and IV) to issue preferred securities and to invest the proceeds of such preferred securities into notes of the Corporation. Certain of the preferred securities were issued at a discount. Such preferred securities may be redeemed prior to maturity at the option of the Corporation. The sole assets of each of the Capital Trusts are the Junior Subordinated Notes of the Corporation (the Notes) held by such Capital Trusts. Such securities qualify as Tier 1 Capital for regulatory purposes.

Payment of periodic cash distributions and payment upon liquidation or redemption with respect to preferred securities is guaranteed by the Corporation to the extent of funds held by the Trusts (the Preferred Securities Guarantee). The Preferred Securities Guarantee, when taken together with the Corporation's other obligations including its obligations under the Notes, will constitute a full and unconditional guarantee, on a subordinated basis, by the Corporation of payments due on the preferred securities.

The terms of the preferred securities are summarized as follows (dollars in millions):

<TABLE>
<CAPTION>

Trust IV	Capital Trust I	Capital Trust II	Capital Trust III	Capital
(Issued	(Issued	(Issued	(Issued	
1997)	December 1996)	December 1996)	February 1997)	April
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	
<C>				
Face amount issued	\$600	\$365	\$500	
\$500				
Aggregate principal amount of the Notes	619	376	516	
516				
Interest rate	7.84%	7.83%	3-mo. LIBOR	
8.25%				
Redeemable	December 2001	December 2006	+55 bps January 2007	
April 2007				
Maturity	December 2026	December 2026	January 2027	
April 2027				

As of March 6, 1998, the Corporation had the authority to issue approximately \$2.9 billion of corporate debt securities and preferred and common stock under its existing shelf registration statements and \$2.1 billion of corporate debt securities under the Euro medium-term note program.

Note Seven -- Shareholders' Equity and Earnings Per Common Share

As of December 31, 1997, the Corporation had issued 2.2 million shares of ESOP Convertible Preferred Stock, Series C (ESOP Preferred Stock). The ESOP Preferred Stock has a stated and liquidation value of \$42.50 per share, provides for an annual cumulative dividend of \$3.30 per share and each share is convertible into 1.68 shares of the Corporation's common stock. ESOP Preferred Stock in the amount of \$86 million, \$7 million and \$6 million in 1997, 1996, and 1995, respectively, was converted into the Corporation's common stock.

As consideration in the merger of NationsBank, N.A. (South) and NationsBank, N.A. during the second quarter of 1997, NationsBank, N.A. exchanged approximately \$73 million for preferred stock issued by NationsBank, N.A. (South) in the 1996 acquisition of Citizens Federal Bank, F.S.B. Such preferred stock consisted of approximately .5 million shares of NationsBank, N.A. (South) 8.50% Series H Noncumulative Preferred Stock and approximately 2.4 million shares of NationsBank, N.A. (South) 8.75% Series 1993A Noncumulative Preferred Stock.

During 1997 and 1996, the Corporation repurchased approximately 96 million shares of common stock and approximately 34 million shares of common stock, respectively, under various stock repurchase programs authorized by the Board

of Directors.

Other shareholders' equity on December 31 was comprised of the following (dollars in millions):

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Restricted stock award plan deferred compensation	\$ (23)	\$ (10)
Net unrealized gains (losses) on available for sale securities and marketable equity securities, net of tax.....	393	86
Loan to ESOP trust	(31)	(48)
Foreign exchange translation adjustments and other ...	(18)	(18)
	-----	-----
	\$ 321	\$ 10
	=====	=====

</TABLE>

64

In accordance with SFAS No. 128, "Earnings per Share," the calculation of earnings per common share and diluted earnings per common share is presented below (dollars in millions, except per share information, shares in thousands):

<TABLE>
<CAPTION>

	1997	1996	1995
	-----	-----	-----
-			
<S>	<C>	<C>	<C>
Earnings per common share computation			
Net income	\$ 3,077	\$ 2,375	\$ 1,950
Total preferred stock dividends	(11)	(15)	(8)
	-----	-----	-----
Income available to common shareholders	\$ 3,066	\$ 2,360	\$ 1,942
	-----	-----	-----
Average common shares issued	717,450	590,216	544,959
	-----	-----	-----
Earnings per common share	\$ 4.27	\$ 4.00	\$ 3.56
	=====	=====	=====
Diluted earnings per common share computation			
Income available to common shareholders	\$ 3,066	\$ 2,360	\$ 1,942
Total preferred stock dividends	11	15	8
Preferred stock dividends on nonconvertible stock	(4)	(8)	--
	-----	-----	-----
Effect of assumed conversions	7	7	8
	-----	-----	-----
Income available to common shareholders and assumed conversions	\$ 3,073	\$ 2,367	\$ 1,950
	-----	-----	-----
Average common shares issued	717,450	590,216	544,959
	-----	-----	-----
Incremental shares from assumed conversions:			
Convertible preferred stock	3,683	3,896	4,582
Stock options	16,658	9,235	4,726
	-----	-----	-----
Dilutive potential common shares	20,341	13,131	9,308
	-----	-----	-----
Total dilutive average common shares issued	737,791	603,347	554,267
	-----	-----	-----
Diluted earnings per common share	\$ 4.17	\$ 3.92	\$ 3.52
	=====	=====	=====

</TABLE>

Note Eight -- Commitments and Contingencies and Off-Balance Sheet Financial Instruments

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and risk limitation reviews as those recorded on the balance sheet.

Credit Extension Commitments

The Corporation enters into commitments to extend credit, standby letters of credit and commercial letters of credit to meet the financing needs of its

customers. The commitments shown below have been reduced by amounts collateralized by cash and amounts participated to other financial institutions. The following summarizes commitments outstanding on December 31 (dollars in millions):

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Commitments to extend credit		
Credit card commitments	\$ 27,480	\$24,255
Other loan commitments	100,405	82,506
Standby letters of credit and financial guarantees	11,663	10,060
Commercial letters of credit	903	761

</TABLE>

Commitments to extend credit are legally binding, generally have specified rates and maturities and are for specified purposes. The Corporation manages the credit risk on these commitments by subjecting these commitments to normal credit approval and monitoring processes and protecting against deterioration in the borrowers' ability to pay through adverse-change clauses which require borrowers to maintain various credit and liquidity measures. There were no unfunded commitments to any industry or country greater than 10 percent of total

65

unfunded commitments to lend. Credit card lines are unsecured commitments which are reviewed at least annually by management. Upon evaluation of the customers' creditworthiness, the Corporation has the right to terminate or change the terms of the credit card lines. Of the December 31, 1997 other loan commitments, \$37.4 billion is scheduled to expire in less than one year, \$44.6 billion in one to five years and \$18.4 billion after five years.

Standby letters of credit (SBLC) and financial guarantees are issued to support the debt obligations of customers. If a SBLC or financial guarantee is drawn upon, the Corporation looks to its customer for payment. SBLCs and financial guarantees are subject to the same approval and collateral policies as other extensions of credit. Of the December 31, 1997 SBLCs and financial guarantees, \$7.8 billion is scheduled to expire in less than one year, \$3.6 billion in one to five years and \$269 million after five years.

Commercial letters of credit, issued primarily to facilitate customer trade finance activities, are collateralized by the underlying goods being shipped by the customer and are generally short term.

For each of these types of instruments, the Corporation's maximum exposure to credit loss is represented by the contractual amount of these instruments. Many of the commitments are collateralized or are expected to expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent risk of loss or future cash requirements.

Derivatives

Derivatives utilized by the Corporation include interest rate swaps, financial futures and forward settlement contracts and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts and indices. Financial futures and forward settlement contracts are agreements to buy or sell a quantity of a financial instrument, currency or commodity at a predetermined future date and rate or price. An option contract is an agreement that conveys to the purchaser the right, but not the obligation, to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined rate or price at a time or during a period in the future. These option agreements can be transacted on organized exchanges or directly between parties.

Asset and Liability Management Activities

Risk management uses interest rate contracts in the asset and liability management (ALM) process. Such contracts, which are generally non-leveraged generic interest rate and basis swaps and options, allow the Corporation to effectively manage its interest rate risk position.

Generic interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments based on the contractual underlying notional amounts. Basis swaps involve the exchange of interest payments based on the contractual underlying notional amounts, where both the pay rate and the receive rate are floating rates based on different indices. Option products primarily consist of caps and floors.

The following table outlines the Corporation's ALM contracts on December 31, 1997 (dollars in millions):

<TABLE>
<CAPTION>

	Notional Amount	Weighted Average Pay Rate	Weighted Average Receive Rate	Unrealized Gain/(Loss)
<S>	<C>	<C>	<C>	<C>
Generic receive fixed	\$28,237	6.00%	6.49%	\$303
Generic pay fixed	1,487	6.92	5.97	(22)
Basis swaps	2,308	5.92	5.86	(1)
Option products	5,902			(7)
	-----			-----
Total	\$37,934			\$273
	=====			=====

</TABLE>

In addition to the contracts in the table above, the Corporation uses foreign currency contracts to manage the foreign exchange risk associated with certain foreign-denominated liabilities. Foreign currency swaps involve the conversion of certain scheduled interest and principal payments denominated in foreign currencies. On December 31, 1997, these contracts had a notional value of \$2.7 billion and a net market value of negative \$67 million.

66

The net unrealized appreciation in the estimated value of the ALM interest rate and net negative market value in the ALM foreign exchange contract portfolio should be viewed in the context of the overall balance sheet. The value of any single component of the balance sheet or off-balance sheet positions should not be viewed in isolation.

Credit Risk Associated with Derivatives Activities

Credit risk associated with ALM and trading derivatives is measured as the net replacement cost should the counterparties with contracts in a gain position completely fail to perform under the terms of those contracts and any collateral underlying the contracts proves to be of no value. In managing derivatives credit risk, both the current exposure, which is the replacement cost of contracts on the measurement date, as well as an estimate of the potential change in value of contracts over their remaining lives are considered. In managing credit risk associated with its derivatives activities, the Corporation deals with creditworthy counterparties, primarily U.S. and foreign commercial banks, broker-dealers and corporates. On December 31, 1997, credit risk associated with ALM activities was not significant.

During 1997, there were no material credit losses associated with ALM or trading derivatives transactions. In addition, on December 31, 1997, there were no material nonperforming derivatives positions. To minimize credit risk, the Corporation enters into legally enforceable master netting agreements, which reduce risk by permitting the close out and netting of transactions upon the occurrence of certain events.

A portion of the derivatives-dealer activity involves exchange-traded instruments. Because exchange-traded instruments conform to standard terms and are subject to policies set by the exchange involved, including counterparty approval, margin requirements and security deposit requirements, the credit risk is minimal.

The table below presents the notional or contract amounts on December 31, 1997 and 1996 and the current credit risk amounts (the net replacement cost of contracts in a gain position on December 31, 1997 and 1996) of the Corporation's derivatives-dealer positions which are primarily executed in the over-the-counter market for trading purposes. The notional or contract amounts indicate the total volume of transactions and significantly exceed the amount of the Corporation's credit or market risk associated with these instruments. The credit risk amounts presented in the following table do not consider the value of any collateral, but generally take into consideration the effects of legally enforceable master netting agreements.

Derivatives-Dealer Positions
(Dollars in Millions)

<TABLE>
<CAPTION>

1997

1996

<S>	Contract/ Notional	Credit Risk Amount (1)	Contract/ Notional	Credit Risk Amount (1)
<C>	<C>	<C>	<C>	<C>
Interest Rate Contracts				
Swaps	\$408,254	\$1,580	\$252,187	\$ 927
Futures and forwards	213,520	1	186,333	5
Written options	449,810	--	298,594	--
Purchased options	413,196	683	294,591	561
Foreign Exchange Contracts				
Swaps	1,980	127	1,303	24
Spot, futures and forwards	53,438	685	94,028	1,137
Written options	49,146	--	63,081	--
Purchased options	46,063	450	61,716	352
Commodity and Other Contracts				
Swaps	852	49	812	81
Futures and forwards	2,739	--	2,728	--
Written options	13,023	--	14,064	--
Purchased options	13,011	346	13,828	357
		-----		-----
Total before cross product netting .		3,921		3,444
		-----		-----
Cross product netting		368		286
		-----		-----
Net replacement cost		\$3,553		\$3,158
		=====		=====

</TABLE>

(1) Represents the net replacement cost the Corporation could incur should counterparties with contracts in a gain position to the Corporation completely fail to perform under the terms of those contracts. Amounts include accrued interest.

67

The table above includes both long and short derivatives-dealer positions. The fair value of dealer positions on December 31, 1997 and 1996, as well as their average fair values for 1997 and 1996 are disclosed in Note Four.

Securities Lending

During 1997, the Corporation sold substantially all of its securities lending business. This transaction did not have a material impact on the Corporation's results of operations or financial position.

When Issued Securities

When issued securities are commitments to purchase or sell securities in the time period between the announcement of a securities offering and the issuance of those securities. On December 31, 1997, the Corporation had commitments to purchase and sell when issued securities of \$6.5 billion and \$5.7 billion, respectively. On December 31, 1996, commitments to purchase and sell when issued securities were \$7.4 billion each.

Litigation

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to a number of pending and threatened legal actions and proceedings, including several actions brought on behalf of various classes of claimants. In certain of these actions and proceedings, substantial money damages are asserted against the Corporation and its subsidiaries and certain of these actions and proceedings are based on alleged violations of consumer protection, securities, environmental, banking and other laws. Management believes, based upon the advice of counsel, that the actions and proceedings and losses, if any, resulting from the final outcome thereof, will not be material in the aggregate to the Corporation's financial position or results of operations.

Note Nine -- Regulatory Requirements And Restrictions

The Corporation's banking subsidiaries are required to maintain average reserve balances with the Federal Reserve Bank (FRB) based on a percentage of certain deposits. Average reserve balances held with the FRB to meet these requirements amounted to \$184 million and \$554 million for 1997 and 1996, respectively.

The primary source of funds for cash distributions by the Corporation to

its shareholders is dividends received from its banking subsidiaries. The subsidiary banks, including those acquired through the Barnett merger, can initiate aggregate dividend payments in 1998, without prior regulatory approval, of \$1.7 billion plus an additional amount equal to their net profits for 1998, as defined by statute, up to the date of any such dividend declaration. The amount of dividends that each subsidiary bank may declare in a calendar year without approval by the Office of the Comptroller of the Currency (OCC) is the bank's net profits for that year combined with its net retained profits, as defined, for the preceding two years.

Regulations also restrict banking subsidiaries in lending funds to affiliates. On December 31, 1997, the total amount which could be loaned to the Corporation by its banking subsidiaries, including those acquired through the Barnett merger, was approximately \$1.8 billion. On December 31, 1997, no loans to the Corporation from its banking subsidiaries were outstanding.

The Federal Reserve Board, the OCC and the Federal Deposit Insurance Corporation (collectively, the Agencies) have issued regulatory capital guidelines for U.S. banking organizations. As of December 31, 1997, the Corporation and each of its banking subsidiaries were well capitalized under this regulatory framework. There are no conditions or events since December 31, 1997 that management believes have changed either the Corporation's or its banking subsidiaries' capital classifications. Failure to meet the capital requirements can initiate certain mandatory and discretionary actions by regulators that could have a material effect on the Corporation's financial statements.

The regulatory capital guidelines measure capital in relation to the credit risk of both on- and off-balance sheet items using various risk weights. Under the regulatory capital guidelines, Total Capital consists of two tiers of capital. Tier 1 Capital includes common shareholders' equity and qualifying preferred stock, less goodwill and other adjustments. Tier 2 Capital consists of preferred stock not qualifying as Tier 1 Capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt and the allowance for credit losses up to 1.25 percent of risk-weighted assets. In accordance with the FRB's amendment to its capital

adequacy guidelines effective for periods beginning December 31, 1997, the Corporation is now required to include its broker-dealer subsidiary, NationsBanc Montgomery Securities LLC, when calculating regulatory capital ratios. Previously, the Corporation had been required to exclude the equity, assets and off-balance sheet exposures of its broker-dealer subsidiary.

A well-capitalized institution must maintain a Tier 1 Capital ratio of six percent and a Total Capital ratio of ten percent. In order to meet minimum regulatory capital requirements, an institution must maintain a Tier 1 Capital ratio of four percent and a Total Capital ratio of eight percent.

The leverage ratio guidelines establish a minimum ratio of Tier 1 Capital to quarterly average assets, excluding goodwill and certain other items, of three to four percent. Banking organizations must maintain a leverage capital ratio of at least five percent to be classified as well capitalized.

On September 12, 1996, the Agencies amended their regulatory capital guidelines to incorporate a measure for market risk. In accordance with the amended guidelines, the Corporation and any of its banking subsidiaries with significant trading activity, as defined in the amendment, must incorporate a measure for market risk in their regulatory capital calculations effective for reporting periods after January 1, 1998. The revised guidelines are not expected to have a material impact on the Corporation or its subsidiaries' regulatory capital ratios or their well capitalized status.

The following table presents the actual capital ratios and amounts and minimum required capital amounts for the Corporation and its significant banking subsidiaries on December 31 (dollars in millions):

<TABLE>
<CAPTION>

	1997			1996		
	Actual Ratio	Actual Amount	Amount Required for Minimum Capital Adequacy	Actual Ratio	Actual Amount	Amount Required for Minimum Capital Adequacy
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tier 1 Capital						
NationsBank Corporation	6.50%	\$13,593	\$ 8,371	7.76%	\$12,384	\$ 6,384

NationsBank, N.A.	7.58	10,537	5,557	7.54	5,137	2,725
NationsBank of Texas, N.A.	7.36	3,221	1,751	6.78	2,468	1,456
Total Capital						
NationsBank Corporation	10.89	22,787	16,742	12.66	20,208	12,770
NationsBank, N.A.	10.98	15,256	11,113	10.41	7,093	5,451
NationsBank of Texas, N.A.	10.13	4,434	3,502	10.19	3,706	2,910
Leverage Capital						
NationsBank Corporation	5.57	13,593	7,321	7.09	12,384	6,987
NationsBank, N.A.	5.68	10,537	5,568	6.21	5,137	3,309
NationsBank of Texas, N.A.	5.63	3,221	1,715	6.23	2,468	1,585

</TABLE>

During 1997, several subsidiaries including NationsBank, N.A. (South) and various subsidiaries acquired in the purchase of Boatmen's were merged with and into NationsBank, N.A. The capital ratios and amounts for NationsBank, N.A. as of December 31, 1996 have not been restated to reflect the impact of such mergers. In addition, the capital ratios and amounts for NationsBank Corporation have not been restated at December 31, 1996 for amendments to the regulatory capital guidelines during 1997.

Note Ten -- Employee Benefit Plans

The Corporation sponsors noncontributory trustee pension plans that cover substantially all officers and employees. The plans provide defined benefits based on an employee's compensation, age at retirement and years of service. It is the policy of the Corporation to fund not less than the minimum funding amount required by the Employee Retirement Income Security Act.

69

The following table sets forth the plans' estimated status on December 31 (dollars in millions):

	1997	1996
	-----	-----
<S>	<C>	<C>
Actuarial present value of benefit obligation		
Accumulated benefit obligation, including vested benefits of \$1,241 and \$813.....	\$ (1,277)	\$ (840)
	=====	=====
Projected benefit obligation for service rendered to date	\$ (1,301)	\$ (997)
Plan assets at fair value, primarily listed stocks, fixed income securities and real estate.....	1,646	1,202
	-----	-----
Plan assets in excess of projected benefit obligation	345	205
Unrecognized net loss	264	187
Unrecognized net transition asset being amortized	(9)	(12)
Unrecognized prior service benefit being amortized	(138)	(33)
Deferred investment gain	(39)	(39)
	-----	-----
Prepaid pension cost	\$ 423	\$ 308
	=====	=====

</TABLE>

Net periodic pension expense (benefit) for the years ended December 31 included the following components (dollars in millions):

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Service cost-benefits earned during the period	\$ 45	\$ 43	\$ 35
Interest cost on projected benefit obligation	95	77	74
Actual return on plan assets	(185)	(148)	(199)
Net amortization and deferral	29	39	95
	-----	-----	-----
Net periodic pension expense (benefit)	\$ (16)	\$ 11	\$ 5
	=====	=====	=====

</TABLE>

For December 31, 1997, the weighted average discount rate and rate of increase in future compensation used in determining the actuarial present value of the projected benefit obligation were 7.5 percent and 4.0 percent, respectively. The related expected long-term rate of return on plan assets was 10.0 percent. For December 31, 1996, the weighted average discount rate, rate

of increase in future compensation and expected long-term rate of return on plan assets were 8.0 percent, 4.0 percent and 10.0 percent, respectively.

Health and Life Benefit Plans

In addition to providing retirement benefits, the Corporation provides health care and life insurance benefits for active and retired employees. Substantially all of the Corporation's employees, including certain employees in foreign countries, may become eligible for postretirement benefits if they reach early retirement age while employed by the Corporation and they have the required number of years of service. Under the Corporation's current plan, eligible retirees are entitled to a fixed dollar amount for each year of service. Additionally, certain current retirees are eligible for different benefits attributable to prior plans.

All of the Corporation's accrued postretirement benefit liability was unfunded at December 31, 1997. The "projected unit credit" actuarial method was used to determine the normal cost and actuarial liability.

A reconciliation of the estimated status of the postretirement benefit obligation on December 31 is as follows (dollars in millions):

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Accumulated postretirement benefit obligation		
Retirees	\$ (196)	\$(148)
Fully eligible active participants	(11)	(3)
Other active plan participants	(59)	(42)
	-----	-----
	(266)	(193)
Unamortized transition obligation	109	116
Unamortized service cost	1	1
Unrecognized net loss (gain)	10	(1)
	-----	-----
Accrued postretirement benefit liability	\$ (146)	\$ (77)
	=====	=====

</TABLE>

70

Net periodic postretirement expense (benefit) for the years ended December 31 included the following (dollars in millions):

<TABLE>
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Service cost	\$ 3	\$ 3	\$ 2
Interest cost on accumulated postretirement benefit obligation	20	15	15
Amortization of transition obligation over 20 years	7	7	7
Amortization of gains	(3)	(1)	(5)
	-----	-----	-----
Net periodic postretirement expense	\$27	\$24	\$19
	=====	=====	=====

</TABLE>

The health care cost trend rates used in determining the accumulated postretirement benefit obligation were 6.50 percent for pre-65 benefits and 4.75 percent for post-65 benefits. A one-percent change in the average health care cost trend rates would increase the accumulated postretirement benefit obligation by 6 percent and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost by 5 percent. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.5 percent and 8.0 percent at December 31, 1997 and 1996, respectively.

Savings and Profit Sharing Plans

In addition to the retirement plans, the Corporation maintains several defined contribution savings and profit sharing plans, one of which features a leveraged employee stock ownership (ESOP) provision.

For 1997, 1996 and 1995, the Corporation contributed approximately \$45 million, \$39 million and \$43 million, respectively, in cash which was utilized primarily to purchase the Corporation's common stock under the terms of these

plans. On December 31, 1997, an aggregate of 21,405,686 shares of the Corporation's common stock and 2,192,387 shares of ESOP preferred stock were held by the Corporation's various savings and profit sharing plans.

Under the terms of the ESOP provision, payments to the plan for dividends on the ESOP Preferred Stock were \$7 million for both 1997 and 1996 and \$8 million for 1995. Interest incurred to service the ESOP debt amounted to \$2 million, \$3 million and \$4 million for 1997, 1996 and 1995, respectively.

Stock Option and Award Plans

At December 31, 1997, the Corporation had certain stock-based compensation plans (the Plans) which are described below. The Corporation applies the provisions of Accounting Principles Board Opinion No. 25 in accounting for its stock option and award plans and has elected to provide SFAS 123 disclosures as if the Corporation had adopted the fair-value based method of measuring outstanding employee stock options in 1997 and 1996 as indicated below (dollars in millions except per share data):

<TABLE>
<CAPTION>

	As Reported		Pro Forma	
	1997	1996	1997	1996
Net income	\$ 3,077	\$ 2,375	\$ 2,901	\$ 2,282
Net income available to common shareholders	3,066	2,360	2,890	2,267
Earnings per common share	4.27	4.00	4.03	3.84
Diluted earnings per common share	4.17	3.92	3.93	3.77

</TABLE>

In determining the pro forma disclosures above, the fair value of options granted was estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes model was developed to estimate the fair value of traded options, which have different characteristics than employee stock options, and changes to the subjective assumptions used in the model can result in materially different fair value estimates. The weighted average grant-date fair values of the options granted during 1997 and 1996 were based on the following assumptions:

<TABLE>
<CAPTION>

Volatility	Risk-Free Interest Rates		Dividend Yield		Expected Lives		
	1997	1996	1997	1996	1997	1996	1997
1996							

	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1996 Associates Stock Option Award Plan ... 21.4% 20.8%	6.31%	6.44%	3.50%	3.55%	3 years	4 years	
Key Employee Stock Plan	6.29	5.52	3.50	3.55	7 years	7 years	27.8

</TABLE>

Compensation expense under the fair-value based method is recognized over the vesting period of the related stock options. Accordingly, the pro forma results of applying SFAS 123 in 1997 and 1996 may not be indicative of future amounts.

1996 Associates Stock Option Award Plan:

Under the 1996 Associates Stock Option Award Plan (ASOP), as amended, the Corporation has granted to certain full- and part-time employees options to purchase an aggregate of approximately 47 million shares of the Corporation's common stock. Under the ASOP, options generally become vested once the Corporation's common stock attains certain predetermined closing market prices for at least ten consecutive trading days. Approximately 42 million of the options granted under the ASOP have vested, 32 million of which have an exercise price of \$42 1/8 per share and 10 million of which have an exercise price of \$49 7/16 per share. Approximately 5 million of the remaining options

granted under the ASOP have an exercise price of \$56 1/8 per share and, in general, become 50% vested after the Corporation's common stock closes at or above \$68 per share for ten consecutive trading days and become fully (100%) vested after the Corporation's common stock closes at or above \$80 per share for ten consecutive trading days, provided that such options may not vest prior to April 1, 1998. Notwithstanding the price, any outstanding unvested options generally vest and become exercisable on July 1, 2000. All options granted under the ASOP expire on June 29, 2001.

Key Employee Stock Plan:

The Key Employee Stock Plan (KEYSOP), as amended and restated, provides for different types of awards including stock options, restricted stock and performance shares. Under the KEYSOP, ten-year options to purchase approximately 19 million shares of common stock have been granted to certain employees at the closing market price on the respective grant dates. Options granted under the KEYSOP generally vest in three or four equal annual installments. Additionally, 645 thousand shares of restricted stock were granted during 1997. These shares generally vest in three substantially equal installments beginning January 1998.

On January 2, 1998, ten-year options to purchase approximately 3.8 million shares of common stock at \$60 3/4 per share were granted to certain employees. On February 2, 1998, ten-year options to purchase approximately 900 thousand shares of common stock at \$61 7/16 per share were granted to certain employees. For both grants, options vest and become exercisable in three equal annual installments beginning one year from the date of grant. Additionally, on January 9, 1998, approximately 1.3 million shares of restricted stock and ten-year options to purchase 495 thousand shares of common stock were granted to certain former Barnett executives in connection with their employment with the Corporation. These shares of restricted stock generally vest in two or three equal annual installments. These options were granted at \$59 and become fully vested and exercisable two years from date of grant.

Other Plans:

Additional options and restricted stock under former plans and stock options assumed in connection with various acquisitions remain outstanding and are included in the tables below. No further awards may be granted under these plans.

The following tables present the status of the Plans as of December 31, 1997, 1996 and 1995, and changes during the years then ended:

<TABLE>
<CAPTION>

	1997		1996		1995	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	44,540,150	\$ 37.22	12,788,762	\$ 23.52	12,741,502	\$ 20.34
Shares due to acquisitions ...	5,869,602	22.72	1,098,580	17.26	264,446	19.55
Granted	20,953,823	53.31	38,259,496	41.08	7,920,000	26.82
Exercised	(27,378,510)	39.53	(3,783,170)	20.69	(7,691,186)	21.39
Forfeited	(2,421,652)	49.34	(3,823,518)	40.57	(446,000)	25.43
	-----	-----	-----	-----	-----	-----
Outstanding at end of year ...	41,563,413	41.05	44,540,150	37.22	12,788,762	23.52
	=====	=====	=====	=====	=====	=====
Options exercisable at year end	28,810,939	37.37	7,591,598	24.38	6,805,944	20.66
Weighted-average fair value of options granted during the year	\$ 10.93		\$ 7.82		\$ 6.91	
	=====		=====		=====	

</TABLE>

<TABLE>
<CAPTION>

	1997		1996		1995	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price

Weighted-Average Restricted Stock Awards Grant (includes KEYSOP) Price	Weighted-Average Grant		Weighted-Average Grant		Shares
	Shares	Price	Shares	Price	
Outstanding unvested grants at beginning of year	1,341,550	\$ 23.55	2,520,892	\$ 23.23	3,633,704
Granted	645,000	51.20	--	--	125,000
Vested	(876,830)	22.45	(1,106,062)	22.76	(1,136,732)
Canceled	(13,020)	24.58	(73,280)	24.36	(101,080)
Outstanding unvested grants at end of year	1,096,700	40.68	1,341,550	23.55	2,520,892

The following table summarizes information about stock options outstanding on December 31, 1997:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at December 31	Weighted-Average Exercise Price
\$ 4.00-\$30.00	9,385,277	6.4 years	\$ 23.43	7,773,277	\$ 22.73
\$ 30.01-\$46.50	18,805,751	4.8 years	40.00	16,359,651	40.78
\$ 46.51-\$65.50	13,372,385	6.6 years	54.91	4,678,011	49.74
\$ 4.00-\$65.50	41,563,413	5.7 years	41.05	28,810,939	37.37

73

Note Eleven -- Income Taxes

The components of income tax expense for the years ended December 31 were (dollars in millions):

	1997	1996	1995
Current portion -- expense			
Federal	\$1,228	\$ 862	\$ 814
State	60	37	55
Foreign	17	14	13
	1,305	913	882
Deferred portion -- expense (benefit)			
Federal	399	340	147
State	13	13	12
Foreign	2	(7)	--
	414	346	159
Total income tax expense	\$1,719	\$1,259	\$1,041

The preceding table does not reflect the tax effects of unrealized gains

and losses on securities available for sale and marketable equity securities that are included in shareholders' equity and certain tax benefits associated with the Corporation's employee stock plans. As a result of these tax effects, shareholders' equity increased (decreased) by \$60 million, \$193 million and (\$250) million in 1997, 1996 and 1995, respectively.

The Corporation's current income tax expense approximates the amounts payable for those years.

Deferred income tax expense represents the change in the deferred tax asset or liability and is discussed further below.

A reconciliation of the expected federal income tax expense to the actual consolidated income tax expense for the years ended December 31 was as follows (dollars in millions):

	1997	1996	1995
Expected federal tax expense	\$1,679	\$1,272	\$1,047
Increase (decrease) in taxes resulting from			
Tax-exempt income	(55)	(37)	(32)
State tax expense, net of federal benefit	52	37	55
Goodwill amortization	121	21	12
Other	(78)	(34)	(41)
Total income tax expense	\$1,719	\$1,259	\$1,041

</TABLE>

74

Significant components of the Corporation's deferred tax (liabilities) assets on December 31 were as follows (dollars in millions):

	1997	1996
Deferred tax liabilities		
Securities available for sale	\$ (198)	\$ (45)
Equipment lease financing	(1,290)	(982)
Depreciation	(181)	(150)
Intangibles	(122)	(88)
Employee retirement benefits	(65)	(88)
Other, net	(296)	(216)
Gross deferred tax liabilities	(2,152)	(1,569)
Deferred tax assets		
Employee benefits	122	90
Net operating loss carryforwards	58	47
Allowance for credit losses	953	791
Foreclosed properties	24	13
Loan fees and expenses	44	34
General business credit carryforwards	6	10
Other, net	267	156
Gross deferred tax assets	1,474	1,141
Valuation allowance	(44)	(50)
Gross deferred tax assets, net of valuation allowance	1,430	1,091
Net deferred tax liabilities	\$ (722)	\$ (478)

</TABLE>

The Corporation's deferred tax assets on December 31, 1997 include a valuation allowance of \$44 million representing primarily net operating loss carryforwards for which it is more likely than not that realization will not occur. The net change in the valuation allowance for deferred tax assets was a decrease of \$6 million due to the realization of certain state deferred tax assets.

Note Twelve -- Fair Values of Financial Instruments

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments"

(SFAS 107), requires the disclosure of the estimated fair values of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments. Because no quoted market prices exist for a significant part of the Corporation's financial instruments, the fair values of such instruments have been derived based on management's assumptions, the amount and timing of future cash flows and estimated discount rates. The estimation methods for individual classifications of financial instruments are described more fully below. Different assumptions could significantly affect these estimates. Accordingly, the net realizable values could be materially different from the estimates presented below.

In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the combined Corporation.

The provisions of SFAS 107 do not require the disclosure of nonfinancial instruments, including intangible assets. The value of the Corporation's intangibles such as goodwill, franchise, credit card and trust relationships and MSRs, is significant.

75

Short-Term Financial Instruments

The carrying values of short-term financial instruments, including cash and cash equivalents, federal funds sold and purchased, resale and repurchase agreements, and commercial paper and short-term borrowings, approximate the fair values of these instruments. These financial instruments generally expose the Corporation to limited credit risk and have no stated maturities, or have an average maturity of less than 30 days and carry interest rates which approximate market.

Financial Instruments Traded in the Secondary Market

Securities held for investment, securities available for sale, loans held for sale, trading account instruments, long-term debt and trust preferred securities traded actively in the secondary market have been valued using quoted market prices.

Loans

Fair values were estimated for groups of similar loans based upon type of loan, credit quality and maturity. The fair value of loans was determined by discounting estimated cash flows using interest rates approximating the Corporation's December 31 origination rates for similar loans. Where quoted market prices were available, primarily for certain residential mortgage loans, such market prices were utilized as estimates for fair values. Contractual cash flows for residential mortgage loans were adjusted for estimated prepayments using published industry data. Where credit deterioration has occurred, estimated cash flows for fixed- and variable-rate loans have been reduced to incorporate estimated losses.

Deposits

The fair value for deposits with stated maturities was calculated by discounting contractual cash flows using current market rates for instruments with similar maturities. For deposits with no stated maturities, the carrying amount was considered to approximate fair value and does not take into account the Corporation's long-term relationships with depositors.

The book and fair values of financial instruments for which book and fair value differed on December 31 were (dollars in millions):

<TABLE>
<CAPTION>

	1997		1996	
	Book Value	Fair Value	Book Value	Fair Value
<S>	<C>	<C>	<C>	<C>
Financial assets				
Loans, net of unearned income	\$136,801	\$139,200	\$116,711	\$117,525
Allowance for credit losses	(2,782)	--	(2,315)	--

Financial liabilities

Deposits	138,194	138,563	106,498	106,512
Trust preferred securities	1,955	2,031	965	965
Long-term debt (excluding obligations under capital leases) ..	27,150	27,711	22,689	22,739

For all other financial instruments, book value approximates fair value.

Off-Balance Sheet Financial Instruments

The fair value of the Corporation's ALM and other derivatives contracts is presented in the Derivatives section in Note Eight and the MSRs section of Note One to the consolidated financial statements.

The fair value of liabilities on binding commitments to lend is based on the present value of cash flow streams using fee rates currently charged for similar agreements versus original contractual fee rates, taking into account the creditworthiness of the borrowers. The fair values were liabilities of approximately \$113 million and \$190 million on December 31, 1997 and 1996, respectively.

76

Note Thirteen -- NationsBank Corporation (Parent Company)

The following tables present consolidated parent company financial information (dollars in millions):

Condensed Consolidated Statement of Income

<TABLE>
<CAPTION>

	Year Ended December 31		
	1997	1996	1995
<S>	<C>	<C>	<C>
Income			
Dividends from consolidated			
Subsidiary banks and bank holding companies	\$3,332	\$2,309	\$ 999
Other subsidiaries	34	210	7
Interest from consolidated subsidiaries	907	799	635
Other income	563	593	547
	-----	-----	-----
	4,836	3,911	2,188
	-----	-----	-----
Expenses			
Interest on borrowed funds	1,363	1,051	835
Noninterest expense	483	519	462
	-----	-----	-----
	1,846	1,570	1,297
	-----	-----	-----
Earnings			
Income before equity in undistributed earnings of			
consolidated subsidiaries and taxes	2,990	2,341	891
	-----	-----	-----
Equity in undistributed earnings of consolidated			
Subsidiary banks and bank holding companies	(365)	(63)	830
Other subsidiaries	262	34	208
	-----	-----	-----
	(103)	(29)	1,038
	-----	-----	-----
Income before income taxes	2,887	2,312	1,929
Income tax benefit	(190)	(63)	(21)
	-----	-----	-----
Net income	\$3,077	\$2,375	\$1,950
	=====	=====	=====
Net income available to common shareholders	\$3,066	\$2,360	\$1,942
	=====	=====	=====

</TABLE>

Condensed Consolidated Balance Sheet

<TABLE>
<CAPTION>

	December 31	
	1997	1996
<S>	<C>	<C>
Assets		
Cash held at subsidiary banks	\$ 8	\$ 8
Temporary investments	572	4,250

Receivables from consolidated		
Subsidiary banks and bank holding companies	4,937	2,936
Other subsidiaries	11,169	8,851
Investment in consolidated		
Subsidiary banks and bank holding companies	24,126	13,985
Other subsidiaries	2,431	1,705
Other assets	1,769	1,176
	-----	-----
	\$45,012	\$32,911
	=====	=====
Liabilities and Shareholders' Equity		
Commercial paper and other notes payable	\$ 2,869	\$ 2,344
Accrued expenses and other liabilities	1,434	613
Payables to consolidated subsidiaries	2,015	995
Long-term debt	17,357	15,250
Shareholders' equity	21,337	13,709
	-----	-----
	\$45,012	\$32,911
	=====	=====

</TABLE>

77

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78

Condensed Consolidated Statement of Cash Flows

<TABLE>
<CAPTION>

	Year Ended December 31		
	1997	1996	1995
	-----	-----	-----
	<C>	<C>	<C>
<S>			
Operating Activities			
Net income	\$ 3,077	\$ 2,375	\$ 1,950
Reconciliation of net income to net cash provided by operating activities			
Equity in undistributed earnings of consolidated subsidiaries	103	29	(1,038)
Other operating activities	4	802	(380)
	-----	-----	-----
Net cash provided by operating activities	3,184	3,206	532
	-----	-----	-----
Investing Activities			
Net decrease (increase) in temporary investments	3,678	(3,854)	187
Net increase in receivables from consolidated subsidiaries	(4,319)	(38)	(3,155)
Additional capital investment in subsidiaries	(267)	(424)	(384)
Acquisitions of subsidiaries, net of cash	61	(726)	--
	-----	-----	-----
Net cash used in investing activities	(847)	(5,042)	(3,352)
	-----	-----	-----
Financing Activities			
Net increase (decrease) in commercial paper and other notes payable	525	(150)	68
Proceeds from issuance of long-term debt	3,492	5,560	4,606
Retirement of long-term debt	(836)	(1,509)	(1,005)
Proceeds from issuance of common stock	1,242	136	239
Common stock repurchased	(5,769)	(1,503)	(522)
Cash dividends paid	(996)	(715)	(575)
Other financing activities	5	17	13
	-----	-----	-----
Net cash (used in) provided by financing activities	(2,337)	1,836	2,824
	-----	-----	-----
Net increase in cash held at subsidiary banks	--	--	4
Cash held at subsidiary banks on January 1	8	8	4
	-----	-----	-----
Cash held at subsidiary banks on December 31	\$ 8	\$ 8	\$ 8
	=====	=====	=====

</TABLE>

79

NationsBank Corporation and Subsidiaries
Six-Year Consolidated Statistical Summary

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
	<C>	<C>
<S>		
Taxable-Equivalent Yields Earned		

Loans and leases, net of unearned income		
Commercial	8.36%	8.16%
Real estate commercial	8.95	9.03
Real estate construction	8.98	8.89
Total commercial	8.46	8.29
Residential mortgage	7.79	7.80
Credit card	11.90	11.77
Other consumer	9.65	9.87
Total consumer	8.99	9.06
Foreign	7.13	6.87
Lease financing	7.72	7.58
Total loans and leases, net	8.64	8.59
Securities		
Held for investment	6.11	5.59
Available for sale	6.87	6.63
Total securities	6.82	6.46
Loans held for sale	7.19	7.30
Federal funds sold and securities purchased under agreements to resell	5.59	5.19
Time deposits placed and other short-term investments	5.82	5.54
Trading account securities	6.01	6.44
Total earning assets	7.90	7.83
Rates Paid		
Savings	2.02	2.22
NOW and money market deposit accounts	2.59	2.52
Consumer CDs and IRAs	5.22	5.28
Negotiated CDs, public funds and other time deposits	5.48	5.49
Foreign time deposits	5.38	5.38
Borrowed funds and trading account liabilities	5.67	5.65
Long-term debt	6.52	6.51
Total interest-bearing liabilities	4.79	4.85
Profit Margins		
Net interest spread	3.11	2.98
Net interest yield	3.79	3.62
Year-End Data		
(Dollars in millions)		
Loans, leases and factored accounts receivable, net of unearned income	\$143,792	\$122,630
Securities held for investment	1,156	2,110
Securities available for sale	46,047	12,277
Loans held for sale	2,911	1,215
Time deposits placed and other short-term investments	2,395	1,843
Total earning assets	228,927	164,676
Total assets	264,562	185,794
Noninterest-bearing deposits	34,674	25,738
Domestic savings and time deposits	89,127	72,707
Foreign time deposits	14,393	8,053
Total savings and time deposits	103,520	80,760
Total deposits	138,194	106,498
Borrowed funds and trading account liabilities	66,011	35,753
Long-term debt	27,204	22,985
Total shareholders' equity	21,337	13,709

<CAPTION>

	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>
Taxable-Equivalent Yields Earned				
Loans and leases, net of unearned income				
Commercial	8.19%	7.56%	6.96%	7.08%
Real estate commercial	9.30	8.18	7.59	7.78
Real estate construction	9.73	8.49	7.50	7.17
Total commercial	8.42	7.71	7.09	7.20
Residential mortgage	7.78	7.62	8.27	9.33
Credit card	12.78	12.84	13.62	14.45
Other consumer	10.07	9.26	9.24	10.07
Total consumer	9.37	8.99	9.51	10.50
Foreign	7.71	6.10	5.49	6.63
Lease financing	7.59	7.50	7.96	8.25
Total loans and leases, net	8.79	8.20	8.06	8.49
Securities				
Held for investment	5.57	5.06	5.54	6.84
Available for sale	6.25	5.20	4.80	5.77
Total securities	5.84	5.12	5.51	6.76
Loans held for sale	7.47	6.63	6.73	7.22
Federal funds sold and securities purchased under agreements to resell	6.18	4.09	3.21	3.77
Time deposits placed and other short-term investments	6.87	5.12	3.91	5.09
Trading account securities	7.76	7.32	5.43	4.64

Total earning assets	7.98	7.16	7.06	7.70
Rates Paid				
Savings	2.37	2.33	2.38	2.86
NOW and money market deposit accounts	2.68	2.34	2.24	2.82
Consumer CDs and IRAs	5.19	4.17	4.52	5.58
Negotiated CDs, public funds and other time deposits	5.56	4.02	3.97	4.93
Foreign time deposits	6.25	4.98	4.05	5.52
Borrowed funds and trading account liabilities	6.40	4.87	3.45	3.33
Long-term debt	7.00	6.85	7.44	8.92
Total interest-bearing liabilities	5.28	4.09	3.53	4.12
Profit Margins				
Net interest spread	2.70	3.07	3.53	3.58
Net interest yield	3.33	3.58	3.96	4.10
Year-End Data				
(Dollars in millions)				
Loans, leases and factored accounts receivable, net of unearned income	\$117,033	\$103,371	\$ 92,007	\$ 72,714
Securities held for investment	4,432	17,800	13,584	23,355
Securities available for sale	19,415	8,025	15,470	1,374
Loans held for sale	1,663	318	1,697	1,236
Time deposits placed and other short-term investments	1,296	2,159	1,479	1,994
Total earning assets	167,945	151,722	140,890	103,872
Total assets	187,298	169,604	157,686	118,059
Noninterest-bearing deposits	23,414	21,380	20,723	17,702
Domestic savings and time deposits	64,388	66,487	66,356	62,988
Foreign time deposits	12,889	12,603	4,034	2,037
Total savings and time deposits	77,277	79,090	70,390	65,025
Total deposits	100,691	100,470	91,113	82,727
Borrowed funds and trading account liabilities	51,067	45,555	44,248	21,957
Long-term debt	17,775	8,488	8,352	3,066
Total shareholders' equity	12,801	11,011	9,979	7,814

</TABLE>

80

NationsBank Corporation and Subsidiaries

Six-Year Consolidated Statistical Summary

<TABLE>
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	1997	1996
	-----<C>	-----<C>
<S>		
Earnings Ratios		
Return on average		
Total assets	1.26%	1.18%
Earning assets	1.46	1.34
Common shareholders' equity	15.26	17.95
Earnings Analysis (Taxable-Equivalent)		
Noninterest income as a percentage of net interest income	62.42	56.76
Noninterest expense, excluding merger-related charge, as a percentage of net interest income	92.92	88.20
Efficiency ratio: noninterest expense, excluding merger-related charge, divided by the sum of net interest income and noninterest income	57.2	56.3
Overhead ratio: noninterest expense, excluding merger-related charge, less noninterest income divided by net interest income	30.51	31.44
Net income as a percentage of net interest income	38.40	36.98
Asset Quality		
For the year		
Net charge-offs as a percentage of average loans, leases and factored accounts receivable .....	.54	.48
Net charge-offs as a percentage of the provision for credit losses	99.75	98.84
At year end		
Allowance for credit losses as a percentage of net loans, leases and factored accounts receivable	1.94	1.89
Allowance for credit losses as a percentage of nonperforming loans	273.34	260.02
Nonperforming assets as a percentage of net loans, leases, factored accounts receivable and foreclosed properties .....	.79	.85
Nonperforming assets as a percentage of total assets .....	.43	.56
Nonperforming assets (in millions)	\$ 1,135	\$ 1,043
Risk-Based Capital Ratios		
Tier 1	6.50%	7.76%
Total	10.89	12.66

Other Capital Ratios		
Common shareholders' equity as a percentage of total		
assets at year end	8.04	7.31
Dividend payout ratio (per common share)	32.13	29.95
Common shareholders' equity per common share		
Average	\$ 28.00	\$ 22.28
At year end	29.87	23.69
Other Statistics		
Number of full-time equivalent employees	80,360	62,971
Rate of increase (decrease) in average		
Total loans and leases, net of unearned income	18.80%	11.67%
Earning assets	19.07	6.23
Total assets	21.71	6.54
Total deposits	24.24	8.37
Total shareholders' equity	52.21	15.82
Common Stock Information		
Market price per share		
High for the year	\$ 71 11/16	\$ 52 5/8
Low for the year	48	32 3/16
Close at the end of the year	60 13/16	48 7/8
Daily average trading volume	2,365,800	1,937,938
Number of shareholders of record	128,488	106,345

<CAPTION>

	1995	1994	1993	1992
	<C>	<C>	<C>	<C>

<S>				
Earnings Ratios				
Return on average				
Total assets	1.03%	1.02%	.97%	
1.00%				
Earning assets	1.17	1.14	1.09	1.12
Common shareholders' equity	17.01	16.10	15.00	15.83
Earnings Analysis (Taxable-Equivalent)				
Noninterest income as a percentage of net interest				
income	55.36	48.96	44.48	45.65
Noninterest expense, excluding merger-related charge,				
as a percentage of net interest income	92.85	93.16	90.90	94.64
Efficiency ratio: noninterest expense, excluding				
merger-related charge, divided by the sum of net				
interest income and noninterest income	59.8	62.5	62.9	65.0
Overhead ratio: noninterest expense, excluding				
merger-related charge, less noninterest income divided				
by net interest income	37.50	44.20	46.42	48.99
Net income as a percentage of net interest income	35.07	31.86	31.79	27.33
Asset Quality				
For the year				
Net charge-offs as a percentage of average loans, leases				
and factored accounts receivable .....	.38	.33	.51	1.25
Net charge-offs as a percentage of the provision for				
credit losses	110.21	101.79	95.76	121.15
At year end				
Allowance for credit losses as a percentage of net loans,				
leases and factored accounts receivable	1.85	2.11	2.36	2.00
Allowance for credit losses as a percentage of				
nonperforming loans	306.49	273.07	193.38	103.11
Nonperforming assets as a percentage of net loans,				
leases, factored accounts receivable and foreclosed				
properties .....	.73	1.10	1.92	2.72
Nonperforming assets as a percentage of total assets .....	.46	.67	1.13	1.69
Nonperforming assets (in millions)	\$ 853	\$ 1,138	\$ 1,783	\$ 1,997
Risk-Based Capital Ratios				
Tier 1	7.24%	7.43%	7.41%	7.54%
Total	11.58	11.47	11.73	11.52
Other Capital Ratios				
Common shareholders' equity as a percentage of total				
assets at year end	6.81	6.47	6.25	6.60
Dividend payout ratio (per common share)	29.17	30.78	28.38	33.07
Common shareholders' equity per common share				
Average	\$ 20.95	\$ 19.00	\$ 16.68	\$ 14.53
At year end	23.26	19.85	18.20	15.40
Other Statistics				
Number of full-time equivalent employees	58,322	61,484	57,742	50,828
Rate of increase (decrease) in average				
Total loans and leases, net of unearned income	15.24%	20.29%	15.83%	
(1.70)%				
Earning assets	12.55	24.50	16.59	
(.84)				
Total assets	13.36	23.75	16.82	
(.64)				
Total deposits	5.91	12.30	.97	
(5.59)				

Total shareholders' equity	9.22	21.19	18.73	10.31
Common Stock Information				
Market price per share				
High for the year	\$ 37 3/8	\$ 28 11/16	\$ 29	\$26 11/16
Low for the year	22 5/16	21 11/16	22 1/4	19 13/16
Close at the end of the year	34 13/16	22 9/16	24 1/2	25 11/16
Daily average trading volume	1,452,934	1,507,030	1,333,182	1,455,156
Number of shareholders of record	103,137	105,774	108,435	89,371

</TABLE>

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

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

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information set forth under the caption "Election of Directors" on pages 2 through 7 of the definitive 1998 Proxy Statement of the registrant furnished to shareholders in connection with its Annual Meeting to be held on April 22, 1998 (the "1998 Proxy Statement") with respect to the name of each nominee or director, that person's age, positions and offices with the registrant, business experience, directorships in other public companies, service on the registrant's Board and certain family relationships, and information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" on page 10 of the 1998 Proxy Statement with respect to Section 16 matters, is hereby incorporated by reference. In addition, information set forth under the caption "Special Compensation Arrangements -- Employment Agreement with Mr. Craig" on page 14 of the 1998 Proxy Statement is hereby incorporated by reference. Additional information required by Item 10 with respect to executive officers is set forth in Part I, Item 4A hereof.

Item 11. EXECUTIVE COMPENSATION

Information with respect to current remuneration of executive officers, certain proposed remuneration to them, their options and certain indebtedness and other transactions set forth in the 1998 Proxy Statement (i) under the caption "Board of Directors' Compensation" on pages 10 and 11 thereof, (ii) under the caption "Executive Compensation" on pages 11 and 12 thereof, (iii) under the caption "Retirement Plans" on page 13 thereof, (iv) under the caption "Deferred Compensation Plan" on pages 13 and 14 thereof, (v) under the caption "Special Compensation Arrangements" on page 14 thereof, (vi) under the caption "Compensation Committee Interlocks and Insider Participation" on page 18 thereof, and (vii) under the caption "Certain Transactions" on pages 18 and 19 thereof, is, to the extent such information is required by Item 402 of Regulation S-K, hereby incorporated by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The security ownership information required by Item 403 of Regulation S-K relating to persons who beneficially own more than 5 percent of the outstanding shares of Common Stock, ESOP Preferred Stock or 7% Cumulative Redeemable Preferred Stock, Series B, as well as security ownership information relating to directors, nominees and named executive officers individually and directors and executive officers as a group, is hereby incorporated by reference to the ownership information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" on pages 7 through 10 of the 1998 Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to relationships and related transactions between the registrant and any director, nominee for director, executive officer, security holder owning 5 percent or more of the registrant's voting securities or any member of the immediate family of any of the above, as set forth in the 1998 Proxy Statement under the caption "Compensation Committee Interlocks and Insider Participation" on page 18 and under the caption "Certain Transactions" on pages 18 and 19 thereof, is, to the extent such information is required by Item 404 of Regulation S-K, hereby incorporated by reference.

PART IV

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

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

<TABLE>
<CAPTION>

	Page

<S>	<C>
(1)	<C>
	Financial Statements:
	Report of Independent Accountants 46
	Consolidated Statement of Income for each of the three years ended December 31, 1997 47
	Consolidated Balance Sheet at December 31, 1997 and 1996 48
	Consolidated Statement of Cash Flows for each of the three years ended December 31, 1997..... 49
	Consolidated Statement of Changes in Shareholders' Equity for each of the three years ended December 31, 1997 50
	Notes To Consolidated Financial Statements 51
(2)	All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

</TABLE>

b. The following reports on Form 8-K have been filed by the registrant during the quarter ended December 31, 1997:

Current Report on Form 8-K dated October 14, 1997 and filed October 20, 1997, Items 5 and 7.

Current Report on Form 8-K/A-1 dated August 29, 1997 and filed November 12, 1997, Item 7. The following financial statements of the business to be acquired (Barnett Banks, Inc.) were filed as part of this Current Report on Form 8-K/A-1:

Consolidated Statements of Financial Condition as of December 31, 1996 and 1995;

Consolidated Statements of Income for the years ended December 31, 1996, 1995 and 1994;

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 1996, 1995 and 1994; and

Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1995 and 1994.

In addition, the following unaudited pro forma financial information was filed as part of this Current Report on Form 8-K/A-1:

Uaudited Pro Forma Condensed Balance Sheet as of September 30, 1997;

Unaudited Pro Forma Condensed Statement of Income for the nine months ended September 30, 1997; and

Unaudited Pro Forma Condensed Statement of Income for the year ended December 31, 1996.

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

With the exception of the information herein expressly incorporated by reference, the 1998 Proxy Statement is not to be deemed filed as part of this Annual Report on Form 10-K.

SIGNATURES

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

NATIONSBANK CORPORATION

Date: March 13, 1998

By: */s/ Hugh L. McColl, Jr.

Hugh L. McColl, Jr.
Chief Executive Officer

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

<TABLE>
<CAPTION>

Signature	Title	Date
<S> */s/ Hugh L. McColl, Jr. ----- (Hugh L. McColl, Jr.)	<C> Chief Executive Officer and Director (Principal Executive Officer)	<C> March 13, 1998
*/s/ James H. Hance, Jr. ----- (James H. Hance, Jr.)	Vice Chairman, Chief Financial Officer and Director (Principal Financial Officer)	March 13, 1998
*/s/ Marc D. Oken ----- (Marc D. Oken)	Executive Vice President (Principal Accounting Officer)	March 13, 1998
*/s/ Andrew B. Craig, III ----- (Andrew B. Craig, III)	Chairman of the Board	March 13, 1998
*/s/ Ray C. Anderson ----- (Ray C. Anderson)	Director	March 13, 1998
*/s/ William M. Barnhardt ----- (William M. Barnhardt)	Director	March 13, 1998
*/s/ Rita Bornstein ----- (Rita Bornstein)	Director	March 13, 1998
*/s/ B. A. Bridgewater, Jr. ----- (B. A. Bridgewater, Jr.)	Director	March 13, 1998
*/s/ Thomas E. Capps ----- (Thomas E. Capps)	Director	March 13, 1998
*/s/ Alvin R. Carpenter ----- (Alvin R. Carpenter)	Director	March 13, 1998
*/s/ Charles W. Coker ----- (Charles W. Coker)	Director	March 13, 1998

</TABLE>

84

<TABLE>
<CAPTION>

Signature	Title	Date
<S> */s/ Thomas G. Cousins ----- (Thomas G. Cousins)	<C> Director	<C> March 13, 1998
----- (Alan T. Dickson)	Director	March , 1998
*/s/ Paul Fulton ----- (Paul Fulton)	Director	March 13, 1998
*/s/ C. Ray Holman ----- (C. Ray Holman)	Director	March 13, 1998
*/s/ W. W. Johnson ----- (W. W. Johnson)	Director	March 13, 1998
*/s/ Kenneth D. Lewis ----- (Kenneth D. Lewis)	President and Director	March 13, 1998
*/s/ Russell W. Meyer, Jr. ----- (Russell W. Meyer, Jr.)	Director	March 13, 1998

----- (Russell W. Meyer, Jr.) -----	Director	March , 1998
----- (Richard B. Priory) -----		
*s/ Charles E. Rice ----- (Charles E. Rice) -----	Director	March 13, 1998
----- (John C. Slane) -----	Director	March , 1998
*s/ O. Temple Sloan, Jr. ----- (O. Temple Sloan, Jr.) -----	Director	March 13, 1998
*s/ Meredith R. Spangler ----- (Meredith R. Spangler) -----	Director	March 13, 1998
*s/ Albert E. Suter ----- (Albert E. Suter) -----	Director	March 13, 1998
*s/ Ronald Townsend ----- (Ronald Townsend) -----	Director	March 13, 1998

85

<TABLE>
<CAPTION>

----- Signature -----	----- Title -----	----- Date -----
<S>	<C>	<C>
*s/ Jackie M. Ward ----- (Jackie M. Ward) -----	Director	March 13, 1998
*s/ John A. Williams ----- (John A. Williams) -----	Director	March 13, 1998
*s/ Virgil R. Williams ----- (Virgil R. Williams) -----	Director	March 13, 1998
*By:s/ Charles M. Berger ----- Charles M. Berger, Attorney-in-Fact -----		

</TABLE>

86

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

----- Exhibit No. -----	----- Description -----
<S>	<C>
3(a)	Amended and Restated Articles of Incorporation of registrant, as in effect on the date hereof, incorporated by reference to Exhibit 3.1 of registrant's Current Report on Form 8-K dated December 9, 1997.
(b)	Amended and Restated Bylaws of registrant, as in effect on the date hereof, incorporated by reference to Exhibit 3(ii) of registrant's Quarterly Report on Form 10-Q dated May 15, 1997.
4(a)	Specimen certificate of registrant's Common Stock, incorporated by reference to Exhibit 4.1 of registrant's Registration No. 33-45542.
(b)	Specimen certificate of registrant's ESOP Convertible Preferred Stock, Series C, incorporated by reference to Exhibit 4(c) of registrant's Annual Report on Form 10-K dated March 25, 1992.
(c)	Indenture dated as of August 1, 1982 between registrant and Morgan Guaranty Trust Company of New York, pursuant to which registrant issued its 7 3/4% Debentures, due 2002, incorporated by reference to Exhibit 4.2 of registrant's Registration No. 2-78530.
(d)	Indenture dated as of September 1, 1989 between registrant and The Bank of New York, pursuant to which registrant issued its 9 3/8% Subordinated Notes, due 2009; its 10.20% Subordinated Notes, due 2015; its 9 1/8% Subordinated

- Notes, due 2001; and its 8 1/8% Subordinated Notes, due 2002, incorporated by reference to Exhibit 4.1 of registrant's Registration No. 33-30717.
- (e) Indenture dated as of January 1, 1992 between registrant and BankAmerica Trust Company of New York, pursuant to which registrant issued its 6 5/8% Senior Notes, due 1998, incorporated by reference to Exhibit 4.1 of registrant's Registration No. 33-54784.
 - (f) Indenture dated as of November 1, 1992 between registrant and The Bank of New York, pursuant to which registrant issued its 6 7/8% Subordinated Notes, due 2005, incorporated by reference to Exhibit 4.1 of registrant's Amendment to Application or Report on Form 8 dated March 1, 1993.
 - (g) First Supplemental Indenture dated as of July 1, 1993 to the Indenture dated as of January 1, 1992 between registrant and BankAmerica National Trust Company (formerly BankAmerica Trust Company of New York), pursuant to which registrant issued its Senior Medium-Term Notes, Series A, B and C; its 5 1/8% Senior Notes, due 1998; and its 5 3/8% Senior Notes, due 2000, incorporated by reference to Exhibit 4.1 of registrant's Current Report on Form 8-K dated July 6, 1993.
 - (h) First Supplemental Indenture dated as of July 1, 1993 to the Indenture dated as of November 1, 1992 between registrant and The Bank of New York, pursuant to which registrant issued its Subordinated Medium-Term Notes, Series A and B; its 6 1/2% Subordinated Notes, due 2003; and its 7 3/4% Subordinated Notes, due 2004, incorporated by reference to Exhibit 4.4 of registrant's Current Report on Form 8-K dated July 6, 1993.
 - (i) Indenture dated as of January 1, 1995 between registrant and BankAmerica National Trust Company, pursuant to which registrant issued its Floating Rate Senior Notes, due 1998; its 7% Senior Notes, due, 2003; its 7% Senior Notes, due 2001; and its Senior Medium-Term Notes, Series D, E, F and G, incorporated by reference to Exhibit 4.1 of registrant's Registration No. 33-57533.
 - (j) Indenture dated as of January 1, 1995 between registrant and The Bank of New York, pursuant to which registrant issued its 7 5/8% Subordinated Notes, due 2005; its 7 3/4% Subordinated Notes, due 2015; its 7 1/4% Subordinated Notes, due 2025; its 6 1/2% Subordinated Notes, due 2006; its 7.80% Subordinated Notes, due 2016; and its Subordinated Medium-Term Notes, Series D, E, F and G, incorporated by reference to Exhibit 4.1 of registrant's Registration No. 33-57533.

</TABLE>

E-1

<TABLE>
<CAPTION>
Exhibit No.

Description

<S>

- | Exhibit No. | Description |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (k) | Fiscal and Paying Agency Agreement dated as of July 5, 1995, between registrant and The Chase Manhattan Bank, N.A. (London Branch), pursuant to which registrant issued its Floating Rate Senior Notes, due 2000, incorporated by reference to Exhibit 4(1) of registrant's Annual Report on Form 10-K dated March 29, 1996 (the "1995 Form 10-K"). |
| (l) | Amended and Restated Agency Agreement dated as of May 12, 1997 between registrant and The Chase Manhattan Bank, N.A. (London Branch), pursuant to which registrant issued its Senior Euro Medium-Term Notes. |
| (m) | Issuing and Paying Agency Agreement dated as of April 10, 1995 between NationsBank, N.A. (as successor to NationsBank, N.A. (Carolinas) and NationsBank of Georgia, N.A.) and NationsBank of Texas, N.A., as Issuers, and Bankers Trust Company, as Issuing and Paying Agent, incorporated by reference to Exhibit 4(n) of the 1995 Form 10-K. |
| (n) | Specimen certificate of registrant's 7% Cumulative Redeemable Preferred Stock, Series B, incorporated by reference to Exhibit 4(q) of registrant's Annual Report on Form 10-K dated March 28, 1997 (the "1996 Form 10-K"). |
| (o) | Indenture dated as of November 27, 1996 between registrant and The Bank of New York, incorporated by reference to Exhibit 4.10 of registrant's Registration No. 333-15375. |
| (p) | First Supplemental Indenture dated as of December 4, 1996 to the Indenture dated as of November 27, 1996 between registrant and The Bank of New York pursuant to which registrant issued its 7.84% Junior Subordinated Deferrable Interest Notes due 2026, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated November 27, 1996. |
| (q) | Second Supplemental Indenture dated as of December 17, 1996 to the Indenture dated as of November 27, 1996 between the registrant and The Bank of New York pursuant to which registrant issued its 7.83% Junior Subordinated Deferrable Interest Notes due 2026, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated December 10, 1996. |
| (r) | Third Supplemental Indenture dated as of February 3, 1997 to the Indenture dated as of November 27, 1996 between registrant and The Bank of New York pursuant to which registrant issued its Floating Rate Junior Subordinated Deferrable Interest Notes due 2027, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated January 22, 1997. |
| (s) | Fourth Supplemental Indenture dated as of April 22, 1997 to the Indenture dated as of November 27, 1996 between registrant and The Bank of New York pursuant to which registrant issued its 8 1/4% Junior Subordinated Deferrable |

- Interest Notes, due 2027, incorporated by reference to Exhibit 4.3 of registrant's Current Report on Form 8-K dated April 15, 1997.
- (t) Specimen certificate of registrant's \$2.50 Cumulative Convertible Preferred Stock, Series BB.
 - (u) Indenture dated as of November 27, 1996, between Barnett Banks, Inc. and The First National Bank of Chicago, as Trustee, and First Supplemental Indenture dated as of January 9, 1998, among registrant, NB Holdings Corporation, Barnett Banks, Inc. and The First National Bank of Chicago, as Trustee, pursuant to which registrant (as successor to Barnett Banks, Inc.) issued its 8.06% Junior Subordinated Debentures, due 2026.
 - (v) The registrant has other long-term debt agreements, but these are not material in amount. Copies of these agreements will be furnished to the Commission on request.
- 10(a) Limited Partnership Agreement of CSC Associates, L. P., between The Citizens and Southern Corporation and Cousins Properties Incorporated dated as of September 29, 1989, including Transfer of Partnership Interest between The Citizens and Southern Corporation and C&S Premises, Inc. and First Amendment thereto, both of which are incorporated by reference to Exhibit 10(ss) of registrant's Annual Report on Form 10-K dated March 25, 1992; and Second Amendment thereto dated as of December 31, 1990, incorporated by reference to Exhibit 10(a) of registrant's Annual Report on Form 10-K dated March 30, 1995.

</TABLE>

E-2

<TABLE>
<CAPTION>

Exhibit No.	Description	
<S>	<C>	<C>
(b)	NationsBank Corporation and Designated Subsidiaries Directors' Retirement Plan, incorporated by reference to Exhibit 10(f) of registrant's Annual Report on Form 10-K dated March 27, 1991; Amendment thereto dated as of September 28, 1994, incorporated by reference to Exhibit 10(i) of registrant's Annual Report on Form 10-K dated March 30, 1995; and Amendment thereto dated as of April 24, 1996, incorporated by reference to Exhibit 10(g) of the 1996 Form 10-K.	*
(c)	NationsBank Corporation and Designated Subsidiaries Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(j) of registrant's Annual Report on Form 10-K dated March 30, 1995; Amendment thereto dated as of June 28, 1989, incorporated by reference to Exhibit 10(g) of registrant's Annual Report on Form 10-K dated March 28, 1990; Amendment thereto dated as of June 27, 1990, incorporated by reference to Exhibit 10(g) of registrant's Annual Report on Form 10-K dated March 27, 1991; Amendment thereto dated as of July 21, 1991, incorporated by reference to Exhibit 10(bb) of registrant's Annual Report on Form 10-K dated March 25, 1992; Amendments thereto dated as of December 3, 1992 and December 15, 1992, both of which are incorporated by reference to Exhibit 10(l) of registrant's Annual Report on Form 10-K dated March 24, 1993; Amendment thereto dated as of September 28, 1994, incorporated by reference to Exhibit 10(j) of registrant's Annual Report on Form 10-K dated March 30, 1995; and Amendments thereto dated March 27, 1996 and June 25, 1997.	*
(d)	NationsBank Corporation and Designated Subsidiaries Deferred Compensation Plan for Key Employees, incorporated by reference to Exhibit 10(k) of registrant's Annual Report on Form 10-K dated March 30, 1995; Amendment thereto dated as of June 28, 1989, incorporated by reference to Exhibit 10(h) of registrant's Annual Report on Form 10-K dated March 28, 1990; Amendment thereto dated as of June 27, 1990, incorporated by reference to Exhibit 10(h) of registrant's Annual Report on Form 10-K dated March 27, 1991; Amendment thereto dated as of July 21, 1991, incorporated by reference to Exhibit 10(bb) of registrant's Annual Report on Form 10-K dated March 25, 1992; and Amendment thereto dated as of December 3, 1992, incorporated by reference to Exhibit 10(m) of registrant's Annual Report on Form 10-K dated March 24, 1993.	*
(e)	NationsBank Corporation and Designated Subsidiaries Supplemental Retirement Plan, incorporated by reference to Exhibit 10(o) of registrant's Annual Report on Form 10-K dated March 30, 1994; Amendment thereto dated as of June 28, 1989, incorporated by reference to Exhibit 10(k) of registrant's Annual Report on Form 10-K dated March 28, 1990; Amendment thereto dated as of June 27, 1990, incorporated by reference to Exhibit 10(k) of registrant's Annual Report on Form 10-K dated March 27, 1991; Amendment thereto dated as of July 21, 1991, incorporated by reference to Exhibit 10(bb) of registrant's Annual Report on Form 10-K dated March 25, 1992; Amendments thereto dated as of December 3, 1992 and December 4, 1992, both of which are incorporated by reference to Exhibit 10(p) of registrant's Annual Report on Form 10-K dated March 24, 1993; and Amendment thereto dated as of July 5, 1995, incorporated by reference to Exhibit 10(l) of the 1995 Form 10-K.	*
(f)	Split Dollar Agreement dated as of February 1, 1990 between registrant and Hugh L. McColl III, as Trustee for the benefit of Hugh L. McColl, Jr. and Jane S. McColl, incorporated by reference to Exhibit 10(s) of registrant's Annual Report on Form 10-K dated March 27, 1991.	*
(g)	NationsBank Corporation Benefit Security Trust dated as of June 27, 1990, incorporated by reference to Exhibit 10(t) of registrant's Annual Report on	*

Form 10-K dated March 27, 1991; First Supplement thereto dated as of November 30, 1992, incorporated by reference to Exhibit 10(v) of registrant's Annual Report on Form 10-K dated March 24, 1993; and Trustee Removal/ Appointment Agreement dated as of December 19, 1995, incorporated by reference to Exhibit 10(o) of the 1995 Form 10-K.

- (h) The NationsBank Retirement Savings Restoration Plan, as amended and restated effective July 1, 1996, incorporated by reference to Exhibit 10(p) of the 1996 10-K. *

</TABLE>

E-3

<TABLE>

<CAPTION>

Exhibit No.

Description

<S>	<C>	<C>
(i)	Employment Arrangement with Fredric J. Figge, II dated July 27, 1987, incorporated by reference to Exhibit 10(tt) of registrant's Annual Report on Form 10-K dated March 25, 1992; and Amendment Agreement thereto dated June 27, 1997.	*
(j)	Noncompetition Agreement dated as of December 31, 1997 by and between registrant and Fredric J. Figge, II.	*
(k)	NationsBank Corporation Executive Incentive Compensation Plan, as amended and restated effective January 1, 1997.	*
(l)	NationsBank Corporation Key Employee Deferral Plan, as amended and restated effective July 1, 1996, incorporated by reference to Exhibit 10(s) of the 1996 10-K.	*
(m)	NationsBank Corporation Director Deferral Plan, as amended and restated effective April 24, 1996, incorporated by reference to Exhibit 10(k) of the 1996 10-K.	*
(n)	NationsBank Corporation Key Employee Stock Plan, as amended and restated effective December 19, 1997.	*
(o)	NationsBank Corporation Directors' Stock Plan, incorporated by reference to Exhibit 99.1 of registrant's Registration No. 333-02875.	*
(p)	Amendment to Restricted Stock Award Plan Agreements with Hugh L. McColl, Jr. dated December 20, 1996, incorporated by reference to Exhibit 10(x) of the 1996 10-K.	*
(q)	Agreement and Plan of Merger, by and between Boatmen's Bancshares, Inc. and registrant, dated as of August 29, 1996, incorporated by reference to Exhibit 2.1 of registrant's Registration No. 333-16189; Amendment thereto, dated as of November 11, 1996, incorporated by reference to Exhibit 2.2 of registrant's Registration No. 333-16189; and Amendment thereto, dated as of January 6, 1997, incorporated by reference to Exhibit 10(y) of the 1996 10-K.	*
(r)	Employment Agreement, dated as of September 26, 1996, by and between registrant and Andrew B. Craig, III, incorporated by reference to Exhibit 10.1 of registrant's Registration No. 333-16189.	*
(s)	Employment Agreement, dated as of January 30, 1996, as amended May 17, 1996, by and between Boatmen's Bancshares, Inc. and Andrew B. Craig, III, incorporated by reference to Exhibit 10.2 of registrant's Registration No. 333-16189.	*
(t)	Boatmen's Bancshares, Inc. Amended 1981 Incentive Stock Option Plan, incorporated by reference to Exhibit 99.1 of registrant's Post-Effective Amendment No. 1 to Registration No. 333-16189.	*
(u)	Boatmen's Bancshares, Inc. 1987 Non-Qualified Stock Option Plan, incorporated by reference to Exhibit 99.2 of registrant's Post-Effective Amendment No. 1 to Registration No. 333-16189.	*
(v)	Boatmen's Supplemental Retirement Plan, as adopted effective August 8, 1989 and as amended on January 30, 1996 and February 8, 1996.	*
(w)	Boatmen's Bancshares, Inc. Executive Deferred Compensation Plan as of February 8, 1996.	*
(x)	Boatmen's Bancshares, Inc. Amended 1982 Long Term Incentive Plan effective as of February 9, 1982, as amended.	*
(y)	Boatmen's Supplemental Retirement Plan Participation Agreement dated August 4, 1993 between Boatmen's Bancshares, Inc. and Andrew B. Craig, III.	*
(z)	Trust Under Boatmen's Supplemental Retirement Plan dated December 31, 1993, and First Instrument of Amendment thereto dated August 13, 1996.	*
(aa)	Letter agreement by and between registrant and Andrew B. Craig, III dated March 21, 1997 waiving certain stock appreciation rights.	*
(bb)	Agreement and Plan of Merger, by and between Barnett Banks, Inc. and registrant, dated as of August 29, 1997, incorporated by reference to Exhibit 2.1 of registrant's Registration No. 333-40515; and Amendment thereto, dated as of November 18, 1997, incorporated by reference to Exhibit 2.2 of registrant's Registration No. 333-40515.	*
(cc)	Employment Agreement by and between registrant and Charles E. Rice dated October 10, 1997, incorporated by reference to Exhibit 10.1 of registrant's Registration No. 333-40515.	*

</TABLE>

E-4

<TABLE>

<CAPTION>

Exhibit No.	Description
<S>	<C>
11	Earnings per share computation.
12	(a) Ratio of Earnings to Fixed Charges. (b) Ratio of Earnings to Fixed Charges and Preferred Dividends.
21	List of Subsidiaries.
23	Consent of Price Waterhouse LLP.
24	(a) Power of Attorney. (b) Corporate Resolution.
27	Financial Data Schedule.

</TABLE>

* Denotes executive compensation plan or arrangement.

BARNETT BANKS, INC.

TO

THE FIRST NATIONAL BANK OF CHICAGO

a national banking association, Trustee

INDENTURE

Dated as of November 27, 1996

8.06% Junior Subordinated Debentures due 2026

TABLE OF CONTENTS

<TABLE>
<CAPTION>

	Page

ARTICLE ONE	
<S> <C>	<C>
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION.....	1
SECTION 101. Definitions.....	1
Act	2
Adjusted Treasury Rate.....	2
Affiliate.....	2
Authenticating Agent.....	2
Board of Directors.....	2
Board Resolution.....	3
Business Day.....	3
Capital Securities.....	3
Cedel	3
Closing Date.....	3
Commission.....	3
Common Securities.....	3
Company	3
Company Request.....	3
Company Order.....	3
Comparable Treasury Issue.....	3
Comparable Treasury Price.....	3
Corporate Trust Office.....	4
Covenant Defeasance.....	4
Declaration.....	4
Defaulted Interest.....	4
Depositary.....	4
DWAC	4
Event of Default.....	4
Exchange Act.....	4
Extension Period.....	4
Euroclear.....	4
Federal Reserve.....	4
Global Security.....	4
Guarantee.....	4
Holder	5
Indebtedness.....	5
Indenture.....	5
Initial Purchasers.....	5
Institutional Accredited Investor.....	5
Interest Payment Date.....	5
Investment Company Event.....	6

	Page
Junior Subordinated Securities.....	6
Legal Defeasance.....	6
Maturity	6
New Junior Subordinated Securities.....	6
Officers' Certificate.....	6
Opinion of Counsel.....	6
Outstanding.....	7
Paying Agent.....	7
Person	7
Predecessor Security.....	7
Private Placement Legend.....	7
Property Trustee.....	7
Qualified Institutional Buyer" or "QIB.....	7
Quotation Agent.....	7
Redemption Date.....	7
Redemption Price.....	8
Reference Treasury Dealer Quotations.....	8
Registration Rights Agreement.....	8
Regular Record Date.....	8
Regulation S.....	8
Regulation S Global Security.....	8
Regulatory Capital Event.....	8
Remaining Life.....	8
Responsible Officer.....	8
Restricted Global Security.....	9
Restricted Period.....	9
Restricted Security.....	9
Rule 144A.....	9
Securities.....	9
Securities Act.....	9
Security Register.....	9
Security Registrar.....	9
Special Event.....	9
Special Record Date.....	9
Stated Maturity".....	9
Subsidiary.....	9
Tax Event.....	9
Treasury Rate.....	10
Trust	10
Trustee	10
Trust Indenture Act.....	10
U.S. Government Obligations.....	10
Vice President.....	10

-ii-

	Page
SECTION 102. Compliance Certificates and Opinions.....	11
SECTION 103. Form of Documents Delivered to Trustee.....	11
SECTION 104. Acts of Holders; Record Dates.....	11
SECTION 105. Notices, Etc. to Trustee and the Company.....	12
SECTION 106. Notice to Holders; Waiver.....	13
SECTION 107. Conflict With Trust Indenture Act.....	13
SECTION 108. Effect of Headings and Table of Contents.....	13
SECTION 109. Separability Clause.....	13
SECTION 110. Benefits of Indenture.....	14
SECTION 111. GOVERNING LAW.....	14
SECTION 112. Legal Holidays.....	14

SECURITY FORMS..... 14

ARTICLE THREE

THE SECURITIES..... 15

SECTION 301. Title and Terms..... 15
SECTION 302. Denominations..... 17
SECTION 303. Execution, Authentication, Delivery and Dating..... 17
SECTION 304. Temporary Securities..... 18
SECTION 305. Registration; Registration of Transfer and Exchange..... 18
SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities..... 19
SECTION 307. Payment of Interest; Interest Rights Preserved..... 20

-iii-

Page

SECTION 308. Persons Deemed Owners..... 21
SECTION 309. Cancellation..... 21
SECTION 310. Computation of Interest..... 22
SECTION 311. Right of Set-off..... 22
SECTION 312. CUSIP Numbers..... 22
SECTION 313. Global Securities..... 22
SECTION 314. Restrictive Legend..... 24
SECTION 315. Special Transfer Provisions..... 26

ARTICLE FOUR

SATISFACTION AND DISCHARGE; DEFEASANCE..... 29

SECTION 401. Satisfaction and Discharge of Indenture..... 29
SECTION 402. Legal Defeasance..... 30
SECTION 403. Covenant Defeasance..... 30
SECTION 404. Conditions to Legal Defeasance or Covenant Defeasance..... 31
SECTION 405. Application of Trust Money..... 32
SECTION 406. Indemnity for U.S. Government Obligations..... 32

ARTICLE FIVE

REMEDIES..... 32

SECTION 501. Events of Default..... 32
SECTION 502. Acceleration of Maturity; Rescission and Annulment..... 33
SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee..... 34
SECTION 504. Trustee may File Proofs of Claim..... 35

-iv-

Page

SECTION 505. Trustee may Enforce Claims Without Possession of Securities..... 35

SECTION 506.	Application of Money Collected.....	35
SECTION 507.	Limitation on Suits.....	36
SECTION 508.	Unconditional Right of Holders to Receive Principal and Interest; Capital Security Holders' Rights.....	36
SECTION 509.	Restoration of Rights and Remedies.....	37
SECTION 510.	Rights and Remedies Cumulative.....	37
SECTION 511.	Delay or Omission not Waiver.....	37
SECTION 512.	Control by Holders.....	37
SECTION 513.	Waiver of Past Defaults.....	38
SECTION 514.	Undertaking for Costs.....	38
SECTION 515.	Waiver of Stay or Extension Laws.....	39

ARTICLE SIX

	TRUSTEE.....	39
SECTION 601.	Certain Duties and Responsibilities.....	39
SECTION 602.	Notice of Defaults.....	39
SECTION 603.	Certain Rights of Trustee.....	40
SECTION 604.	Not Responsible for Recitals or Issuance of Securities.....	41
SECTION 605.	Trustee and Other Agents may Hold Securities.....	41
SECTION 606.	Money Held in Trust.....	41
SECTION 607.	Compensation; Reimbursement; and Indemnity.....	41
SECTION 608.	Disqualification; Conflicting Interests.....	42

-v-

		Page

SECTION 609.	Corporate Trustee Required; Eligibility.....	42
SECTION 610.	Resignation and Removal; Appointment of Successor.....	42
SECTION 611.	Acceptance of Appointment by Successor.....	43
SECTION 612.	Merger, Conversion, Consolidation or Succession to Business.....	44
SECTION 613.	Preferential Collection of Claims Against Company.....	44

ARTICLE SEVEN

	HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY.....	44
SECTION 701.	Company to Furnish Trustee Names and Addresses of Holders.....	44
SECTION 702.	Preservation of Information; Communications to Holders.....	45
SECTION 703.	Reports by Trustee.....	45
SECTION 704.	Reports by Company.....	45

ARTICLE EIGHT

	CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE.....	46
SECTION 801.	Company May Consolidate, Etc., Only on Certain Terms.....	46
SECTION 802.	Successor Person Substituted.....	46

ARTICLE NINE

	SUPPLEMENTAL INDENTURES.....	47
SECTION 901.	Supplemental Indentures Without Consent of Holders.....	47
SECTION 902.	Supplemental Indentures With Consent of Holders.....	48

SECTION 903.	Execution of Supplemental Indentures.....	48
SECTION 904.	Effect of Supplemental Indentures.....	49
SECTION 905.	Conformity With Trust Indenture Act.....	49

-vi-

		Page

SECTION 906.	Reference in Securities to Supplemental Indentures.....	49

ARTICLE TEN

	COVENANTS.....	49
SECTION 1001.	Payment of Principal and Interest.....	49
SECTION 1002.	Maintenance of Office or Agency.....	49
SECTION 1003.	Money for Security Payments to be Held in Trust.....	50
SECTION 1004.	Statements by Officers as to Default.....	51
SECTION 1005.	Existence.....	51
SECTION 1006.	Maintenance of Properties.....	51
SECTION 1007.	Payment of Taxes and Other Claims.....	52
SECTION 1008.	Waiver of Certain Covenants.....	52
SECTION 1009.	Payment of the Trust's Costs and Expenses.....	52

ARTICLE ELEVEN

	SUBORDINATION OF SECURITIES.....	53
SECTION 1101.	Securities Subordinate to Indebtedness.....	53
SECTION 1102.	Default on Indebtedness.....	53
SECTION 1103.	Prior Payment of Indebtedness Upon Acceleration of Securities.....	54
SECTION 1104.	Liquidation; Dissolution; Bankruptcy.....	54
SECTION 1105.	Subrogation.....	56
SECTION 1106.	Trustee to Effectuate Subordination.....	57
SECTION 1107.	Notice by the Company.....	57
SECTION 1108.	Rights of the Trustee; Holders of Indebtedness.....	58

-vii-

		Page

SECTION 1109.	Subordination may not be Impaired.....	58

ARTICLE TWELVE

	REDEMPTION OF SECURITIES.....	59
SECTION 1201.	Optional Redemption; Conditions to Optional Redemption.....	59
SECTION 1202.	Applicability of Article.....	60
SECTION 1203.	Election to Redeem; Notice to Trustee.....	60
SECTION 1204.	Selection by Trustee of Securities to be Redeemed.....	60
SECTION 1205.	Notice of Redemption.....	60
SECTION 1206.	Deposit of Redemption Price.....	61
SECTION 1207.	Securities Payable on Redemption Date.....	61

</TABLE>

Sections 310 through
318 of the Trust Indenture Act of 1939:

Trust Indenture Act Section - - - - -	Indenture Section -----
Section 310 (a) (1)	609
(a) (2)	609
(a) (3)	Not Applicable
(a) (4)	Not Applicable
(b)	608, 610
Section 311 (a)	613
(b)	613
Section 312 (a)	701
(b)	702 (b)
(c)	702 (c)
Section 313 (a)	703 (a)
(a) (4)	101, 1004
(b)	703 (a)
(c)	703 (a)
(d)	703 (b)
Section 314 (a)	704
(b)	Not Applicable
(c) (1)	102
(c) (2)	102
(c) (3)	Not Applicable
(d)	Not Applicable
(e)	102
Section 315 (a)	601
(b)	602
(c)	601
(d)	601
(e)	514
Section 316 (a)	101
(a) (1) (A)	502
(a) (1) (B)	513
(a) (2)	Not Applicable
(b)	508
(c)	104 (c)
Section 317 (a) (1)	503
(a) (2)	504
(b)	1003
Section 318 (a)	107

This INDENTURE is dated as of November 27, 1996, between BARNETT BANKS, INC., a corporation duly organized and existing under the laws of the State of Florida (herein called the "Company"), having its principal office at 50 North Laura Street, Jacksonville, Florida 32202, and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, as Trustee (herein called the "Trustee").

RECITALS

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of its 8.06% Junior Subordinated Debentures due 2026 (the "Junior Subordinated Securities") and its 8.06% New Junior Subordinated Debentures due 2026 (the "New Junior Subordinated Securities", and together with the Junior Subordinated Securities, the "Securities") to be issued in exchange for the Junior Subordinated Securities.

WHEREAS, Barnett Capital I (the "Trust") has offered to the public \$300,000,000 aggregate liquidation amount of its 8.06% Capital Securities (the "Capital Securities") representing undivided beneficial interests in the assets of the Trust and proposes to invest the proceeds from such offering and the proceeds from the issuance of its Common Securities in \$309,279,000 aggregate principal amount of the Securities.

WHEREAS, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture.

WHEREAS, all things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions.

For all purposes of this Indenture, except as expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular and the masculine as well as the feminine;

2

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles;

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(5) a reference to any Person shall include its successor and assigns;

(6) a reference to any agreement or instrument shall mean such agreement or instrument as supplemented, modified, amended or amended and restated and in effect from time to time;

(7) a reference to any statute, law, rule or regulation, shall include any amendments thereto applicable to the relevant Person, and any successor statute, law, rule or regulation; and

(8) a reference to any particular rating category shall be deemed to include any corresponding successor category, or any corresponding rating category issued by a successor or subsequent rating agency.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Adjusted Treasury Rate" means, with respect to any Redemption Date, the Treasury Rate plus (i) 1.25% if such Redemption Date occurs on or before December 1, 1997 or (ii) 0.50% if such Redemption Date occurs after December 1, 1997.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized by the Trustee to act on behalf of the Trustee to authenticate Securities.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board as the context requires.

3

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee, or the principal office of the Property Trustee, under the Declaration, is closed for business.

"Capital Securities" has the meaning specified in the Recitals to this instrument.

"Cedel" means Cedel, S.A.

"Closing Date" means November 27, 1996.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities" means the common securities issued by the Trust.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its Vice Chairman of the Board, a President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Comparable Treasury Issue" means with respect to any Redemption Date the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States treasury security has a maturity which is within a period from three months before to three months after December 1, 2006, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities.

"Comparable Treasury Price" means (A) the average of five Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such

4

Reference Treasury Dealer Quotations, or (B) if the Indenture Trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Corporate Trust Office" means the principal office of the Trustee in the City of New York, at which at any particular time its corporate trust business shall be administered and which at the date of this Indenture is located at 153 West 51st Street, New York, New York 10019.

"Covenant Defeasance" has the meaning specified in Section 403.

"Declaration" means the Amended and Restated Declaration of Trust among the Company, as Sponsor and the Trustee, as the initial Property Trustee, First Chicago Delaware Inc., a Delaware corporation, as the initial Delaware Trustee, and Paris P. Thermenos, Charles W. Newman and Patrick J. McCann, as the initial Regular Trustees, dated as of November 27, 1996.

"Defaulted Interest" has the meaning specified in Section 307.

"Depository" means, with respect to Securities issuable in

whole or in part in the form of one or more Global Securities, a clearing agency registered under the Exchange Act that is designated to act as Depository for such Securities.

"DWAC" means Deposit and Withdrawal At Custodian Service.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor legislation.

"Extension Period" has the meaning specified in Section 301.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System.

"Federal Reserve" means the Board of Governors of the Federal Reserve System.

"Global Security" means a Security that evidences all or part of the Securities and is authenticated and delivered to, and registered in the name of, the Depository for such Securities or a nominee thereof.

"Guarantee" means the Guarantee Agreement, dated as of November 27, 1996, made by the Company in favor of The First National Bank of Chicago, as trustee thereunder for the benefit of the Holders (as defined therein) of the Capital Securities and the holder of the Common Securities.

5

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indebtedness" means, with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business), (v) every capital lease obligation of such Person, (vi) every obligation of such person for claims (as defined in Section 101(4) of the United States Bankruptcy Code of 1978, as amended) in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts and similar arrangements and (vii) every obligation of the type referred to in clauses (i) through (vi) of another person and all dividends of another person the payment of which, in either case, such person has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise; PROVIDED that "Indebtedness" shall not include (i) any obligations which, by their terms, are expressly stated to rank PARI PASSU in right of payment with, or to not be superior in right of payment to, the Securities, (ii) any Indebtedness of the Company which when incurred and without respect to any election under Section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to the Company, (iii) any Indebtedness of the Company to any of its subsidiaries, (iv) Indebtedness to any employee of the Company or (v) any indebtedness in respect of debt securities issued to any trust, or a trustee of such trust, partnership or other entity affiliated with the Company that is a financing entity of the Company in connection with the issuance of such financing entity or securities that are similar to the Capital Securities.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Initial Purchasers" means Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., Merrill Lynch & Co. and Salomon Brothers Inc.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as the term is defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Interest Payment Date", when used with respect to any installment of interest on a Security, means the date specified in such Security as the fixed date on which an installment of interest with respect to the Securities is due and payable.

6

"Investment Company Event" means the receipt by the Trust of an Opinion of Counsel having a recognized national securities practice to the effect that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), the Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940 as amended, which Change in 1940 Act Law becomes effective on or after the date of original issuance of the Securities.

"Junior Subordinated Securities" has the meaning specified in the Recitals to this instrument.

"Legal Defeasance" has the meaning specified in Section 402.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"New Junior Subordinated Securities" has the meaning specified in the Recitals to this instrument.

"Officers' Certificate" means a certificate signed on behalf of the Company by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 1004 shall be the principal executive, financial or accounting officer of the Company. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each officer signing the Officers' Certificate on behalf of the Company has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer on behalf of the Company in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company (and who may be an employee of the Company), and who shall be

7

reasonably acceptable to the Trustee. An opinion of counsel may rely on certificates as to matters of fact.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities authenticated and delivered under this Indenture, except: (i) Securities cancelled by the Trustee or delivered to the Trustee for cancellation; (ii) Securities for whose payment or redemption money in the necessary amount has been deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holder of such Securities; PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and (iii) Securities which have been paid pursuant to Section 306, or in exchange or for in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have

been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company.

"Paying Agent" means any Person authorized by the Company to pay the principal of or interest on any Securities on behalf of the Company.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Private Placement Legend" as defined in Section 314 of this Indenture.

"Property Trustee" has the meaning set forth in the Declaration.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Quotation Agent" means (i) Morgan Stanley & Co. Incorporated and its successors; PROVIDED, HOWEVER, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Indenture Trustee after consultation with the Company.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

8

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Indenture Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Indenture Trustee by such Reference Treasury Dealer at 5:00 p.m. New York City time, on the third business day preceding such Redemption Date.

"Registration Rights Agreement" means the Registration Rights Agreement dated the date hereof between the Company and the Initial Purchasers for the benefit of themselves and the Holders (as defined therein) of the Capital Securities as the same may be amended from time to time in accordance with the terms thereof.

"Regular Record Date" for the interest payable on any Interest Payment Date means the 15th day of the month prior to the relevant Interest Payment Date.

"Regulation S" means Regulation S under the Securities Act and any successor regulation thereto.

"Regulation S Global Security" means any Global Security or Securities evidencing Securities that are to be traded pursuant to Regulation S.

"Regulatory Capital Event" means that the Company shall have received an opinion of independent bank regulatory counsel experienced in such matters to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of the United States or any rules, guidelines or policies of the Federal Reserve or (b) any official administrative pronouncement or judicial decision for interpreting or applying such laws or regulations which amendment or change is effective or such pronouncement or decision is announced on or after the date of original issuance of the Capital Securities, the Capital Securities do not constitute, or within 90 days of the date thereof, will not

constitute Tier I capital (or its then equivalent); PROVIDED, HOWEVER, that the distribution of the Securities in connection with the liquidation of the Trust by the Company shall not in and of itself constitute a Regulatory Capital Event unless such liquidation shall have occurred in connection with a Tax Event or an Investment Company Event.

"Remaining Life" has the meaning specified in Section 1201.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any Vice President, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed

9

by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Global Security" means any Global Security or Securities evidencing Securities that are to be traded pursuant to Rule 144A.

"Restricted Period" shall have the meaning specified in Section 315.

"Restricted Security" has the meaning assigned to such term in Rule 144(a)(3) of the Securities Act.

"Rule 144A" means Rule 144A under the Securities Act.

"Securities" has the meaning specified in the Recitals to this instrument.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Event" means either an Investment Company Event, a Regulatory Capital Event or a Tax Event.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of interest thereon, means the date specified in such Security as the date on which the principal, together with any accrued and unpaid interest, of such Security or such installment of interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Tax Event" means the receipt by the Trust of an Opinion of Counsel, rendered by a law firm having a recognized national tax practice, to the effect that, as a result of any amendment to, change in or announced proposed change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is adopted or which pronouncement or decision is announced on or after the date of original issuance of the

10

Capital Securities under the Declaration, there is more than an insubstantial

risk that (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Securities, (ii) interest payable by the Company on the Securities is not, or within 90 days of the date of such opinion, will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes, or (iii) the Trust is, or will be within 90 days of the date of such opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Treasury Rate" means (i) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third business day preceding the Redemption Date.

"Trust" means Barnett Capital I, a statutory business trust declared and established pursuant to the Delaware Business Trust Act by the Declaration.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; PROVIDED, HOWEVER, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"U.S. Government Obligations" has the meaning specified in Section 404.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

11

SECTION 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

SECTION 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as

it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. Acts of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee at the address specified in Section 105 and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture

12

and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation or vote, as the case may be.

With regard to any record date, only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Securities shall be proved by the Security Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 105. Notices, Etc. to Trustee and the Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Administration; or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 107. Conflict With Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the provision of the Trust Indenture Act shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as to modified or so be excluded, as the case may be.

SECTION 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 110. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the holders of Indebtedness, the holders of Capital Securities (to the extent provided herein) and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 111. GOVERNING LAW.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF. THIS INDENTURE IS SUBJECT TO THE PROVISIONS OF THE TRUST INDENTURE ACT THAT ARE REQUIRED TO BE PART OF THIS INDENTURE AND SHALL, TO THE EXTENT APPLICABLE, BE GOVERNED BY SUCH PROVISIONS.

SECTION 112. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal of the Securities need not be made on such date, but may be made on the next succeeding Business Day (except that, if such Business Day is in the next succeeding calendar year, such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, shall be the immediately preceding Business Day) with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, PROVIDED that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO

SECURITY FORMS

The Junior Subordinated Securities in definitive form and the New Junior Subordinated Securities in definitive form shall be in the form attached hereto as Exhibit A; PROVIDED, that the New Junior Subordinated Securities shall not contain any of the provisions following the Trustee's authentication.

If the Securities are distributed to the holders of Capital Securities and Common Securities, the record holder (including any Depositary) of any Capital Securities or Common Securities shall be issued Securities in definitive, fully registered form without interest coupons, substantially in the form of Exhibit A hereto, with the legends in substantially the form of the legends existing on the security representing the Capital Securities or Common Securities to be exchanged (with such changes thereto as the officers

15

executing such Securities determine to be necessary or appropriate, as evidenced by their execution of the Securities) and such other legends as may be applicable thereto (including any legend required by Section 313 or Section 314 hereof), duly executed by the Company and authenticated by the Trustee or the authenticating agent as provided herein, which Securities, if to be held in global form by any Depositary, may be deposited on behalf of the holders of the Securities represented thereby with the Trustee, as custodian for the Depositary, and registered in the name of a nominee of the Depositary.

Any Global Security shall represent such of the outstanding Securities as shall be specified therein and shall provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be increased or reduced to reflect transfers or exchanges permitted hereby. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in such manner and upon instructions given by the holder of such Securities in accordance with the Indenture. Payment of principal of and interest and premium, if any, on any Global Security shall be made to the holder of such Global Security.

The Securities shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these or other methods, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

ARTICLE THREE

THE SECURITIES

SECTION 301. Title and Terms.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is limited to \$309,279,000 except for Securities authenticated and delivered upon registration of transfer

of, or in exchange for, or in lieu of, other Securities pursuant to Section 304, 305, 306, 906 or 1208.

The Securities' Maturity shall be December 1, 2026.

The Securities shall bear interest at the rate of 8.06% per annum, from November 27, 1996 or from the most recent Interest Payment Date to which interest has been

16

paid or duly provided for, as the case may be, payable semi-annually (subject to deferral as set forth herein), in arrears, on June 1 and December 1 of each year, commencing June 1, 1997, until the principal thereof is paid or made available for payment. Interest will compound semi-annually and will accrue at the rate of 8.06% per annum on any interest installment in arrears for more than one semi-annual period or during an extension of an interest payment period as set forth below in this Section 301. In the event that any date on which interest is payable on the Securities is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay).

The Company shall have the right, at any time during the term of the Securities, from time to time, to defer payment of interest on such Security for up to 10 consecutive semi-annual periods (an "Extension Period") PROVIDED that no Extension Period may extend past the Maturity of the Security. There may be multiple Extension Periods of varying lengths during the term of the Securities. At the end of each Extension Period, if any, the Company shall pay all interest then accrued and unpaid, together with interest thereon, compounded semi-annually at the rate specified on this Security to the extent permitted by applicable law. During any such Extension Period, the Company may not, and may not permit any Subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU with or junior in interest to the Securities or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary of the Company if such guarantee ranks PARI PASSU or junior in interest to the Securities (other than (a) dividends or distributions in common stock of the Company, (b) payments under the Guarantee, (c) any declaration of a dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto, and (d) purchases of common stock related to the issuance of common stock or rights under any of the Company's benefit plans). Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, PROVIDED that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of the Securities. Upon the termination of any such Extension Period and the payment of all amounts then due on any Interest Payment Date, the Company may elect to begin a new Extension Period subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company shall give the Property Trustee, the Regular Trustees and the Debenture Trustee notice of its election of such Extension Period at least one Business Day prior to the record date for the related interest payment.

The Trustee shall promptly give notice of the Company's selection of such Extension Period to the Holders of the Capital Securities.

The principal of and interest on the Securities shall be payable at the office or agency of the Paying Agent in the United States maintained for such purpose and at any other office or agency maintained by the Company for such purpose in such coin or currency of the

17

United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer in immediately available funds at such place and to such account as may be designated by the Person entitled thereto as specified in the Security Register.

The Securities shall be subordinated in right of payment to Indebtedness as provided in Article Eleven.

The Securities shall be redeemable as provided in Article Twelve.

SECTION 302. Denominations.

The Securities shall be issuable only in registered form, without coupons, and only in denominations of \$1,000 and any integral multiple thereof.

SECTION 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its Vice Chairman of the Board, a President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

18

SECTION 304. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 305. Registration; Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at an office or agency of the Company designated pursuant to Section 1002 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

19

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Sections 304, 906 or 1208 not involving any transfer.

If the Securities are to be redeemed in part, the Company shall not be required (A) to issue, register the transfer of or exchange any Securities during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of any such Securities selected for redemption under Section 1204 and ending at the close of business on the day of such mailing, or (B) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

So long as the Securities are eligible for book-entry settlement with the Depository, or unless otherwise required by law, all Securities to be traded on the PORTAL Market shall be represented by the Restricted Global Security registered in the name of the Depository or the nominee of the Depository.

The transfer and exchange of beneficial interests in any Global Security, which does not involve the issuance of a definitive Security or the transfer of interests to another Global Security, shall be effected through the Depository (but not the Trustee or the Custodian) in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depository therefor. Neither the Trustee nor the Custodian (in such respective capacities) will have any responsibility for the transfer and exchange of beneficial interests in such Global Security that does not involve the issuance of a definitive Security or the transfer of interests to another Global Security.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall

20

authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. Payment of Interest; Interest Rights Preserved.

Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the

21

payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and if so listed, upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee. Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue which, which were carried by such other Security.

SECTION 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee shall treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of and (subject to Section 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order.

22

SECTION 310. Computation of Interest.

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest payable for any period shorter than a full semi-annual period for which interest is computed will be computed on the basis of actual number of days elapsed in such 180-day semi-annual period.

SECTION 311. Right of Set-off.

Notwithstanding anything to the contrary in the Indenture, the Company shall have the right to set-off any payment it is otherwise required to make thereunder to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a related payment under the Guarantee.

SECTION 312. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; PROVIDED that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

SECTION 313. Global Securities.

If the Securities are distributed to the holders of Capital Securities, Securities distributed in respect of Capital Securities that are held in global form by a Depository will initially be issued as a Global Security, unless such transfer cannot be effected through book-entry settlement. If the Company shall establish that the Securities are to be issued in the form of one or more Global Securities, then the Company shall execute and the Trustee shall, in accordance with Section 303 and the Company Order, authenticate and deliver one or more Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of all of the Securities to be issued in the form of Global Securities and not yet cancelled, (ii) shall be registered in the name of the Depository for such Global Security or Securities or the nominee of such Depository, and (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions. Global Securities shall bear a legend substantially to the following effect:

"This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. Notwithstanding the provisions of Section 305, unless and until it is exchanged in whole or in part for Securities in definitive registered form, a Global Security representing all or a part of the Securities may not be transferred in the manner provided in Section 305 except as a whole by the Depository to a nominee of such Depository or by a nominee of

such Depository to such Depository or another nominee of such Depository or by such

23

Depository or any such nominee to a successor Depository or a nominee of such successor Depository. Every Security delivered upon registration or transfer of, or in exchange for, or in lieu of, this Global Security shall be a Global Security subject to the foregoing, except in the limited circumstances described above. Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is to be made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein."

Definitive Securities issued in exchange for all or a part of a Global Security pursuant to this Section 313 shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such definitive Securities to the persons in whose names such definitive Securities are so registered.

At such time as all interests in Global Securities have been redeemed, repurchased or canceled, such Global Securities shall be, upon receipt thereof, canceled by the Trustee in accordance with standing procedures and instructions existing between the Depository and the Custodian. At any time prior to such cancellation, if any interest in Global Securities is exchanged for definitive Securities, redeemed, canceled or transferred to a transferee who receives definitive Securities therefor or any definitive Security is exchanged or transferred for part of Global Securities, the principal amount of such Global Securities shall, in accordance with the standing procedures and instructions existing between the Depository and the Custodian, be reduced or increased, as the case may be, and an endorsement shall be made on such Global Securities by the Trustee or the Custodian, at the direction of the Trustee, to reflect such reduction or increase.

The Company and the Trustee may for all purposes, including the making of payments due on the Securities, deal with the Depository as the authorized representative of the Holders for the purposes of exercising the rights of Holders hereunder. The rights of the owner of any beneficial interest in a Global Security shall be limited to those established by law and agreements between such owners and depository participants or Euroclear and Cedel; PROVIDED, that no such agreement shall give any rights to any person against the Company or the Trustee without the written consent of the parties so affected. Multiple requests and directions from and votes of the Depository as holder of Securities in global form with respect to any particular matter shall not be deemed inconsistent to the extent they do not represent an amount of Securities in excess of those held in the name of the Depository or its nominee.

If at any time the Depository for any Securities represented by one or more Global Securities notifies the Company that it is unwilling or unable to continue as Depository for such Securities or if at any time the Depository for such Securities shall no

24

longer be eligible under this Section 313, the Company shall appoint a successor Depository with respect to such Securities. If a successor Depository for such Securities is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election that such Securities be represented by one or more Global Securities shall no longer be effective and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities, will authenticate and deliver Securities in definitive registered form, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities in exchange for such Global Security or Securities.

The Company may at any time and in its sole discretion determine that the Securities issued in the form of one or more Global

Securities shall no longer be represented by a Global Security or Securities. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order or an Officers' Certificate for the authentication and delivery of definitive Securities, shall authenticate and deliver, Securities in definitive registered form, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities, in exchange for such Global Security or Securities.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in Section 314(a)), Global Securities may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

Interests of beneficial owners in Global Security may be transferred or exchanged for definitive Securities and definitive Securities may be transferred or exchange for Global Securities in accordance with rules of the Depository and the provisions of Section 315.

Any Security in global form may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Custodian, the Depository or by the National Association of Securities Dealers, Inc. in order for the Securities to be tradeable on the PORTAL Market or as may be required for the Securities to be tradeable on any other market developed for trading of securities pursuant to Rule 144A or required to comply with any applicable law or any regulation thereunder or with Regulation S or with the rules and regulations of any securities exchange upon which the Securities may be listed or traded or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Securities are subject.

SECTION 314. Restrictive Legend.

(a) Each Global Security and definitive Security that constitutes a Restricted Security shall bear the following legend (the "Private Placement Legend") on the

25

face thereof until three years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Capital Securities (or any predecessor thereto) (the "Resale Restriction Termination Date"), unless otherwise agreed by the Company and the Holder thereof:

"THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES FOR THE BENEFIT OF THE COMPANY THAT: (I) IT HAS ACQUIRED A "RESTRICTED" SECURITY WHICH HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT; (II) IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY PRIOR TO THE LATER OF THE DATE WHICH IS THREE YEARS AFTER THE DATE OF ORIGINAL ISSUANCE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF SUCH RESTRICTED SECURITIES (OR ANY PREDECESSOR) EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY APPLICABLE JURISDICTION; AND (III) IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS SECURITY OF THE RESALE RESTRICTIONS SET FORTH IN (II) ABOVE, ANY OFFER, SALE OR OTHER DISPOSITION PURSUANT TO THE FOREGOING CLAUSES (II) (D) AND (E) IS SUBJECT TO THE RIGHT OF THE ISSUER OF THIS SECURITY AND THE PROPERTY TRUSTEE FOR SUCH SECURITIES TO REQUIRE THE DELIVERY OF AN OPINION OF

Any Security (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon satisfaction of the requirements of Section 314(b) and surrender of such Security for exchange to the Security registrar in accordance with the provisions of this Section 314, be exchanged for a new Security or Securities, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 314(a).

(b) Upon any sale or transfer of any Restricted Security (including any interest in a Global Security) (i) that is effected pursuant to an effective registration statement under the Securities Act or (ii) in connection with which the Trustee receives certificates and other information (including an opinion of counsel, if requested) reasonably acceptable to the Company and the Trustee to the effect that such security will no longer be subject to the resale restrictions under federal and state securities laws, then (A) in the case of a Restricted Security in definitive form, the Security registrar or co-registrar shall permit the holder thereof to exchange such Restricted Security for a security that does not bear the legend set forth in Section 314(a), and shall rescind any such restrictions on transfer and (B) in the case of Restricted Securities represented by a Global Security, such Security shall no longer be subject to the restrictions contained in the legend set forth in Section 314(a) (but still subject to the other provisions hereof). In addition, any Security (or security issued in exchange or substitution therefor) as to which the restrictions on transfer described in the legend set forth in Section 314(a) have expired by their terms, may, upon surrender thereof (in accordance with the terms of this Indenture) together with such certifications and other information (including an opinion of counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable to the Company, addressed to the Company and the Trustee and in a form acceptable to the Company, to the effect that the transfer of such Restricted Security has been made in compliance with Rule 144 or such successor provision) acceptable to the Company and the Trustee as either of them may reasonably require, be exchanged for a new Security or Securities of like tenor and aggregate principal amount, which shall not bear the restrictive legends set forth in Section 314(a).

SECTION 315. Special Transfer Provisions.

At any time at the request of the beneficial holder of an interest in a Security in global form, such beneficial holder shall be entitled to obtain a definitive Security upon written request to the Trustee in accordance with the standing instructions and procedures existing between the Depository and the Trustee for the issuance thereof. Any transfer of a beneficial interest in a Security in global form which cannot be effected through book-entry settlement must be effected by the delivery to the transferee (or its nominee) of a definitive Security or Securities registered in the name of the transferee (or its nominee) on the books maintained by the Trustee. With respect to any such transfer, the Trustee will cause, in accordance with the standing instructions and procedures existing between the Depository and the Trustee, the aggregate principal amount of the Security in global form to be reduced and, following such reduction, the Company will execute and the Trustee will authenticate and deliver to the transferee (or such transferee's nominee, as the case may be), a Security or Securities in the appropriate aggregate principal amount in the name of such transferee (or its nominee) and bearing such restrictive legends as may be required by this Indenture. In

connection with any such transfer, the Trustee may request such representations and agreements relating to the restrictions on transfer of such Security or Securities from such transferee (or such transferee's nominee) as the Trustee may reasonably require.

So long as the Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Security to a QIB in accordance with Rule 144A, unless otherwise requested by the transferor, and upon receipt of the definitive Security or Securities being so transferred, together with a certification from the transferor that the transferor reasonably believes the transferee is a QIB (or

other evidence satisfactory to the Trustee), the Trustee shall make an endorsement on the Restricted Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Restricted Global Security, the Trustee shall cancel such definitive Security or Securities and cause, in accordance with the standing instructions and procedures existing between the Depositary and the Trustee, the aggregate principal amount of Securities represented by the Restricted Global Security to be increased accordingly.

So long as the Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Security in accordance with Regulation S, if requested by the transferor, and upon receipt of the definitive Security or Securities being so transferred, together with a certification from the transferor that the transfer was made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act (or other evidence satisfactory to the Trustee), the Trustee shall make or direct the Custodian to make, an endorsement on the Regulation S Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Regulation S Global Security, the Trustee shall cancel such definitive Security or Securities and cause, or direct the Custodian to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Custodian, the aggregate principal amount of Securities represented by the Regulation S Global Security to be increased accordingly.

If a holder of a beneficial interest in the Restricted Global Security wishes at any time to exchange its interest in the Restricted Global Security for an interest in the Regulation S Global Security, or to transfer its interest in the Restricted Global Security to a person who wishes to take delivery thereof in the form of an interest in the Regulation S Global Security, such holder may, subject to the rules and procedures of the Depositary and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in the Regulation S Global Security. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the Depositary's procedures from or on behalf of a holder of a beneficial interest in the Restricted Global Security, directing the Trustee (via DWAC), as transfer agent, to credit or cause to be credited a beneficial interest in the Regulation S Global Security in an amount equal to the beneficial interest in the Restricted Global Security to be exchanged or transferred, (2) a written order given in accordance with the Depositary's procedures containing information regarding the Euroclear or Cedel account to be credited with such increase and the name of such account, and (3) a certificate given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule

28

144 under the Securities Act (or other evidence satisfactory to the Trustee), the Trustee, as transfer agent, shall promptly deliver appropriate instructions to the Depositary (via DWAC), its nominee, or the custodian for the Depositary, as the case may be, to reduce or reflect on its records a reduction of the Restricted Global Security by the aggregate principal amount of the beneficial interest in such Restricted Global Security to be so exchanged or transferred from the relevant participant, and the Trustee, as transfer agent, shall promptly deliver appropriate instructions (via DWAC) to the Depositary, its nominee, or the custodian for the Depositary, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of such Regulation S Global Security by the aggregate principal amount of the beneficial interest in such Restricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions (who may be Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Cedel or another agent member of Euroclear or Cedel, or both, as the case may be, acting for and on behalf of them) a beneficial interest in such Regulation S Global Security equal to the reduction in the principal amount of such Restricted Global Security.

If a holder of a beneficial interest in the Regulation S Global Security wishes at any time to exchange its interest in the Regulation S Global Security for an interest in the Restricted Global Security, or to transfer its interest in the Regulation S Global Security to a person who wishes to take delivery thereof in the form of an interest in the Restricted Global Security, such holder may, subject to the rules and procedures of Euroclear or Cedel and the Depositary, as the case may be, and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in such Restricted Global Security. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the procedures of Euroclear or Cedel

and the Depository, as the case may be, from or on behalf of a beneficial owner of an interest in the Regulation S Global Security directing the Trustee, as transfer agent, to credit or cause to be credited a beneficial interest in the Restricted Global Security in an amount equal to the beneficial interest in the Regulation S Global Security to be exchanged or transferred, (2) a written order given in accordance with the procedures of Euroclear or Cedel and the Depository, as the case may be, containing information regarding the account with the Depository to be credited with such increase and the name of such account, and (3) prior to the expiration of the Restricted Period, a certificate given by the holder of such beneficial interest and stating that the person transferring such interest in such Regulation S Global Security reasonably believes that the person acquiring such interest in the Restricted Global Security is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and any applicable securities laws of any state of the United States or any other jurisdiction (or other evidence satisfactory to the Trustee), the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Depository, its nominee, or the custodian for the Depository, as the case may be, to reduce or reflect on its records a reduction of the Regulation S Global Security by the aggregate principal amount of the beneficial interest in such Regulation S Global Security to be exchanged or transferred, and the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Depository, its nominee, or the custodian for the Depository, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the

29

principal amount of the Restricted Global Security by the aggregate principal amount of the beneficial interest in the Regulation S Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Restricted Global Security equal to the reduction in the principal amount of the Regulation S Global Security. After the expiration of the Restricted Period (as defined below), the certification requirement set forth in clause (3) of the second sentence of the above paragraph will no longer apply to such exchanges and transfers.

Any beneficial interest in one of the Global Securities that is transferred to a person who takes delivery in the form of an interest in the other Global Security will, upon transfer, cease to be an interest in such Global Security and become an interest in the other Global Security and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Security for as long as it remains such an interest.

Prior to or on the 40th day after the later of the commencement of the offering of the Capital Securities and the Closing Date (the "Restricted Period"), beneficial interests in a Regulation S Global Security may only be held through Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Cedel or another agent member of Euroclear and Cedel acting for and on behalf of them, unless delivery is made through the Restricted Global Security in accordance with the certification requirements hereof. During the Restricted Period, interests in the Regulation S Global Security, if any, may be exchanged for interests in the Restricted Global Security or for definitive Securities only in accordance with the certification requirements described above.

ARTICLE FOUR

SATISFACTION AND DISCHARGE; DEFEASANCE

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, on written demand of and at the expense of the Company, shall execute instruments supplied by the Company acknowledging satisfaction and discharge of this Indenture, when (1) either (A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or (B) all such Securities not theretofore delivered to the Trustee for cancellation (i) have become due and payable, or (ii) will become due and payable at their Maturity within one year, or (iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption

Company and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as funds in trust for the purpose on amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Maturity or Redemption Date, as the case may be; (2) the Company has paid or ceased to be paid all other sums payable hereunder by the Company; and (3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Legal Defeasance.

In addition to discharge of this Indenture pursuant to Section 401, in the case of any Securities with respect to which the exact amount described in subparagraph (a) of Section 404 can be determined at the time of making the deposit referred to in such subparagraph (a), the Company shall be deemed to have paid and discharged the entire indebtedness on all the Securities as provided in this Section on and after the date the conditions set forth in Section 404 are satisfied, and the provisions of this Indenture with respect to the Securities shall no longer be in effect (except as to (i) rights of registration of transfer and exchange of Securities, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Holders of Securities to receive, solely from the trust fund described in subparagraph (a) of Section 404, payments of principal thereof and interest, if any, thereon upon the original stated due dates therefor (but not upon acceleration), (iv) the rights, obligations, duties and immunities of the Trustee hereunder, (v) this Section 402 and (vi) the rights of the Holders of Securities as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them) (hereinafter called "Legal Defeasance"), and the Trustee, at the cost and expense of the Company, shall execute proper instruments acknowledging the same.

SECTION 403. Covenant Defeasance.

In the case of any Securities with respect to which the exact amount described in subparagraph (a) of Section 404 can be determined at the time of making the deposit referred to in such subparagraph (a), (i) the Company shall be released from its obligations under any covenants specified in or pursuant to this Indenture (except as to (i) rights of registration of transfer and exchange of Securities, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Holders of Securities to receive, from the Company pursuant to Section 1001, payments of principal thereof and interest, if any, thereon upon the original stated due dates therefor (but not upon acceleration), (iv) the rights, obligations, duties and immunities of the Trustee hereunder and (v) the rights of the Holders of Securities as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them), and (ii) the occurrence of any event specified in Section

501(3) (with respect to any of the covenants specified in or pursuant to this Indenture) shall be deemed not to be or result in an Event of Default, in each case with respect to the Outstanding Securities as provided in this Section on and after the date the conditions set forth in Section 404 are satisfied (hereinafter called "Covenant Defeasance"), and the Trustee, at the cost and expense of the Company, shall execute proper instruments acknowledging the same. For this purpose, such Covenant Defeasance means that the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant (to the extent so specified in the case of Section 501(3)), whether directly or indirectly by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document, but the remainder of this Indenture and the Securities shall be unaffected thereby.

SECTION 404. Conditions to Legal Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 402 or 403 to the Outstanding Securities:

(a) with reference to Section 402 or 403, the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of Securities (i) cash in an amount, (ii) direct obligations of the United States of America, backed by its full faith and credit ("U.S. Government Obligations"), maturing as to principal and interest, if any, at such times and in such amounts as will ensure the availability of cash, (iii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, or (iv) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge the principal of and interest, if any, on all Securities on each date that such principal or interest, if any, is due and payable;

(b) in the case of Legal Defeasance under Section 402, the Company has delivered to the Trustee an Opinion of Counsel based on the fact that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (y), since the date hereof, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and Legal Defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance under Section 403, the Company has delivered to the Trustee an Opinion of Counsel to the effect that, and such opinion shall confirm that, the Holders of the Securities will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and Covenant Defeasance and will be subject

32

to federal income tax on the same amount in the same manner and at the same times as would have been the case if such deposit and Covenant Defeasance had not occurred;

(d) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which the Company is a party or by which it is bound; and

(e) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent contemplated by this provision have been complied with.

SECTION 405. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations deposited with the Trustee pursuant to Section 401 shall be held in trust and such money and all money from such U.S. Government Obligations shall be applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal and interest for whose payment such money and U.S. Government Obligations has been deposited with the Trustee.

SECTION 406. Indemnity for U.S. Government Obligations.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 404 or the principal or interest received in respect of such obligations other than any such tax, fee or other charge that by law is for the account of the Holders of Outstanding Securities.

ARTICLE FIVE

REMEDIES

SECTION 501. Events of Default.

"Event of Default" wherever used herein, means any one of the following events that has occurred and is continuing (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Article Eleven or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) failure for 30 days to pay any interest on the Securities when due (subject to the deferral of any due date in the case of an Extension Period); or

33

(2) failure to pay any principal on the Securities when due, whether at Maturity, upon redemption, by declaration of acceleration or otherwise;

(3) failure to observe or perform in any material respect any other covenant herein that continues 90 days after written notice to the Company from the Trustee or the holders of at least 25% in principal amount of the outstanding Securities; or

(4) entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, at appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of substantially all of the property of the Company, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(5) (A) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or (B) the consent by the Company or to the entry of a decree or order for relief in respect of itself in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or (C) the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or (D) the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of all or substantially all of the property of the Company, or (E) the making by the Company of an assignment for the benefit of creditors.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities shall have the right to declare the principal of and the interest on all the Securities and any other amounts payable hereunder to be due and payable immediately, PROVIDED, HOWEVER, that if upon an Event of Default, the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Securities fail to declare the payment of all amounts on the Securities to be immediately due and payable, the holders of at least 25% in aggregate liquidation preference of Capital Securities then outstanding shall have such right, by a notice in writing to the Company (and to the Trustee if given by Holders or the holders of Capital Securities) and upon any such declaration such principal and all accrued interest shall become immediately due and payable.

34

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article, the Holders of

a majority in principal amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if (1) the Company has paid or deposited with the Trustee a sum sufficient to pay (A) all overdue interest on all Securities, (B) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities, (C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Securities, and (D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and (2) all Events of Default, other than the non-payment of the principal of Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513. Should the Holders of such Securities fail to annul such declaration and waive such default, the holders of a majority in aggregate liquidation amount of the Capital Securities shall have such right. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee

The Company covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest, and, to the extent that payment thereof shall be legally enforceable, interest on any overdue principal and on any overdue interest, at the rate borne by the Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

35

SECTION 504. Trustee may File Proofs of Claim.

In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607. No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganizations, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee may Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trust without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of any express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses,

disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Subject to Article Eleven, any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, upon presentation of the Securities and the notation thereon of the payment, if only partially paid, and upon surrender thereof, if fully paid;

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable as such Securities for principal and interest, respectively.

36

SECTION 507. Limitation on Suits.

No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities; it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 508. Unconditional Right of Holders to Receive Principal and Interest; Capital Security Holders' Rights.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and (subject to Section 307) interest on such Security on the Stated Maturity expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

If an Event of Default constituting the failure to pay interest or principal on the Securities on the date such interest or principal is otherwise payable has occurred and is continuing, then a holder of Capital Securities may directly institute a proceeding (a "Direct Action") for enforcement of payment to such holder directly of the principal of or interest on the Securities having a principal amount equal to the aggregate liquidation amount of the Capital Securities as such holder on or after the respective due date specified in the Securities. The Company may not amend this Section without the prior written consent of the

holders of all of the Capital Securities. Notwithstanding any payment made to such holder of Capital Securities by the Company in connection with such a Direct Action, the Company shall remain obligated to pay the principal of or interest on the Securities held by the Trust or the Property Trustee and the Company shall be subrogated to the rights of the holder of such Capital Securities with respect to payments on the Capital Securities to the extent of any payments made by the Company to such holder in any Direct Action. The holders of Capital Securities will not be able to exercise directly any other remedy available to the Holders of the Securities.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission not Waiver.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture; and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults.

Subject to Sections 902 and 1008 hereof, the Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of or interest on any Security (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Trustee); or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security affected;

PROVIDED, HOWEVER, that such waiver or modification to such waiver shall not be effective until the holders of a majority in liquidation preference of Capital Securities shall have consented to such waiver or modification to such waiver; PROVIDED FURTHER, that if the consent of the Holder of each of the Outstanding Securities is required, such waiver shall not be effective until each holder of the Capital Securities shall have consented to such waiver.

Upon any such waiver, such default shall cease to exist, effective as of the date specified in such waiver (and effective retroactively to the date of default, if so specified) and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and any assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; PROVIDED, that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company or the Trustee or in any suit for the enforcement of the right to receive the principal of and interest on any Security.

39

SECTION 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

TRUSTEE

SECTION 601. Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. Notice of Defaults.

The Trustee shall give the Holders notice of any default hereunder as and to the extent provided by the Trust Indenture Act; PROVIDED, HOWEVER, that except in the case of a default in the payment of the principal of or interest on any Security, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Securities; PROVIDED, FURTHER, that in the case of any default of the character specified in Section 501(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default. For purposes of this Section, the Trustee shall not be deemed to have knowledge of a default unless the Trustee has actual knowledge of such default or has received written notice of such default in the manner contemplated by Section 105.

SECTION 603. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its choice and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities, the Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 605. Trustee and Other Agents may Hold Securities.

The Trustee, any Paying Agent, any Security Registrar, or any other agent of the Company, in its individual or any other capacity, may become the owner or pledge of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar, or such other agent. Money held by the Trustee in trust hereunder shall not be invested by the Trustee pending distribution thereof to the holders of the Securities.

SECTION 606. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

SECTION 607. Compensation; Reimbursement; and Indemnity.

The Company, in its capacity as the issuer of the Securities, agrees

(1) to pay to the Trustee from time to time such reasonable compensation as the Company and the Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify each of the Trustee and any predecessor Trustee for, and to hold it harmless against, any and all loss, damage, claim, liability or expense, including taxes (other than taxes based on the income, revenues or gross receipts of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or the trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

42

The obligations of the Company under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Trustee shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. As security for the performance of such obligations of the Company, the Trustee shall have a claim prior to the Securities upon all property and lands held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premiums, if any, on) or interest on particular Securities.

SECTION 608. Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act and to act as such and has a combined capital and surplus of at least \$50,000,000 and has its Corporate Trust Office in New York, New York. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities, delivered to the Trustee and to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal, the removed Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

43

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the Retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 611. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; PROVIDED that, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers

44

and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 613. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or becomes a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee (a) semiannually, not later than June 30 and December 31 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders to the extent the Company has knowledge thereof as of a date not more than 15 days prior to the delivery thereof, and (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

45

SECTION 702. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701, and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

SECTION 703. Reports by Trustee.

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when the Securities are listed on any stock exchange.

SECTION 704. Reports by Company.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; PROVIDED that any such

information, documents or reports required to be filed with the Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

46

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(1) the Person formed by such consolidation or into which the Company is merged or the Person that acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest (including any additional interest) on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing;

(3) for so long as Securities registered on the Securities Register in the name of the Trust (or the Property Trustee) are outstanding, such consolidation, merger, conveyance, transfer or lease is permitted under the Declaration and the Guarantee and does not give rise to any breach or violation of the Declaration or the Guarantee;

(4) any such lease shall provide that it will remain in effect so long as any Securities are Outstanding; and

(5) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and the Trustee, subject to Section 601, may rely upon such Officers' Certificate and Opinion of Counsel as conclusive evidence that such transaction complies with this Section 801.

SECTION 802. Successor Person Substituted.

Upon any consolidation or merger by the Company with or into any other Person, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may

47

exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; and in the event of any such conveyance, transfer or lease the Company shall be discharged from all obligations and covenants under the Indenture and the Securities and may be dissolved and liquidated.

Such successor Person may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and

shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication pursuant to such provisions and any Securities which such successor Person thereafter shall cause to be signed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(3) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided that such action pursuant to this clause (3) shall not adversely affect the interests of the Holders of the Securities or, so long as any of the Capital Securities shall remain outstanding, the holders of the Capital Securities; or

(4) to comply with any requirement of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act, if so required.

48

SECTION 902. Supplemental Indentures With Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) except to the extent permitted and subject to the conditions set forth in Section 301 with respect to the extension of the Stated Maturity of the Securities, change the Stated Maturity of, the principal of, or any installment of interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon, or change the place of payment where, or the coin or currency in which, any Security or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or modify the provisions of this Indenture with respect to the subordination of the Securities in a manner adverse to the Holders,

(2) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby;

PROVIDED, that, so long as any of the Capital Securities remains outstanding, no such amendment shall be made that adversely affects the holders of the Capital Securities, and no termination of this Indenture shall occur, and no waiver of any Event of Default or compliance with any covenant under this Indenture shall be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation preference of the outstanding Capital Securities unless and until the principal of and any premium on the Securities and all accrued and unpaid interest thereon have been paid in full.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trust created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity With Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 906. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE TEN

COVENANTS

SECTION 1001. Payment of Principal and Interest.

The Company will duly and punctually pay the principal of and interest on the Securities in accordance with the terms of the Securities and this Indenture.

SECTION 1002. Maintenance of Office or Agency.

The Company will maintain in The City of New York an office or agency where Securities may be presented or surrendered for registration of transfer or exchange, where Securities may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The

fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies in the United States where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the United States for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. Money for Security Payments to be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on, or at the option of the Company, or before each due date of the principal of or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act. In such case the Company shall not invest the amount so segregated and held in trust pending the distribution thereof.

Whenever the Company shall have one or more Paying Agents, it will, on or prior to each due date of the principal of or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act; PROVIDED, HOWEVER, that any such deposit on a due date shall be initiated prior to 1:00 p.m. (New York time) in same-day funds.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Securities) in the making of any payment in respect of the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in the trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any

51

Paying Agent to the Trustee, such Payment Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal or interest that has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease.

SECTION 1004. Statements by Officers as to Default.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the material terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

SECTION 1005. Existence.

Subject to Article Eight, the Company will do or cause to be

done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; PROVIDED, HOWEVER, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders and, while any Capital Securities are outstanding, the holders of the Capital Securities.

SECTION 1006. Maintenance of Properties.

The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

52

SECTION 1007. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary that comprise more than 10% of the assets of the Company and its Subsidiaries, taken as a whole; PROVIDED, HOWEVER, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1008. Waiver of Certain Covenants.

Except as otherwise specified as contemplated by Section 301 for Securities, the Company may, with respect to the Securities, omit in any particular instance to comply with any term, provision or condition set forth in any covenant provided pursuant to Section 901(2) for the benefit of the Holders if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 1009. Payment of the Trust's Costs and Expenses.

Since the Trust is being formed solely to facilitate an investment in the Securities, the Company, in its capacity as the issuer of the Securities, hereby covenants to pay all debts and obligations (other than with respect to the Capital Securities and Common Securities) and all costs and expenses of the Trust (including, but not limited to, all costs and expenses relating to the organization of the Trust, the fees and expenses of the Trustees and all costs and expenses relating to the operation of the Trust) and to pay any and all taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed on the Trust by the United States, or any other taxing authority, so that the net amounts received and retained by the Trust and the Property Trustee after paying such expenses will be equal to the amounts the Trust and the Property Trustee would have received had no such costs or expenses been incurred by or imposed on the Trust. The foregoing obligations of the Company are for the benefit of, and shall be enforceable by, any person to whom any such debts, obligations, costs, expenses and taxes are owed (each, a "Creditor") whether or not such Creditor has received notice thereof. Any such Creditor may enforce such obligations of the Company directly against the Company, and the Company irrevocably waives any right or remedy to require that any such Creditor take any action against the Trust or any other person before proceeding against the Company. The Company shall execute such additional agreements as may be necessary or desirable to give full effect to the foregoing. The obligations of the Company to pay all the debts, obligations, costs and

expenses of the Trust (other than with respect to the Capital Securities and the Common Securities) shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture.

ARTICLE ELEVEN

SUBORDINATION OF SECURITIES

SECTION 1101. Securities Subordinate to Indebtedness.

The Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article (subject to Article Four), the payment of the principal of and interest on each and all of the Securities are hereby expressly made subordinate and subject in right of payment to the prior payment in full in cash of all Indebtedness.

This Article Eleven shall constitute a continuing offer to all persons who become holders of, or continue to hold, Indebtedness, and such provisions are made for the benefit of the holders of Indebtedness and such holders are made obligees hereunder and any one or more of them may enforce such provisions. Holders of Indebtedness need not prove reliance on the subordination provisions hereof.

SECTION 1102. Default on Indebtedness.

In the event and during the continuation of any default in the payment of principal, premium, interest or any other payment due on any Indebtedness, or in the event that any event of default with respect to any Indebtedness shall have occurred and be continuing and shall have resulted in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable (unless and until such event of default shall have been cured or waived or shall have ceased to exist and such acceleration shall have been rescinded or annulled) or in the event any judicial proceeding shall be pending with respect to any such default in payment or such event of default, then no payment shall be made by the Company with respect to the principal (including redemption payments) of, or interest on, the Securities.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Holder when such payment is prohibited by the preceding paragraph of this Section 1102, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Indebtedness (or their representative or representatives or a trustee) notify the Trustee within 90 days of such payment of the amounts then due and owing on the Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Indebtedness.

SECTION 1103. Prior Payment of Indebtedness Upon Acceleration of Securities.

In the event that the Securities are declared due and payable before their Stated Maturity, then and in such event the holders of the Indebtedness outstanding at the time such Securities so become due and payable shall be entitled to receive payment in full of all amounts then due on or in respect of such Indebtedness (including any amounts due upon acceleration), or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Indebtedness, before the Holders of the Securities are entitled to receive any payment or distribution of any kind or character, whether in cash, properties or securities, by the Company on account of the principal of or interest on the Securities or on account of the purchase or other acquisition of Securities by the Company or any Subsidiary; PROVIDED, HOWEVER, that holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities

arising in the ordinary course of the Company's business.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Holder when such payment is prohibited by the preceding paragraph of this Section 1103, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Indebtedness (or their representative or representatives or a trustee) notify the Trustee within 90 days of such payment of the amounts then due and owing on the Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Indebtedness.

SECTION 1104. Liquidation; Dissolution; Bankruptcy.

Upon any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and premium, if any, and interest due or to become due upon all Indebtedness (including interest after the commencement of any bankruptcy, insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is an allowable claim in any such proceeding) shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made on account of the principal or interest on the Securities; and upon any such dissolution or winding-up or liquidation or reorganization any payment by the Company, or distribution of substantially all of the assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Securities or the Trustee would be entitled, except for the provisions of this Article Eleven, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Securities or by the Trustee under this Indenture if received by them or

55

it, directly to the holders of Indebtedness (pro rata to such holders on the basis of the respective amounts of Indebtedness held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay all Indebtedness in full (including interest after the commencement of any bankruptcy, insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is in an allowable claim in any such proceeding) or to provide for such payment in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Indebtedness, before any payment or distribution is made to the Holders of Securities or to the Trustee; PROVIDED, HOWEVER, that such holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities arising in the ordinary course of the Company's business.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee or the Holders of the Securities before all Indebtedness is paid in full (including interest after commencement of any bankruptcy, insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is an allowable claim in any such proceeding), or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, for application to the payment of all Indebtedness remaining unpaid to the extent necessary to pay all Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Indebtedness.

Any holder of Indebtedness may file any proof of claim or similar instrument on behalf of the Trustee and the Holders if such instrument has not been filed by the date which is 30 days prior to the date specified for filing thereof.

For purposes of this Article Eleven, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article Eleven with respect to the Securities to the payment of all Indebtedness that may at the time be outstanding, PROVIDED, HOWEVER, that (i) the Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of the Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or merger of the Company into, another corporation or the liquidation or

56

dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article Eight hereof shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 1103 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Eight hereof. Nothing in Section 1102 or in this Section 1103 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 607.

SECTION 1105. Subrogation.

Subject to the payment in full of all Indebtedness to the extent provided in Sections 1103 and 1104, the rights of the Holders of the Securities shall be subrogated to the rights of the holders of Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to the Indebtedness until the principal of (and premium, if any) and interest on the Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article Eleven, shall, as between the Company, its creditors other than holders of Indebtedness, and the Holders of the Securities, be deemed to be a payment by the Company to or on account of the Indebtedness. It is understood that the provisions of this Article Eleven are and are intended solely for the purposes of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of the Indebtedness on the other hand.

Nothing contained in this Article Eleven or elsewhere in this Indenture or in the Securities is intended to or shall impair, as between the Company, its creditors other than the holders of Indebtedness, and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Company other than the holders of the Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article Eleven of the holders of Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article Eleven, the Trustee, subject to the provisions of Section 601, and the Holders of the Securities, shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of the Securities, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of the Indebtedness and other indebtedness of the Company, the

57

amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Eleven.

SECTION 1106. Trustee to Effectuate Subordination.

Each Holder of a Security by acceptance thereof authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article Eleven and appoints the Trustee such Holder's attorney-in-fact for any and all such purposes.

SECTION 1107. Notice by the Company.

The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Eleven. Notwithstanding the provisions of this Article Eleven or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Eleven, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office of the Trustee from the Company or a holder or holders of Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 601, shall be entitled in all respects to assume that no such facts exist; PROVIDED, HOWEVER, that if the Trustee shall not have received the notice provided for in this Section 1106 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

The Trustee, subject to the provisions of Section 601, shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Indebtedness to participate in any payment or distribution pursuant to this Article Eleven, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article Eleven, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

58

SECTION 1108. Rights of the Trustee; Holders of Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article Eleven in respect of any Indebtedness at any time held by it, to the same extent as any other holder of Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Eleven, and no implied covenants or obligations with respect to the holders of Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Indebtedness and, subject to the provisions of Section 601, the Trustee shall not be liable to any holder of Indebtedness if it shall pay over or deliver to holders of Securities, the Company or any other Person money or assets to which any holder of Indebtedness shall be entitled by virtue of this Article Eleven or otherwise.

SECTION 1109. Subordination may not be Impaired.

No right of any present or future holder of any Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing

paragraph, the holders of Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Securities to the holders of Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Indebtedness or otherwise amend or supplement in any manner Indebtedness or any instrument evidencing the same or any agreement under which Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Indebtedness; (iii) release any Person liable in any manner for the collection of Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

59

ARTICLE TWELVE

REDEMPTION OF SECURITIES

SECTION 1201. Optional Redemption; Conditions to Optional Redemption.

At any time on or after December 1, 2006, the Company shall have the right, subject to the last paragraph of this Section 1201 and to the receipt of any necessary prior approval of the Federal Reserve, to redeem the Securities, in whole or in part, from time to time, at the Redemption Prices (expressed as a percentage of the principal amount of such Securities) set forth below, plus any accrued but unpaid interest to the Redemption Date, if redeemed during the twelve-month period beginning on the December 1 of the years indicated below:

Year	Percentage
2006	104.030%
2007	103.627%
2008	103.224%
2009	102.821%
2010	102.418%
2011	102.015%
2012	101.612%
2013	101.209%
2014	100.806%
2015	100.403%

On or after December 1, 2016, the Redemption Price will be 100%, plus accrued and unpaid interest, if any, to the Redemption Date.

Prior to December 1, 2006, if a Special Event shall occur and be continuing, the Company shall have the right, subject to the last paragraph of this Section 1201 and to the receipt of any necessary prior approval of the Federal Reserve, to redeem, upon not less than 30 days nor more than 60 days notice, the Securities in whole, but not in part, at a Redemption Price equal to the greater of (i) 100% of the principal amount of Securities then outstanding and (ii) as determined by a Quotation Agent, the sum of the present values of the principal amount and premium payable with respect to an optional redemption on such Securities on December 1, 2006, together with scheduled payments of interest from the Redemption Date to December 1, 2006 (the "Remaining Life") discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of 30-day months) at the Adjusted Treasury Rate, plus, in each case, accrued interest thereon to the Redemption Date.

For so long as the Trust is the Holder of all Securities Outstanding, the proceeds of any redemption described in this Section 1201 shall be used by the Trust to redeem Common Securities and Capital Securities in accordance with their terms. The Company shall not redeem the Securities in part unless all accrued and unpaid interest has

60

been paid in full on all Securities outstanding for all semi-annual interest periods terminating on or prior to the Redemption Date.

SECTION 1202. Applicability of Article.

Redemption of Securities at the election of the Company, as permitted by Section 1201, shall be made in accordance with such provision and this Article.

SECTION 1203. Election to Redeem; Notice to Trustee.

The election of the Company to redeem Securities pursuant to Section 1201 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 45 (unless a shorter notice period shall be satisfactory to the Trustee) days and no more than 60 days prior to the Redemption Date fixed by the Company, notify the Trustee of such Redemption Date and of the principal amount of Securities to be redeemed and provide a copy of the notice of redemption given to Holders of Securities to be redeemed pursuant to Section 1205.

SECTION 1204. Selection by Trustee of Securities to be Redeemed.

If less than all the Securities are to be redeemed (unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected by lot (or such other method of selection as the Trustee may customarily employ) not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption as aforesaid and, in case of any Securities selected for partial redemption as aforesaid, the principal amount thereof to be redeemed.

The provisions of the two preceding paragraphs shall not apply with respect to any redemption affecting only a single Security, whether such Security is to be redeemed in whole or in part. In the case of any such redemption in part, the unredeemed portion of the principal amount of the Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 1205. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his address appearing in the Security Register.

61

All notices of redemption shall identify the Securities to be redeemed (including CUSIP number) and shall state:

- (1) the Redemption Date,
- (2) the Redemption Price,

(3) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and that interest thereon will cease to accrue on and after said date, and

(4) the place or places where such Securities are to be surrendered for payment of the Redemption Price.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1206. Deposit of Redemption Price.

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date; PROVIDED, HOWEVER, that any such deposit on a Redemption Date shall be initiated prior to 1:00 p.m.

(New York time) in same-day funds.

SECTION 1207. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Security.

SECTION 1208. Securities Redeemed in Part.

62

Any Security which is to be redeemed only in part shall be surrendered at a place of payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder therefor or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

63

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

BARNETT BANKS, INC.

/s/ Hinton F. Nobles, Jr.

By: _____
Name: Hinton F. Nobles, Jr.
Title: Executive Vice President

/s/ Catherine C. Cosby

Attest: _____
Catherine C. Cosby
Secretary

THE FIRST NATIONAL BANK OF
CHICAGO

/s/ Mary R. Fonti

By: _____
Name: Mary R. Fonti
Title: Assistant Vice President

/s/ illegible signature

Attest: _____

FIRST SUPPLEMENTAL INDENTURE

Dated as of January 9, 1998

Supplementing the Indenture, dated
as of November 27, 1996, between
Barnett Banks, Inc. and
The First National Bank of Chicago,
a national banking association,
as Trustee

The First National Bank of Chicago,
Trustee

FIRST SUPPLEMENTAL INDENTURE, dated as of January 9, 1998 (the "First Supplemental Indenture"), among NationsBank Corporation, a North Carolina corporation ("NationsBank"), NB Holdings Corporation, a Delaware corporation ("Holdings"), Barnett Banks, Inc., a Florida corporation ("Barnett"), and The First National Bank of Chicago, as Trustee (the "Trustee") under the Indenture referred to herein;

WHEREAS, Barnett and the Trustee heretofore executed and delivered an Indenture, dated as of November 27, 1996 (the "Indenture"); and

WHEREAS, pursuant to the Indenture Barnett issued and the Trustee authenticated and delivered \$300 million aggregate principal amount of 8.06% Junior Subordinated Debentures, due 2026 (the "Securities"); and

WHEREAS, NationsBank, Holdings and Barnett have entered into the Agreement and Plan of Merger, dated as of August 29, 1997, and amended as of November 18, 1997, pursuant to which Barnett will merge with and into Holdings (the "Barnett Merger") on the date hereof; and

WHEREAS, Section 801 of the Indenture provides that in the case of the Barnett Merger, Holdings shall expressly assume by supplemental indenture all the obligations under the Securities and the Indenture; and

WHEREAS, NationsBank, as the holder of 100% of the outstanding capital stock of Holdings, desires to assume, jointly and severally with Holdings, all of the rights and obligations under the Securities and Indenture that are required to be assumed by Holdings pursuant to Section 801 of the Indenture; and

WHEREAS, Section 901 of the Indenture provides that Barnett and the Trustee may amend the Indenture and the Securities without notice to or consent of any Holders of the Securities in order to comply with Article Eight of the Indenture; and

WHEREAS, this First Supplemental Indenture has been duly authorized by all necessary corporate action on the part of each of NationsBank, Holdings and Barnett.

-2-

NOW, THEREFORE, NationsBank, Holdings, Barnett and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Securities:

ARTICLE I
ASSUMPTION BY SUCCESSOR CORPORATION
AND ITS PARENT ENTITY

SECTION 1.1. Assumption of the Securities. NationsBank hereby expressly assumes, jointly and severally with Holdings, the due and punctual payment of the principal of and interest on the Securities and the performance of every covenant of the Indenture on the part of Barnett to be performed or observed.

SECTION 1.2. Trustee's Acceptance. The Trustee hereby accepts this First Supplemental Indenture and agrees to perform the same under the terms and conditions set forth in the Indenture.

ARTICLE II
MISCELLANEOUS

SECTION 2.1. Effect of Supplemental Indenture. Upon the later to occur

of (i) the execution and delivery of this First Supplemental Indenture by NationsBank, Holdings, Barnett and the Trustee and (ii) the consummation of the Barnett Merger, the Indenture shall be supplemented in accordance herewith, and this First Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound thereby.

SECTION 2.2. Indenture Remains in Full Force and Effect. Except as supplemented hereby, all provisions in the Indenture shall remain in full force and effect.

SECTION 2.3. Indenture and Supplemental Indenture Construed Together. This First Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this First Supplemental Indenture shall henceforth be read and construed together.

SECTION 2.4. Confirmation and Preservation of Indenture. The Indenture as supplemented by this First Supplemental Indenture is in all respect confirmed and preserved.

SECTION 2.5. Conflict with Trust Indenture Act. If any provision of this First Supplemental Indenture limits, qualifies or conflicts with any

provision of the Trust Indenture Act ("TIA") that is required under the TIA to be part of and govern any provision of this First Supplemental Indenture, the provision of the TIA shall control. If any provision of this First Supplemental Indenture modifies or excludes any provision of the TIA that may be so modified or excluded, the provision of the TIA shall be deemed to apply to the Indenture as so modified or to be excluded by this First Supplemental Indenture, as the case may be.

SECTION 2.6. Severability. In case any provision in this First Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 2.7. Terms Defined in the Indenture. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

SECTION 2.8. Headings. The Article and Section headings of this First Supplemental Indenture have been inserted for convenience of reference only, are not to be considered part of this Supplemental Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 2.9. Benefits of First Supplemental Indenture, etc. Nothing in this First Supplemental Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder and the Holders of the Securities, any benefit of any legal or equitable right, remedy or claim under the Indenture, this First Supplemental Indenture or the Securities.

SECTION 2.10. Successors. All agreements of Holdings and NationsBank in this First Supplemental Indenture shall bind their successors. All agreements of the Trustee in this First Supplemental Indenture shall bind its successors.

SECTION 2.11. Trustee Not Responsible for Recitals. The recitals contained herein shall be taken as the statements of Barnett, NationsBank and Holdings, and the Trustee assumes no responsibility for their correctness.

SECTION 2.12. Certain Duties and Responsibilities of the Trustees. In entering into this First Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture relating to the conduct or affecting the liability or affording protection to the Trustee, whether or not elsewhere herein so provided.

-4-

SECTION 2.13. Governing Law. This First Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

SECTION 2.14. Counterpart originals. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

IN WITNESS WHEREOF, the parties have caused this First Supplemental Indenture to be duly executed as of the date first written above.

NationsBank Corporation

By: /s/ John E. Mack

Name: John E. Mack
Title: Senior Vice President

NB Holdings Corporation

By: /s/ John E. Mack

Name: John E. Mack
Title: Senior Vice President

Barnett Banks, Inc.

By: /s/Charles E. Rice

Name: Charles E. Rice
Title: Chairman and CEO

The First National Bank of Chicago, as Trustee

By: /s/ Richard D. Manella

Name: Richard D. Manella
Title: Vice President

BARNETT BANKS, INC.

TO

THE FIRST NATIONAL BANK OF CHICAGO

a national banking association, Trustee

INDENTURE

Dated as of November 27, 1996

8.06% Junior Subordinated Debentures due 2026

TABLE OF CONTENTS

<TABLE>
<CAPTION>

	Page

ARTICLE ONE	
<S> <C>	<C>
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION.....	1
SECTION 101. Definitions.....	1
Act	2
Adjusted Treasury Rate.....	2
Affiliate.....	2
Authenticating Agent.....	2
Board of Directors.....	2
Board Resolution.....	3
Business Day.....	3
Capital Securities.....	3
Cedel	3
Closing Date.....	3
Commission.....	3
Common Securities.....	3
Company	3
Company Request.....	3
Company Order.....	3
Comparable Treasury Issue.....	3
Comparable Treasury Price.....	3
Corporate Trust Office.....	4
Covenant Defeasance.....	4
Declaration.....	4
Defaulted Interest.....	4
Depositary.....	4
DWAC	4
Event of Default.....	4
Exchange Act.....	4
Extension Period.....	4
Euroclear.....	4
Federal Reserve.....	4
Global Security.....	4
Guarantee.....	4
Holder	5
Indebtedness.....	5
Indenture.....	5
Initial Purchasers.....	5
Institutional Accredited Investor.....	5
Interest Payment Date.....	5
Investment Company Event.....	6

Junior Subordinated Securities..... 6
 Legal Defeasance..... 6
 Maturity 6
 New Junior Subordinated Securities..... 6
 Officers' Certificate..... 6
 Opinion of Counsel..... 6
 Outstanding..... 7
 Paying Agent..... 7
 Person 7
 Predecessor Security..... 7
 Private Placement Legend..... 7
 Property Trustee..... 7
 Qualified Institutional Buyer" or "QIB..... 7
 Quotation Agent..... 7
 Redemption Date..... 7
 Redemption Price..... 8
 Reference Treasury Dealer Quotations..... 8
 Registration Rights Agreement..... 8
 Regular Record Date..... 8
 Regulation S..... 8
 Regulation S Global Security..... 8
 Regulatory Capital Event..... 8
 Remaining Life..... 8
 Responsible Officer..... 8
 Restricted Global Security..... 9
 Restricted Period..... 9
 Restricted Security..... 9
 Rule 144A..... 9
 Securities..... 9
 Securities Act..... 9
 Security Register..... 9
 Security Registrar..... 9
 Special Event..... 9
 Special Record Date..... 9
 Stated Maturity"..... 9
 Subsidiary..... 9
 Tax Event..... 9
 Treasury Rate..... 10
 Trust 10
 Trustee 10
 Trust Indenture Act..... 10
 U.S. Government Obligations..... 10
 Vice President..... 10

SECTION 102. Compliance Certificates and Opinions..... 11
 SECTION 103. Form of Documents Delivered to Trustee..... 11
 SECTION 104. Acts of Holders; Record Dates..... 11
 SECTION 105. Notices, Etc. to Trustee and the Company..... 12
 SECTION 106. Notice to Holders; Waiver..... 13
 SECTION 107. Conflict With Trust Indenture Act..... 13
 SECTION 108. Effect of Headings and Table of Contents..... 13
 SECTION 109. Separability Clause..... 13
 SECTION 110. Benefits of Indenture..... 14
 SECTION 111. GOVERNING LAW..... 14
 SECTION 112. Legal Holidays..... 14

SECURITY FORMS..... 14

ARTICLE THREE

THE SECURITIES..... 15

SECTION 301. Title and Terms..... 15
SECTION 302. Denominations..... 17
SECTION 303. Execution, Authentication, Delivery and Dating..... 17
SECTION 304. Temporary Securities..... 18
SECTION 305. Registration; Registration of Transfer and Exchange..... 18
SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities..... 19
SECTION 307. Payment of Interest; Interest Rights Preserved..... 20

-iii-

Page

SECTION 308. Persons Deemed Owners..... 21
SECTION 309. Cancellation..... 21
SECTION 310. Computation of Interest..... 22
SECTION 311. Right of Set-off..... 22
SECTION 312. CUSIP Numbers..... 22
SECTION 313. Global Securities..... 22
SECTION 314. Restrictive Legend..... 24
SECTION 315. Special Transfer Provisions..... 26

ARTICLE FOUR

SATISFACTION AND DISCHARGE; DEFEASANCE..... 29

SECTION 401. Satisfaction and Discharge of Indenture..... 29
SECTION 402. Legal Defeasance..... 30
SECTION 403. Covenant Defeasance..... 30
SECTION 404. Conditions to Legal Defeasance or Covenant Defeasance..... 31
SECTION 405. Application of Trust Money..... 32
SECTION 406. Indemnity for U.S. Government Obligations..... 32

ARTICLE FIVE

REMEDIES..... 32

SECTION 501. Events of Default..... 32
SECTION 502. Acceleration of Maturity; Rescission and Annulment..... 33
SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee..... 34
SECTION 504. Trustee may File Proofs of Claim..... 35

-iv-

Page

SECTION 505. Trustee may Enforce Claims Without Possession of Securities..... 35

SECTION 506.	Application of Money Collected.....	35
SECTION 507.	Limitation on Suits.....	36
SECTION 508.	Unconditional Right of Holders to Receive Principal and Interest; Capital Security Holders' Rights.....	36
SECTION 509.	Restoration of Rights and Remedies.....	37
SECTION 510.	Rights and Remedies Cumulative.....	37
SECTION 511.	Delay or Omission not Waiver.....	37
SECTION 512.	Control by Holders.....	37
SECTION 513.	Waiver of Past Defaults.....	38
SECTION 514.	Undertaking for Costs.....	38
SECTION 515.	Waiver of Stay or Extension Laws.....	39

ARTICLE SIX

	TRUSTEE.....	39
SECTION 601.	Certain Duties and Responsibilities.....	39
SECTION 602.	Notice of Defaults.....	39
SECTION 603.	Certain Rights of Trustee.....	40
SECTION 604.	Not Responsible for Recitals or Issuance of Securities.....	41
SECTION 605.	Trustee and Other Agents may Hold Securities.....	41
SECTION 606.	Money Held in Trust.....	41
SECTION 607.	Compensation; Reimbursement; and Indemnity.....	41
SECTION 608.	Disqualification; Conflicting Interests.....	42

-v-

		Page

SECTION 609.	Corporate Trustee Required; Eligibility.....	42
SECTION 610.	Resignation and Removal; Appointment of Successor.....	42
SECTION 611.	Acceptance of Appointment by Successor.....	43
SECTION 612.	Merger, Conversion, Consolidation or Succession to Business.....	44
SECTION 613.	Preferential Collection of Claims Against Company.....	44

ARTICLE SEVEN

	HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY.....	44
SECTION 701.	Company to Furnish Trustee Names and Addresses of Holders.....	44
SECTION 702.	Preservation of Information; Communications to Holders.....	45
SECTION 703.	Reports by Trustee.....	45
SECTION 704.	Reports by Company.....	45

ARTICLE EIGHT

	CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE.....	46
SECTION 801.	Company May Consolidate, Etc., Only on Certain Terms.....	46
SECTION 802.	Successor Person Substituted.....	46

ARTICLE NINE

	SUPPLEMENTAL INDENTURES.....	47
SECTION 901.	Supplemental Indentures Without Consent of Holders.....	47
SECTION 902.	Supplemental Indentures With Consent of Holders.....	48

SECTION 903.	Execution of Supplemental Indentures.....	48
SECTION 904.	Effect of Supplemental Indentures.....	49
SECTION 905.	Conformity With Trust Indenture Act.....	49

-vi-

		Page

SECTION 906.	Reference in Securities to Supplemental Indentures.....	49

ARTICLE TEN

	COVENANTS.....	49
SECTION 1001.	Payment of Principal and Interest.....	49
SECTION 1002.	Maintenance of Office or Agency.....	49
SECTION 1003.	Money for Security Payments to be Held in Trust.....	50
SECTION 1004.	Statements by Officers as to Default.....	51
SECTION 1005.	Existence.....	51
SECTION 1006.	Maintenance of Properties.....	51
SECTION 1007.	Payment of Taxes and Other Claims.....	52
SECTION 1008.	Waiver of Certain Covenants.....	52
SECTION 1009.	Payment of the Trust's Costs and Expenses.....	52

ARTICLE ELEVEN

	SUBORDINATION OF SECURITIES.....	53
SECTION 1101.	Securities Subordinate to Indebtedness.....	53
SECTION 1102.	Default on Indebtedness.....	53
SECTION 1103.	Prior Payment of Indebtedness Upon Acceleration of Securities.....	54
SECTION 1104.	Liquidation; Dissolution; Bankruptcy.....	54
SECTION 1105.	Subrogation.....	56
SECTION 1106.	Trustee to Effectuate Subordination.....	57
SECTION 1107.	Notice by the Company.....	57
SECTION 1108.	Rights of the Trustee; Holders of Indebtedness.....	58

-vii-

		Page

SECTION 1109.	Subordination may not be Impaired.....	58

ARTICLE TWELVE

	REDEMPTION OF SECURITIES.....	59
SECTION 1201.	Optional Redemption; Conditions to Optional Redemption.....	59
SECTION 1202.	Applicability of Article.....	60
SECTION 1203.	Election to Redeem; Notice to Trustee.....	60
SECTION 1204.	Selection by Trustee of Securities to be Redeemed.....	60
SECTION 1205.	Notice of Redemption.....	60
SECTION 1206.	Deposit of Redemption Price.....	61
SECTION 1207.	Securities Payable on Redemption Date.....	61

</TABLE>

Sections 310 through
318 of the Trust Indenture Act of 1939:

Trust Indenture Act Section - - - - -	Indenture Section -----
Section 310 (a) (1)	609
(a) (2)	609
(a) (3)	Not Applicable
(a) (4)	Not Applicable
(b)	608, 610
Section 311 (a)	613
(b)	613
Section 312 (a)	701
(b)	702 (b)
(c)	702 (c)
Section 313 (a)	703 (a)
(a) (4)	101, 1004
(b)	703 (a)
(c)	703 (a)
(d)	703 (b)
Section 314 (a)	704
(b)	Not Applicable
(c) (1)	102
(c) (2)	102
(c) (3)	Not Applicable
(d)	Not Applicable
(e)	102
Section 315 (a)	601
(b)	602
(c)	601
(d)	601
(e)	514
Section 316 (a)	101
(a) (1) (A)	502
(a) (1) (B)	513
(a) (2)	Not Applicable
(b)	508
(c)	104 (c)
Section 317 (a) (1)	503
(a) (2)	504
(b)	1003
Section 318 (a)	107

This INDENTURE is dated as of November 27, 1996, between BARNETT BANKS, INC., a corporation duly organized and existing under the laws of the State of Florida (herein called the "Company"), having its principal office at 50 North Laura Street, Jacksonville, Florida 32202, and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, as Trustee (herein called the "Trustee").

RECITALS

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of its 8.06% Junior Subordinated Debentures due 2026 (the "Junior Subordinated Securities") and its 8.06% New Junior Subordinated Debentures due 2026 (the "New Junior Subordinated Securities", and together with the Junior Subordinated Securities, the "Securities") to be issued in exchange for the Junior Subordinated Securities.

WHEREAS, Barnett Capital I (the "Trust") has offered to the public \$300,000,000 aggregate liquidation amount of its 8.06% Capital Securities (the "Capital Securities") representing undivided beneficial interests in the assets of the Trust and proposes to invest the proceeds from such offering and the proceeds from the issuance of its Common Securities in \$309,279,000 aggregate principal amount of the Securities.

WHEREAS, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture.

WHEREAS, all things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions.

For all purposes of this Indenture, except as expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular and the masculine as well as the feminine;

2

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles;

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(5) a reference to any Person shall include its successor and assigns;

(6) a reference to any agreement or instrument shall mean such agreement or instrument as supplemented, modified, amended or amended and restated and in effect from time to time;

(7) a reference to any statute, law, rule or regulation, shall include any amendments thereto applicable to the relevant Person, and any successor statute, law, rule or regulation; and

(8) a reference to any particular rating category shall be deemed to include any corresponding successor category, or any corresponding rating category issued by a successor or subsequent rating agency.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Adjusted Treasury Rate" means, with respect to any Redemption Date, the Treasury Rate plus (i) 1.25% if such Redemption Date occurs on or before December 1, 1997 or (ii) 0.50% if such Redemption Date occurs after December 1, 1997.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized by the Trustee to act on behalf of the Trustee to authenticate Securities.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board as the context requires.

3

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee, or the principal office of the Property Trustee, under the Declaration, is closed for business.

"Capital Securities" has the meaning specified in the Recitals to this instrument.

"Cedel" means Cedel, S.A.

"Closing Date" means November 27, 1996.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities" means the common securities issued by the Trust.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its Vice Chairman of the Board, a President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Comparable Treasury Issue" means with respect to any Redemption Date the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States treasury security has a maturity which is within a period from three months before to three months after December 1, 2006, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities.

"Comparable Treasury Price" means (A) the average of five Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such

4

Reference Treasury Dealer Quotations, or (B) if the Indenture Trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Corporate Trust Office" means the principal office of the Trustee in the City of New York, at which at any particular time its corporate trust business shall be administered and which at the date of this Indenture is located at 153 West 51st Street, New York, New York 10019.

"Covenant Defeasance" has the meaning specified in Section 403.

"Declaration" means the Amended and Restated Declaration of Trust among the Company, as Sponsor and the Trustee, as the initial Property Trustee, First Chicago Delaware Inc., a Delaware corporation, as the initial Delaware Trustee, and Paris P. Thermenos, Charles W. Newman and Patrick J. McCann, as the initial Regular Trustees, dated as of November 27, 1996.

"Defaulted Interest" has the meaning specified in Section 307.

"Depository" means, with respect to Securities issuable in

whole or in part in the form of one or more Global Securities, a clearing agency registered under the Exchange Act that is designated to act as Depository for such Securities.

"DWAC" means Deposit and Withdrawal At Custodian Service.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor legislation.

"Extension Period" has the meaning specified in Section 301.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System.

"Federal Reserve" means the Board of Governors of the Federal Reserve System.

"Global Security" means a Security that evidences all or part of the Securities and is authenticated and delivered to, and registered in the name of, the Depository for such Securities or a nominee thereof.

"Guarantee" means the Guarantee Agreement, dated as of November 27, 1996, made by the Company in favor of The First National Bank of Chicago, as trustee thereunder for the benefit of the Holders (as defined therein) of the Capital Securities and the holder of the Common Securities.

5

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indebtedness" means, with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business), (v) every capital lease obligation of such Person, (vi) every obligation of such person for claims (as defined in Section 101(4) of the United States Bankruptcy Code of 1978, as amended) in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts and similar arrangements and (vii) every obligation of the type referred to in clauses (i) through (vi) of another person and all dividends of another person the payment of which, in either case, such person has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise; PROVIDED that "Indebtedness" shall not include (i) any obligations which, by their terms, are expressly stated to rank PARI PASSU in right of payment with, or to not be superior in right of payment to, the Securities, (ii) any Indebtedness of the Company which when incurred and without respect to any election under Section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to the Company, (iii) any Indebtedness of the Company to any of its subsidiaries, (iv) Indebtedness to any employee of the Company or (v) any indebtedness in respect of debt securities issued to any trust, or a trustee of such trust, partnership or other entity affiliated with the Company that is a financing entity of the Company in connection with the issuance of such financing entity or securities that are similar to the Capital Securities.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Initial Purchasers" means Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., Merrill Lynch & Co. and Salomon Brothers Inc.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as the term is defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Interest Payment Date", when used with respect to any installment of interest on a Security, means the date specified in such Security as the fixed date on which an installment of interest with respect to the Securities is due and payable.

6

"Investment Company Event" means the receipt by the Trust of an Opinion of Counsel having a recognized national securities practice to the effect that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), the Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940 as amended, which Change in 1940 Act Law becomes effective on or after the date of original issuance of the Securities.

"Junior Subordinated Securities" has the meaning specified in the Recitals to this instrument.

"Legal Defeasance" has the meaning specified in Section 402.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"New Junior Subordinated Securities" has the meaning specified in the Recitals to this instrument.

"Officers' Certificate" means a certificate signed on behalf of the Company by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 1004 shall be the principal executive, financial or accounting officer of the Company. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each officer signing the Officers' Certificate on behalf of the Company has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer on behalf of the Company in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company (and who may be an employee of the Company), and who shall be

7

reasonably acceptable to the Trustee. An opinion of counsel may rely on certificates as to matters of fact.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities authenticated and delivered under this Indenture, except: (i) Securities cancelled by the Trustee or delivered to the Trustee for cancellation; (ii) Securities for whose payment or redemption money in the necessary amount has been deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holder of such Securities; PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and (iii) Securities which have been paid pursuant to Section 306, or in exchange or for in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have

been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company.

"Paying Agent" means any Person authorized by the Company to pay the principal of or interest on any Securities on behalf of the Company.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Private Placement Legend" as defined in Section 314 of this Indenture.

"Property Trustee" has the meaning set forth in the Declaration.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Quotation Agent" means (i) Morgan Stanley & Co. Incorporated and its successors; PROVIDED, HOWEVER, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Indenture Trustee after consultation with the Company.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

8

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Indenture Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Indenture Trustee by such Reference Treasury Dealer at 5:00 p.m. New York City time, on the third business day preceding such Redemption Date.

"Registration Rights Agreement" means the Registration Rights Agreement dated the date hereof between the Company and the Initial Purchasers for the benefit of themselves and the Holders (as defined therein) of the Capital Securities as the same may be amended from time to time in accordance with the terms thereof.

"Regular Record Date" for the interest payable on any Interest Payment Date means the 15th day of the month prior to the relevant Interest Payment Date.

"Regulation S" means Regulation S under the Securities Act and any successor regulation thereto.

"Regulation S Global Security" means any Global Security or Securities evidencing Securities that are to be traded pursuant to Regulation S.

"Regulatory Capital Event" means that the Company shall have received an opinion of independent bank regulatory counsel experienced in such matters to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of the United States or any rules, guidelines or policies of the Federal Reserve or (b) any official administrative pronouncement or judicial decision for interpreting or applying such laws or regulations which amendment or change is effective or such pronouncement or decision is announced on or after the date of original issuance of the Capital Securities, the Capital Securities do not constitute, or within 90 days of the date thereof, will not

constitute Tier I capital (or its then equivalent); PROVIDED, HOWEVER, that the distribution of the Securities in connection with the liquidation of the Trust by the Company shall not in and of itself constitute a Regulatory Capital Event unless such liquidation shall have occurred in connection with a Tax Event or an Investment Company Event.

"Remaining Life" has the meaning specified in Section 1201.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any Vice President, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed

9

by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Global Security" means any Global Security or Securities evidencing Securities that are to be traded pursuant to Rule 144A.

"Restricted Period" shall have the meaning specified in Section 315.

"Restricted Security" has the meaning assigned to such term in Rule 144(a)(3) of the Securities Act.

"Rule 144A" means Rule 144A under the Securities Act.

"Securities" has the meaning specified in the Recitals to this instrument.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Event" means either an Investment Company Event, a Regulatory Capital Event or a Tax Event.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of interest thereon, means the date specified in such Security as the date on which the principal, together with any accrued and unpaid interest, of such Security or such installment of interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Tax Event" means the receipt by the Trust of an Opinion of Counsel, rendered by a law firm having a recognized national tax practice, to the effect that, as a result of any amendment to, change in or announced proposed change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is adopted or which pronouncement or decision is announced on or after the date of original issuance of the

10

Capital Securities under the Declaration, there is more than an insubstantial

risk that (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Securities, (ii) interest payable by the Company on the Securities is not, or within 90 days of the date of such opinion, will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes, or (iii) the Trust is, or will be within 90 days of the date of such opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Treasury Rate" means (i) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third business day preceding the Redemption Date.

"Trust" means Barnett Capital I, a statutory business trust declared and established pursuant to the Delaware Business Trust Act by the Declaration.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; PROVIDED, HOWEVER, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"U.S. Government Obligations" has the meaning specified in Section 404.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

11

SECTION 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

SECTION 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as

it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. Acts of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee at the address specified in Section 105 and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture

12

and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation or vote, as the case may be.

With regard to any record date, only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Securities shall be proved by the Security Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 105. Notices, Etc. to Trustee and the Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Administration; or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 107. Conflict With Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the provision of the Trust Indenture Act shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as to modified or so be excluded, as the case may be.

SECTION 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 110. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the holders of Indebtedness, the holders of Capital Securities (to the extent provided herein) and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 111. GOVERNING LAW.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF. THIS INDENTURE IS SUBJECT TO THE PROVISIONS OF THE TRUST INDENTURE ACT THAT ARE REQUIRED TO BE PART OF THIS INDENTURE AND SHALL, TO THE EXTENT APPLICABLE, BE GOVERNED BY SUCH PROVISIONS.

SECTION 112. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal of the Securities need not be made on such date, but may be made on the next succeeding Business Day (except that, if such Business Day is in the next succeeding calendar year, such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, shall be the immediately preceding Business Day) with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, PROVIDED that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO

SECURITY FORMS

The Junior Subordinated Securities in definitive form and the New Junior Subordinated Securities in definitive form shall be in the form attached hereto as Exhibit A; PROVIDED, that the New Junior Subordinated Securities shall not contain any of the provisions following the Trustee's authentication.

If the Securities are distributed to the holders of Capital Securities and Common Securities, the record holder (including any Depositary) of any Capital Securities or Common Securities shall be issued Securities in definitive, fully registered form without interest coupons, substantially in the form of Exhibit A hereto, with the legends in substantially the form of the legends existing on the security representing the Capital Securities or Common Securities to be exchanged (with such changes thereto as the officers

15

executing such Securities determine to be necessary or appropriate, as evidenced by their execution of the Securities) and such other legends as may be applicable thereto (including any legend required by Section 313 or Section 314 hereof), duly executed by the Company and authenticated by the Trustee or the authenticating agent as provided herein, which Securities, if to be held in global form by any Depositary, may be deposited on behalf of the holders of the Securities represented thereby with the Trustee, as custodian for the Depositary, and registered in the name of a nominee of the Depositary.

Any Global Security shall represent such of the outstanding Securities as shall be specified therein and shall provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be increased or reduced to reflect transfers or exchanges permitted hereby. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in such manner and upon instructions given by the holder of such Securities in accordance with the Indenture. Payment of principal of and interest and premium, if any, on any Global Security shall be made to the holder of such Global Security.

The Securities shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these or other methods, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

ARTICLE THREE

THE SECURITIES

SECTION 301. Title and Terms.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is limited to \$309,279,000 except for Securities authenticated and delivered upon registration of transfer

of, or in exchange for, or in lieu of, other Securities pursuant to Section 304, 305, 306, 906 or 1208.

The Securities' Maturity shall be December 1, 2026.

The Securities shall bear interest at the rate of 8.06% per annum, from November 27, 1996 or from the most recent Interest Payment Date to which interest has been

16

paid or duly provided for, as the case may be, payable semi-annually (subject to deferral as set forth herein), in arrears, on June 1 and December 1 of each year, commencing June 1, 1997, until the principal thereof is paid or made available for payment. Interest will compound semi-annually and will accrue at the rate of 8.06% per annum on any interest installment in arrears for more than one semi-annual period or during an extension of an interest payment period as set forth below in this Section 301. In the event that any date on which interest is payable on the Securities is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay).

The Company shall have the right, at any time during the term of the Securities, from time to time, to defer payment of interest on such Security for up to 10 consecutive semi-annual periods (an "Extension Period") PROVIDED that no Extension Period may extend past the Maturity of the Security. There may be multiple Extension Periods of varying lengths during the term of the Securities. At the end of each Extension Period, if any, the Company shall pay all interest then accrued and unpaid, together with interest thereon, compounded semi-annually at the rate specified on this Security to the extent permitted by applicable law. During any such Extension Period, the Company may not, and may not permit any Subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU with or junior in interest to the Securities or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary of the Company if such guarantee ranks PARI PASSU or junior in interest to the Securities (other than (a) dividends or distributions in common stock of the Company, (b) payments under the Guarantee, (c) any declaration of a dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto, and (d) purchases of common stock related to the issuance of common stock or rights under any of the Company's benefit plans). Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, PROVIDED that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of the Securities. Upon the termination of any such Extension Period and the payment of all amounts then due on any Interest Payment Date, the Company may elect to begin a new Extension Period subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company shall give the Property Trustee, the Regular Trustees and the Debenture Trustee notice of its election of such Extension Period at least one Business Day prior to the record date for the related interest payment.

The Trustee shall promptly give notice of the Company's selection of such Extension Period to the Holders of the Capital Securities.

The principal of and interest on the Securities shall be payable at the office or agency of the Paying Agent in the United States maintained for such purpose and at any other office or agency maintained by the Company for such purpose in such coin or currency of the

17

United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer in immediately available funds at such place and to such account as may be designated by the Person entitled thereto as specified in the Security Register.

The Securities shall be subordinated in right of payment to Indebtedness as provided in Article Eleven.

The Securities shall be redeemable as provided in Article Twelve.

SECTION 302. Denominations.

The Securities shall be issuable only in registered form, without coupons, and only in denominations of \$1,000 and any integral multiple thereof.

SECTION 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its Vice Chairman of the Board, a President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

18

SECTION 304. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 305. Registration; Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at an office or agency of the Company designated pursuant to Section 1002 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

19

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Sections 304, 906 or 1208 not involving any transfer.

If the Securities are to be redeemed in part, the Company shall not be required (A) to issue, register the transfer of or exchange any Securities during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of any such Securities selected for redemption under Section 1204 and ending at the close of business on the day of such mailing, or (B) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

So long as the Securities are eligible for book-entry settlement with the Depository, or unless otherwise required by law, all Securities to be traded on the PORTAL Market shall be represented by the Restricted Global Security registered in the name of the Depository or the nominee of the Depository.

The transfer and exchange of beneficial interests in any Global Security, which does not involve the issuance of a definitive Security or the transfer of interests to another Global Security, shall be effected through the Depository (but not the Trustee or the Custodian) in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depository therefor. Neither the Trustee nor the Custodian (in such respective capacities) will have any responsibility for the transfer and exchange of beneficial interests in such Global Security that does not involve the issuance of a definitive Security or the transfer of interests to another Global Security.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall

20

authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. Payment of Interest; Interest Rights Preserved.

Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the

21

payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and if so listed, upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee. Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue which, which were carried by such other Security.

SECTION 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee shall treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of and (subject to Section 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order.

22

SECTION 310. Computation of Interest.

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest payable for any period shorter than a full semi-annual period for which interest is computed will be computed on the basis of actual number of days elapsed in such 180-day semi-annual period.

SECTION 311. Right of Set-off.

Notwithstanding anything to the contrary in the Indenture, the Company shall have the right to set-off any payment it is otherwise required to make thereunder to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a related payment under the Guarantee.

SECTION 312. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; PROVIDED that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

SECTION 313. Global Securities.

If the Securities are distributed to the holders of Capital Securities, Securities distributed in respect of Capital Securities that are held in global form by a Depository will initially be issued as a Global Security, unless such transfer cannot be effected through book-entry settlement. If the Company shall establish that the Securities are to be issued in the form of one or more Global Securities, then the Company shall execute and the Trustee shall, in accordance with Section 303 and the Company Order, authenticate and deliver one or more Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of all of the Securities to be issued in the form of Global Securities and not yet cancelled, (ii) shall be registered in the name of the Depository for such Global Security or Securities or the nominee of such Depository, and (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions. Global Securities shall bear a legend substantially to the following effect:

"This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. Notwithstanding the provisions of Section 305, unless and until it is exchanged in whole or in part for Securities in definitive registered form, a Global Security representing all or a part of the Securities may not be transferred in the manner provided in Section 305 except as a whole by the Depository to a nominee of such Depository or by a nominee of

such Depository to such Depository or another nominee of such Depository or by such

23

Depository or any such nominee to a successor Depository or a nominee of such successor Depository. Every Security delivered upon registration or transfer of, or in exchange for, or in lieu of, this Global Security shall be a Global Security subject to the foregoing, except in the limited circumstances described above. Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is to be made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein."

Definitive Securities issued in exchange for all or a part of a Global Security pursuant to this Section 313 shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such definitive Securities to the persons in whose names such definitive Securities are so registered.

At such time as all interests in Global Securities have been redeemed, repurchased or canceled, such Global Securities shall be, upon receipt thereof, canceled by the Trustee in accordance with standing procedures and instructions existing between the Depository and the Custodian. At any time prior to such cancellation, if any interest in Global Securities is exchanged for definitive Securities, redeemed, canceled or transferred to a transferee who receives definitive Securities therefor or any definitive Security is exchanged or transferred for part of Global Securities, the principal amount of such Global Securities shall, in accordance with the standing procedures and instructions existing between the Depository and the Custodian, be reduced or increased, as the case may be, and an endorsement shall be made on such Global Securities by the Trustee or the Custodian, at the direction of the Trustee, to reflect such reduction or increase.

The Company and the Trustee may for all purposes, including the making of payments due on the Securities, deal with the Depository as the authorized representative of the Holders for the purposes of exercising the rights of Holders hereunder. The rights of the owner of any beneficial interest in a Global Security shall be limited to those established by law and agreements between such owners and depository participants or Euroclear and Cedel; PROVIDED, that no such agreement shall give any rights to any person against the Company or the Trustee without the written consent of the parties so affected. Multiple requests and directions from and votes of the Depository as holder of Securities in global form with respect to any particular matter shall not be deemed inconsistent to the extent they do not represent an amount of Securities in excess of those held in the name of the Depository or its nominee.

If at any time the Depository for any Securities represented by one or more Global Securities notifies the Company that it is unwilling or unable to continue as Depository for such Securities or if at any time the Depository for such Securities shall no

24

longer be eligible under this Section 313, the Company shall appoint a successor Depository with respect to such Securities. If a successor Depository for such Securities is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election that such Securities be represented by one or more Global Securities shall no longer be effective and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities, will authenticate and deliver Securities in definitive registered form, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities in exchange for such Global Security or Securities.

The Company may at any time and in its sole discretion determine that the Securities issued in the form of one or more Global

Securities shall no longer be represented by a Global Security or Securities. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order or an Officers' Certificate for the authentication and delivery of definitive Securities, shall authenticate and deliver, Securities in definitive registered form, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities, in exchange for such Global Security or Securities.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in Section 314(a)), Global Securities may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

Interests of beneficial owners in Global Security may be transferred or exchanged for definitive Securities and definitive Securities may be transferred or exchange for Global Securities in accordance with rules of the Depository and the provisions of Section 315.

Any Security in global form may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Custodian, the Depository or by the National Association of Securities Dealers, Inc. in order for the Securities to be tradeable on the PORTAL Market or as may be required for the Securities to be tradeable on any other market developed for trading of securities pursuant to Rule 144A or required to comply with any applicable law or any regulation thereunder or with Regulation S or with the rules and regulations of any securities exchange upon which the Securities may be listed or traded or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Securities are subject.

SECTION 314. Restrictive Legend.

(a) Each Global Security and definitive Security that constitutes a Restricted Security shall bear the following legend (the "Private Placement Legend") on the

25

face thereof until three years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Capital Securities (or any predecessor thereto) (the "Resale Restriction Termination Date"), unless otherwise agreed by the Company and the Holder thereof:

"THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES FOR THE BENEFIT OF THE COMPANY THAT: (I) IT HAS ACQUIRED A "RESTRICTED" SECURITY WHICH HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT; (II) IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY PRIOR TO THE LATER OF THE DATE WHICH IS THREE YEARS AFTER THE DATE OF ORIGINAL ISSUANCE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF SUCH RESTRICTED SECURITIES (OR ANY PREDECESSOR) EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY APPLICABLE JURISDICTION; AND (III) IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS SECURITY OF THE RESALE RESTRICTIONS SET FORTH IN (II) ABOVE, ANY OFFER, SALE OR OTHER DISPOSITION PURSUANT TO THE FOREGOING CLAUSES (II) (D) AND (E) IS SUBJECT TO THE RIGHT OF THE ISSUER OF THIS SECURITY AND THE PROPERTY TRUSTEE FOR SUCH SECURITIES TO REQUIRE THE DELIVERY OF AN OPINION OF

Any Security (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon satisfaction of the requirements of Section 314(b) and surrender of such Security for exchange to the Security registrar in accordance with the provisions of this Section 314, be exchanged for a new Security or Securities, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 314(a).

(b) Upon any sale or transfer of any Restricted Security (including any interest in a Global Security) (i) that is effected pursuant to an effective registration statement under the Securities Act or (ii) in connection with which the Trustee receives certificates and other information (including an opinion of counsel, if requested) reasonably acceptable to the Company and the Trustee to the effect that such security will no longer be subject to the resale restrictions under federal and state securities laws, then (A) in the case of a Restricted Security in definitive form, the Security registrar or co-registrar shall permit the holder thereof to exchange such Restricted Security for a security that does not bear the legend set forth in Section 314(a), and shall rescind any such restrictions on transfer and (B) in the case of Restricted Securities represented by a Global Security, such Security shall no longer be subject to the restrictions contained in the legend set forth in Section 314(a) (but still subject to the other provisions hereof). In addition, any Security (or security issued in exchange or substitution therefor) as to which the restrictions on transfer described in the legend set forth in Section 314(a) have expired by their terms, may, upon surrender thereof (in accordance with the terms of this Indenture) together with such certifications and other information (including an opinion of counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable to the Company, addressed to the Company and the Trustee and in a form acceptable to the Company, to the effect that the transfer of such Restricted Security has been made in compliance with Rule 144 or such successor provision) acceptable to the Company and the Trustee as either of them may reasonably require, be exchanged for a new Security or Securities of like tenor and aggregate principal amount, which shall not bear the restrictive legends set forth in Section 314(a).

SECTION 315. Special Transfer Provisions.

At any time at the request of the beneficial holder of an interest in a Security in global form, such beneficial holder shall be entitled to obtain a definitive Security upon written request to the Trustee in accordance with the standing instructions and procedures existing between the Depository and the Trustee for the issuance thereof. Any transfer of a beneficial interest in a Security in global form which cannot be effected through book-entry settlement must be effected by the delivery to the transferee (or its nominee) of a definitive Security or Securities registered in the name of the transferee (or its nominee) on the books maintained by the Trustee. With respect to any such transfer, the Trustee will cause, in accordance with the standing instructions and procedures existing between the Depository and the Trustee, the aggregate principal amount of the Security in global form to be reduced and, following such reduction, the Company will execute and the Trustee will authenticate and deliver to the transferee (or such transferee's nominee, as the case may be), a Security or Securities in the appropriate aggregate principal amount in the name of such transferee (or its nominee) and bearing such restrictive legends as may be required by this Indenture. In

connection with any such transfer, the Trustee may request such representations and agreements relating to the restrictions on transfer of such Security or Securities from such transferee (or such transferee's nominee) as the Trustee may reasonably require.

So long as the Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Security to a QIB in accordance with Rule 144A, unless otherwise requested by the transferor, and upon receipt of the definitive Security or Securities being so transferred, together with a certification from the transferor that the transferor reasonably believes the transferee is a QIB (or

other evidence satisfactory to the Trustee), the Trustee shall make an endorsement on the Restricted Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Restricted Global Security, the Trustee shall cancel such definitive Security or Securities and cause, in accordance with the standing instructions and procedures existing between the Depository and the Trustee, the aggregate principal amount of Securities represented by the Restricted Global Security to be increased accordingly.

So long as the Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Security in accordance with Regulation S, if requested by the transferor, and upon receipt of the definitive Security or Securities being so transferred, together with a certification from the transferor that the transfer was made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act (or other evidence satisfactory to the Trustee), the Trustee shall make or direct the Custodian to make, an endorsement on the Regulation S Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Regulation S Global Security, the Trustee shall cancel such definitive Security or Securities and cause, or direct the Custodian to cause, in accordance with the standing instructions and procedures existing between the Depository and the Custodian, the aggregate principal amount of Securities represented by the Regulation S Global Security to be increased accordingly.

If a holder of a beneficial interest in the Restricted Global Security wishes at any time to exchange its interest in the Restricted Global Security for an interest in the Regulation S Global Security, or to transfer its interest in the Restricted Global Security to a person who wishes to take delivery thereof in the form of an interest in the Regulation S Global Security, such holder may, subject to the rules and procedures of the Depository and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in the Regulation S Global Security. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the Depository's procedures from or on behalf of a holder of a beneficial interest in the Restricted Global Security, directing the Trustee (via DWAC), as transfer agent, to credit or cause to be credited a beneficial interest in the Regulation S Global Security in an amount equal to the beneficial interest in the Restricted Global Security to be exchanged or transferred, (2) a written order given in accordance with the Depository's procedures containing information regarding the Euroclear or Cedel account to be credited with such increase and the name of such account, and (3) a certificate given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule

28

144 under the Securities Act (or other evidence satisfactory to the Trustee), the Trustee, as transfer agent, shall promptly deliver appropriate instructions to the Depository (via DWAC), its nominee, or the custodian for the Depository, as the case may be, to reduce or reflect on its records a reduction of the Restricted Global Security by the aggregate principal amount of the beneficial interest in such Restricted Global Security to be so exchanged or transferred from the relevant participant, and the Trustee, as transfer agent, shall promptly deliver appropriate instructions (via DWAC) to the Depository, its nominee, or the custodian for the Depository, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of such Regulation S Global Security by the aggregate principal amount of the beneficial interest in such Restricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions (who may be Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Cedel or another agent member of Euroclear or Cedel, or both, as the case may be, acting for and on behalf of them) a beneficial interest in such Regulation S Global Security equal to the reduction in the principal amount of such Restricted Global Security.

If a holder of a beneficial interest in the Regulation S Global Security wishes at any time to exchange its interest in the Regulation S Global Security for an interest in the Restricted Global Security, or to transfer its interest in the Regulation S Global Security to a person who wishes to take delivery thereof in the form of an interest in the Restricted Global Security, such holder may, subject to the rules and procedures of Euroclear or Cedel and the Depository, as the case may be, and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in such Restricted Global Security. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the procedures of Euroclear or Cedel

and the Depository, as the case may be, from or on behalf of a beneficial owner of an interest in the Regulation S Global Security directing the Trustee, as transfer agent, to credit or cause to be credited a beneficial interest in the Restricted Global Security in an amount equal to the beneficial interest in the Regulation S Global Security to be exchanged or transferred, (2) a written order given in accordance with the procedures of Euroclear or Cedel and the Depository, as the case may be, containing information regarding the account with the Depository to be credited with such increase and the name of such account, and (3) prior to the expiration of the Restricted Period, a certificate given by the holder of such beneficial interest and stating that the person transferring such interest in such Regulation S Global Security reasonably believes that the person acquiring such interest in the Restricted Global Security is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and any applicable securities laws of any state of the United States or any other jurisdiction (or other evidence satisfactory to the Trustee), the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Depository, its nominee, or the custodian for the Depository, as the case may be, to reduce or reflect on its records a reduction of the Regulation S Global Security by the aggregate principal amount of the beneficial interest in such Regulation S Global Security to be exchanged or transferred, and the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Depository, its nominee, or the custodian for the Depository, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the

29

principal amount of the Restricted Global Security by the aggregate principal amount of the beneficial interest in the Regulation S Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Restricted Global Security equal to the reduction in the principal amount of the Regulation S Global Security. After the expiration of the Restricted Period (as defined below), the certification requirement set forth in clause (3) of the second sentence of the above paragraph will no longer apply to such exchanges and transfers.

Any beneficial interest in one of the Global Securities that is transferred to a person who takes delivery in the form of an interest in the other Global Security will, upon transfer, cease to be an interest in such Global Security and become an interest in the other Global Security and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Security for as long as it remains such an interest.

Prior to or on the 40th day after the later of the commencement of the offering of the Capital Securities and the Closing Date (the "Restricted Period"), beneficial interests in a Regulation S Global Security may only be held through Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Cedel or another agent member of Euroclear and Cedel acting for and on behalf of them, unless delivery is made through the Restricted Global Security in accordance with the certification requirements hereof. During the Restricted Period, interests in the Regulation S Global Security, if any, may be exchanged for interests in the Restricted Global Security or for definitive Securities only in accordance with the certification requirements described above.

ARTICLE FOUR

SATISFACTION AND DISCHARGE; DEFEASANCE

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, on written demand of and at the expense of the Company, shall execute instruments supplied by the Company acknowledging satisfaction and discharge of this Indenture, when (1) either (A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or (B) all such Securities not theretofore delivered to the Trustee for cancellation (i) have become due and payable, or (ii) will become due and payable at their Maturity within one year, or (iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption

Company and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as funds in trust for the purpose on amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Maturity or Redemption Date, as the case may be; (2) the Company has paid or ceased to be paid all other sums payable hereunder by the Company; and (3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Legal Defeasance.

In addition to discharge of this Indenture pursuant to Section 401, in the case of any Securities with respect to which the exact amount described in subparagraph (a) of Section 404 can be determined at the time of making the deposit referred to in such subparagraph (a), the Company shall be deemed to have paid and discharged the entire indebtedness on all the Securities as provided in this Section on and after the date the conditions set forth in Section 404 are satisfied, and the provisions of this Indenture with respect to the Securities shall no longer be in effect (except as to (i) rights of registration of transfer and exchange of Securities, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Holders of Securities to receive, solely from the trust fund described in subparagraph (a) of Section 404, payments of principal thereof and interest, if any, thereon upon the original stated due dates therefor (but not upon acceleration), (iv) the rights, obligations, duties and immunities of the Trustee hereunder, (v) this Section 402 and (vi) the rights of the Holders of Securities as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them) (hereinafter called "Legal Defeasance"), and the Trustee, at the cost and expense of the Company, shall execute proper instruments acknowledging the same.

SECTION 403. Covenant Defeasance.

In the case of any Securities with respect to which the exact amount described in subparagraph (a) of Section 404 can be determined at the time of making the deposit referred to in such subparagraph (a), (i) the Company shall be released from its obligations under any covenants specified in or pursuant to this Indenture (except as to (i) rights of registration of transfer and exchange of Securities, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Holders of Securities to receive, from the Company pursuant to Section 1001, payments of principal thereof and interest, if any, thereon upon the original stated due dates therefor (but not upon acceleration), (iv) the rights, obligations, duties and immunities of the Trustee hereunder and (v) the rights of the Holders of Securities as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them), and (ii) the occurrence of any event specified in Section

501(3) (with respect to any of the covenants specified in or pursuant to this Indenture) shall be deemed not to be or result in an Event of Default, in each case with respect to the Outstanding Securities as provided in this Section on and after the date the conditions set forth in Section 404 are satisfied (hereinafter called "Covenant Defeasance"), and the Trustee, at the cost and expense of the Company, shall execute proper instruments acknowledging the same. For this purpose, such Covenant Defeasance means that the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant (to the extent so specified in the case of Section 501(3)), whether directly or indirectly by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document, but the remainder of this Indenture and the Securities shall be unaffected thereby.

SECTION 404. Conditions to Legal Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 402 or 403 to the Outstanding Securities:

(a) with reference to Section 402 or 403, the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of Securities (i) cash in an amount, (ii) direct obligations of the United States of America, backed by its full faith and credit ("U.S. Government Obligations"), maturing as to principal and interest, if any, at such times and in such amounts as will ensure the availability of cash, (iii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, or (iv) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge the principal of and interest, if any, on all Securities on each date that such principal or interest, if any, is due and payable;

(b) in the case of Legal Defeasance under Section 402, the Company has delivered to the Trustee an Opinion of Counsel based on the fact that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (y), since the date hereof, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and Legal Defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance under Section 403, the Company has delivered to the Trustee an Opinion of Counsel to the effect that, and such opinion shall confirm that, the Holders of the Securities will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and Covenant Defeasance and will be subject

32

to federal income tax on the same amount in the same manner and at the same times as would have been the case if such deposit and Covenant Defeasance had not occurred;

(d) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which the Company is a party or by which it is bound; and

(e) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent contemplated by this provision have been complied with.

SECTION 405. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations deposited with the Trustee pursuant to Section 401 shall be held in trust and such money and all money from such U.S. Government Obligations shall be applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal and interest for whose payment such money and U.S. Government Obligations has been deposited with the Trustee.

SECTION 406. Indemnity for U.S. Government Obligations.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 404 or the principal or interest received in respect of such obligations other than any such tax, fee or other charge that by law is for the account of the Holders of Outstanding Securities.

ARTICLE FIVE

REMEDIES

SECTION 501. Events of Default.

"Event of Default" wherever used herein, means any one of the following events that has occurred and is continuing (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Article Eleven or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) failure for 30 days to pay any interest on the Securities when due (subject to the deferral of any due date in the case of an Extension Period); or

33

(2) failure to pay any principal on the Securities when due, whether at Maturity, upon redemption, by declaration of acceleration or otherwise;

(3) failure to observe or perform in any material respect any other covenant herein that continues 90 days after written notice to the Company from the Trustee or the holders of at least 25% in principal amount of the outstanding Securities; or

(4) entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, at appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of substantially all of the property of the Company, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(5) (A) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or (B) the consent by the Company or to the entry of a decree or order for relief in respect of itself in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or (C) the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or (D) the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of all or substantially all of the property of the Company, or (E) the making by the Company of an assignment for the benefit of creditors.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities shall have the right to declare the principal of and the interest on all the Securities and any other amounts payable hereunder to be due and payable immediately, PROVIDED, HOWEVER, that if upon an Event of Default, the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Securities fail to declare the payment of all amounts on the Securities to be immediately due and payable, the holders of at least 25% in aggregate liquidation preference of Capital Securities then outstanding shall have such right, by a notice in writing to the Company (and to the Trustee if given by Holders or the holders of Capital Securities) and upon any such declaration such principal and all accrued interest shall become immediately due and payable.

34

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article, the Holders of

a majority in principal amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if (1) the Company has paid or deposited with the Trustee a sum sufficient to pay (A) all overdue interest on all Securities, (B) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities, (C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Securities, and (D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and (2) all Events of Default, other than the non-payment of the principal of Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513. Should the Holders of such Securities fail to annul such declaration and waive such default, the holders of a majority in aggregate liquidation amount of the Capital Securities shall have such right. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee

The Company covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest, and, to the extent that payment thereof shall be legally enforceable, interest on any overdue principal and on any overdue interest, at the rate borne by the Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

35

SECTION 504. Trustee may File Proofs of Claim.

In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607. No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganizations, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee may Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trust without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of any express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses,

disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Subject to Article Eleven, any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, upon presentation of the Securities and the notation thereon of the payment, if only partially paid, and upon surrender thereof, if fully paid;

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable as such Securities for principal and interest, respectively.

36

SECTION 507. Limitation on Suits.

No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities; it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 508. Unconditional Right of Holders to Receive Principal and Interest; Capital Security Holders' Rights.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and (subject to Section 307) interest on such Security on the Stated Maturity expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

If an Event of Default constituting the failure to pay interest or principal on the Securities on the date such interest or principal is otherwise payable has occurred and is continuing, then a holder of Capital Securities may directly institute a proceeding (a "Direct Action") for enforcement of payment to such holder directly of the principal of or interest on the Securities having a principal amount equal to the aggregate liquidation amount of the Capital Securities as such holder on or after the respective due date specified in the Securities. The Company may not amend this Section without the prior written consent of the

holders of all of the Capital Securities. Notwithstanding any payment made to such holder of Capital Securities by the Company in connection with such a Direct Action, the Company shall remain obligated to pay the principal of or interest on the Securities held by the Trust or the Property Trustee and the Company shall be subrogated to the rights of the holder of such Capital Securities with respect to payments on the Capital Securities to the extent of any payments made by the Company to such holder in any Direct Action. The holders of Capital Securities will not be able to exercise directly any other remedy available to the Holders of the Securities.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission not Waiver.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture; and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults.

Subject to Sections 902 and 1008 hereof, the Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of or interest on any Security (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Trustee); or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security affected;

PROVIDED, HOWEVER, that such waiver or modification to such waiver shall not be effective until the holders of a majority in liquidation preference of Capital Securities shall have consented to such waiver or modification to such waiver; PROVIDED FURTHER, that if the consent of the Holder of each of the Outstanding Securities is required, such waiver shall not be effective until each holder of the Capital Securities shall have consented to such waiver.

Upon any such waiver, such default shall cease to exist, effective as of the date specified in such waiver (and effective retroactively to the date of default, if so specified) and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and any assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; PROVIDED, that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company or the Trustee or in any suit for the enforcement of the right to receive the principal of and interest on any Security.

39

SECTION 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

TRUSTEE

SECTION 601. Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. Notice of Defaults.

The Trustee shall give the Holders notice of any default hereunder as and to the extent provided by the Trust Indenture Act; PROVIDED, HOWEVER, that except in the case of a default in the payment of the principal of or interest on any Security, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Securities; PROVIDED, FURTHER, that in the case of any default of the character specified in Section 501(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default. For purposes of this Section, the Trustee shall not be deemed to have knowledge of a default unless the Trustee has actual knowledge of such default or has received written notice of such default in the manner contemplated by Section 105.

SECTION 603. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its choice and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities, the Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 605. Trustee and Other Agents may Hold Securities.

The Trustee, any Paying Agent, any Security Registrar, or any other agent of the Company, in its individual or any other capacity, may become the owner or pledge of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar, or such other agent. Money held by the Trustee in trust hereunder shall not be invested by the Trustee pending distribution thereof to the holders of the Securities.

SECTION 606. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

SECTION 607. Compensation; Reimbursement; and Indemnity.

The Company, in its capacity as the issuer of the Securities, agrees

(1) to pay to the Trustee from time to time such reasonable compensation as the Company and the Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify each of the Trustee and any predecessor Trustee for, and to hold it harmless against, any and all loss, damage, claim, liability or expense, including taxes (other than taxes based on the income, revenues or gross receipts of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or the trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

42

The obligations of the Company under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Trustee shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. As security for the performance of such obligations of the Company, the Trustee shall have a claim prior to the Securities upon all property and lands held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premiums, if any, on) or interest on particular Securities.

SECTION 608. Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act and to act as such and has a combined capital and surplus of at least \$50,000,000 and has its Corporate Trust Office in New York, New York. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities, delivered to the Trustee and to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal, the removed Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

43

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the Retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 611. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; PROVIDED that, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers

44

and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 613. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or becomes a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee (a) semiannually, not later than June 30 and December 31 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders to the extent the Company has knowledge thereof as of a date not more than 15 days prior to the delivery thereof, and (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

45

SECTION 702. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701, and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

SECTION 703. Reports by Trustee.

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when the Securities are listed on any stock exchange.

SECTION 704. Reports by Company.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; PROVIDED that any such

information, documents or reports required to be filed with the Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

46

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(1) the Person formed by such consolidation or into which the Company is merged or the Person that acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest (including any additional interest) on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing;

(3) for so long as Securities registered on the Securities Register in the name of the Trust (or the Property Trustee) are outstanding, such consolidation, merger, conveyance, transfer or lease is permitted under the Declaration and the Guarantee and does not give rise to any breach or violation of the Declaration or the Guarantee;

(4) any such lease shall provide that it will remain in effect so long as any Securities are Outstanding; and

(5) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and the Trustee, subject to Section 601, may rely upon such Officers' Certificate and Opinion of Counsel as conclusive evidence that such transaction complies with this Section 801.

SECTION 802. Successor Person Substituted.

Upon any consolidation or merger by the Company with or into any other Person, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may

47

exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; and in the event of any such conveyance, transfer or lease the Company shall be discharged from all obligations and covenants under the Indenture and the Securities and may be dissolved and liquidated.

Such successor Person may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and

shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication pursuant to such provisions and any Securities which such successor Person thereafter shall cause to be signed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(3) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided that such action pursuant to this clause (3) shall not adversely affect the interests of the Holders of the Securities or, so long as any of the Capital Securities shall remain outstanding, the holders of the Capital Securities; or

(4) to comply with any requirement of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act, if so required.

48

SECTION 902. Supplemental Indentures With Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) except to the extent permitted and subject to the conditions set forth in Section 301 with respect to the extension of the Stated Maturity of the Securities, change the Stated Maturity of, the principal of, or any installment of interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon, or change the place of payment where, or the coin or currency in which, any Security or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or modify the provisions of this Indenture with respect to the subordination of the Securities in a manner adverse to the Holders,

(2) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby;

PROVIDED, that, so long as any of the Capital Securities remains outstanding, no such amendment shall be made that adversely affects the holders of the Capital Securities, and no termination of this Indenture shall occur, and no waiver of any Event of Default or compliance with any covenant under this Indenture shall be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation preference of the outstanding Capital Securities unless and until the principal of and any premium on the Securities and all accrued and unpaid interest thereon have been paid in full.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trust created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity With Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 906. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE TEN

COVENANTS

SECTION 1001. Payment of Principal and Interest.

The Company will duly and punctually pay the principal of and interest on the Securities in accordance with the terms of the Securities and this Indenture.

SECTION 1002. Maintenance of Office or Agency.

The Company will maintain in The City of New York an office or agency where Securities may be presented or surrendered for registration of transfer or exchange, where Securities may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The

fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies in the United States where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the United States for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. Money for Security Payments to be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on, or at the option of the Company, or before each due date of the principal of or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act. In such case the Company shall not invest the amount so segregated and held in trust pending the distribution thereof.

Whenever the Company shall have one or more Paying Agents, it will, on or prior to each due date of the principal of or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act; PROVIDED, HOWEVER, that any such deposit on a due date shall be initiated prior to 1:00 p.m. (New York time) in same-day funds.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Securities) in the making of any payment in respect of the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in the trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any

51

Paying Agent to the Trustee, such Payment Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal or interest that has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease.

SECTION 1004. Statements by Officers as to Default.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the material terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

SECTION 1005. Existence.

Subject to Article Eight, the Company will do or cause to be

done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; PROVIDED, HOWEVER, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders and, while any Capital Securities are outstanding, the holders of the Capital Securities.

SECTION 1006. Maintenance of Properties.

The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

52

SECTION 1007. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary that comprise more than 10% of the assets of the Company and its Subsidiaries, taken as a whole; PROVIDED, HOWEVER, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1008. Waiver of Certain Covenants.

Except as otherwise specified as contemplated by Section 301 for Securities, the Company may, with respect to the Securities, omit in any particular instance to comply with any term, provision or condition set forth in any covenant provided pursuant to Section 901(2) for the benefit of the Holders if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 1009. Payment of the Trust's Costs and Expenses.

Since the Trust is being formed solely to facilitate an investment in the Securities, the Company, in its capacity as the issuer of the Securities, hereby covenants to pay all debts and obligations (other than with respect to the Capital Securities and Common Securities) and all costs and expenses of the Trust (including, but not limited to, all costs and expenses relating to the organization of the Trust, the fees and expenses of the Trustees and all costs and expenses relating to the operation of the Trust) and to pay any and all taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed on the Trust by the United States, or any other taxing authority, so that the net amounts received and retained by the Trust and the Property Trustee after paying such expenses will be equal to the amounts the Trust and the Property Trustee would have received had no such costs or expenses been incurred by or imposed on the Trust. The foregoing obligations of the Company are for the benefit of, and shall be enforceable by, any person to whom any such debts, obligations, costs, expenses and taxes are owed (each, a "Creditor") whether or not such Creditor has received notice thereof. Any such Creditor may enforce such obligations of the Company directly against the Company, and the Company irrevocably waives any right or remedy to require that any such Creditor take any action against the Trust or any other person before proceeding against the Company. The Company shall execute such additional agreements as may be necessary or desirable to give full effect to the foregoing. The obligations of the Company to pay all the debts, obligations, costs and

expenses of the Trust (other than with respect to the Capital Securities and the Common Securities) shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture.

ARTICLE ELEVEN

SUBORDINATION OF SECURITIES

SECTION 1101. Securities Subordinate to Indebtedness.

The Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article (subject to Article Four), the payment of the principal of and interest on each and all of the Securities are hereby expressly made subordinate and subject in right of payment to the prior payment in full in cash of all Indebtedness.

This Article Eleven shall constitute a continuing offer to all persons who become holders of, or continue to hold, Indebtedness, and such provisions are made for the benefit of the holders of Indebtedness and such holders are made obligees hereunder and any one or more of them may enforce such provisions. Holders of Indebtedness need not prove reliance on the subordination provisions hereof.

SECTION 1102. Default on Indebtedness.

In the event and during the continuation of any default in the payment of principal, premium, interest or any other payment due on any Indebtedness, or in the event that any event of default with respect to any Indebtedness shall have occurred and be continuing and shall have resulted in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable (unless and until such event of default shall have been cured or waived or shall have ceased to exist and such acceleration shall have been rescinded or annulled) or in the event any judicial proceeding shall be pending with respect to any such default in payment or such event of default, then no payment shall be made by the Company with respect to the principal (including redemption payments) of, or interest on, the Securities.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Holder when such payment is prohibited by the preceding paragraph of this Section 1102, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Indebtedness (or their representative or representatives or a trustee) notify the Trustee within 90 days of such payment of the amounts then due and owing on the Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Indebtedness.

SECTION 1103. Prior Payment of Indebtedness Upon Acceleration of Securities.

In the event that the Securities are declared due and payable before their Stated Maturity, then and in such event the holders of the Indebtedness outstanding at the time such Securities so become due and payable shall be entitled to receive payment in full of all amounts then due on or in respect of such Indebtedness (including any amounts due upon acceleration), or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Indebtedness, before the Holders of the Securities are entitled to receive any payment or distribution of any kind or character, whether in cash, properties or securities, by the Company on account of the principal of or interest on the Securities or on account of the purchase or other acquisition of Securities by the Company or any Subsidiary; PROVIDED, HOWEVER, that holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities

arising in the ordinary course of the Company's business.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Holder when such payment is prohibited by the preceding paragraph of this Section 1103, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Indebtedness (or their representative or representatives or a trustee) notify the Trustee within 90 days of such payment of the amounts then due and owing on the Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Indebtedness.

SECTION 1104. Liquidation; Dissolution; Bankruptcy.

Upon any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and premium, if any, and interest due or to become due upon all Indebtedness (including interest after the commencement of any bankruptcy, insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is an allowable claim in any such proceeding) shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made on account of the principal or interest on the Securities; and upon any such dissolution or winding-up or liquidation or reorganization any payment by the Company, or distribution of substantially all of the assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Securities or the Trustee would be entitled, except for the provisions of this Article Eleven, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Securities or by the Trustee under this Indenture if received by them or

55

it, directly to the holders of Indebtedness (pro rata to such holders on the basis of the respective amounts of Indebtedness held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay all Indebtedness in full (including interest after the commencement of any bankruptcy, insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is in an allowable claim in any such proceeding) or to provide for such payment in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Indebtedness, before any payment or distribution is made to the Holders of Securities or to the Trustee; PROVIDED, HOWEVER, that such holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities arising in the ordinary course of the Company's business.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee or the Holders of the Securities before all Indebtedness is paid in full (including interest after commencement of any bankruptcy, insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is an allowable claim in any such proceeding), or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, for application to the payment of all Indebtedness remaining unpaid to the extent necessary to pay all Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Indebtedness.

Any holder of Indebtedness may file any proof of claim or similar instrument on behalf of the Trustee and the Holders if such instrument has not been filed by the date which is 30 days prior to the date specified for filing thereof.

For purposes of this Article Eleven, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article Eleven with respect to the Securities to the payment of all Indebtedness that may at the time be outstanding, PROVIDED, HOWEVER, that (i) the Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of the Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or merger of the Company into, another corporation or the liquidation or

56

dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article Eight hereof shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 1103 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Eight hereof. Nothing in Section 1102 or in this Section 1103 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 607.

SECTION 1105. Subrogation.

Subject to the payment in full of all Indebtedness to the extent provided in Sections 1103 and 1104, the rights of the Holders of the Securities shall be subrogated to the rights of the holders of Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to the Indebtedness until the principal of (and premium, if any) and interest on the Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article Eleven, shall, as between the Company, its creditors other than holders of Indebtedness, and the Holders of the Securities, be deemed to be a payment by the Company to or on account of the Indebtedness. It is understood that the provisions of this Article Eleven are and are intended solely for the purposes of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of the Indebtedness on the other hand.

Nothing contained in this Article Eleven or elsewhere in this Indenture or in the Securities is intended to or shall impair, as between the Company, its creditors other than the holders of Indebtedness, and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Company other than the holders of the Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article Eleven of the holders of Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article Eleven, the Trustee, subject to the provisions of Section 601, and the Holders of the Securities, shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of the Securities, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of the Indebtedness and other indebtedness of the Company, the

57

amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Eleven.

SECTION 1106. Trustee to Effectuate Subordination.

Each Holder of a Security by acceptance thereof authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article Eleven and appoints the Trustee such Holder's attorney-in-fact for any and all such purposes.

SECTION 1107. Notice by the Company.

The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Eleven. Notwithstanding the provisions of this Article Eleven or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Eleven, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office of the Trustee from the Company or a holder or holders of Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 601, shall be entitled in all respects to assume that no such facts exist; PROVIDED, HOWEVER, that if the Trustee shall not have received the notice provided for in this Section 1106 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

The Trustee, subject to the provisions of Section 601, shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Indebtedness to participate in any payment or distribution pursuant to this Article Eleven, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article Eleven, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

58

SECTION 1108. Rights of the Trustee; Holders of Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article Eleven in respect of any Indebtedness at any time held by it, to the same extent as any other holder of Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Eleven, and no implied covenants or obligations with respect to the holders of Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Indebtedness and, subject to the provisions of Section 601, the Trustee shall not be liable to any holder of Indebtedness if it shall pay over or deliver to holders of Securities, the Company or any other Person money or assets to which any holder of Indebtedness shall be entitled by virtue of this Article Eleven or otherwise.

SECTION 1109. Subordination may not be Impaired.

No right of any present or future holder of any Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing

paragraph, the holders of Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Securities to the holders of Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Indebtedness or otherwise amend or supplement in any manner Indebtedness or any instrument evidencing the same or any agreement under which Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Indebtedness; (iii) release any Person liable in any manner for the collection of Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

59

ARTICLE TWELVE

REDEMPTION OF SECURITIES

SECTION 1201. Optional Redemption; Conditions to Optional Redemption.

At any time on or after December 1, 2006, the Company shall have the right, subject to the last paragraph of this Section 1201 and to the receipt of any necessary prior approval of the Federal Reserve, to redeem the Securities, in whole or in part, from time to time, at the Redemption Prices (expressed as a percentage of the principal amount of such Securities) set forth below, plus any accrued but unpaid interest to the Redemption Date, if redeemed during the twelve-month period beginning on the December 1 of the years indicated below:

Year	Percentage
2006	104.030%
2007	103.627%
2008	103.224%
2009	102.821%
2010	102.418%
2011	102.015%
2012	101.612%
2013	101.209%
2014	100.806%
2015	100.403%

On or after December 1, 2016, the Redemption Price will be 100%, plus accrued and unpaid interest, if any, to the Redemption Date.

Prior to December 1, 2006, if a Special Event shall occur and be continuing, the Company shall have the right, subject to the last paragraph of this Section 1201 and to the receipt of any necessary prior approval of the Federal Reserve, to redeem, upon not less than 30 days nor more than 60 days notice, the Securities in whole, but not in part, at a Redemption Price equal to the greater of (i) 100% of the principal amount of Securities then outstanding and (ii) as determined by a Quotation Agent, the sum of the present values of the principal amount and premium payable with respect to an optional redemption on such Securities on December 1, 2006, together with scheduled payments of interest from the Redemption Date to December 1, 2006 (the "Remaining Life") discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of 30-day months) at the Adjusted Treasury Rate, plus, in each case, accrued interest thereon to the Redemption Date.

For so long as the Trust is the Holder of all Securities Outstanding, the proceeds of any redemption described in this Section 1201 shall be used by the Trust to redeem Common Securities and Capital Securities in accordance with their terms. The Company shall not redeem the Securities in part unless all accrued and unpaid interest has

60

been paid in full on all Securities outstanding for all semi-annual interest periods terminating on or prior to the Redemption Date.

SECTION 1202. Applicability of Article.

Redemption of Securities at the election of the Company, as permitted by Section 1201, shall be made in accordance with such provision and this Article.

SECTION 1203. Election to Redeem; Notice to Trustee.

The election of the Company to redeem Securities pursuant to Section 1201 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 45 (unless a shorter notice period shall be satisfactory to the Trustee) days and no more than 60 days prior to the Redemption Date fixed by the Company, notify the Trustee of such Redemption Date and of the principal amount of Securities to be redeemed and provide a copy of the notice of redemption given to Holders of Securities to be redeemed pursuant to Section 1205.

SECTION 1204. Selection by Trustee of Securities to be Redeemed.

If less than all the Securities are to be redeemed (unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected by lot (or such other method of selection as the Trustee may customarily employ) not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption as aforesaid and, in case of any Securities selected for partial redemption as aforesaid, the principal amount thereof to be redeemed.

The provisions of the two preceding paragraphs shall not apply with respect to any redemption affecting only a single Security, whether such Security is to be redeemed in whole or in part. In the case of any such redemption in part, the unredeemed portion of the principal amount of the Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 1205. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his address appearing in the Security Register.

61

All notices of redemption shall identify the Securities to be redeemed (including CUSIP number) and shall state:

- (1) the Redemption Date,
- (2) the Redemption Price,

(3) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and that interest thereon will cease to accrue on and after said date, and

(4) the place or places where such Securities are to be surrendered for payment of the Redemption Price.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1206. Deposit of Redemption Price.

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date; PROVIDED, HOWEVER, that any such deposit on a Redemption Date shall be initiated prior to 1:00 p.m.

(New York time) in same-day funds.

SECTION 1207. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Security.

SECTION 1208. Securities Redeemed in Part.

62

Any Security which is to be redeemed only in part shall be surrendered at a place of payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder therefor or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

63

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

BARNETT BANKS, INC.

/s/ Hinton F. Nobles, Jr.

By: _____
Name: Hinton F. Nobles, Jr.
Title: Executive Vice President

/s/ Catherine C. Cosby

Attest: _____
Catherine C. Cosby
Secretary

THE FIRST NATIONAL BANK OF
CHICAGO

/s/ Mary R. Fonti

By: _____
Name: Mary R. Fonti
Title: Assistant Vice President

/s/ illegible signature

Attest: _____

FIRST SUPPLEMENTAL INDENTURE

Dated as of January 9, 1998

Supplementing the Indenture, dated
as of November 27, 1996, between
Barnett Banks, Inc. and
The First National Bank of Chicago,
a national banking association,
as Trustee

The First National Bank of Chicago,
Trustee

FIRST SUPPLEMENTAL INDENTURE, dated as of January 9, 1998 (the "First Supplemental Indenture"), among NationsBank Corporation, a North Carolina corporation ("NationsBank"), NB Holdings Corporation, a Delaware corporation ("Holdings"), Barnett Banks, Inc., a Florida corporation ("Barnett"), and The First National Bank of Chicago, as Trustee (the "Trustee") under the Indenture referred to herein;

WHEREAS, Barnett and the Trustee heretofore executed and delivered an Indenture, dated as of November 27, 1996 (the "Indenture"); and

WHEREAS, pursuant to the Indenture Barnett issued and the Trustee authenticated and delivered \$300 million aggregate principal amount of 8.06% Junior Subordinated Debentures, due 2026 (the "Securities"); and

WHEREAS, NationsBank, Holdings and Barnett have entered into the Agreement and Plan of Merger, dated as of August 29, 1997, and amended as of November 18, 1997, pursuant to which Barnett will merge with and into Holdings (the "Barnett Merger") on the date hereof; and

WHEREAS, Section 801 of the Indenture provides that in the case of the Barnett Merger, Holdings shall expressly assume by supplemental indenture all the obligations under the Securities and the Indenture; and

WHEREAS, NationsBank, as the holder of 100% of the outstanding capital stock of Holdings, desires to assume, jointly and severally with Holdings, all of the rights and obligations under the Securities and Indenture that are required to be assumed by Holdings pursuant to Section 801 of the Indenture; and

WHEREAS, Section 901 of the Indenture provides that Barnett and the Trustee may amend the Indenture and the Securities without notice to or consent of any Holders of the Securities in order to comply with Article Eight of the Indenture; and

WHEREAS, this First Supplemental Indenture has been duly authorized by all necessary corporate action on the part of each of NationsBank, Holdings and Barnett.

-2-

NOW, THEREFORE, NationsBank, Holdings, Barnett and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Securities:

ARTICLE I
ASSUMPTION BY SUCCESSOR CORPORATION
AND ITS PARENT ENTITY

SECTION 1.1. Assumption of the Securities. NationsBank hereby expressly assumes, jointly and severally with Holdings, the due and punctual payment of the principal of and interest on the Securities and the performance of every covenant of the Indenture on the part of Barnett to be performed or observed.

SECTION 1.2. Trustee's Acceptance. The Trustee hereby accepts this First Supplemental Indenture and agrees to perform the same under the terms and conditions set forth in the Indenture.

ARTICLE II
MISCELLANEOUS

SECTION 2.1. Effect of Supplemental Indenture. Upon the later to occur

of (i) the execution and delivery of this First Supplemental Indenture by NationsBank, Holdings, Barnett and the Trustee and (ii) the consummation of the Barnett Merger, the Indenture shall be supplemented in accordance herewith, and this First Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound thereby.

SECTION 2.2. Indenture Remains in Full Force and Effect. Except as supplemented hereby, all provisions in the Indenture shall remain in full force and effect.

SECTION 2.3. Indenture and Supplemental Indenture Construed Together. This First Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this First Supplemental Indenture shall henceforth be read and construed together.

SECTION 2.4. Confirmation and Preservation of Indenture. The Indenture as supplemented by this First Supplemental Indenture is in all respect confirmed and preserved.

SECTION 2.5. Conflict with Trust Indenture Act. If any provision of this First Supplemental Indenture limits, qualifies or conflicts with any

provision of the Trust Indenture Act ("TIA") that is required under the TIA to be part of and govern any provision of this First Supplemental Indenture, the provision of the TIA shall control. If any provision of this First Supplemental Indenture modifies or excludes any provision of the TIA that may be so modified or excluded, the provision of the TIA shall be deemed to apply to the Indenture as so modified or to be excluded by this First Supplemental Indenture, as the case may be.

SECTION 2.6. Severability. In case any provision in this First Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 2.7. Terms Defined in the Indenture. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

SECTION 2.8. Headings. The Article and Section headings of this First Supplemental Indenture have been inserted for convenience of reference only, are not to be considered part of this Supplemental Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 2.9. Benefits of First Supplemental Indenture, etc. Nothing in this First Supplemental Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder and the Holders of the Securities, any benefit of any legal or equitable right, remedy or claim under the Indenture, this First Supplemental Indenture or the Securities.

SECTION 2.10. Successors. All agreements of Holdings and NationsBank in this First Supplemental Indenture shall bind their successors. All agreements of the Trustee in this First Supplemental Indenture shall bind its successors.

SECTION 2.11. Trustee Not Responsible for Recitals. The recitals contained herein shall be taken as the statements of Barnett, NationsBank and Holdings, and the Trustee assumes no responsibility for their correctness.

SECTION 2.12. Certain Duties and Responsibilities of the Trustees. In entering into this First Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture relating to the conduct or affecting the liability or affording protection to the Trustee, whether or not elsewhere herein so provided.

-4-

SECTION 2.13. Governing Law. This First Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

SECTION 2.14. Counterpart originals. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

IN WITNESS WHEREOF, the parties have caused this First Supplemental Indenture to be duly executed as of the date first written above.

NationsBank Corporation

By: /s/ John E. Mack

Name: John E. Mack
Title: Senior Vice President

NB Holdings Corporation

By: /s/ John E. Mack

Name: John E. Mack
Title: Senior Vice President

Barnett Banks, Inc.

By: /s/Charles E. Rice

Name: Charles E. Rice
Title: Chairman and CEO

The First National Bank of Chicago, as Trustee

By: /s/ Richard D. Manella

Name: Richard D. Manella
Title: Vice President

BARNETT BANKS, INC.

TO

THE FIRST NATIONAL BANK OF CHICAGO

a national banking association, Trustee

INDENTURE

Dated as of November 27, 1996

8.06% Junior Subordinated Debentures due 2026

TABLE OF CONTENTS

<TABLE>
<CAPTION>

	Page

ARTICLE ONE	
<S> <C>	<C>
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION.....	1
SECTION 101. Definitions.....	1
Act	2
Adjusted Treasury Rate.....	2
Affiliate.....	2
Authenticating Agent.....	2
Board of Directors.....	2
Board Resolution.....	3
Business Day.....	3
Capital Securities.....	3
Cedel	3
Closing Date.....	3
Commission.....	3
Common Securities.....	3
Company	3
Company Request.....	3
Company Order.....	3
Comparable Treasury Issue.....	3
Comparable Treasury Price.....	3
Corporate Trust Office.....	4
Covenant Defeasance.....	4
Declaration.....	4
Defaulted Interest.....	4
Depositary.....	4
DWAC	4
Event of Default.....	4
Exchange Act.....	4
Extension Period.....	4
Euroclear.....	4
Federal Reserve.....	4
Global Security.....	4
Guarantee.....	4
Holder	5
Indebtedness.....	5
Indenture.....	5
Initial Purchasers.....	5
Institutional Accredited Investor.....	5
Interest Payment Date.....	5
Investment Company Event.....	6

	Page
Junior Subordinated Securities.....	6
Legal Defeasance.....	6
Maturity	6
New Junior Subordinated Securities.....	6
Officers' Certificate.....	6
Opinion of Counsel.....	6
Outstanding.....	7
Paying Agent.....	7
Person	7
Predecessor Security.....	7
Private Placement Legend.....	7
Property Trustee.....	7
Qualified Institutional Buyer" or "QIB.....	7
Quotation Agent.....	7
Redemption Date.....	7
Redemption Price.....	8
Reference Treasury Dealer Quotations.....	8
Registration Rights Agreement.....	8
Regular Record Date.....	8
Regulation S.....	8
Regulation S Global Security.....	8
Regulatory Capital Event.....	8
Remaining Life.....	8
Responsible Officer.....	8
Restricted Global Security.....	9
Restricted Period.....	9
Restricted Security.....	9
Rule 144A.....	9
Securities.....	9
Securities Act.....	9
Security Register.....	9
Security Registrar.....	9
Special Event.....	9
Special Record Date.....	9
Stated Maturity".....	9
Subsidiary.....	9
Tax Event.....	9
Treasury Rate.....	10
Trust	10
Trustee	10
Trust Indenture Act.....	10
U.S. Government Obligations.....	10
Vice President.....	10

-ii-

	Page
SECTION 102. Compliance Certificates and Opinions.....	11
SECTION 103. Form of Documents Delivered to Trustee.....	11
SECTION 104. Acts of Holders; Record Dates.....	11
SECTION 105. Notices, Etc. to Trustee and the Company.....	12
SECTION 106. Notice to Holders; Waiver.....	13
SECTION 107. Conflict With Trust Indenture Act.....	13
SECTION 108. Effect of Headings and Table of Contents.....	13
SECTION 109. Separability Clause.....	13
SECTION 110. Benefits of Indenture.....	14
SECTION 111. GOVERNING LAW.....	14
SECTION 112. Legal Holidays.....	14

SECURITY FORMS..... 14

ARTICLE THREE

THE SECURITIES..... 15

SECTION 301. Title and Terms..... 15
SECTION 302. Denominations..... 17
SECTION 303. Execution, Authentication, Delivery and Dating..... 17
SECTION 304. Temporary Securities..... 18
SECTION 305. Registration; Registration of Transfer and Exchange..... 18
SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities..... 19
SECTION 307. Payment of Interest; Interest Rights Preserved..... 20

-iii-

Page

SECTION 308. Persons Deemed Owners..... 21
SECTION 309. Cancellation..... 21
SECTION 310. Computation of Interest..... 22
SECTION 311. Right of Set-off..... 22
SECTION 312. CUSIP Numbers..... 22
SECTION 313. Global Securities..... 22
SECTION 314. Restrictive Legend..... 24
SECTION 315. Special Transfer Provisions..... 26

ARTICLE FOUR

SATISFACTION AND DISCHARGE; DEFEASANCE..... 29

SECTION 401. Satisfaction and Discharge of Indenture..... 29
SECTION 402. Legal Defeasance..... 30
SECTION 403. Covenant Defeasance..... 30
SECTION 404. Conditions to Legal Defeasance or Covenant Defeasance..... 31
SECTION 405. Application of Trust Money..... 32
SECTION 406. Indemnity for U.S. Government Obligations..... 32

ARTICLE FIVE

REMEDIES..... 32

SECTION 501. Events of Default..... 32
SECTION 502. Acceleration of Maturity; Rescission and Annulment..... 33
SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee..... 34
SECTION 504. Trustee may File Proofs of Claim..... 35

-iv-

Page

SECTION 505. Trustee may Enforce Claims Without Possession of Securities..... 35

SECTION 506.	Application of Money Collected.....	35
SECTION 507.	Limitation on Suits.....	36
SECTION 508.	Unconditional Right of Holders to Receive Principal and Interest; Capital Security Holders' Rights.....	36
SECTION 509.	Restoration of Rights and Remedies.....	37
SECTION 510.	Rights and Remedies Cumulative.....	37
SECTION 511.	Delay or Omission not Waiver.....	37
SECTION 512.	Control by Holders.....	37
SECTION 513.	Waiver of Past Defaults.....	38
SECTION 514.	Undertaking for Costs.....	38
SECTION 515.	Waiver of Stay or Extension Laws.....	39

ARTICLE SIX

	TRUSTEE.....	39
SECTION 601.	Certain Duties and Responsibilities.....	39
SECTION 602.	Notice of Defaults.....	39
SECTION 603.	Certain Rights of Trustee.....	40
SECTION 604.	Not Responsible for Recitals or Issuance of Securities.....	41
SECTION 605.	Trustee and Other Agents may Hold Securities.....	41
SECTION 606.	Money Held in Trust.....	41
SECTION 607.	Compensation; Reimbursement; and Indemnity.....	41
SECTION 608.	Disqualification; Conflicting Interests.....	42

-v-

		Page

SECTION 609.	Corporate Trustee Required; Eligibility.....	42
SECTION 610.	Resignation and Removal; Appointment of Successor.....	42
SECTION 611.	Acceptance of Appointment by Successor.....	43
SECTION 612.	Merger, Conversion, Consolidation or Succession to Business.....	44
SECTION 613.	Preferential Collection of Claims Against Company.....	44

ARTICLE SEVEN

	HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY.....	44
SECTION 701.	Company to Furnish Trustee Names and Addresses of Holders.....	44
SECTION 702.	Preservation of Information; Communications to Holders.....	45
SECTION 703.	Reports by Trustee.....	45
SECTION 704.	Reports by Company.....	45

ARTICLE EIGHT

	CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE.....	46
SECTION 801.	Company May Consolidate, Etc., Only on Certain Terms.....	46
SECTION 802.	Successor Person Substituted.....	46

ARTICLE NINE

	SUPPLEMENTAL INDENTURES.....	47
SECTION 901.	Supplemental Indentures Without Consent of Holders.....	47
SECTION 902.	Supplemental Indentures With Consent of Holders.....	48

SECTION 903.	Execution of Supplemental Indentures.....	48
SECTION 904.	Effect of Supplemental Indentures.....	49
SECTION 905.	Conformity With Trust Indenture Act.....	49

-vi-

		Page

SECTION 906.	Reference in Securities to Supplemental Indentures.....	49

ARTICLE TEN

	COVENANTS.....	49
SECTION 1001.	Payment of Principal and Interest.....	49
SECTION 1002.	Maintenance of Office or Agency.....	49
SECTION 1003.	Money for Security Payments to be Held in Trust.....	50
SECTION 1004.	Statements by Officers as to Default.....	51
SECTION 1005.	Existence.....	51
SECTION 1006.	Maintenance of Properties.....	51
SECTION 1007.	Payment of Taxes and Other Claims.....	52
SECTION 1008.	Waiver of Certain Covenants.....	52
SECTION 1009.	Payment of the Trust's Costs and Expenses.....	52

ARTICLE ELEVEN

	SUBORDINATION OF SECURITIES.....	53
SECTION 1101.	Securities Subordinate to Indebtedness.....	53
SECTION 1102.	Default on Indebtedness.....	53
SECTION 1103.	Prior Payment of Indebtedness Upon Acceleration of Securities.....	54
SECTION 1104.	Liquidation; Dissolution; Bankruptcy.....	54
SECTION 1105.	Subrogation.....	56
SECTION 1106.	Trustee to Effectuate Subordination.....	57
SECTION 1107.	Notice by the Company.....	57
SECTION 1108.	Rights of the Trustee; Holders of Indebtedness.....	58

-vii-

		Page

SECTION 1109.	Subordination may not be Impaired.....	58

ARTICLE TWELVE

	REDEMPTION OF SECURITIES.....	59
SECTION 1201.	Optional Redemption; Conditions to Optional Redemption.....	59
SECTION 1202.	Applicability of Article.....	60
SECTION 1203.	Election to Redeem; Notice to Trustee.....	60
SECTION 1204.	Selection by Trustee of Securities to be Redeemed.....	60
SECTION 1205.	Notice of Redemption.....	60
SECTION 1206.	Deposit of Redemption Price.....	61
SECTION 1207.	Securities Payable on Redemption Date.....	61

</TABLE>

Sections 310 through
318 of the Trust Indenture Act of 1939:

Trust Indenture Act Section - - - - -	Indenture Section -----
Section 310 (a) (1)	609
(a) (2)	609
(a) (3)	Not Applicable
(a) (4)	Not Applicable
(b)	608, 610
Section 311 (a)	613
(b)	613
Section 312 (a)	701
(b)	702 (b)
(c)	702 (c)
Section 313 (a)	703 (a)
(a) (4)	101, 1004
(b)	703 (a)
(c)	703 (a)
(d)	703 (b)
Section 314 (a)	704
(b)	Not Applicable
(c) (1)	102
(c) (2)	102
(c) (3)	Not Applicable
(d)	Not Applicable
(e)	102
Section 315 (a)	601
(b)	602
(c)	601
(d)	601
(e)	514
Section 316 (a)	101
(a) (1) (A)	502
(a) (1) (B)	513
(a) (2)	Not Applicable
(b)	508
(c)	104 (c)
Section 317 (a) (1)	503
(a) (2)	504
(b)	1003
Section 318 (a)	107

This INDENTURE is dated as of November 27, 1996, between BARNETT BANKS, INC., a corporation duly organized and existing under the laws of the State of Florida (herein called the "Company"), having its principal office at 50 North Laura Street, Jacksonville, Florida 32202, and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, as Trustee (herein called the "Trustee").

RECITALS

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of its 8.06% Junior Subordinated Debentures due 2026 (the "Junior Subordinated Securities") and its 8.06% New Junior Subordinated Debentures due 2026 (the "New Junior Subordinated Securities", and together with the Junior Subordinated Securities, the "Securities") to be issued in exchange for the Junior Subordinated Securities.

WHEREAS, Barnett Capital I (the "Trust") has offered to the public \$300,000,000 aggregate liquidation amount of its 8.06% Capital Securities (the "Capital Securities") representing undivided beneficial interests in the assets of the Trust and proposes to invest the proceeds from such offering and the proceeds from the issuance of its Common Securities in \$309,279,000 aggregate principal amount of the Securities.

WHEREAS, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture.

WHEREAS, all things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions.

For all purposes of this Indenture, except as expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular and the masculine as well as the feminine;

2

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles;

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(5) a reference to any Person shall include its successor and assigns;

(6) a reference to any agreement or instrument shall mean such agreement or instrument as supplemented, modified, amended or amended and restated and in effect from time to time;

(7) a reference to any statute, law, rule or regulation, shall include any amendments thereto applicable to the relevant Person, and any successor statute, law, rule or regulation; and

(8) a reference to any particular rating category shall be deemed to include any corresponding successor category, or any corresponding rating category issued by a successor or subsequent rating agency.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Adjusted Treasury Rate" means, with respect to any Redemption Date, the Treasury Rate plus (i) 1.25% if such Redemption Date occurs on or before December 1, 1997 or (ii) 0.50% if such Redemption Date occurs after December 1, 1997.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized by the Trustee to act on behalf of the Trustee to authenticate Securities.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board as the context requires.

3

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee, or the principal office of the Property Trustee, under the Declaration, is closed for business.

"Capital Securities" has the meaning specified in the Recitals to this instrument.

"Cedel" means Cedel, S.A.

"Closing Date" means November 27, 1996.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities" means the common securities issued by the Trust.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its Vice Chairman of the Board, a President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Comparable Treasury Issue" means with respect to any Redemption Date the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life. If no United States treasury security has a maturity which is within a period from three months before to three months after December 1, 2006, the two most closely corresponding United States Treasury securities shall be used as the Comparable Treasury Issue, and the Treasury Rate shall be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities.

"Comparable Treasury Price" means (A) the average of five Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such

4

Reference Treasury Dealer Quotations, or (B) if the Indenture Trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Corporate Trust Office" means the principal office of the Trustee in the City of New York, at which at any particular time its corporate trust business shall be administered and which at the date of this Indenture is located at 153 West 51st Street, New York, New York 10019.

"Covenant Defeasance" has the meaning specified in Section 403.

"Declaration" means the Amended and Restated Declaration of Trust among the Company, as Sponsor and the Trustee, as the initial Property Trustee, First Chicago Delaware Inc., a Delaware corporation, as the initial Delaware Trustee, and Paris P. Thermenos, Charles W. Newman and Patrick J. McCann, as the initial Regular Trustees, dated as of November 27, 1996.

"Defaulted Interest" has the meaning specified in Section 307.

"Depository" means, with respect to Securities issuable in

whole or in part in the form of one or more Global Securities, a clearing agency registered under the Exchange Act that is designated to act as Depository for such Securities.

"DWAC" means Deposit and Withdrawal At Custodian Service.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor legislation.

"Extension Period" has the meaning specified in Section 301.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System.

"Federal Reserve" means the Board of Governors of the Federal Reserve System.

"Global Security" means a Security that evidences all or part of the Securities and is authenticated and delivered to, and registered in the name of, the Depository for such Securities or a nominee thereof.

"Guarantee" means the Guarantee Agreement, dated as of November 27, 1996, made by the Company in favor of The First National Bank of Chicago, as trustee thereunder for the benefit of the Holders (as defined therein) of the Capital Securities and the holder of the Common Securities.

5

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indebtedness" means, with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) every obligation of such Person for money borrowed, (ii) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person, (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business), (v) every capital lease obligation of such Person, (vi) every obligation of such person for claims (as defined in Section 101(4) of the United States Bankruptcy Code of 1978, as amended) in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts and similar arrangements and (vii) every obligation of the type referred to in clauses (i) through (vi) of another person and all dividends of another person the payment of which, in either case, such person has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise; PROVIDED that "Indebtedness" shall not include (i) any obligations which, by their terms, are expressly stated to rank PARI PASSU in right of payment with, or to not be superior in right of payment to, the Securities, (ii) any Indebtedness of the Company which when incurred and without respect to any election under Section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to the Company, (iii) any Indebtedness of the Company to any of its subsidiaries, (iv) Indebtedness to any employee of the Company or (v) any indebtedness in respect of debt securities issued to any trust, or a trustee of such trust, partnership or other entity affiliated with the Company that is a financing entity of the Company in connection with the issuance of such financing entity or securities that are similar to the Capital Securities.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Initial Purchasers" means Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., Merrill Lynch & Co. and Salomon Brothers Inc.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as the term is defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Interest Payment Date", when used with respect to any installment of interest on a Security, means the date specified in such Security as the fixed date on which an installment of interest with respect to the Securities is due and payable.

6

"Investment Company Event" means the receipt by the Trust of an Opinion of Counsel having a recognized national securities practice to the effect that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), the Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940 as amended, which Change in 1940 Act Law becomes effective on or after the date of original issuance of the Securities.

"Junior Subordinated Securities" has the meaning specified in the Recitals to this instrument.

"Legal Defeasance" has the meaning specified in Section 402.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"New Junior Subordinated Securities" has the meaning specified in the Recitals to this instrument.

"Officers' Certificate" means a certificate signed on behalf of the Company by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 1004 shall be the principal executive, financial or accounting officer of the Company. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each officer signing the Officers' Certificate on behalf of the Company has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer on behalf of the Company in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company (and who may be an employee of the Company), and who shall be

7

reasonably acceptable to the Trustee. An opinion of counsel may rely on certificates as to matters of fact.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities authenticated and delivered under this Indenture, except: (i) Securities cancelled by the Trustee or delivered to the Trustee for cancellation; (ii) Securities for whose payment or redemption money in the necessary amount has been deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holder of such Securities; PROVIDED that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and (iii) Securities which have been paid pursuant to Section 306, or in exchange or for in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have

been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company.

"Paying Agent" means any Person authorized by the Company to pay the principal of or interest on any Securities on behalf of the Company.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Private Placement Legend" as defined in Section 314 of this Indenture.

"Property Trustee" has the meaning set forth in the Declaration.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Quotation Agent" means (i) Morgan Stanley & Co. Incorporated and its successors; PROVIDED, HOWEVER, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Indenture Trustee after consultation with the Company.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

8

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Indenture Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Indenture Trustee by such Reference Treasury Dealer at 5:00 p.m. New York City time, on the third business day preceding such Redemption Date.

"Registration Rights Agreement" means the Registration Rights Agreement dated the date hereof between the Company and the Initial Purchasers for the benefit of themselves and the Holders (as defined therein) of the Capital Securities as the same may be amended from time to time in accordance with the terms thereof.

"Regular Record Date" for the interest payable on any Interest Payment Date means the 15th day of the month prior to the relevant Interest Payment Date.

"Regulation S" means Regulation S under the Securities Act and any successor regulation thereto.

"Regulation S Global Security" means any Global Security or Securities evidencing Securities that are to be traded pursuant to Regulation S.

"Regulatory Capital Event" means that the Company shall have received an opinion of independent bank regulatory counsel experienced in such matters to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of the United States or any rules, guidelines or policies of the Federal Reserve or (b) any official administrative pronouncement or judicial decision for interpreting or applying such laws or regulations which amendment or change is effective or such pronouncement or decision is announced on or after the date of original issuance of the Capital Securities, the Capital Securities do not constitute, or within 90 days of the date thereof, will not

constitute Tier I capital (or its then equivalent); PROVIDED, HOWEVER, that the distribution of the Securities in connection with the liquidation of the Trust by the Company shall not in and of itself constitute a Regulatory Capital Event unless such liquidation shall have occurred in connection with a Tax Event or an Investment Company Event.

"Remaining Life" has the meaning specified in Section 1201.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any Vice President, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed

9

by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Global Security" means any Global Security or Securities evidencing Securities that are to be traded pursuant to Rule 144A.

"Restricted Period" shall have the meaning specified in Section 315.

"Restricted Security" has the meaning assigned to such term in Rule 144(a)(3) of the Securities Act.

"Rule 144A" means Rule 144A under the Securities Act.

"Securities" has the meaning specified in the Recitals to this instrument.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Event" means either an Investment Company Event, a Regulatory Capital Event or a Tax Event.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of interest thereon, means the date specified in such Security as the date on which the principal, together with any accrued and unpaid interest, of such Security or such installment of interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Tax Event" means the receipt by the Trust of an Opinion of Counsel, rendered by a law firm having a recognized national tax practice, to the effect that, as a result of any amendment to, change in or announced proposed change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is adopted or which pronouncement or decision is announced on or after the date of original issuance of the

10

Capital Securities under the Declaration, there is more than an insubstantial

risk that (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Securities, (ii) interest payable by the Company on the Securities is not, or within 90 days of the date of such opinion, will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes, or (iii) the Trust is, or will be within 90 days of the date of such opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Treasury Rate" means (i) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Remaining Life (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Remaining Life shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third business day preceding the Redemption Date.

"Trust" means Barnett Capital I, a statutory business trust declared and established pursuant to the Delaware Business Trust Act by the Declaration.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; PROVIDED, HOWEVER, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"U.S. Government Obligations" has the meaning specified in Section 404.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

11

SECTION 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

SECTION 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as

it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. Acts of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee at the address specified in Section 105 and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture

12

and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation or vote, as the case may be.

With regard to any record date, only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Securities shall be proved by the Security Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 105. Notices, Etc. to Trustee and the Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Administration; or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 107. Conflict With Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the provision of the Trust Indenture Act shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as to modified or so be excluded, as the case may be.

SECTION 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 110. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the holders of Indebtedness, the holders of Capital Securities (to the extent provided herein) and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 111. GOVERNING LAW.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF. THIS INDENTURE IS SUBJECT TO THE PROVISIONS OF THE TRUST INDENTURE ACT THAT ARE REQUIRED TO BE PART OF THIS INDENTURE AND SHALL, TO THE EXTENT APPLICABLE, BE GOVERNED BY SUCH PROVISIONS.

SECTION 112. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal of the Securities need not be made on such date, but may be made on the next succeeding Business Day (except that, if such Business Day is in the next succeeding calendar year, such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, shall be the immediately preceding Business Day) with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, PROVIDED that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO

SECURITY FORMS

The Junior Subordinated Securities in definitive form and the New Junior Subordinated Securities in definitive form shall be in the form attached hereto as Exhibit A; PROVIDED, that the New Junior Subordinated Securities shall not contain any of the provisions following the Trustee's authentication.

If the Securities are distributed to the holders of Capital Securities and Common Securities, the record holder (including any Depositary) of any Capital Securities or Common Securities shall be issued Securities in definitive, fully registered form without interest coupons, substantially in the form of Exhibit A hereto, with the legends in substantially the form of the legends existing on the security representing the Capital Securities or Common Securities to be exchanged (with such changes thereto as the officers

15

executing such Securities determine to be necessary or appropriate, as evidenced by their execution of the Securities) and such other legends as may be applicable thereto (including any legend required by Section 313 or Section 314 hereof), duly executed by the Company and authenticated by the Trustee or the authenticating agent as provided herein, which Securities, if to be held in global form by any Depositary, may be deposited on behalf of the holders of the Securities represented thereby with the Trustee, as custodian for the Depositary, and registered in the name of a nominee of the Depositary.

Any Global Security shall represent such of the outstanding Securities as shall be specified therein and shall provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be increased or reduced to reflect transfers or exchanges permitted hereby. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in such manner and upon instructions given by the holder of such Securities in accordance with the Indenture. Payment of principal of and interest and premium, if any, on any Global Security shall be made to the holder of such Global Security.

The Securities shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these or other methods, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

ARTICLE THREE

THE SECURITIES

SECTION 301. Title and Terms.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is limited to \$309,279,000 except for Securities authenticated and delivered upon registration of transfer

of, or in exchange for, or in lieu of, other Securities pursuant to Section 304, 305, 306, 906 or 1208.

The Securities' Maturity shall be December 1, 2026.

The Securities shall bear interest at the rate of 8.06% per annum, from November 27, 1996 or from the most recent Interest Payment Date to which interest has been

16

paid or duly provided for, as the case may be, payable semi-annually (subject to deferral as set forth herein), in arrears, on June 1 and December 1 of each year, commencing June 1, 1997, until the principal thereof is paid or made available for payment. Interest will compound semi-annually and will accrue at the rate of 8.06% per annum on any interest installment in arrears for more than one semi-annual period or during an extension of an interest payment period as set forth below in this Section 301. In the event that any date on which interest is payable on the Securities is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay).

The Company shall have the right, at any time during the term of the Securities, from time to time, to defer payment of interest on such Security for up to 10 consecutive semi-annual periods (an "Extension Period") PROVIDED that no Extension Period may extend past the Maturity of the Security. There may be multiple Extension Periods of varying lengths during the term of the Securities. At the end of each Extension Period, if any, the Company shall pay all interest then accrued and unpaid, together with interest thereon, compounded semi-annually at the rate specified on this Security to the extent permitted by applicable law. During any such Extension Period, the Company may not, and may not permit any Subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank PARI PASSU with or junior in interest to the Securities or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary of the Company if such guarantee ranks PARI PASSU or junior in interest to the Securities (other than (a) dividends or distributions in common stock of the Company, (b) payments under the Guarantee, (c) any declaration of a dividend in connection with the implementation of a stockholders' rights plan, or the issuance of stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto, and (d) purchases of common stock related to the issuance of common stock or rights under any of the Company's benefit plans). Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, PROVIDED that no Extension Period may exceed 10 consecutive semi-annual periods or extend beyond the Stated Maturity of the Securities. Upon the termination of any such Extension Period and the payment of all amounts then due on any Interest Payment Date, the Company may elect to begin a new Extension Period subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company shall give the Property Trustee, the Regular Trustees and the Debenture Trustee notice of its election of such Extension Period at least one Business Day prior to the record date for the related interest payment.

The Trustee shall promptly give notice of the Company's selection of such Extension Period to the Holders of the Capital Securities.

The principal of and interest on the Securities shall be payable at the office or agency of the Paying Agent in the United States maintained for such purpose and at any other office or agency maintained by the Company for such purpose in such coin or currency of the

17

United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer in immediately available funds at such place and to such account as may be designated by the Person entitled thereto as specified in the Security Register.

The Securities shall be subordinated in right of payment to Indebtedness as provided in Article Eleven.

The Securities shall be redeemable as provided in Article Twelve.

SECTION 302. Denominations.

The Securities shall be issuable only in registered form, without coupons, and only in denominations of \$1,000 and any integral multiple thereof.

SECTION 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its Vice Chairman of the Board, a President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

18

SECTION 304. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 305. Registration; Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at an office or agency of the Company designated pursuant to Section 1002 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

19

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Sections 304, 906 or 1208 not involving any transfer.

If the Securities are to be redeemed in part, the Company shall not be required (A) to issue, register the transfer of or exchange any Securities during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of any such Securities selected for redemption under Section 1204 and ending at the close of business on the day of such mailing, or (B) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

So long as the Securities are eligible for book-entry settlement with the Depository, or unless otherwise required by law, all Securities to be traded on the PORTAL Market shall be represented by the Restricted Global Security registered in the name of the Depository or the nominee of the Depository.

The transfer and exchange of beneficial interests in any Global Security, which does not involve the issuance of a definitive Security or the transfer of interests to another Global Security, shall be effected through the Depository (but not the Trustee or the Custodian) in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depository therefor. Neither the Trustee nor the Custodian (in such respective capacities) will have any responsibility for the transfer and exchange of beneficial interests in such Global Security that does not involve the issuance of a definitive Security or the transfer of interests to another Global Security.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall

20

authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. Payment of Interest; Interest Rights Preserved.

Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the

21

payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and if so listed, upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee. Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue which, which were carried by such other Security.

SECTION 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee shall treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of and (subject to Section 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order.

22

SECTION 310. Computation of Interest.

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest payable for any period shorter than a full semi-annual period for which interest is computed will be computed on the basis of actual number of days elapsed in such 180-day semi-annual period.

SECTION 311. Right of Set-off.

Notwithstanding anything to the contrary in the Indenture, the Company shall have the right to set-off any payment it is otherwise required to make thereunder to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a related payment under the Guarantee.

SECTION 312. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; PROVIDED that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

SECTION 313. Global Securities.

If the Securities are distributed to the holders of Capital Securities, Securities distributed in respect of Capital Securities that are held in global form by a Depository will initially be issued as a Global Security, unless such transfer cannot be effected through book-entry settlement. If the Company shall establish that the Securities are to be issued in the form of one or more Global Securities, then the Company shall execute and the Trustee shall, in accordance with Section 303 and the Company Order, authenticate and deliver one or more Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of all of the Securities to be issued in the form of Global Securities and not yet cancelled, (ii) shall be registered in the name of the Depository for such Global Security or Securities or the nominee of such Depository, and (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions. Global Securities shall bear a legend substantially to the following effect:

"This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. Notwithstanding the provisions of Section 305, unless and until it is exchanged in whole or in part for Securities in definitive registered form, a Global Security representing all or a part of the Securities may not be transferred in the manner provided in Section 305 except as a whole by the Depository to a nominee of such Depository or by a nominee of

such Depository to such Depository or another nominee of such Depository or by such

23

Depository or any such nominee to a successor Depository or a nominee of such successor Depository. Every Security delivered upon registration or transfer of, or in exchange for, or in lieu of, this Global Security shall be a Global Security subject to the foregoing, except in the limited circumstances described above. Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is to be made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein."

Definitive Securities issued in exchange for all or a part of a Global Security pursuant to this Section 313 shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such definitive Securities to the persons in whose names such definitive Securities are so registered.

At such time as all interests in Global Securities have been redeemed, repurchased or canceled, such Global Securities shall be, upon receipt thereof, canceled by the Trustee in accordance with standing procedures and instructions existing between the Depository and the Custodian. At any time prior to such cancellation, if any interest in Global Securities is exchanged for definitive Securities, redeemed, canceled or transferred to a transferee who receives definitive Securities therefor or any definitive Security is exchanged or transferred for part of Global Securities, the principal amount of such Global Securities shall, in accordance with the standing procedures and instructions existing between the Depository and the Custodian, be reduced or increased, as the case may be, and an endorsement shall be made on such Global Securities by the Trustee or the Custodian, at the direction of the Trustee, to reflect such reduction or increase.

The Company and the Trustee may for all purposes, including the making of payments due on the Securities, deal with the Depository as the authorized representative of the Holders for the purposes of exercising the rights of Holders hereunder. The rights of the owner of any beneficial interest in a Global Security shall be limited to those established by law and agreements between such owners and depository participants or Euroclear and Cedel; PROVIDED, that no such agreement shall give any rights to any person against the Company or the Trustee without the written consent of the parties so affected. Multiple requests and directions from and votes of the Depository as holder of Securities in global form with respect to any particular matter shall not be deemed inconsistent to the extent they do not represent an amount of Securities in excess of those held in the name of the Depository or its nominee.

If at any time the Depository for any Securities represented by one or more Global Securities notifies the Company that it is unwilling or unable to continue as Depository for such Securities or if at any time the Depository for such Securities shall no

24

longer be eligible under this Section 313, the Company shall appoint a successor Depository with respect to such Securities. If a successor Depository for such Securities is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election that such Securities be represented by one or more Global Securities shall no longer be effective and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities, will authenticate and deliver Securities in definitive registered form, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities in exchange for such Global Security or Securities.

The Company may at any time and in its sole discretion determine that the Securities issued in the form of one or more Global

Securities shall no longer be represented by a Global Security or Securities. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order or an Officers' Certificate for the authentication and delivery of definitive Securities, shall authenticate and deliver, Securities in definitive registered form, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities, in exchange for such Global Security or Securities.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in Section 314(a)), Global Securities may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

Interests of beneficial owners in Global Security may be transferred or exchanged for definitive Securities and definitive Securities may be transferred or exchange for Global Securities in accordance with rules of the Depository and the provisions of Section 315.

Any Security in global form may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Custodian, the Depository or by the National Association of Securities Dealers, Inc. in order for the Securities to be tradeable on the PORTAL Market or as may be required for the Securities to be tradeable on any other market developed for trading of securities pursuant to Rule 144A or required to comply with any applicable law or any regulation thereunder or with Regulation S or with the rules and regulations of any securities exchange upon which the Securities may be listed or traded or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Securities are subject.

SECTION 314. Restrictive Legend.

(a) Each Global Security and definitive Security that constitutes a Restricted Security shall bear the following legend (the "Private Placement Legend") on the

25

face thereof until three years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Capital Securities (or any predecessor thereto) (the "Resale Restriction Termination Date"), unless otherwise agreed by the Company and the Holder thereof:

"THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES FOR THE BENEFIT OF THE COMPANY THAT: (I) IT HAS ACQUIRED A "RESTRICTED" SECURITY WHICH HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT; (II) IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY PRIOR TO THE LATER OF THE DATE WHICH IS THREE YEARS AFTER THE DATE OF ORIGINAL ISSUANCE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF SUCH RESTRICTED SECURITIES (OR ANY PREDECESSOR) EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY APPLICABLE JURISDICTION; AND (III) IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS SECURITY OF THE RESALE RESTRICTIONS SET FORTH IN (II) ABOVE, ANY OFFER, SALE OR OTHER DISPOSITION PURSUANT TO THE FOREGOING CLAUSES (II) (D) AND (E) IS SUBJECT TO THE RIGHT OF THE ISSUER OF THIS SECURITY AND THE PROPERTY TRUSTEE FOR SUCH SECURITIES TO REQUIRE THE DELIVERY OF AN OPINION OF

Any Security (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon satisfaction of the requirements of Section 314(b) and surrender of such Security for exchange to the Security registrar in accordance with the provisions of this Section 314, be exchanged for a new Security or Securities, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 314(a).

(b) Upon any sale or transfer of any Restricted Security (including any interest in a Global Security) (i) that is effected pursuant to an effective registration statement under the Securities Act or (ii) in connection with which the Trustee receives certificates and other information (including an opinion of counsel, if requested) reasonably acceptable to the Company and the Trustee to the effect that such security will no longer be subject to the resale restrictions under federal and state securities laws, then (A) in the case of a Restricted Security in definitive form, the Security registrar or co-registrar shall permit the holder thereof to exchange such Restricted Security for a security that does not bear the legend set forth in Section 314(a), and shall rescind any such restrictions on transfer and (B) in the case of Restricted Securities represented by a Global Security, such Security shall no longer be subject to the restrictions contained in the legend set forth in Section 314(a) (but still subject to the other provisions hereof). In addition, any Security (or security issued in exchange or substitution therefor) as to which the restrictions on transfer described in the legend set forth in Section 314(a) have expired by their terms, may, upon surrender thereof (in accordance with the terms of this Indenture) together with such certifications and other information (including an opinion of counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable to the Company, addressed to the Company and the Trustee and in a form acceptable to the Company, to the effect that the transfer of such Restricted Security has been made in compliance with Rule 144 or such successor provision) acceptable to the Company and the Trustee as either of them may reasonably require, be exchanged for a new Security or Securities of like tenor and aggregate principal amount, which shall not bear the restrictive legends set forth in Section 314(a).

SECTION 315. Special Transfer Provisions.

At any time at the request of the beneficial holder of an interest in a Security in global form, such beneficial holder shall be entitled to obtain a definitive Security upon written request to the Trustee in accordance with the standing instructions and procedures existing between the Depository and the Trustee for the issuance thereof. Any transfer of a beneficial interest in a Security in global form which cannot be effected through book-entry settlement must be effected by the delivery to the transferee (or its nominee) of a definitive Security or Securities registered in the name of the transferee (or its nominee) on the books maintained by the Trustee. With respect to any such transfer, the Trustee will cause, in accordance with the standing instructions and procedures existing between the Depository and the Trustee, the aggregate principal amount of the Security in global form to be reduced and, following such reduction, the Company will execute and the Trustee will authenticate and deliver to the transferee (or such transferee's nominee, as the case may be), a Security or Securities in the appropriate aggregate principal amount in the name of such transferee (or its nominee) and bearing such restrictive legends as may be required by this Indenture. In

connection with any such transfer, the Trustee may request such representations and agreements relating to the restrictions on transfer of such Security or Securities from such transferee (or such transferee's nominee) as the Trustee may reasonably require.

So long as the Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Security to a QIB in accordance with Rule 144A, unless otherwise requested by the transferor, and upon receipt of the definitive Security or Securities being so transferred, together with a certification from the transferor that the transferor reasonably believes the transferee is a QIB (or

other evidence satisfactory to the Trustee), the Trustee shall make an endorsement on the Restricted Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Restricted Global Security, the Trustee shall cancel such definitive Security or Securities and cause, in accordance with the standing instructions and procedures existing between the Depository and the Trustee, the aggregate principal amount of Securities represented by the Restricted Global Security to be increased accordingly.

So long as the Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Security in accordance with Regulation S, if requested by the transferor, and upon receipt of the definitive Security or Securities being so transferred, together with a certification from the transferor that the transfer was made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act (or other evidence satisfactory to the Trustee), the Trustee shall make or direct the Custodian to make, an endorsement on the Regulation S Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Regulation S Global Security, the Trustee shall cancel such definitive Security or Securities and cause, or direct the Custodian to cause, in accordance with the standing instructions and procedures existing between the Depository and the Custodian, the aggregate principal amount of Securities represented by the Regulation S Global Security to be increased accordingly.

If a holder of a beneficial interest in the Restricted Global Security wishes at any time to exchange its interest in the Restricted Global Security for an interest in the Regulation S Global Security, or to transfer its interest in the Restricted Global Security to a person who wishes to take delivery thereof in the form of an interest in the Regulation S Global Security, such holder may, subject to the rules and procedures of the Depository and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in the Regulation S Global Security. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the Depository's procedures from or on behalf of a holder of a beneficial interest in the Restricted Global Security, directing the Trustee (via DWAC), as transfer agent, to credit or cause to be credited a beneficial interest in the Regulation S Global Security in an amount equal to the beneficial interest in the Restricted Global Security to be exchanged or transferred, (2) a written order given in accordance with the Depository's procedures containing information regarding the Euroclear or Cedel account to be credited with such increase and the name of such account, and (3) a certificate given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule

28

144 under the Securities Act (or other evidence satisfactory to the Trustee), the Trustee, as transfer agent, shall promptly deliver appropriate instructions to the Depository (via DWAC), its nominee, or the custodian for the Depository, as the case may be, to reduce or reflect on its records a reduction of the Restricted Global Security by the aggregate principal amount of the beneficial interest in such Restricted Global Security to be so exchanged or transferred from the relevant participant, and the Trustee, as transfer agent, shall promptly deliver appropriate instructions (via DWAC) to the Depository, its nominee, or the custodian for the Depository, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of such Regulation S Global Security by the aggregate principal amount of the beneficial interest in such Restricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions (who may be Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Cedel or another agent member of Euroclear or Cedel, or both, as the case may be, acting for and on behalf of them) a beneficial interest in such Regulation S Global Security equal to the reduction in the principal amount of such Restricted Global Security.

If a holder of a beneficial interest in the Regulation S Global Security wishes at any time to exchange its interest in the Regulation S Global Security for an interest in the Restricted Global Security, or to transfer its interest in the Regulation S Global Security to a person who wishes to take delivery thereof in the form of an interest in the Restricted Global Security, such holder may, subject to the rules and procedures of Euroclear or Cedel and the Depository, as the case may be, and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in such Restricted Global Security. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the procedures of Euroclear or Cedel

and the Depository, as the case may be, from or on behalf of a beneficial owner of an interest in the Regulation S Global Security directing the Trustee, as transfer agent, to credit or cause to be credited a beneficial interest in the Restricted Global Security in an amount equal to the beneficial interest in the Regulation S Global Security to be exchanged or transferred, (2) a written order given in accordance with the procedures of Euroclear or Cedel and the Depository, as the case may be, containing information regarding the account with the Depository to be credited with such increase and the name of such account, and (3) prior to the expiration of the Restricted Period, a certificate given by the holder of such beneficial interest and stating that the person transferring such interest in such Regulation S Global Security reasonably believes that the person acquiring such interest in the Restricted Global Security is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and any applicable securities laws of any state of the United States or any other jurisdiction (or other evidence satisfactory to the Trustee), the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Depository, its nominee, or the custodian for the Depository, as the case may be, to reduce or reflect on its records a reduction of the Regulation S Global Security by the aggregate principal amount of the beneficial interest in such Regulation S Global Security to be exchanged or transferred, and the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Depository, its nominee, or the custodian for the Depository, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the

29

principal amount of the Restricted Global Security by the aggregate principal amount of the beneficial interest in the Regulation S Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Restricted Global Security equal to the reduction in the principal amount of the Regulation S Global Security. After the expiration of the Restricted Period (as defined below), the certification requirement set forth in clause (3) of the second sentence of the above paragraph will no longer apply to such exchanges and transfers.

Any beneficial interest in one of the Global Securities that is transferred to a person who takes delivery in the form of an interest in the other Global Security will, upon transfer, cease to be an interest in such Global Security and become an interest in the other Global Security and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Security for as long as it remains such an interest.

Prior to or on the 40th day after the later of the commencement of the offering of the Capital Securities and the Closing Date (the "Restricted Period"), beneficial interests in a Regulation S Global Security may only be held through Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Cedel or another agent member of Euroclear and Cedel acting for and on behalf of them, unless delivery is made through the Restricted Global Security in accordance with the certification requirements hereof. During the Restricted Period, interests in the Regulation S Global Security, if any, may be exchanged for interests in the Restricted Global Security or for definitive Securities only in accordance with the certification requirements described above.

ARTICLE FOUR

SATISFACTION AND DISCHARGE; DEFEASANCE

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, on written demand of and at the expense of the Company, shall execute instruments supplied by the Company acknowledging satisfaction and discharge of this Indenture, when (1) either (A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or (B) all such Securities not theretofore delivered to the Trustee for cancellation (i) have become due and payable, or (ii) will become due and payable at their Maturity within one year, or (iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption

Company and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as funds in trust for the purpose on amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Maturity or Redemption Date, as the case may be; (2) the Company has paid or ceased to be paid all other sums payable hereunder by the Company; and (3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Legal Defeasance.

In addition to discharge of this Indenture pursuant to Section 401, in the case of any Securities with respect to which the exact amount described in subparagraph (a) of Section 404 can be determined at the time of making the deposit referred to in such subparagraph (a), the Company shall be deemed to have paid and discharged the entire indebtedness on all the Securities as provided in this Section on and after the date the conditions set forth in Section 404 are satisfied, and the provisions of this Indenture with respect to the Securities shall no longer be in effect (except as to (i) rights of registration of transfer and exchange of Securities, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Holders of Securities to receive, solely from the trust fund described in subparagraph (a) of Section 404, payments of principal thereof and interest, if any, thereon upon the original stated due dates therefor (but not upon acceleration), (iv) the rights, obligations, duties and immunities of the Trustee hereunder, (v) this Section 402 and (vi) the rights of the Holders of Securities as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them) (hereinafter called "Legal Defeasance"), and the Trustee, at the cost and expense of the Company, shall execute proper instruments acknowledging the same.

SECTION 403. Covenant Defeasance.

In the case of any Securities with respect to which the exact amount described in subparagraph (a) of Section 404 can be determined at the time of making the deposit referred to in such subparagraph (a), (i) the Company shall be released from its obligations under any covenants specified in or pursuant to this Indenture (except as to (i) rights of registration of transfer and exchange of Securities, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Holders of Securities to receive, from the Company pursuant to Section 1001, payments of principal thereof and interest, if any, thereon upon the original stated due dates therefor (but not upon acceleration), (iv) the rights, obligations, duties and immunities of the Trustee hereunder and (v) the rights of the Holders of Securities as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them), and (ii) the occurrence of any event specified in Section

501(3) (with respect to any of the covenants specified in or pursuant to this Indenture) shall be deemed not to be or result in an Event of Default, in each case with respect to the Outstanding Securities as provided in this Section on and after the date the conditions set forth in Section 404 are satisfied (hereinafter called "Covenant Defeasance"), and the Trustee, at the cost and expense of the Company, shall execute proper instruments acknowledging the same. For this purpose, such Covenant Defeasance means that the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant (to the extent so specified in the case of Section 501(3)), whether directly or indirectly by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document, but the remainder of this Indenture and the Securities shall be unaffected thereby.

SECTION 404. Conditions to Legal Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 402 or 403 to the Outstanding Securities:

(a) with reference to Section 402 or 403, the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of Securities (i) cash in an amount, (ii) direct obligations of the United States of America, backed by its full faith and credit ("U.S. Government Obligations"), maturing as to principal and interest, if any, at such times and in such amounts as will ensure the availability of cash, (iii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, or (iv) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge the principal of and interest, if any, on all Securities on each date that such principal or interest, if any, is due and payable;

(b) in the case of Legal Defeasance under Section 402, the Company has delivered to the Trustee an Opinion of Counsel based on the fact that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (y), since the date hereof, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and Legal Defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance under Section 403, the Company has delivered to the Trustee an Opinion of Counsel to the effect that, and such opinion shall confirm that, the Holders of the Securities will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and Covenant Defeasance and will be subject

32

to federal income tax on the same amount in the same manner and at the same times as would have been the case if such deposit and Covenant Defeasance had not occurred;

(d) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which the Company is a party or by which it is bound; and

(e) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent contemplated by this provision have been complied with.

SECTION 405. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations deposited with the Trustee pursuant to Section 401 shall be held in trust and such money and all money from such U.S. Government Obligations shall be applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal and interest for whose payment such money and U.S. Government Obligations has been deposited with the Trustee.

SECTION 406. Indemnity for U.S. Government Obligations.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 404 or the principal or interest received in respect of such obligations other than any such tax, fee or other charge that by law is for the account of the Holders of Outstanding Securities.

ARTICLE FIVE

REMEDIES

SECTION 501. Events of Default.

"Event of Default" wherever used herein, means any one of the following events that has occurred and is continuing (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Article Eleven or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) failure for 30 days to pay any interest on the Securities when due (subject to the deferral of any due date in the case of an Extension Period); or

33

(2) failure to pay any principal on the Securities when due, whether at Maturity, upon redemption, by declaration of acceleration or otherwise;

(3) failure to observe or perform in any material respect any other covenant herein that continues 90 days after written notice to the Company from the Trustee or the holders of at least 25% in principal amount of the outstanding Securities; or

(4) entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, at appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of substantially all of the property of the Company, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(5) (A) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or (B) the consent by the Company or to the entry of a decree or order for relief in respect of itself in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or (C) the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or (D) the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of all or substantially all of the property of the Company, or (E) the making by the Company of an assignment for the benefit of creditors.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities shall have the right to declare the principal of and the interest on all the Securities and any other amounts payable hereunder to be due and payable immediately, PROVIDED, HOWEVER, that if upon an Event of Default, the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Securities fail to declare the payment of all amounts on the Securities to be immediately due and payable, the holders of at least 25% in aggregate liquidation preference of Capital Securities then outstanding shall have such right, by a notice in writing to the Company (and to the Trustee if given by Holders or the holders of Capital Securities) and upon any such declaration such principal and all accrued interest shall become immediately due and payable.

34

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article, the Holders of

a majority in principal amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if (1) the Company has paid or deposited with the Trustee a sum sufficient to pay (A) all overdue interest on all Securities, (B) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities, (C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Securities, and (D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and (2) all Events of Default, other than the non-payment of the principal of Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513. Should the Holders of such Securities fail to annul such declaration and waive such default, the holders of a majority in aggregate liquidation amount of the Capital Securities shall have such right. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee

The Company covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest, and, to the extent that payment thereof shall be legally enforceable, interest on any overdue principal and on any overdue interest, at the rate borne by the Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

35

SECTION 504. Trustee may File Proofs of Claim.

In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607. No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganizations, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee may Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trust without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of any express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses,

disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Subject to Article Eleven, any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, upon presentation of the Securities and the notation thereon of the payment, if only partially paid, and upon surrender thereof, if fully paid;

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable as such Securities for principal and interest, respectively.

36

SECTION 507. Limitation on Suits.

No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities; it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 508. Unconditional Right of Holders to Receive Principal and Interest; Capital Security Holders' Rights.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and (subject to Section 307) interest on such Security on the Stated Maturity expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

If an Event of Default constituting the failure to pay interest or principal on the Securities on the date such interest or principal is otherwise payable has occurred and is continuing, then a holder of Capital Securities may directly institute a proceeding (a "Direct Action") for enforcement of payment to such holder directly of the principal of or interest on the Securities having a principal amount equal to the aggregate liquidation amount of the Capital Securities as such holder on or after the respective due date specified in the Securities. The Company may not amend this Section without the prior written consent of the

holders of all of the Capital Securities. Notwithstanding any payment made to such holder of Capital Securities by the Company in connection with such a Direct Action, the Company shall remain obligated to pay the principal of or interest on the Securities held by the Trust or the Property Trustee and the Company shall be subrogated to the rights of the holder of such Capital Securities with respect to payments on the Capital Securities to the extent of any payments made by the Company to such holder in any Direct Action. The holders of Capital Securities will not be able to exercise directly any other remedy available to the Holders of the Securities.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission not Waiver.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture; and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults.

Subject to Sections 902 and 1008 hereof, the Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of or interest on any Security (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Trustee); or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security affected;

PROVIDED, HOWEVER, that such waiver or modification to such waiver shall not be effective until the holders of a majority in liquidation preference of Capital Securities shall have consented to such waiver or modification to such waiver; PROVIDED FURTHER, that if the consent of the Holder of each of the Outstanding Securities is required, such waiver shall not be effective until each holder of the Capital Securities shall have consented to such waiver.

Upon any such waiver, such default shall cease to exist, effective as of the date specified in such waiver (and effective retroactively to the date of default, if so specified) and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and any assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; PROVIDED, that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company or the Trustee or in any suit for the enforcement of the right to receive the principal of and interest on any Security.

39

SECTION 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

TRUSTEE

SECTION 601. Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. Notice of Defaults.

The Trustee shall give the Holders notice of any default hereunder as and to the extent provided by the Trust Indenture Act; PROVIDED, HOWEVER, that except in the case of a default in the payment of the principal of or interest on any Security, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Securities; PROVIDED, FURTHER, that in the case of any default of the character specified in Section 501(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default. For purposes of this Section, the Trustee shall not be deemed to have knowledge of a default unless the Trustee has actual knowledge of such default or has received written notice of such default in the manner contemplated by Section 105.

SECTION 603. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its choice and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities, the Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 605. Trustee and Other Agents may Hold Securities.

The Trustee, any Paying Agent, any Security Registrar, or any other agent of the Company, in its individual or any other capacity, may become the owner or pledge of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar, or such other agent. Money held by the Trustee in trust hereunder shall not be invested by the Trustee pending distribution thereof to the holders of the Securities.

SECTION 606. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

SECTION 607. Compensation; Reimbursement; and Indemnity.

The Company, in its capacity as the issuer of the Securities, agrees

(1) to pay to the Trustee from time to time such reasonable compensation as the Company and the Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify each of the Trustee and any predecessor Trustee for, and to hold it harmless against, any and all loss, damage, claim, liability or expense, including taxes (other than taxes based on the income, revenues or gross receipts of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or the trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

42

The obligations of the Company under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Trustee shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. As security for the performance of such obligations of the Company, the Trustee shall have a claim prior to the Securities upon all property and lands held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premiums, if any, on) or interest on particular Securities.

SECTION 608. Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act and to act as such and has a combined capital and surplus of at least \$50,000,000 and has its Corporate Trust Office in New York, New York. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities, delivered to the Trustee and to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal, the removed Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

43

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the Retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 611. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; PROVIDED that, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers

44

and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 613. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or becomes a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee (a) semiannually, not later than June 30 and December 31 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders to the extent the Company has knowledge thereof as of a date not more than 15 days prior to the delivery thereof, and (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

45

SECTION 702. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701, and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

SECTION 703. Reports by Trustee.

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when the Securities are listed on any stock exchange.

SECTION 704. Reports by Company.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; PROVIDED that any such

information, documents or reports required to be filed with the Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

46

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(1) the Person formed by such consolidation or into which the Company is merged or the Person that acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest (including any additional interest) on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing;

(3) for so long as Securities registered on the Securities Register in the name of the Trust (or the Property Trustee) are outstanding, such consolidation, merger, conveyance, transfer or lease is permitted under the Declaration and the Guarantee and does not give rise to any breach or violation of the Declaration or the Guarantee;

(4) any such lease shall provide that it will remain in effect so long as any Securities are Outstanding; and

(5) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and the Trustee, subject to Section 601, may rely upon such Officers' Certificate and Opinion of Counsel as conclusive evidence that such transaction complies with this Section 801.

SECTION 802. Successor Person Substituted.

Upon any consolidation or merger by the Company with or into any other Person, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may

47

exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; and in the event of any such conveyance, transfer or lease the Company shall be discharged from all obligations and covenants under the Indenture and the Securities and may be dissolved and liquidated.

Such successor Person may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and

shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication pursuant to such provisions and any Securities which such successor Person thereafter shall cause to be signed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(3) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided that such action pursuant to this clause (3) shall not adversely affect the interests of the Holders of the Securities or, so long as any of the Capital Securities shall remain outstanding, the holders of the Capital Securities; or

(4) to comply with any requirement of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act, if so required.

48

SECTION 902. Supplemental Indentures With Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) except to the extent permitted and subject to the conditions set forth in Section 301 with respect to the extension of the Stated Maturity of the Securities, change the Stated Maturity of, the principal of, or any installment of interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon, or change the place of payment where, or the coin or currency in which, any Security or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or modify the provisions of this Indenture with respect to the subordination of the Securities in a manner adverse to the Holders,

(2) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby;

PROVIDED, that, so long as any of the Capital Securities remains outstanding, no such amendment shall be made that adversely affects the holders of the Capital Securities, and no termination of this Indenture shall occur, and no waiver of any Event of Default or compliance with any covenant under this Indenture shall be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation preference of the outstanding Capital Securities unless and until the principal of and any premium on the Securities and all accrued and unpaid interest thereon have been paid in full.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trust created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity With Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 906. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE TEN

COVENANTS

SECTION 1001. Payment of Principal and Interest.

The Company will duly and punctually pay the principal of and interest on the Securities in accordance with the terms of the Securities and this Indenture.

SECTION 1002. Maintenance of Office or Agency.

The Company will maintain in The City of New York an office or agency where Securities may be presented or surrendered for registration of transfer or exchange, where Securities may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The

fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies in the United States where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the United States for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. Money for Security Payments to be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on, or at the option of the Company, or before each due date of the principal of or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act. In such case the Company shall not invest the amount so segregated and held in trust pending the distribution thereof.

Whenever the Company shall have one or more Paying Agents, it will, on or prior to each due date of the principal of or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act; PROVIDED, HOWEVER, that any such deposit on a due date shall be initiated prior to 1:00 p.m. (New York time) in same-day funds.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Securities) in the making of any payment in respect of the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in the trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any

51

Paying Agent to the Trustee, such Payment Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal or interest that has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease.

SECTION 1004. Statements by Officers as to Default.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the material terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

SECTION 1005. Existence.

Subject to Article Eight, the Company will do or cause to be

done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; PROVIDED, HOWEVER, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders and, while any Capital Securities are outstanding, the holders of the Capital Securities.

SECTION 1006. Maintenance of Properties.

The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

52

SECTION 1007. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any Subsidiary that comprise more than 10% of the assets of the Company and its Subsidiaries, taken as a whole; PROVIDED, HOWEVER, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1008. Waiver of Certain Covenants.

Except as otherwise specified as contemplated by Section 301 for Securities, the Company may, with respect to the Securities, omit in any particular instance to comply with any term, provision or condition set forth in any covenant provided pursuant to Section 901(2) for the benefit of the Holders if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 1009. Payment of the Trust's Costs and Expenses.

Since the Trust is being formed solely to facilitate an investment in the Securities, the Company, in its capacity as the issuer of the Securities, hereby covenants to pay all debts and obligations (other than with respect to the Capital Securities and Common Securities) and all costs and expenses of the Trust (including, but not limited to, all costs and expenses relating to the organization of the Trust, the fees and expenses of the Trustees and all costs and expenses relating to the operation of the Trust) and to pay any and all taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed on the Trust by the United States, or any other taxing authority, so that the net amounts received and retained by the Trust and the Property Trustee after paying such expenses will be equal to the amounts the Trust and the Property Trustee would have received had no such costs or expenses been incurred by or imposed on the Trust. The foregoing obligations of the Company are for the benefit of, and shall be enforceable by, any person to whom any such debts, obligations, costs, expenses and taxes are owed (each, a "Creditor") whether or not such Creditor has received notice thereof. Any such Creditor may enforce such obligations of the Company directly against the Company, and the Company irrevocably waives any right or remedy to require that any such Creditor take any action against the Trust or any other person before proceeding against the Company. The Company shall execute such additional agreements as may be necessary or desirable to give full effect to the foregoing. The obligations of the Company to pay all the debts, obligations, costs and

expenses of the Trust (other than with respect to the Capital Securities and the Common Securities) shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture.

ARTICLE ELEVEN

SUBORDINATION OF SECURITIES

SECTION 1101. Securities Subordinate to Indebtedness.

The Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article (subject to Article Four), the payment of the principal of and interest on each and all of the Securities are hereby expressly made subordinate and subject in right of payment to the prior payment in full in cash of all Indebtedness.

This Article Eleven shall constitute a continuing offer to all persons who become holders of, or continue to hold, Indebtedness, and such provisions are made for the benefit of the holders of Indebtedness and such holders are made obligees hereunder and any one or more of them may enforce such provisions. Holders of Indebtedness need not prove reliance on the subordination provisions hereof.

SECTION 1102. Default on Indebtedness.

In the event and during the continuation of any default in the payment of principal, premium, interest or any other payment due on any Indebtedness, or in the event that any event of default with respect to any Indebtedness shall have occurred and be continuing and shall have resulted in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable (unless and until such event of default shall have been cured or waived or shall have ceased to exist and such acceleration shall have been rescinded or annulled) or in the event any judicial proceeding shall be pending with respect to any such default in payment or such event of default, then no payment shall be made by the Company with respect to the principal (including redemption payments) of, or interest on, the Securities.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Holder when such payment is prohibited by the preceding paragraph of this Section 1102, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Indebtedness (or their representative or representatives or a trustee) notify the Trustee within 90 days of such payment of the amounts then due and owing on the Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Indebtedness.

SECTION 1103. Prior Payment of Indebtedness Upon Acceleration of Securities.

In the event that the Securities are declared due and payable before their Stated Maturity, then and in such event the holders of the Indebtedness outstanding at the time such Securities so become due and payable shall be entitled to receive payment in full of all amounts then due on or in respect of such Indebtedness (including any amounts due upon acceleration), or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Indebtedness, before the Holders of the Securities are entitled to receive any payment or distribution of any kind or character, whether in cash, properties or securities, by the Company on account of the principal of or interest on the Securities or on account of the purchase or other acquisition of Securities by the Company or any Subsidiary; PROVIDED, HOWEVER, that holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities

arising in the ordinary course of the Company's business.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Holder when such payment is prohibited by the preceding paragraph of this Section 1103, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Indebtedness (or their representative or representatives or a trustee) notify the Trustee within 90 days of such payment of the amounts then due and owing on the Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Indebtedness.

SECTION 1104. Liquidation; Dissolution; Bankruptcy.

Upon any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and premium, if any, and interest due or to become due upon all Indebtedness (including interest after the commencement of any bankruptcy, insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is an allowable claim in any such proceeding) shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made on account of the principal or interest on the Securities; and upon any such dissolution or winding-up or liquidation or reorganization any payment by the Company, or distribution of substantially all of the assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Securities or the Trustee would be entitled, except for the provisions of this Article Eleven, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Securities or by the Trustee under this Indenture if received by them or

55

it, directly to the holders of Indebtedness (pro rata to such holders on the basis of the respective amounts of Indebtedness held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay all Indebtedness in full (including interest after the commencement of any bankruptcy, insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is in an allowable claim in any such proceeding) or to provide for such payment in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Indebtedness, before any payment or distribution is made to the Holders of Securities or to the Trustee; PROVIDED, HOWEVER, that such holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities arising in the ordinary course of the Company's business.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee or the Holders of the Securities before all Indebtedness is paid in full (including interest after commencement of any bankruptcy, insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is an allowable claim in any such proceeding), or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, for application to the payment of all Indebtedness remaining unpaid to the extent necessary to pay all Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Indebtedness.

Any holder of Indebtedness may file any proof of claim or similar instrument on behalf of the Trustee and the Holders if such instrument has not been filed by the date which is 30 days prior to the date specified for filing thereof.

For purposes of this Article Eleven, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article Eleven with respect to the Securities to the payment of all Indebtedness that may at the time be outstanding, PROVIDED, HOWEVER, that (i) the Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of the Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or merger of the Company into, another corporation or the liquidation or

56

dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article Eight hereof shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 1103 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Eight hereof. Nothing in Section 1102 or in this Section 1103 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 607.

SECTION 1105. Subrogation.

Subject to the payment in full of all Indebtedness to the extent provided in Sections 1103 and 1104, the rights of the Holders of the Securities shall be subrogated to the rights of the holders of Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to the Indebtedness until the principal of (and premium, if any) and interest on the Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article Eleven, shall, as between the Company, its creditors other than holders of Indebtedness, and the Holders of the Securities, be deemed to be a payment by the Company to or on account of the Indebtedness. It is understood that the provisions of this Article Eleven are and are intended solely for the purposes of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of the Indebtedness on the other hand.

Nothing contained in this Article Eleven or elsewhere in this Indenture or in the Securities is intended to or shall impair, as between the Company, its creditors other than the holders of Indebtedness, and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Company other than the holders of the Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article Eleven of the holders of Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article Eleven, the Trustee, subject to the provisions of Section 601, and the Holders of the Securities, shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of the Securities, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of the Indebtedness and other indebtedness of the Company, the

57

amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Eleven.

SECTION 1106. Trustee to Effectuate Subordination.

Each Holder of a Security by acceptance thereof authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article Eleven and appoints the Trustee such Holder's attorney-in-fact for any and all such purposes.

SECTION 1107. Notice by the Company.

The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Eleven. Notwithstanding the provisions of this Article Eleven or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Eleven, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office of the Trustee from the Company or a holder or holders of Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 601, shall be entitled in all respects to assume that no such facts exist; PROVIDED, HOWEVER, that if the Trustee shall not have received the notice provided for in this Section 1106 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

The Trustee, subject to the provisions of Section 601, shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Indebtedness to participate in any payment or distribution pursuant to this Article Eleven, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article Eleven, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

58

SECTION 1108. Rights of the Trustee; Holders of Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article Eleven in respect of any Indebtedness at any time held by it, to the same extent as any other holder of Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Eleven, and no implied covenants or obligations with respect to the holders of Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Indebtedness and, subject to the provisions of Section 601, the Trustee shall not be liable to any holder of Indebtedness if it shall pay over or deliver to holders of Securities, the Company or any other Person money or assets to which any holder of Indebtedness shall be entitled by virtue of this Article Eleven or otherwise.

SECTION 1109. Subordination may not be Impaired.

No right of any present or future holder of any Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing

paragraph, the holders of Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Securities to the holders of Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Indebtedness or otherwise amend or supplement in any manner Indebtedness or any instrument evidencing the same or any agreement under which Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Indebtedness; (iii) release any Person liable in any manner for the collection of Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

59

ARTICLE TWELVE

REDEMPTION OF SECURITIES

SECTION 1201. Optional Redemption; Conditions to Optional Redemption.

At any time on or after December 1, 2006, the Company shall have the right, subject to the last paragraph of this Section 1201 and to the receipt of any necessary prior approval of the Federal Reserve, to redeem the Securities, in whole or in part, from time to time, at the Redemption Prices (expressed as a percentage of the principal amount of such Securities) set forth below, plus any accrued but unpaid interest to the Redemption Date, if redeemed during the twelve-month period beginning on the December 1 of the years indicated below:

Year	Percentage
2006	104.030%
2007	103.627%
2008	103.224%
2009	102.821%
2010	102.418%
2011	102.015%
2012	101.612%
2013	101.209%
2014	100.806%
2015	100.403%

On or after December 1, 2016, the Redemption Price will be 100%, plus accrued and unpaid interest, if any, to the Redemption Date.

Prior to December 1, 2006, if a Special Event shall occur and be continuing, the Company shall have the right, subject to the last paragraph of this Section 1201 and to the receipt of any necessary prior approval of the Federal Reserve, to redeem, upon not less than 30 days nor more than 60 days notice, the Securities in whole, but not in part, at a Redemption Price equal to the greater of (i) 100% of the principal amount of Securities then outstanding and (ii) as determined by a Quotation Agent, the sum of the present values of the principal amount and premium payable with respect to an optional redemption on such Securities on December 1, 2006, together with scheduled payments of interest from the Redemption Date to December 1, 2006 (the "Remaining Life") discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of 30-day months) at the Adjusted Treasury Rate, plus, in each case, accrued interest thereon to the Redemption Date.

For so long as the Trust is the Holder of all Securities Outstanding, the proceeds of any redemption described in this Section 1201 shall be used by the Trust to redeem Common Securities and Capital Securities in accordance with their terms. The Company shall not redeem the Securities in part unless all accrued and unpaid interest has

60

been paid in full on all Securities outstanding for all semi-annual interest periods terminating on or prior to the Redemption Date.

SECTION 1202. Applicability of Article.

Redemption of Securities at the election of the Company, as permitted by Section 1201, shall be made in accordance with such provision and this Article.

SECTION 1203. Election to Redeem; Notice to Trustee.

The election of the Company to redeem Securities pursuant to Section 1201 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 45 (unless a shorter notice period shall be satisfactory to the Trustee) days and no more than 60 days prior to the Redemption Date fixed by the Company, notify the Trustee of such Redemption Date and of the principal amount of Securities to be redeemed and provide a copy of the notice of redemption given to Holders of Securities to be redeemed pursuant to Section 1205.

SECTION 1204. Selection by Trustee of Securities to be Redeemed.

If less than all the Securities are to be redeemed (unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected by lot (or such other method of selection as the Trustee may customarily employ) not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption as aforesaid and, in case of any Securities selected for partial redemption as aforesaid, the principal amount thereof to be redeemed.

The provisions of the two preceding paragraphs shall not apply with respect to any redemption affecting only a single Security, whether such Security is to be redeemed in whole or in part. In the case of any such redemption in part, the unredeemed portion of the principal amount of the Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 1205. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his address appearing in the Security Register.

61

All notices of redemption shall identify the Securities to be redeemed (including CUSIP number) and shall state:

- (1) the Redemption Date,
- (2) the Redemption Price,

(3) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and that interest thereon will cease to accrue on and after said date, and

(4) the place or places where such Securities are to be surrendered for payment of the Redemption Price.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1206. Deposit of Redemption Price.

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date; PROVIDED, HOWEVER, that any such deposit on a Redemption Date shall be initiated prior to 1:00 p.m.

(New York time) in same-day funds.

SECTION 1207. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; PROVIDED, HOWEVER, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Security.

SECTION 1208. Securities Redeemed in Part.

62

Any Security which is to be redeemed only in part shall be surrendered at a place of payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder therefor or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

63

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

BARNETT BANKS, INC.

/s/ Hinton F. Nobles, Jr.

By: _____
Name: Hinton F. Nobles, Jr.
Title: Executive Vice President

Attest: _____
/s/ Catherine C. Cosby
Catherine C. Cosby
Secretary

THE FIRST NATIONAL BANK OF
CHICAGO

/s/ Mary R. Fonti

By: _____
Name: Mary R. Fonti
Title: Assistant Vice President

Attest: _____
/s/ illegible signature

FIRST SUPPLEMENTAL INDENTURE

Dated as of January 9, 1998

Supplementing the Indenture, dated
as of November 27, 1996, between
Barnett Banks, Inc. and
The First National Bank of Chicago,
a national banking association,
as Trustee

The First National Bank of Chicago,
Trustee

FIRST SUPPLEMENTAL INDENTURE, dated as of January 9, 1998 (the "First Supplemental Indenture"), among NationsBank Corporation, a North Carolina corporation ("NationsBank"), NB Holdings Corporation, a Delaware corporation ("Holdings"), Barnett Banks, Inc., a Florida corporation ("Barnett"), and The First National Bank of Chicago, as Trustee (the "Trustee") under the Indenture referred to herein;

WHEREAS, Barnett and the Trustee heretofore executed and delivered an Indenture, dated as of November 27, 1996 (the "Indenture"); and

WHEREAS, pursuant to the Indenture Barnett issued and the Trustee authenticated and delivered \$300 million aggregate principal amount of 8.06% Junior Subordinated Debentures, due 2026 (the "Securities"); and

WHEREAS, NationsBank, Holdings and Barnett have entered into the Agreement and Plan of Merger, dated as of August 29, 1997, and amended as of November 18, 1997, pursuant to which Barnett will merge with and into Holdings (the "Barnett Merger") on the date hereof; and

WHEREAS, Section 801 of the Indenture provides that in the case of the Barnett Merger, Holdings shall expressly assume by supplemental indenture all the obligations under the Securities and the Indenture; and

WHEREAS, NationsBank, as the holder of 100% of the outstanding capital stock of Holdings, desires to assume, jointly and severally with Holdings, all of the rights and obligations under the Securities and Indenture that are required to be assumed by Holdings pursuant to Section 801 of the Indenture; and

WHEREAS, Section 901 of the Indenture provides that Barnett and the Trustee may amend the Indenture and the Securities without notice to or consent of any Holders of the Securities in order to comply with Article Eight of the Indenture; and

WHEREAS, this First Supplemental Indenture has been duly authorized by all necessary corporate action on the part of each of NationsBank, Holdings and Barnett.

-2-

NOW, THEREFORE, NationsBank, Holdings, Barnett and the Trustee agree as follows for the equal and ratable benefit of the Holders of the Securities:

ARTICLE I
ASSUMPTION BY SUCCESSOR CORPORATION
AND ITS PARENT ENTITY

SECTION 1.1. Assumption of the Securities. NationsBank hereby expressly assumes, jointly and severally with Holdings, the due and punctual payment of the principal of and interest on the Securities and the performance of every covenant of the Indenture on the part of Barnett to be performed or observed.

SECTION 1.2. Trustee's Acceptance. The Trustee hereby accepts this First Supplemental Indenture and agrees to perform the same under the terms and conditions set forth in the Indenture.

ARTICLE II
MISCELLANEOUS

SECTION 2.1. Effect of Supplemental Indenture. Upon the later to occur

of (i) the execution and delivery of this First Supplemental Indenture by NationsBank, Holdings, Barnett and the Trustee and (ii) the consummation of the Barnett Merger, the Indenture shall be supplemented in accordance herewith, and this First Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound thereby.

SECTION 2.2. Indenture Remains in Full Force and Effect. Except as supplemented hereby, all provisions in the Indenture shall remain in full force and effect.

SECTION 2.3. Indenture and Supplemental Indenture Construed Together. This First Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this First Supplemental Indenture shall henceforth be read and construed together.

SECTION 2.4. Confirmation and Preservation of Indenture. The Indenture as supplemented by this First Supplemental Indenture is in all respect confirmed and preserved.

SECTION 2.5. Conflict with Trust Indenture Act. If any provision of this First Supplemental Indenture limits, qualifies or conflicts with any

provision of the Trust Indenture Act ("TIA") that is required under the TIA to be part of and govern any provision of this First Supplemental Indenture, the provision of the TIA shall control. If any provision of this First Supplemental Indenture modifies or excludes any provision of the TIA that may be so modified or excluded, the provision of the TIA shall be deemed to apply to the Indenture as so modified or to be excluded by this First Supplemental Indenture, as the case may be.

SECTION 2.6. Severability. In case any provision in this First Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 2.7. Terms Defined in the Indenture. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

SECTION 2.8. Headings. The Article and Section headings of this First Supplemental Indenture have been inserted for convenience of reference only, are not to be considered part of this Supplemental Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 2.9. Benefits of First Supplemental Indenture, etc. Nothing in this First Supplemental Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder and the Holders of the Securities, any benefit of any legal or equitable right, remedy or claim under the Indenture, this First Supplemental Indenture or the Securities.

SECTION 2.10. Successors. All agreements of Holdings and NationsBank in this First Supplemental Indenture shall bind their successors. All agreements of the Trustee in this First Supplemental Indenture shall bind its successors.

SECTION 2.11. Trustee Not Responsible for Recitals. The recitals contained herein shall be taken as the statements of Barnett, NationsBank and Holdings, and the Trustee assumes no responsibility for their correctness.

SECTION 2.12. Certain Duties and Responsibilities of the Trustees. In entering into this First Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture relating to the conduct or affecting the liability or affording protection to the Trustee, whether or not elsewhere herein so provided.

-4-

SECTION 2.13. Governing Law. This First Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

SECTION 2.14. Counterpart originals. The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

IN WITNESS WHEREOF, the parties have caused this First Supplemental Indenture to be duly executed as of the date first written above.

NationsBank Corporation

By: /s/ John E. Mack

Name: John E. Mack
Title: Senior Vice President

NB Holdings Corporation

By: /s/ John E. Mack

Name: John E. Mack
Title: Senior Vice President

Barnett Banks, Inc.

By: /s/Charles E. Rice

Name: Charles E. Rice
Title: Chairman and CEO

The First National Bank of Chicago, as Trustee

By: /s/ Richard D. Manella

Name: Richard D. Manella
Title: Vice President

AMENDMENT TO THE
NATIONSBANK CORPORATION AND DESIGNATED SUBSIDIARIES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

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

WHEREAS, NationsBank desires to amend the Plan to change the mortality table to be used in the calculation of a participant's "commuted payment amount" from the 1971 Group Annuity Mortality Table to the 1983 Group Annuity Mortality Table; and

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

NOW, THEREFORE, NationsBank does hereby declare that the Plan is hereby amended effective as of the date hereof as follows:

1. The second sentence of Section III. of Exhibit B to the Plan is amended to read as follows: "To the extent that benefits are payable over the lifetime(s) of one or more individuals, the AESSV shall also be based on the 1983 Group Annuity Mortality Table."

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

IN WITNESS WHEREOF, NationsBank has caused this instrument to be executed by its duly authorized officer as of the 27th day of March, 1996.

NATIONSBANK CORPORATION

By: /s/ C. J. COOLEY

C. J. Cooley
Executive Vice President

"NationsBank"

AMENDMENT TO THE
NATIONSBANK CORPORATION AND DESIGNATED SUBSIDIARIES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

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

WHEREAS, NationsBank desires to amend the Plan to modify the procedure under which Participants may elect to have their benefits under the Plan paid in a single cash payment; and

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

NOW, THEREFORE, NationsBank does hereby declare that the Plan is hereby amended effective as of the date hereof as follows:

1. Section 4.12 of the Plan is amended to read as follows:

"Section 4.12. Special Election for Single Cash Payment. Notwithstanding any provisions of the Plan to the contrary, a Participant may elect to have the Participant's benefits under the Plan paid in a single cash payment to such Participant, and a Participant's surviving Eligible Spouse may elect to have the benefits payable under Section 4.6 of the Plan after a Participant's death while in Service paid in a single cash payment to such Participant's surviving Eligible Spouse under the following terms and conditions and in lieu of the method otherwise applicable under the provisions of this Article IV:

(i) The Participant or the Participant's surviving Eligible Spouse, as the case may be, must make such election at least thirty (30) days prior to the date benefit payments under the Plan would otherwise commence to the Participant or the Participant's surviving

Eligible Spouse.

(ii) Any election under this Section 4.12 shall be irrevocable.

(iii) An election under this Section 4.12 may be made only with respect to (1) those benefits payable under Sections 4.2, 4.3 and 4.4 of the Plan upon a Participant's Retirement or (2) those benefits payable under Section 4.6 of the Plan upon a Participant's death while in Service.

(iv) The amount of the single cash payment payable under this Section 4.12 upon a Participant's Retirement shall be the Commuted Payment Amount determined for such Participant as of the date of such Participant's Retirement.

(v) The amount of the single cash payment payable under this Section 4.12 upon a Participant's death while in Service [or, to the extent provided in Section 4.6(b), while Disabled] shall be the actuarially equivalent single sum value of the benefits (if any) provided for in Section 4.6(c) determined as of the date of the Participant's death using assumptions consistent with those set forth in Exhibit B to the Plan.

(vi) Any election under this Section 4.12 shall not be effective unless approved by (i) the Compensation Committee if the Participant is an executive officer of NationsBank Corporation or the Principal Corporate Personnel Officer of NationsBank Corporation or (ii) the Management Compensation Committee in the case of any other Participant, and in either case the applicable committee may approve or disapprove the election in its sole and exclusive discretion. The single cash payment shall be made within thirty (30) days of the approval of such election by the applicable committee."

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

2

IN WITNESS WHEREOF, NationsBank has caused this instrument to be executed by its duly authorized officer as of the 25th day of June, 1997.

NATIONSBANK CORPORATION

By: /s/ C. J. Cooley

C. J. Cooley
Executive Vice President

3

NONCOMPETITION AGREEMENT

THIS NONCOMPETITION AGREEMENT (the "Agreement") is made and entered into as of the 31st day of December, 1997 by and between NATIONSBANK CORPORATION, a North Carolina corporation ("NationsBank"), and FREDRIC J. FIGGE, II ("Executive").

W I T N E S S E T H:

WHEREAS, as of the date hereof, Executive is retiring from NationsBank; and

WHEREAS, during his period of employment Executive has served NationsBank in executive capacities, including most recently as Chairman, Corporate Risk Policy; and

WHEREAS, Executive has acquired extensive knowledge of NationsBank's business methods, customers and employees; and

WHEREAS, the parties hereto desire to enter into this Agreement restricting the activities of Executive in retirement in an effort to protect NationsBank's legitimate business interests;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Definitions. Capitalized terms used herein shall have the meanings set forth below:

"Affiliate" means (i) any entity directly or indirectly controlling (including without limitation an entity for which Executive serves as an officer, director, employee, consultant or other agent), controlled by, or under common control with Executive, and (ii) each other entity in which Executive, directly or indirectly, owns any controlling interest or of which Executive serves as a general partner.

"Agreement" means this Noncompetition Agreement, including any amendments hereto made in accordance with paragraph 7(d) hereof.

"Company" means (i) NationsBank, (ii) any corporation, partnership or other business entity that is, directly or indirectly, controlled by or under common control with NationsBank and (iii) their respective successors.

"Covenant Period" means the period beginning on the date of this Agreement and ending on the date of Executive's death.

2. Consideration. In consideration for Executive's covenants and obligations under this Agreement, NationsBank has agreed to provide Executive with a supplemental target annual retirement benefit payable beginning January 1998 for Executive's life pursuant to a letter

agreement between Executive and NationsBank dated August 28, 1997 (the "Supplemental Retirement Benefits").

3. Executive's Obligations in Connection with His Termination of Employment with the Company.

(a) Nonsolicitation of Employees. During the Covenant Period, Executive agrees not to hire, directly or indirectly, or entice or participate in any efforts to entice to leave the Company's employ, any person who was or is a "key employee" (as hereinafter defined) of the Company during 1997. For purposes of this Agreement, "key employee" means an employee who has an annualized rate of base salary equaling or exceeding fifty thousand dollars (\$50,000).

(b) Noncompetition. During the Covenant Period, Executive agrees not to engage in any manner, whether as an officer, employee, owner, partner, stockholder, director, consultant or otherwise -- directly or indirectly -- in any business which engages or attempts to engage, directly or indirectly, in any business in which the Company engages within the United States, as determined by NationsBank in its reasonable discretion; provided, however, that Executive may (i) acquire an interest in a business entity so long as such interest is a passive investment of Executive not exceeding five percent (5%) of the total ownership interest in such entity or (ii) engage in any other activities as approved in writing in advance by NationsBank.

(c) Trade Secrets and Confidential Information. Executive hereby agrees that he will hold in a fiduciary capacity for the benefit of the Company, and shall not directly or indirectly use or disclose any Trade Secret,

as defined hereinafter, that Executive may have acquired during the term of his employment by the Company for so long as such information remains a Trade Secret. The term "Trade Secret" as used in this Agreement shall mean information including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, or a list of actual or potential customers or suppliers which derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and is the subject of reasonable efforts by the Company to maintain its secrecy.

In addition to the foregoing and not in limitation thereof, Executive agrees that during the Covenant Period he will hold in a fiduciary capacity for the benefit of the Company and shall not directly or indirectly use or disclose, any Confidential or Proprietary Information, as defined hereinafter, that Executive may have acquired (whether or not developed or compiled by Executive and whether or not Executive was authorized to have access to such Information) during the term of, in the course of or as a result of his employment by the Company. The term "Confidential or Proprietary Information" as used in this Agreement means any secret, confidential or proprietary information of the Company not otherwise included in the definition of "Trade Secret" above. The term "Confidential and Proprietary Information" does not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right of the Company.

2

4. Reasonable and Necessary Restrictions. Executive acknowledges that the restrictions, prohibitions and other provisions of this Agreement, including without limitation the Covenant Period, are reasonable, fair and equitable in scope, term and duration, are necessary to protect the legitimate business interests of NationsBank, and are a material inducement to NationsBank to enter into this Agreement and the letter agreement providing for the Supplemental Retirement Benefits. Executive covenants that Executive will not challenge the enforceability of this Agreement nor will Executive raise any equitable defense to its enforcement.

5. Remedies. In the event Executive breaches any provision of this Agreement, Executive shall forfeit and have no right to receive any of the Supplemental Retirement Benefits due and payable from and after the date of such breach (including without limitation any survivor benefits otherwise payable to Executive's spouse).

6. Operations of Affiliates. Executive agrees that he will refrain from (i) authorizing any Affiliate to perform or (ii) assisting in any manner any Affiliate in performing any activities that would be prohibited by the terms of this Agreement if they were performed by Executive.

7. Miscellaneous Provisions.

(a) Binding Effect. Subject to any provisions hereof restricting assignment, all covenants and agreements in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors, assigns, heirs, and personal representatives. None of the parties hereto may assign any of its rights under this Agreement or attempt to have any other person or entity assume any of its obligations hereunder.

(b) Severability. If fulfillment of any provision of this Agreement, at the time such fulfillment shall be due, shall transcend the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clause or provision contained in this Agreement operates or would operate to invalidate this Agreement, in whole or in part, then such clause or provision only shall be held ineffective, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect.

(c) Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto shall be governed by and construed in accordance with the laws of the State of North Carolina, not including the choice-of-law rules thereof.

(d) Amendment; Waiver. Except as otherwise expressly provided in this Agreement, no amendment, modification or discharge of this Agreement shall be valid or binding unless set forth in writing and duly executed by each of the parties hereto. Any waiver by any party or consent by any party to any variation from any provision of this Agreement shall be valid only if in writing and only in the specific instance in which it is given, and such waiver

3

or consent shall not be construed as a waiver of any other provision or as a consent with respect to any similar instance or circumstance.

(e) Headings. Paragraph and subparagraph headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

(f) Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or entity may require.

(g) Execution in Counterparts. This Agreement may be executed in two or more counterparts, none of which need contain the signatures of all parties hereto and each of which shall be deemed an original.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement, or caused this Agreement to be duly executed on its behalf, as of the date first set forth above.

NATIONSBANK CORPORATION

By: /s/ C. J. Cooley

Name: C. J. Cooley

Title: Executive Vice President

"NationsBank"

/s/ Fredric J. Figge, II [SEAL]

Fredric J. Figge, II
"Executive"

NONCOMPETITION AGREEMENT

THIS NONCOMPETITION AGREEMENT (the "Agreement") is made and entered into as of the 31st day of December, 1997 by and between NATIONSBANK CORPORATION, a North Carolina corporation ("NationsBank"), and FREDRIC J. FIGGE, II ("Executive").

W I T N E S S E T H:

WHEREAS, as of the date hereof, Executive is retiring from NationsBank; and

WHEREAS, during his period of employment Executive has served NationsBank in executive capacities, including most recently as Chairman, Corporate Risk Policy; and

WHEREAS, Executive has acquired extensive knowledge of NationsBank's business methods, customers and employees; and

WHEREAS, the parties hereto desire to enter into this Agreement restricting the activities of Executive in retirement in an effort to protect NationsBank's legitimate business interests;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Definitions. Capitalized terms used herein shall have the meanings set forth below:

"Affiliate" means (i) any entity directly or indirectly controlling (including without limitation an entity for which Executive serves as an officer, director, employee, consultant or other agent), controlled by, or under common control with Executive, and (ii) each other entity in which Executive, directly or indirectly, owns any controlling interest or of which Executive serves as a general partner.

"Agreement" means this Noncompetition Agreement, including any amendments hereto made in accordance with paragraph 7(d) hereof.

"Company" means (i) NationsBank, (ii) any corporation, partnership or other business entity that is, directly or indirectly, controlled by or under common control with NationsBank and (iii) their respective successors.

"Covenant Period" means the period beginning on the date of this Agreement and ending on the date of Executive's death.

2. Consideration. In consideration for Executive's covenants and obligations under this Agreement, NationsBank has agreed to provide Executive with a supplemental target annual retirement benefit payable beginning January 1998 for Executive's life pursuant to a letter

agreement between Executive and NationsBank dated August 28, 1997 (the "Supplemental Retirement Benefits").

3. Executive's Obligations in Connection with His Termination of Employment with the Company.

(a) Nonsolicitation of Employees. During the Covenant Period, Executive agrees not to hire, directly or indirectly, or entice or participate in any efforts to entice to leave the Company's employ, any person who was or is a "key employee" (as hereinafter defined) of the Company during 1997. For purposes of this Agreement, "key employee" means an employee who has an annualized rate of base salary equaling or exceeding fifty thousand dollars (\$50,000).

(b) Noncompetition. During the Covenant Period, Executive agrees not to engage in any manner, whether as an officer, employee, owner, partner, stockholder, director, consultant or otherwise -- directly or indirectly -- in any business which engages or attempts to engage, directly or indirectly, in any business in which the Company engages within the United States, as determined by NationsBank in its reasonable discretion; provided, however, that Executive may (i) acquire an interest in a business entity so long as such interest is a passive investment of Executive not exceeding five percent (5%) of the total ownership interest in such entity or (ii) engage in any other activities as approved in writing in advance by NationsBank.

(c) Trade Secrets and Confidential Information. Executive hereby agrees that he will hold in a fiduciary capacity for the benefit of the Company, and shall not directly or indirectly use or disclose any Trade Secret,

as defined hereinafter, that Executive may have acquired during the term of his employment by the Company for so long as such information remains a Trade Secret. The term "Trade Secret" as used in this Agreement shall mean information including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, or a list of actual or potential customers or suppliers which derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and is the subject of reasonable efforts by the Company to maintain its secrecy.

In addition to the foregoing and not in limitation thereof, Executive agrees that during the Covenant Period he will hold in a fiduciary capacity for the benefit of the Company and shall not directly or indirectly use or disclose, any Confidential or Proprietary Information, as defined hereinafter, that Executive may have acquired (whether or not developed or compiled by Executive and whether or not Executive was authorized to have access to such Information) during the term of, in the course of or as a result of his employment by the Company. The term "Confidential or Proprietary Information" as used in this Agreement means any secret, confidential or proprietary information of the Company not otherwise included in the definition of "Trade Secret" above. The term "Confidential and Proprietary Information" does not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right of the Company.

2

4. Reasonable and Necessary Restrictions. Executive acknowledges that the restrictions, prohibitions and other provisions of this Agreement, including without limitation the Covenant Period, are reasonable, fair and equitable in scope, term and duration, are necessary to protect the legitimate business interests of NationsBank, and are a material inducement to NationsBank to enter into this Agreement and the letter agreement providing for the Supplemental Retirement Benefits. Executive covenants that Executive will not challenge the enforceability of this Agreement nor will Executive raise any equitable defense to its enforcement.

5. Remedies. In the event Executive breaches any provision of this Agreement, Executive shall forfeit and have no right to receive any of the Supplemental Retirement Benefits due and payable from and after the date of such breach (including without limitation any survivor benefits otherwise payable to Executive's spouse).

6. Operations of Affiliates. Executive agrees that he will refrain from (i) authorizing any Affiliate to perform or (ii) assisting in any manner any Affiliate in performing any activities that would be prohibited by the terms of this Agreement if they were performed by Executive.

7. Miscellaneous Provisions.

(a) Binding Effect. Subject to any provisions hereof restricting assignment, all covenants and agreements in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors, assigns, heirs, and personal representatives. None of the parties hereto may assign any of its rights under this Agreement or attempt to have any other person or entity assume any of its obligations hereunder.

(b) Severability. If fulfillment of any provision of this Agreement, at the time such fulfillment shall be due, shall transcend the limit of validity prescribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clause or provision contained in this Agreement operates or would operate to invalidate this Agreement, in whole or in part, then such clause or provision only shall be held ineffective, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect.

(c) Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto shall be governed by and construed in accordance with the laws of the State of North Carolina, not including the choice-of-law rules thereof.

(d) Amendment; Waiver. Except as otherwise expressly provided in this Agreement, no amendment, modification or discharge of this Agreement shall be valid or binding unless set forth in writing and duly executed by each of the parties hereto. Any waiver by any party or consent by any party to any variation from any provision of this Agreement shall be valid only if in writing and only in the specific instance in which it is given, and such waiver

3

or consent shall not be construed as a waiver of any other provision or as a consent with respect to any similar instance or circumstance.

(e) Headings. Paragraph and subparagraph headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

(f) Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or entity may require.

(g) Execution in Counterparts. This Agreement may be executed in two or more counterparts, none of which need contain the signatures of all parties hereto and each of which shall be deemed an original.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement, or caused this Agreement to be duly executed on its behalf, as of the date first set forth above.

NATIONSBANK CORPORATION

By: /s/ C. J. Cooley

Name: C. J. Cooley

Title: Executive Vice President

"NationsBank"

/s/ Fredric J. Figge, II [SEAL]

Fredric J. Figge, II
"Executive"

NATIONSBANK CORPORATION
EXECUTIVE INCENTIVE COMPENSATION PLAN
(as amended and restated effective January 1, 1997)

THIS INSTRUMENT OF AMENDMENT AND RESTATEMENT is executed as of the 22nd day of January, 1997 by NATIONSBANK CORPORATION, a North Carolina corporation (the "Corporation").

Statement of Purpose

The Corporation maintains the NationsBank Corporation Executive Incentive Compensation Plan (the "Plan") pursuant to which certain covered employees of the Corporation may receive annual incentive compensation based on the annual performance of the Corporation consistent with the "performance-based compensation" requirements of Section 162(m) of the Internal Revenue Code. The Corporation desires to amend the Plan effective January 1, 1997 to change the annual incentive compensation formula under the Plan to a fixed award formula of 0.20% of the Corporation's Net Income for each Covered Employee. The Corporation believes that such amendment can best be effected by amending and restating the Plan in its entirety effective as of January 1, 1997. In accordance with paragraph 7 of the Plan, such amendment and restatement of the Plan has been approved by the Board of Directors of the Corporation, and in accordance with paragraph 6 of the Plan, such amendment and restatement shall not be effective unless approved and ratified by the shareholders of the Corporation.

NOW, THEREFORE, the Plan is hereby amended and restated in its entirety to consist of the following paragraphs 1 through 11 effective as of the date hereof:

1. Name:

This plan shall be known as the "NationsBank Corporation Executive Incentive Compensation Plan" (the "Plan").

2. Purpose and Intent:

NationsBank Corporation (the "Corporation") established this Plan effective January 1, 1994 for the purpose of providing certain of its senior executive officers with annual incentive compensation based on the annual performance of the Corporation measured by objective corporate financial performance measures. This amendment and restatement is effective January 1, 1997. The intent of the Plan is to provide "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code. The provisions of the Plan shall be construed and interpreted to effectuate such intent.

3. Definitions:

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

(a) "Account" means the account established and maintained on the books of the Corporation to record a Covered Employee's interest under the Plan attributable to amounts

credited to the Covered Employee pursuant to paragraph 10(b) below, as adjusted from time to time pursuant to the terms of the Plan.

(b) "Claim" means a claim for benefits under the Plan.

(c) "Claimant" means a person making a Claim.

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

(e) "Committee" means all of the members of the Compensation Committee of the Board of Directors of the Corporation who are Outside Directors.

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

(g) "Mirror Rate Method" means a method for determining the adjustment to a Covered Employee's Account for a month such that the level of investment return for the Account for such month substantially equals the aggregate level of investment return for such month of all of the Covered Employee's accounts under The NationsBank Retirement Savings Plan (the "Savings Plan") that are invested

in the Investment Trust under the Savings Plan other than amounts mandatorily invested in the common stock of the Corporation under the Investment Trust. For this purpose, amounts shall be deemed to be mandatorily invested in the common stock of the Corporation even if the Covered Employee is eligible to make a diversification election under the Savings Plan with respect to such common stock. However, once such a diversification election is in fact made by a Covered Employee, amounts transferred out of such mandatorily invested account in accordance with such election shall be included in determining the aggregate level of investment return under the Mirror Rate Method for the Covered Employee from and after the effective date of such election.

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

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

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

(k) "Single Sum Value" of the Account of a Covered Employee who is receiving annual installments pursuant to paragraph 10(f) means the single sum present value of the

2

installments determined as of the relevant determination date using for such purpose as the discount rate the same rate that was used in calculating the amount of the installments pursuant to paragraph 10(f) below.

(l) "30-Year Treasury Rate Method" means a method for determining the adjustment to a Covered Employee's Account for a month such that the level of investment return of the Account for such month substantially equals the ask yield of the most recent auction of 30-year Treasury bonds, as quoted for the last business day of the immediately preceding calendar month in the Wall Street Journal (Eastern Edition), or if such quotations are not available in the Wall Street Journal, in a similar financial publication selected by the Committee.

4. Administration:

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

5. Operation:

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

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

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

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

(e) Unless deferred pursuant to the provisions of paragraph 10, a Covered Employee's award under the Plan for a Plan Year shall be paid by the Corporation to such Covered Employee in cash, less applicable payroll and withholding taxes, within seventy-five (75) days after the certification by the Committee as provided in paragraph 5(d).

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

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

6. Shareholder Approval:

In accordance with Section 162(m)(4)(C)(ii) of the Code, the effectiveness of this amendment and restatement of the Plan is subject to its approval and ratification by the shareholders of the Corporation after disclosure to the shareholders of the Corporation of the material terms of the Plan, such approval and ratification to be obtained (i) at the annual shareholders' meeting of the Corporation scheduled for April 1997 and (ii) at such other times as required by Section 162(m)(4)(C)(ii) of the Code.

7. Amendment, Modification and Termination of the Plan:

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

(b) Effect on Deferred Amounts Under the Plan. Notwithstanding any provision of the Plan to the contrary, no amendment, modification or termination of the Plan shall reduce the amount actually credited to a Covered Employee's Account under the Plan on the date of such amendment, modification or termination, or further defer the due dates for the payment of such amounts, without the consent of the affected Covered Employee. Notwithstanding the provisions of paragraph 10(d), in connection with any termination of the Plan the Committee shall have the authority to cause the Accounts of all Covered Employees to be paid in a single sum payment as of a date determined by the Committee or to otherwise accelerate the payment of all Accounts in such manner as the Committee shall determine in its discretion. In that regard, upon any termination of the Plan the amount of any payment to a Covered Employee (or beneficiary of a deceased Covered Employee) who is receiving annual installments pursuant to paragraph 10(f) shall be the Single Sum Value of the Covered Employee's Account determined as of the selected determination date.

8. Applicable Law:

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

9. Miscellaneous:

A Covered Employee's rights and interests under the Plan may not be assigned or transferred by the Covered Employee. To the extent the Covered Employee acquires a right to

4

receive payments from the Corporation under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Corporation. Nothing contained herein shall be deemed to create a trust of any kind or any fiduciary relationship between the Corporation and the Covered Employee. Designation as a Covered Employee in the Plan shall not entitle or be deemed to entitle a Covered Employee to continued employment with the Corporation.

10. Deferral of Amounts Payable Under the Plan:

(a) Elections to Defer. Each Covered Employee for a Plan Year shall be given the opportunity to irrevocably elect, on a form provided by the Committee, to defer all or a portion of any amount that may become payable to such Covered Employee under the Plan for such Plan Year. In order to be effective, a Covered Employee's election to defer must be executed and returned to the Committee on or before the date specified by the Committee for such purpose.

(b) Establishment of Accounts. The Corporation shall establish and maintain on its books an Account for each Covered Employee making an election to defer under this paragraph 10. Each Account shall be designated by the name of the Covered Employee for whom established. Any amount otherwise allocable to the Covered Employee under the formula established for a Plan Year that is deferred by the Covered Employee under this paragraph 10 shall be credited to the Covered Employee's Account as of the date such amount would have otherwise been paid to the Covered Employee.

(c) Account Adjustments. Each Account shall be adjusted on a monthly basis pursuant to either the Mirror Rate Method or the 30-Year Treasury Rate Method. Each Covered Employee with an Account shall be given an opportunity to elect between the Mirror Rate Method and the 30-Year Treasury Rate Method for such purpose. To be effective, such election must be made at such times, on such forms and pursuant to such procedures as established by the Committee in its sole discretion from time to time. An election once made shall remain in effect unless and until changed by the Covered Employee in accordance with this paragraph 10(c). If a Covered Employee fails to make an election under this paragraph 10(c), the method for making adjustments to the Covered Employee's Account shall be the 30-Year Treasury Rate Method. If a Covered Employee has elected the Mirror Rate Method, and subsequently the Covered Employee ceases to have any account balances under the Savings Plan upon which the Mirror Rate Method is based (e.g., as a result of an in-service withdrawal of the Covered Employee's accounts under the Savings Plan after attaining age 59-1/2), then the method for making adjustments to the Covered Employee's Account shall automatically be changed to the 30-Year Treasury Rate Method beginning effective with the calendar month in which the Covered Employee ceases to have such Savings Plan account balances.

(d) Payment Options.

(i) A Covered Employee who first elects to defer amounts under this paragraph 10 after having attained age fifty-four (54) shall, at the time of the Covered Employee's initial deferral election, irrevocably elect one of the payment options described in subparagraph (iii) below.

(ii) For a Covered Employee who first elects to defer amounts under this paragraph 10 before having attained age fifty-four (54), such Covered

5

Employee shall, upon attainment of age fifty-four (54), be given the opportunity to irrevocably elect one of the payment options described in subparagraph (iii) below.

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

(iv) Any election made under this paragraph 10(d) shall be made on such forms, at such time and pursuant to such procedures as determined by the Committee in its sole discretion from time to time. An election made under subparagraph (i) shall be immediately effective. An election made under subparagraph (ii) shall not become effective until the first anniversary of the date of such election. In addition, the Committee may establish special procedures for the first Plan Year in which such election becomes available for Covered Employees who are age fifty-four (54) and older, provided that any such election is not effective for at least twelve (12) months from the date made.

(v) For a Covered Employee who does not yet have an election in effect under this paragraph 10(d) or for a Covered Employee who fails to elect a payment option under this paragraph 10(d), the method of payment shall be the single cash payment.

(e) Single Cash Payment. If a Covered Employee who is to be paid by the single cash payment method pursuant to paragraph 10(d) terminates employment with the Corporation, then such Covered Employee's Account shall continue to be credited with monthly adjustments under paragraph 10(c) through March 31 of the calendar year immediately following the calendar year of such termination of employment, except that the rate for such monthly adjustments for the calendar month of such termination of employment through such March 31 shall be the 30-year Treasury bond ask yield for the last business day of the calendar month immediately preceding such termination of employment (regardless of the method of Account adjustment elected by the Covered Employee under paragraph 10(d) above). The final Account balance as of such March 31 shall be paid in a single cash payment to the Covered Employee (or to the Covered Employee's designated beneficiary in the case of the Covered Employee's termination of employment as the result of the Covered Employee's death) on or about such March 31.

(f) Annual Installments. If a Covered Employee who is to be paid by one of the annual installment payment methods pursuant to paragraph 10(d) terminates employment with the Corporation, the amount of such annual installments shall be calculated and paid pursuant to the provisions of this paragraph 10(f). The first installment shall be paid on or about March 31 of the calendar year immediately following the calendar year of such termination of employment, and each subsequent installment shall be paid on or about each subsequent March 31. The amount of the installments shall be calculated as follows: First, the Covered Employee's Account shall continue to be credited with monthly adjustments under paragraph 10(c) through such March 31, except that the rate for such monthly adjustments for the calendar month of such termination of employment through such March 31 shall be the 30-year Treasury bond ask yield for the last business day of the calendar month immediately preceding such

employment (regardless of the method of Account adjustment elected by the Covered Employee under paragraph 10(d) above). The amount of the annual installments shall then be calculated, based on the Account balance as of such March 31, as equal annual installments amortized over the selected period using the same 30-year Treasury bond ask yield. If a Covered Employee dies after the effectiveness of the Covered Employee's election as to the method of payment under paragraph 10(d) and the Covered Employee has selected annual installments, such annual installments (or remaining annual installments in the case of death after commencement of payment) shall be paid to the Covered Employee's designated beneficiary.

(g) Other Payment Provisions. Subject to the provisions of paragraph 10(h) below and paragraph 7 above, a Covered Employee shall not be paid any portion of the Covered Employee's Account prior to the Covered Employee's termination of employment with the Corporation. Any deferral or payment hereunder shall be subject to applicable payroll and withholding taxes. For purposes of the Plan, a Covered Employee shall be deemed to have terminated employment with the Corporation upon such Covered Employee becoming eligible for benefits under the NationsBank Long-Term Disability Plan as in effect from time to time. In the event any amount becomes payable under the provisions of the Plan to a Covered Employee, beneficiary or other person who is a minor or an incompetent, whether or not declared incompetent by a court, such amount may be paid directly to the minor or incompetent person or to such person's fiduciary (or attorney-in-fact in the case of an incompetent) as the Committee, in its sole discretion, may decide, and the Committee shall not be liable to any person for any such decision or any payment pursuant thereto.

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

(i) Statements of Account. Each Covered Employee shall receive an annual statement of the Covered Employee's Account balance.

11. Claims Procedures:

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

(b) Notice of Decision of Committee. Each Claimant whose Claim has been

denied by the Committee shall be provided written notice thereof, which notice shall set forth:

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

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

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

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

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

(c) Review of Decision of Committee. Each such Claimant shall be afforded a reasonable opportunity for a full and fair review of the decision of the Committee denying the Claim. Such review shall be by the Committee. Such appeal shall be made within ninety (90) days after the Claimant received the written decision of the Committee and shall be made by the written request of the Claimant or such Claimant's duly authorized representative of the Committee. In the event of appeal, the Claimant or such Claimant's duly authorized representative may review pertinent documents and submit issues and comments in writing to the Committee. The Committee shall review the following:

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

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

8

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

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

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

NATIONSBANK CORPORATION

By: /s/ C. J. Cooley

C. J. Cooley
Executive Vice President

"Corporation"

9

NationsBank
Corporation
Key Employee Stock Plan

Effective Date: January 1, 1995

(As amended and restated effective December 19, 1997)

Contents

	Page
Article 1. Establishment, Purpose, and Duration.....	1
Article 2. Definitions.....	1
Article 3. Administration.....	5
Article 4. Shares Subject to the Plan.....	6
Article 5. Eligibility and Participation.....	7
Article 6. Stock Options.....	7
Article 7. Stock Appreciation Rights.....	9
Article 9. Performance Shares.....	12
Article 10. Performance Measures.....	13
Article 11. Beneficiary Designation.....	13
Article 12. Deferrals.....	13
Article 13. Rights of Key Employees.....	14
Article 14. Change in Control.....	14
Article 15. Amendment, Modification, and Termination.....	16
Article 16. Withholding.....	17
Article 17. Indemnification.....	17
Article 18. Successors.....	17
Article 19. Legal Construction.....	17

NationsBank Corporation
Key Employee Stock Plan

Article 1. Establishment, Purpose, and Duration

1.1 Establishment of the Plan. NationsBank Corporation, a North Carolina corporation (hereinafter referred to as the "Company"), hereby establishes an incentive compensation plan to be known as the "NationsBank Corporation Key Employee Stock Plan" (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock and Performance Shares.

Subject to approval by the Company's shareholders, the Plan shall become effective as of January 1, 1995 (the "Effective Date") and shall remain in effect as provided in Section 1.3 hereof.

1.2 Purpose of the Plan. The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of Participants to those of the Company's shareholders, and by providing Participants with an incentive for outstanding performance.

The Plan is further intended to provide flexibility to the Company in its

ability to motivate, attract, and retain the services of Participants upon whose judgment, interest and special effort the successful conduct of its operation largely is dependent.

1.3 Duration of the Plan. The Plan shall commence on the Effective Date, as described in Section 1.1 hereof, and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan at any time pursuant to Article 15 hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions. However, in no event may an Award be granted under the Plan after December 31, 2004.

Article 2. Definitions

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

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

2.2 "Award Agreement" means an agreement entered into by the Company and each Participant setting forth the terms and provisions applicable to Awards granted under this Plan.

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

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

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

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

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

(ii) The combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of Directors (the "Outstanding Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company or pursuant to a written agreement to which the Company is a party, as such written agreement is more particularly described in Section 55-9A-01(b)(3)f and g of the North Carolina Business Corporation Act as ratified by the North Carolina General Assembly on June 8, 1989, (B) any acquisition by the Company or any of its Subsidiaries, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries, (D) any acquisition by any corporation with respect to which, following such acquisition, more than fifty percent (50%) of, respectively, the then-outstanding shares of common stock of such corporation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors are then beneficially owned by all or substantially all of the Persons who were the Beneficial Owners, respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such acquisition in substantially the same proportions as their Beneficial Ownership, immediately prior to such acquisition, of the Outstanding Shares and Outstanding Voting Securities, as the case may be; or

(b) Individuals who, as of the Effective Date, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual who becomes a Director subsequent to the Effective Date and whose election, or whose nomination for election by the Company's shareholders, to the Board of Directors was either (i) approved by a vote of at least a majority of the Directors then comprising the Incumbent Board or (ii) recommended by a Nominating Committee comprised entirely of Directors who are then Incumbent Board members shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act), other actual or threatened solicitation of proxies or consents or an actual or threatened tender offer; or

(c) Approval by the Company's shareholders of a reorganization, merger, or consolidation, in each case, with respect to which all or

substantially all of the Persons who were the Beneficial Owners, respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such reorganization, merger, or consolidation do not, following such reorganization, merger, or consolidation, beneficially own more than fifty percent (50%) of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger, or consolidation in substantially the same proportions as their Beneficial Ownership, immediately prior to such

2

reorganization, merger, or consolidation, of the Outstanding Shares and Outstanding Voting Securities, as the case may be; or

(d) Approval by the Company's shareholders of:

(i) A complete liquidation or dissolution of the Company; or

(ii) The sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, more than fifty percent (50%) of, respectively, the then-outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned by all or substantially all of the Persons who were the Beneficial Owners, respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their Beneficial Ownership, immediately prior to such sale or other disposition, of the Outstanding Shares and Outstanding Voting Securities, as the case may be.

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

2.7 "Committee" means the Stock Option Committee of the Board, as specified in Article 3 herein, appointed by the Board to administer the Plan with respect to grants of Awards.

2.8 "Company" means NationsBank Corporation, a North Carolina corporation, and any successor as provided in Article 18 herein.

2.9 "Director" means any individual who is a member of the Board of Directors of the Company.

2.10 "Disability" with respect to a Participant, means "disability" as defined from time to time under any long-term disability plan of the Company or Subsidiary with which the Participant is employed.

2.11 "Earnings Per Share" means "earnings per common share" of the Company determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Shareholders.

2.12 "Effective Date" shall have the meaning ascribed to such term in Section 1.1 hereof.

2.13 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.14 "Fair Market Value" shall be determined on the basis of the closing sale price on the New York Stock Exchange (or such other principal securities exchange on which the Shares are traded if the Shares are no longer traded on the New York Stock Exchange) or, if there is no such sale on the relevant date, then on the last previous day on which a sale was reported.

3

2.15 "Freestanding SAR" means an SAR that is granted independently of any Options.

2.16 "Incentive Stock Option" or "ISO" means an option to purchase Shares, granted under Article 6 herein, and which is designated as an Incentive Stock Option which is intended to meet the requirements of Section 422 of the Code.

2.17 "Insider" shall mean an individual who is, on the relevant date, an officer, director or ten percent (10%) beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.

2.18 "Key Employee" means an employee of the Company, including an officer of the Company, in a managerial or other important position who, by virtue of such employee's ability, qualifications and performance, has made important contributions to the Company, all as determined by the Committee in its discretion.

2.19 "Named Executive Officer" means, for a calendar year, a Participant who is one of the group of "covered employees" for such calendar year within the meaning of Code Section 162(m) or any successor statute.

2.20 "Net Income" means "net income" of the Company determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Shareholders.

2.21 "Nonqualified Stock Option" or "NQSO" means an option to purchase Shares granted to Key Employees under Article 6 herein, and which is not intended to meet the requirements of Code Section 422.

2.22 "Option" means an Incentive Stock Option or a Nonqualified Stock Option.

2.23 "Option Price" means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.24 "Participant" means a Key Employee who has outstanding an Award granted under the Plan.

2.25 "Performance-Based Exception" means the performance-based exception set forth in Code Section 162(m) (4) (C) from the deductibility limitations of Code Section 162(m).

2.26 "Performance Share" means an Award granted to an Key Employee, as described in Article 9 herein.

2.27 "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the Shares are subject to a substantial risk of forfeiture, as provided in Article 8 herein.

2.28 "Person" shall have the meaning ascribed to such term in Section 3(a) (9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

4

2.29 "Restricted Stock" means an Award granted to a Participant pursuant to Article 8 herein.

2.30 "Retirement" of a Participant means the Participant's termination of employment with the Company and Subsidiaries (other than by reason of death) after the Participant has attained both (i) age fifty (50) and (ii) a combined age and years of "Vesting Service" under the NationsBank Pension Plan equal to at least seventy-five (75).

2.31 "Return on Assets" means "return on average assets" of the Company determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Shareholders.

2.32 "Return on Equity" means "return on average common shareholders' equity" of the Company determined in accordance with generally accepted accounting principles that would be reported in the Company's Annual Report to Shareholders.

2.33 "Shares" means the shares of Common Stock of the Company.

2.34 "Stock Appreciation Right" or "SAR" means an Award, granted alone or in connection with a related Option, designated as an SAR, pursuant to the terms of Article 7 herein.

2.35 "Subsidiary" means any corporation, partnership, joint venture, affiliate, or other entity in which the Company has an ownership interest, and which the Committee designates as a participating entity in the Plan.

2.36 "Tandem SAR" means an SAR that is granted in connection with a related Option, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

2.37 "Total Shareholder Return" means the percentage change of an initial investment in Shares over a specified period assuming reinvestment of all dividends during the period.

Article 3. Administration

3.1 The Committee. The Plan shall be administered by the Stock Option Committee of the Board or by any other Committee appointed by the Board consisting of not less than two (2) Directors. All of the members of the Committee shall comply with the "disinterested administration" rules of Rule 16b-3 under the Exchange Act. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors. In addition, any action taken with respect to Named Executive Officers for purposes of meeting the Performance-Based Exception shall be taken by the Committee only if all of the members of the Committee are "outside directors" within the meaning of Code Section 162(m). If all of the members of the Committee are not "outside directors," such action shall be taken by a subcommittee of the Committee comprised of at least two (2) members who are "outside directors"

5

3.2 Authority of the Committee. Except as limited by law, or by the Articles of Incorporation or Bylaws of the Company, and subject to the provisions herein, the Committee shall have full power to select Key Employees who shall participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend, or waive rules and regulations for the Plan's administration; and (subject to the provisions of Article 15 herein), amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law, the Committee may delegate its authority as identified herein.

3.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Board shall be final, conclusive and binding on all persons, including the Company, its shareholders, employees, Participants, and their estates and beneficiaries.

Article 4. Shares Subject to the Plan

4.1 Number of Shares Available for Grants. Beginning on the Effective Date, there is hereby reserved for issuance under the Plan a number of shares equal to:

(a) seventy-five one hundredths of a percent (0.75%) of the outstanding Shares as of the first business day of each calendar year beginning with calendar year 1995 and continuing through calendar year 2004; plus

(b) the Shares available for issuance under the Company's 1986 Restricted Stock Award Plan (the "1986 Plan") as of January 31, 1995.

Such Shares available for grants of Awards in any year shall be increased by the number of Shares available under this Section 4.1 in previous years but not covered by Awards granted under this Plan in those years plus any Shares as to which Awards granted under this Plan have lapsed, expired, terminated, or been canceled. In addition, any Shares as to which Awards under the Company's 1986 Plan may lapse, expire, terminate, or be canceled, shall also be reserved and available for issuance or reissuance under this Section 4.1 in any calendar year. No further awards are to be granted under the 1986 Plan after January 31, 1995; provided that any outstanding awards under the 1986 Plan shall continue to remain outstanding in accordance with the terms thereof. An additional Ten Million (10,000,000) Shares were made available for grants of Awards under the Plan beginning effective January 7, 1997 in connection with the merger of the Company with Boatmen's Bancshares, Inc. (after giving effect to the two-for-one stock split of the Shares effective February 27, 1997). In addition, the Company has entered an Agreement and Plan of Merger with Barnett Banks, Inc. ("Barnett"). In the event the Barnett transaction is consummated, an additional Ten Million (10,000,000) Shares shall be made available for grants of Awards under the Plan beginning effective as of the consummation of such transaction. In no event shall a Participant receive an Award or Awards during any one (1) calendar year covering in the aggregate more than Five Hundred Thousand (500,000) Shares. In addition, in no event shall the total number of Incentive Stock Options granted during the ten (10) year term of the Plan cover in the aggregate more than the product of (i) ten (10) times (ii) seventy-five one hundredths of a percent (0.75%) of the outstanding Shares as of the first business day of calendar year 1995. The number of Shares reserved for issuance under this Section 4.1 and the limitations on the number of annual Awards to individuals and Incentive Stock Option Awards set forth above shall be subject to adjustment as provided in Section 4.3.

6

4.2 Lapsed Awards. If any Award granted under this Plan is canceled, terminates, expires, or lapses for any reason (with the exception of the termination of a Tandem SAR upon exercise of the related Option, or the termination of a related Option upon exercise of the corresponding Tandem SAR), any Shares subject to such Award again shall be available for the grant of an Award under the Plan.

4.3 Adjustments in Authorized Shares. In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares which may be delivered under the Plan and in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; provided, however, that the number of Shares subject to any Award shall always be a whole number.

Article 5. Eligibility and Participation

5.1 Eligibility. Persons eligible to participate in this Plan are all Key Employees of the Company, as determined by the Committee, including Key Employees who are Directors, but excluding Directors who are not Key Employees.

5.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Key Employees those to whom Awards shall be granted and shall determine the nature and amount of each Award.

5.3 Foreign Employees. Notwithstanding any provision of the Plan to the contrary, in order to foster and promote achievement of the purposes of the Plan or to comply with provisions of laws in other countries in which the Company operates or has employees, the Committee, in its sole discretion, shall have the power and authority to (i) determine which Key Employees (if any) employed outside the United States are eligible to participate in the Plan, (ii) modify the terms and conditions of any Awards made to such Key Employees and (iii) establish subplans, modified Option exercise and other terms and procedures to the extent such actions may be necessary or advisable.

Article 6. Stock Options

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Key Employees in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. The Award Agreement also shall specify whether the Option is intended to be an ISO within the meaning of Section 422 of the Code, or an NQSO whose grant is intended not to fall under Code Section 422.

7

6.3 Option Price. The Option Price for each grant of an Option under this Plan shall be at least equal to one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted.

6.4 Duration of Options. Each Option shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the tenth (10th) anniversary date of its grant.

6.5 Exercise of Options. Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve and which shall be set forth in the applicable Award Agreement, which need not be the same for each grant or for each Participant.

6.6 Payment. Options shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent, or (b) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price), or (c) by a combination of (a) and (b).

The Committee also may allow cashless exercise as permitted under Federal

Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

6.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable Federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.8 Termination of Employment. Each Participant's Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination of employment. In that regard, if an Award Agreement permits exercise of an Option following the death of the Participant, the Award Agreement shall provide that such Option shall be exercisable to the extent provided therein by any person that may be empowered to do so under the Participant's will, or if the Participant shall fail to make a testamentary disposition of the Option or shall have died intestate, by the Participant's executor or other legal representative.

8

6.9 Nontransferability of Options.

(a) Incentive Stock Options. No ISO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

(b) Nonqualified Stock Options. Except as otherwise provided in a Participant's Award Agreement, no NQSO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all NQSOs granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant.

6.10 No Rights. A Participant granted an Option shall have no rights as a shareholder of the Company with respect to the Shares covered by such Option except to the extent that Shares are issued to the Participant upon the due exercise of the Option.

Article 7. Stock Appreciation Rights

7.1 Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Key Employees at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SAR.

The Committee shall have complete discretion in determining the number of SARs granted to each Participant (subject to Article 4 herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The grant price of a Freestanding SAR shall equal the Fair Market Value of a Share on the date of grant of the SAR. The grant price of Tandem SARs shall equal the Option Price of the related Option.

7.2 Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (i) the Tandem SAR will expire no later than the expiration of the underlying ISO; (ii) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (iii) the Tandem SAR may be exercised only

when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

7.3 Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.4 SAR Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee shall determine.

9

7.5 Term of SARs. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that such term shall not exceed ten (10) years.

7.6 Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The difference between the Fair Market Value of a Share on the date of exercise over the grant price; by

(b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

7.7 Rule 16b-3 Requirements. Notwithstanding any other provision of the Plan, the Committee may impose such conditions on exercise of an SAR (including, without limitation, the right of the Committee to limit the time of exercise to specified periods) as may be required to satisfy the requirements of Section 16 (or any successor rule) of the Exchange Act.

7.8 Termination of Employment. Each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment. In that regard, if an Award Agreement permits exercise of an SAR following the death of the Participant, the Award Agreement shall provide that such SAR shall be exercisable to the extent provided therein by any person that may be empowered to do so under the Participant's will, or if the Participant shall fail to make a testamentary disposition of the SAR or shall have died intestate, by the Participant's executor or other legal representative.

7.9 Nontransferability of SARs. Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

7.10 No Rights. A Participant granted an SAR shall have no rights as a shareholder of the Company with respect to the Shares covered by such SAR except to the extent that Shares are issued to the Participant upon the due exercise of the SAR.

Article 8. Restricted Stock

8.1 Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to eligible Key Employees in such amounts as the Committee shall determine.

10

8.2 Restricted Stock Agreement. Each Restricted Stock grant shall be evidenced by a Restricted Stock Agreement that shall specify the Period of Restriction, or Periods, the number of Shares of Restricted Stock granted, and such other provisions as the Committee shall determine.

8.3 Transferability. Except as provided in this Article 8, the Shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Restricted Stock Agreement. All rights with respect to the Restricted Stock

granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant.

8.4 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock, restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual), time-based restrictions on vesting following the attainment of the performance goals, and/or restrictions under applicable Federal or state securities laws.

The Company shall retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the Period of Restriction.

8.5 Voting Rights. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares.

8.6 Dividends and Other Distributions. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may be credited with regular cash dividends paid with respect to the underlying Shares while they are so held. The Committee may apply any restrictions to the dividends that the Committee deems appropriate.

In the event that any dividend constitutes a derivative security or an equity security pursuant to Rule 16(a) under the Exchange Act, such dividend shall be subject to a vesting period equal to the remaining vesting period of the Shares of Restricted Stock with respect to which the dividend is paid.

8.7 Termination of Employment. Each Restricted Stock Award Agreement shall set forth the extent to which the Participant shall have the right to receive unvested Restricted Shares following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all Shares of Restricted Stock issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment. In amplification but not limitation of the foregoing, in the case of an award of Restricted Stock to a Named Executive Officer which is intended to qualify for the Performance-Based Exception, the Award Agreement may provide that such Restricted Stock may become payable in the event of a termination of employment by reason of death, Disability or Change in Control, such payment not to occur before attainment of the related performance goal.

11

Article 9. Performance Shares

9.1 Grant of Performance Shares. Subject to the terms of the Plan, Performance Shares may be granted to eligible Key Employees in such amount and upon such terms, and at any time and from time to time, as shall be determined by the Committee. The number and/or vesting of Performance Shares granted, in the Committee's discretion, shall be contingent upon the degree of attainment of specified performance goals or other conditions over a specified period (the Performance Period). The terms and conditions of an Award of Performance Shares shall be evidenced by an appropriate Award Agreement.

9.2 Value of Performance Shares. The value of a Performance Share at any time shall equal the Fair Market Value of a Share at such time.

9.3 Form and Timing of Payment of Performance Shares. During the course of a Performance Period, the Committee shall determine the number of Performance Shares as to which the Participant has earned a right to be paid pursuant to the terms of the applicable Award Agreement. The Committee shall pay any earned Performance Shares as soon as practical after they are earned in the form of cash, Shares or a combination thereof (as determined by the Committee) having an aggregate Fair Market Value equal to the value of the earned Performance Shares as of the date they are earned. Any Shares used to pay out earned Performance Shares may be granted subject to any restrictions deemed appropriate by the Committee. In addition, the Committee, in its discretion, may cancel any earned Performance Shares and grant Stock Options to the Participant which the Committee determines to be of equivalent value based on a conversion formula stated in the Performance Shares Award Agreement.

The Committee, in its discretion, may also grant dividend equivalents rights with respect to earned but unpaid Performance Shares as evidenced by the applicable Award Agreement. Performance Shares shall not have any voting rights.

Prior to the beginning of a Performance Period (or at such other time as determined by the Committee), Participants may elect to defer the receipt of payment of any Performance Shares or other amounts (e.g., dividend equivalents rights) earned pursuant to the Award Agreement upon such terms as the Committee deems appropriate and as set forth in the applicable Award Agreement.

9.4 Termination of Employment. Each Performance Share Award Agreement shall set forth the extent to which the Participant shall have the right to receive unearned Performance Shares following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreements entered into with Participants, need not be uniform among all Performance Shares awarded pursuant to the Plan, and may reflect distinctions based on the reasons of termination of employment. In amplification but not limitation of the foregoing, in the case of an award of Performance Shares to a Named Executive Officer which is intended to qualify for the Performance-Based Exception, the Award Agreement may provide that such Performance Shares may become payable in the event of a termination of employment by reason of death, Disability or Change in Control, such payment not to occur before attainment of the related performance goal.

9.5 Nontransferability. Except as otherwise provided in a Participant's Award Agreement, Performance Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise

12

provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant.

Article 10. Performance Measures

The performance measure(s) to be used for purposes of Awards to Named Executive Officers which are designed to qualify for the Performance-Based Exception shall be chosen from among the following alternatives:

- (a) Earnings Per Share;
- (b) Net Income;
- (c) Return On Assets;
- (d) Return On Equity; or
- (e) Total Shareholder Return.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the preestablished performance goals; provided, however, that Awards which are designed to qualify for the Performance-Based Exception, and which are held by Named Executive Officers, may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward).

In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

Article 11. Beneficiary Designation

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

Article 12. Deferrals

The Committee may permit a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, the lapse or waiver of restrictions with respect to Restricted Stock, or the satisfaction of any requirements or goals with respect to Performance Shares. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals.

13

Article 13. Rights of Key Employees

13.1 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

For purposes of this Plan, a transfer of a Participant's employment between the Company and a Subsidiary, or between Subsidiaries, shall not be deemed to be a termination of employment. Upon such a transfer, the Committee may make such adjustments to outstanding Awards as it deems appropriate to reflect the changed reporting relationships.

13.2 Participation. No Key Employee shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

Article 14. Change in Control

14.1 Treatment of Outstanding Awards. Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

(a) Any and all Options and SARs granted hereunder shall become immediately exercisable, and shall remain exercisable throughout their entire term;

(b) Any restriction periods and restrictions imposed on shares of Restricted Stock shall lapse;

(c) The target payout opportunities attainable under all outstanding Awards of Restricted Stock and Performance Shares shall be deemed to have been fully earned for the entire Performance Period(s) as of the effective date of the Change in Control, and the vesting of all Awards shall be accelerated as of the effective date of the Change in Control; and

(d) Subject to Article 15 herein, the Committee shall have the authority to make any modifications to the Awards as determined by the Committee to be appropriate before the effective date of the Change in Control.

14.2 Limitation on Change-in-Control Benefits. It is the intention of the Company and the Participants to reduce the amounts payable or distributable to a Participant hereunder if the aggregate Net After Tax Receipts (as defined below) to the Participant would thereby be increased, as a result of the application of the excise tax provisions of Section 4999 of the Code. Accordingly, anything in this Plan to the contrary notwithstanding, in the event that the certified public accountants regularly employed by the Company immediately prior to any "change" described below (the "Accounting Firm") shall determine that receipt of all Payments (as defined below) would subject the Participant to tax under Section 4999 of the Code, it shall determine whether some amount of Payments would meet the definition of a "Reduced Amount" (as defined below). If the Accounting Firm determines that there is a Reduced Amount, the aggregate Payments shall be reduced to such Reduced Amount in accordance with the provisions of Section 14.2(b) below.

14

(a) For purposes of this Section 14.2(a):

(i) A "Payment" shall mean any payment or distribution in the nature of compensation to or for the benefit of a Participant who is a "disqualified individual" within the meaning of Section 280G(c) of the Code and which is contingent on a "change" described in Section 280G(b) (2) (A) (i) of the Code with respect to the Company, whether paid or payable pursuant to this Plan or otherwise;

(ii) "Plan Payment" shall mean a Payment paid or payable pursuant to this Plan (disregarding this Section 14.2);

(iii) "Net After Tax Receipt" shall mean the Present Value of a Payment, net of all taxes imposed on the Participant with respect thereto under Sections 1 and 4999 of the Code, determined by applying the highest marginal rate under Section 1 of the Code which applied to the Participant's Federal taxable income for the immediately preceding taxable year;

(iv) "Present Value" shall mean such value determined in accordance with Section 280G(d) (4) of the Code; and

(v) "Reduced Amount" shall mean the smallest aggregate amount of Payments which (A) is less than the sum of all Payments and (B) results in aggregate Net After Tax Receipts which are equal to or

greater than the Net After Tax Receipts which would result if all Payments were paid to or for the benefit of the Participant.

(b) If the Accounting Firm determines that aggregate Payments should be reduced to the Reduced Amount, the Committee shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof, and the Participant may then elect, in the Participant's sole discretion, which and how much of the Payments, including without limitation Plan Payments, shall be eliminated or reduced (as long as after such election the Present Value of the aggregate Payments is equal to the Reduced Amount), and shall advise the Committee in writing of such election within ten (10) days of the Participant's receipt of notice. If no such election is made by the Participant within such ten (10) day period, the Committee may elect which of the Payments, including without limitation Plan Payments, shall be eliminated or reduced (as long as after such election the Present Value of the aggregate Payments is equal to the Reduced Amount) and shall notify the Participant promptly of such election. All determinations made by the Accounting Firm under this Section 14.2 shall be binding upon the Company and the Participant and shall be made within sixty (60) days immediately following the event constituting the "change" referred to above. As promptly as practicable following such determination, the Company shall pay to or distribute for the benefit of the Participant such Payments as are then due to the Participant under this Plan.

(c) At the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of the Participant pursuant to this Plan which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or

15

distributed by the Company to or for the benefit of the Participant pursuant to this Plan could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based either upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant which the Accounting Firm believes has a high probability of success or controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment paid or distributed by the Company to or for the benefit of the Participant shall be treated for all purposes as a loan ab initio to the Participant which the Participant shall repay to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such loan shall be deemed to have been made and no amount shall be payable by the Participant to the Company if and to the extent such deemed loan and payment would not either reduce the amount on which the Participant is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes.

In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

14.3 Termination, Amendment, and Modifications of Change-in-Control Provisions. Notwithstanding any other provision of this Plan or any Award Agreement provision, the provisions of this Article 14 may not be terminated, amended, or modified on or after the date of a Change in Control to affect adversely any Award theretofore granted under the Plan without the prior written consent of the Participant with respect to said Participant's outstanding Awards; provided, however, the Board of Directors, upon recommendation of the Committee, may terminate, amend, or modify this Article 14 at any time and from time to prior to the date of a Change in Control.

Article 15. Amendment, Modification, and Termination

15.1 Amendment, Modification, and Termination. The Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part; provided, however, that no amendment which requires shareholder approval in order for the Plan to continue to comply with Rule 16b-3 under the Exchange Act, including any successor to such Rule, shall be effective unless such amendment shall be approved by the requisite vote of shareholders of the Company entitled to vote thereon.

The Committee shall not have the authority to cancel outstanding Awards and issue substitute Awards in replacement thereof.

15.2 Awards Previously Granted. No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

15.3 Acceleration of Award Vesting; Waiver of Restrictions. Notwithstanding any provision of this Plan or any Award Agreement provision to the contrary, the Committee, in its sole and exclusive discretion, shall have the power at any time to (i) accelerate the vesting of any Award granted under the

16

Plan, including without limitation, acceleration to such a date that would result in said Awards becoming immediately vested, or (ii) waive any restrictions of any Award granted under the Plan.

Article 16. Withholding

16.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of this Plan.

16.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event arising as a result of Awards granted hereunder, Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

Article 17. Indemnification

Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Article 18. Successors

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 19. Legal Construction

19.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

17

19.2 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.3 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

19.4 Securities Law Compliance. With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions or Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

19.5 Governing Law. To the extent not preempted by Federal law, the Plan,

and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of North Carolina.

PLAN DOCUMENT

BOATMEN'S SUPPLEMENTAL RETIREMENT PLAN

WHEREAS, Boatmen's Bancshares, Inc., a Missouri corporation, (the "Corporation") desires to provide certain key executive employees of the Corporation and its subsidiaries with supplemental benefits in addition to those benefits provided under the Boatmen's Bancshares, Inc. Retirement Plan for Employees.

Therefore, the Boatmen's Supplemental Retirement Plan is adopted, effective as of August 8, 1989, as amended on January 30, 1996 and February 8, 1996, as follows.

ARTICLE I
Definitions

Except as otherwise specified herein or in a Participant's Participation Agreement, all capitalized terms shall have the same meanings as such terms have under the Boatmen's Bancshares, Inc. Retirement Plan for Employees.

Section 1.1. "Board of Directors" means the Board of Directors of Boatmen's Bancshares, Inc.

Section 1.2. "Cause" means conduct of the Participant which is finally adjudged to be knowingly fraudulent, deliberately dishonest or willful misconduct. The Compensation Committee of the Corporation shall have sole and uncontrolled discretion with respect to the application of the provisions of this Section 1.2 and any determination shall be conclusive and binding upon the Participant and all other persons.

Section 1.3. "Change in Control" means any of the following events:

- (a) any individual, corporation (other than the Corporation), partnership, trust, association, pool, syndicate, or any other entity or any group of persons acting in concert becomes the beneficial owner, as that concept is defined in Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, of securities of the Corporation possessing twenty percent (20%) or more of the voting power for the election of directors of the Corporation;
- (b) there shall be consummated any consolidation, merger or other business combination involving the Corporation or the securities of the Corporation in which holders of voting securities of the Corporation immediately prior to such consummation own, as a group, immediately after such consummation, voting securities of the Corporation (or, if the Corporation does not survive such transaction, voting securities of the corporation surviving such transaction) having less than sixty percent (60%) of the total voting power in an election of directors of the Corporation (or such other surviving corporation);
- (c) during any period of two consecutive years, individuals who at the beginning of such period constitute the Directors of the Corporation cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Corporation's shareholders, of each new Director of the Corporation was approved by a vote of at least two-thirds of the Directors of the Corporation then still in office who were Directors of the Corporation at the beginning of any such period; or
- (d) there shall be consummated any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Corporation (on a consolidated basis) to a party which is not controlled by or under common control with the Corporation.

Section 1.4. "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.5. "Committee" means the Boatmen's Bancshares, Inc. Compensation Committee.

Section 1.6. "Corporation" means Boatmen's Bancshares, Inc.

Section 1.7. "Employee" means any person employed by the Corporation or any of its subsidiaries.

Section 1.8. "Participant" means any Employee who is selected for participation in the Plan by the Committee as provided in Article 11.

Section 1.9. "Plan" means the Boatmen's Supplemental Retirement Plan as set

forth herein and as the same may be amended from time to time.

Section 1.10. "Retirement Plan" means the Boatmen's Bancshares, Inc. Retirement Plan for Employees.

ARTICLE II Participation

Section 2.1. Subject to the provisions of Section 2.2, the Committee shall have exclusive power to designate the Employees who will participate in the Plan.

Section 2.2. Participation in the Plan shall be limited to a select group of Employees of the Corporation and its subsidiaries who are management or highly compensated Employees within the meaning of Section 201(2) of the Employee Retirement Income Security Act of 1974, as amended.

Section 2.3. Each Employee selected to participate in the Plan by the Committee shall indicate his agreement to the terms of the Plan by executing a Participation Agreement, a form

2

of which is attached hereto as Exhibit A. By means of paragraph 4 of the Participation Agreement, an Employee and the Corporation may agree to vary the terms of the Plan as to such Employee.

ARTICLE III Benefits

Section 3.1. Except in the case of termination for Cause, in which event no benefit shall be payable under the Plan, if a Participant's employment with the Corporation or one of its subsidiaries is terminated (a) by Disability, (b) within one (1) year after a Change in Control, (c) by the Corporation or one of its subsidiaries after the Participant has completed five (5) years of Vesting Service, or (d) after the Participant has satisfied the requirements for early retirement under the Retirement Plan, the Corporation shall pay to the Participant, in the manner provided in Article V, a benefit equal to the excess of the benefit in (i) over the benefit in (ii) described below:

(i) the benefit which the Participant would be entitled to receive under the Retirement Plan (based upon the terms of the Retirement Plan then in effect) upon the Participant's termination of employment and if the benefit under the Retirement Plan were computed

(a) including in Earnings for Retirement Plan purposes all incentive compensation, if a Participant prior to January 1, 1996; or

(b) including in Earnings for Retirement Plan purposes annual incentive compensation, if an individual becomes a Participant after December 31, 1995; and

(c) without giving effect to the limitations then currently imposed by Section 415 of the Code, the limitations of Section 1.401-4(c) of the Income Tax Regulations or their successors, or the limitations under Section 401(a)(17) of the Code;

(ii) the benefit which the Participant would be entitled to receive under the Retirement Plan upon the Participant's termination of employment, if such benefit were computed without giving effect to the limitation then currently imposed by Section 1.401-4(c) of the Income Tax Regulations or its successor.

Section 3.2. For purposes of Section 3.1(i), a Participant whose employment has terminated for reasons other than death or Disability within one (1) year after a Change in Control and who is not otherwise entitled to receive a benefit under the Retirement Plan shall be deemed to be entitled to receive a benefit under the Retirement Plan based upon the formula set forth in the Retirement Plan.

3

ARTICLE IV Death Benefits

Section 4.1. If the spouse of a Participant is entitled to receive a benefit under the Retirement Plan upon the death of the Participant then such spouse will be entitled to receive a death benefit under this Plan calculated

pursuant to the formula set forth in Article III.

ARTICLE V
Payment of Benefits

Section 5.1. Payment of benefits under the Plan will be made in the same manner and at the same time as benefit payments to the Participant or his spouse under the Retirement Plan.

ARTICLE VI
Claims

Section 6.1. If a claim for benefits under the Plan is denied, the Committee will provide a written notice of the denial setting forth the specific reasons for the denial, a description of any additional material or information necessary for a claimant to perfect a claim, and an explanation of why such material or information is necessary and appropriate information as to the steps to be taken for the claim to be submitted for review. A claimant may request a review of a denial. Such requests should be submitted to the Committee, in writing, within 60 days after receipt of the denial notice stating the reasons for requesting the review. A claimant may review pertinent documents and submit issues and comments in writing. A decision will be made on the review of the denial of a claim not later than 60 days after the Committee's receipt of a request for review unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible but not later than 120 days after receipt of a request for review. The decision on review will be in writing to the claimant and shall include specific reasons for the decision.

ARTICLE VII
Amendment and Termination

Section 7.1. The Committee may amend the Plan at any time; provided, however, that no such amendment shall have the effect of depriving Participants of rights accrued under the Plan as of the date of such amendment. The Board of Directors will have the power and authority to terminate this Plan; provided, however, that any such termination shall not terminate any rights or benefits accrued by a Participant under this Plan as of the effective date of any such termination.

4

ARTICLE VIII
Administration

Section 8.1. The Plan shall be administered by the Committee in accordance with its terms, for the exclusive benefit of Participants. The powers and duties of the Committee shall be similar to those powers and duties granted to the Plan Administrator of the Retirement Plan. In addition, the Committee, in its sole discretion, shall have the power to accelerate the payment of benefits under the Plan to any Participant or spouse. Any interpretation or construction of Plan terms or any determination by the Committee with respect to Plan benefits, etc., shall be conclusive and binding with respect to Participants and all other persons.

ARTICLE IX
Miscellaneous

Section 9.1. Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall give the Participant the right to be retained in the employ of the Corporation or its subsidiaries or interfere with the right of the Corporation or its subsidiaries to discharge the Participant at any time, nor shall it give the Corporation or its subsidiaries the right to require the Participant to remain in their employ or interfere with the Participant's right to terminate his employment at any time.

Section 9.2. No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment or encumbrance of any kind.

Section 9.3. All rights hereunder shall be governed by and construed according to the laws of the State of Missouri, except to the extent such laws are preempted by the laws of the United States of America. In the event any provision of this Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

Section 9.4. Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind or a fiduciary relationship between the Corporation or its subsidiaries and the Participant or any other person. To the extent that any person acquires the right to receive payment from the Corporation under this Plan, such right

shall be no greater than the right of any unsecured general creditor of the Corporation.

Section 9.5. The terms of this Plan shall be binding upon and inure to the benefit of the Corporation, its successors and assigns, and the Participant and his heirs and legal representatives.

Section 9.6. If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Corporation or its subsidiaries, then the Corporation may

5

offset such amount so owing against the amount of benefits otherwise distributable. Such determination shall be made by the Committee.

Section 9.7. The Corporation shall, to the extent permitted by law, have the right to deduct from any payments of any kind with respect to the benefit otherwise due to the Participant any Federal, state or local taxes of any kind required by law to be withheld from such payments.

6

Boatmen's Bancshares, Inc.

Executive Deferred Compensation Plan

WHEREAS, Boatmen's Bancshares, Inc., a Missouri corporation ("Boatmen' s"), desires to provide a select group of employees with the opportunity to defer a portion of the salary and incentive compensation to be earned by them.

WHEREAS, Boatmen's adopted the Boatmen's Executive Deferred Compensation Plan (the "Plan") on August 8, 1989, effective for deferrals of salary attributable to services rendered on or after January 1,1990.

WHEREAS, Boatmen's adopted the Boatmen's Executive Deferred Bonus Plan (the "Bonus Deferral Plan") on September 1, 1995.

WHEREAS, Boatmen's desires to amend the Plan to incorporate the Bonus Deferral Plan, to make certain additional amendments with respect to the Plan, and to restate the Plan in its entirety.

THEREFORE, effective February 8,1996, Boatmen's hereby amends the Bonus Deferral Plan to incorporate it into the Plan and amends and restates the Plan as follows:

Article I. Definitions

Section 1.1. "Additions" means all amounts credited to the Participant's Deferred Compensation Account pursuant to Article IV herein.

Section 1.2. "Annual Bonus" means any incentive award measured over a period not to exceed one year, payable by the Corporation to the Participant with respect to the Participant's services during such period.

Section 1.3. "Base Salary" means the salary paid to a Participant by the Corporation with respect to services performed during any particular Plan Year before any reduction pursuant to this Plan, including commissions and amounts deferred by the Participant under the Boatmen's Thrift Incentive 401(k) Plan and pursuant to any salary reduction agreement under Section 125 of the Code.

Section 1.4. "Beneficiary" means any person (including but not limited to any trust, estate, fiduciary, corporation, foundation, but excluding the Participant) designated by the Participant in a written document delivered to the Corporation to receive any benefit under the Plan after the death of the Participant all in accordance with the provisions herein. In the event the Participant fails to designate a beneficiary or if no such designated beneficiary is living upon the death of the Participant or if, for any reason, such designation shall be legally ineffective,

then in any of said events the amounts which would have been paid to the designated living beneficiary shall be paid to the trustee of the Participant's revocable living trust, and if none to the trustee of the Participant's testamentary trust, and if none to the personal representative of the estate of the Participant.

Section 1.5. "Board of Directors" means the Board of Directors of Boatmen's.

Section 1.6. "Boatmen's" means Boatmen's Bancshares, Inc., a Missouri corporation.

Section 1.7. "Bonus Compensation" means the Annual Bonus and Long-Term Incentive Award eligible for deferral under the Plan.

Section 1.8. "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.9. "Committee" means the Boatmen's Bancshares, Inc. Compensation Committee.

Section 1.10. "Compensation" means (i) Base Salary, and (ii) Bonus Compensation.

Section 1.11. "Corporation" means Boatmen's and, unless the context requires otherwise, all its subsidiaries and affiliates.

Section 1.12. "Deferral Amount" means the portion of Compensation which the Participant elects to defer under the Plan for any Plan Year or Performance Period, as applicable.

Section 1.13. "Deferred Compensation Account" means a bookkeeping account maintained by the Corporation for each Participant which reflects accumulated Deferral Amounts of the Participant, plus Additions thereto, calculated as set

forth in Article IV herein.

Section 1.14. "Disability" means such physical or mental disability as, in the opinion of a physician selected by the Committee, will prevent the Participant from ever resuming work of the same general nature as that which the Participant performed for the Corporation immediately prior to the Participant's disability or the duties of such other position or job which the Corporation makes available to the Participant and for which the Participant is qualified by reason of the Participant's training, education or experience.

Section 1.15. "Employee" means an employee of the Corporation.

Section 1.16. "Long-Term Incentive Award" means any cash incentive award measured over a period of greater than one year, payable by the Corporation to the Participant with respect to the Participant's services during such period.

2

Section 1.17. "Participant" means any Employee who meets the requirements specified in, and is selected for participation as provided in, Article II herein.

Section 1.18. "Performance Period" means the period over which performance is measured for purposes of determining the Bonus Compensation payable by the Corporation to the Participant. The Performance Period for the Annual Bonus shall be equal to or less than one year and the Performance Period for the Long-Term Incentive Award shall be greater than one year.

Section 1.19. "Plan" means this Boatmen's Bancshares, Inc. Executive Deferred Compensation Plan.

Section 1.20. "Plan Year" means any twelve-month period commencing January 1.

Section 1.21. "Retirement" means the termination of employment from the Corporation on or after attainment of age 55.

Section 1.22. "Severe Financial Hardship" means any financial hardship resulting from extraordinary and unforeseeable circumstances arising as a result of one or more recent events beyond the control of the Participant, which is not or may not be relieved (i) through reimbursement or compensation by insurance or otherwise; (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause Severe Financial Hardship; and (iii) by cessation of deferrals under the Plan. Severe Financial Hardship shall not include, by way of illustration only, financial hardship occasioned by a child's college tuition or the purchase of a home.

Article II. Eligibility

Section 2.1. Subject to the provisions of Section 2.2 herein, the Committee shall have the exclusive power to designate, on an annual basis, Participants from among those Employees who are eligible for participation in the Plan.

Section 2.2. Eligibility for participation in the Plan shall be limited to a select group of Employees of the Corporation who are management or highly compensated employees within the meaning of Section 201(2) of the Employees Retirement Income Security Act of 1974, as amended.

Section 2.3. Participants designated to participate in the Plan by the Committee shall indicate his or her agreement to the terms of the Plan by executing a Participation Agreement, the form of which is attached hereto as Exhibit A.

Section 2.4. If an Employee ceases to be eligible for participation in the Plan for any reason prior to his termination of employment with the Corporation, the Participation Agreement

3

shall be terminated and no further benefit shall accrue under the Plan except as herein expressly granted.

Article III. Deferral of Compensation

Section 3.1. Subject to the terms of the Plan, the Participant shall have the right to elect to defer, in increments of one percent (1%), (a) not less

than two percent (2%) nor greater than thirty percent (30%) of the Participant's Base Salary for the Plan Year to which such election relates, and (b) not less than ten percent (10%) of the Participant's Bonus Compensation for the Performance Period to which such election relates; provided, however, that an Employee who first becomes eligible, and is designated, to participate in the Plan after the commencement of a Plan Year or Performance Period may only, with respect to such Plan Year or Performance Period, as applicable, elect to defer that portion of the Employee's Compensation which is attributable to services to be rendered after the filing of the Deferral Election Form(s) pursuant to Section 3.2 herein. The Deferral Election Form(s) shall be in the form attached hereto as Exhibit B through Exhibit D.

Section 3.2. The Participant shall notify the Corporation of the election to defer a portion of the Participant's Compensation for any Plan Year or Performance Period, as applicable, by completing a Deferral Election Form(s).

Section 3.3. For deferrals of Compensation to be effective, a separate Deferral Election Form for Base Salary, Annual Bonus and Long-Term Incentive Award, as applicable, must be received by the Corporation as follows: (i) for deferrals of Base Salary, prior to the first day of the Plan Year; and (ii) for deferrals of Bonus Compensation, within 30 calendar days after an eligible Employee is selected during the current Performance Period to which the election relates to participate in a cash incentive award bonus plan of the Corporation; provided, however, in the event an Employee first becomes eligible, and is designated, for participation in the Plan after the commencement of a Plan Year or Performance Period, such Employee must, in order to participate in the Plan for the remainder of such Plan Year or Performance Period, submit a Deferral Election Form(s) to the Corporation within 30 calendar days after the Employee becomes eligible to participate in the Plan during such partial Plan Year or Performance Period and such election shall be effective for Compensation attributable to services to be rendered after the date of the Deferral Election Form(s).

Section 3.4. An election to defer Compensation under the Plan shall be irrevocable by the Participant with respect to the Plan Year or Performance Period to which such election relates.

Section 3.5. The Compensation deferred under the Plan shall be credited to the Participant's Deferred Compensation Account no later than the last day of the month in which such Deferral Amount would otherwise have been paid to the Participant.

4

Article IV. Additions to Deferral Amounts

Section 4.1. The Corporation, on the last day of each month preceding the final distribution of benefits to the Participant, will credit the Participant's Deferred Compensation Account with Additions thereto. Additions shall be calculated by multiplying the balance of the Deferred Compensation Account as of the last day of each month by a rate which shall be equal to one-twelfth of the ten-year U.S. Treasury Bond rate on October 31 of the preceding Plan Year, as determined by the Committee; provided, however, that with respect to the deferral of Bonus Compensation for the Performance Period(s) ending December 31, 1995, Additions to the Participant's Deferred Compensation Account during 1996 shall be calculated by multiplying the balance of the Deferred Compensation Account attributable to such Bonus Compensation as of the last day of each month during that year by a rate which shall be equal to one-twelfth of the ten-year U.S. Treasury Bond rate on August 31, 1995, as determined by the Committee.

Article V. Payment of Deferral Amounts

Section 5.1. Except as otherwise provided in this Article V, the Deferral Amount and Additions thereto for each Plan Year or Performance Period, as applicable, shall be payable to the Participant at the time and in the manner specified in the Participation Agreement of the Participant and the Deferral Election Form(s) submitted by the Participant for such Plan Year or Performance Period.

Section 5.2. The Deferral Amount and Additions thereto for each Plan Year shall be payable at the time and in the manner specified below:

- (a) Unless otherwise elected by the Participant as provided in Section 5.2(b) below, all amounts in the Participant's Deferred Compensation Account shall be payable to the Participant upon his Retirement in one of the following forms, as irrevocably elected by the Participant in the Participation Agreement:
 - (i) a lump sum payable during the January following the effective date of the Participant's Retirement, or
 - (ii) in a series of substantially equal yearly installments over a five, ten or fifteen year period payable in January of the year

following the year in which the Participant's Retirement is effective and each January thereafter; provided, that, in the event the amount payable is \$50,000 or less, a lump sum payment under Section 5.2(a) (i) shall be made instead.

- (b) Each Plan Year or Performance Period, as applicable, a Participant may irrevocably elect to have the Deferral Amount and Additions thereto for such Plan Year or Performance Period payable in a lump sum at least five years but not longer than fifteen years following the end of such Plan Year or Performance

5

Period, as specified in the Deferral Election Form; provided, however, that if the Participant's employment with the Corporation is terminated by reason of Retirement prior to the distribution to the Participant of all or part of his Deferred Compensation Account, the balance shall be paid to the Participant in accordance with Section 5.2(a).

- (c) Notwithstanding the election(s) made by the Participant on the Participation Agreement and the Deferral Election Form(s), if the Participant's employment by the Corporation is terminated by reason of the Participant's death or Disability, then all amounts in the Participant's Deferred Compensation Account shall be payable to the Participant or the Participant's Beneficiary, as applicable, in one lump sum payable no later than 30 days after the Participant's termination of employment with the Corporation. If death occurs after Retirement, then all amounts in the Participant's Deferred Compensation Account shall be payable to the Participant's Beneficiary in one lump sum, payable no later than 30 days after notification of the Participant's death.
- (d) Notwithstanding the election(s) made by the Participant on the Participation Agreement and the Deferral Election Form(s), if the Participant's employment by the Corporation is terminated for any reason other than the Participant's Retirement, death or Disability, then all amounts in the Participant's Deferred Compensation Account shall be payable to the Participant in one lump sum payable during the January following the effective date of the Participant's termination of employment with the Corporation.

Section 5.3. The Committee shall have the authority to alter the timing or manner of payment of Deferral Amounts and Additions thereto in the event that the Participant establishes, to the satisfaction of the Committee, the existence of a Severe Financial Hardship. In the event of a Severe Financial Hardship, the Committee may, in its sole discretion, take any one or more of the following actions to the extent reasonably necessary to satisfy the hardship:

- (a) Authorize the cessation of deferrals by the Participant under the Plan for the remainder of the Plan Year or Performance Period to which the most recent Deferral Election Form relates; or
- (b) Provide that all, or a portion, of the amounts in the Deferred Compensation Account shall immediately be paid to the Participant in a lump sum cash payment; or
- (c) Provide for such other payment schedule as deemed appropriate by the Committee under the circumstances.

The Committee's determination as to the existence of a Severe Financial Hardship and the actions to be taken as a result thereof shall be final, conclusive and non-appealable.

6

Article VI. Claims

Section 6.1. If a claim for benefits under the Plan is denied, the Committee will provide a written notice of the denial setting forth the specific reasons for the denial, a description of any additional material or information necessary for a claimant to perfect a claim, and an explanation of why such material or information is necessary and appropriate information as to the steps to be taken for a claim to be submitted for review. A claimant may request a review of a denial. Such request should be submitted to the Committee, in writing, within 60 days after receipt of the denial notice stating the reasons for requesting the review. A claimant may review pertinent documents and submit issues and comments in writing. A decision will be made on the review of the denial of a claim not later than 60 days after the Committee's receipt of a

request for review unless specific circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible but not later than 120 days after the receipt of a request for review. The decision on review will be in writing to the claimant and shall include specific reasons for the decision.

Article VII. Administration

Section 7.1. The Plan shall be administered by the Committee. The Committee shall administer the Plan in accordance with its terms and shall have all powers necessary to carry out the provisions of the Plan, including the power, in its sole discretion, to accelerate the payment of benefits under the Plan to any Participant or Beneficiary as provided in Section 5.3 hereof.

Section 7.2. The Committee shall, with respect to the general management of the Plan, have the sole, final and absolute right to reconcile any inconsistency in the Plan, to interpret and construe the provisions of the Plan in all particulars in such manner and to such extent as it deems proper and to take all action and make all decisions and determinations necessary under the Plan or in connection with its administration, interpretation and application. Any interpretation or construction placed upon any term or provision of the Plan by the Committee, any decision of the Committee with regard to the eligibility of an employee to become a Participant, the rights of a Participant, former Participant or Beneficiary or any other person, any reconciliation of an inconsistency in the Plan made by the Committee and any other action, determination or decision whatsoever taken by the Committee, shall be final, conclusive and binding upon all persons or parties interested or concerned in the Plan.

Article VIII. Miscellaneous

Section 8.1. The Corporation shall maintain a record of each Participant's accumulated Deferral Amounts and Additions thereto by means of a Deferred Compensation Account.

Section 8.2. The Plan shall create a contractual obligation on the part of the Corporation to make payment from the Participants' Deferred Compensation Account when due.

7

Section 8.3. If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Corporation, then the Corporation may offset such amount so owing against the amount of benefits otherwise distributable. Such determination shall be made by the Committee.

Section 8.4. No Participant or party claiming an interest in Deferral Amounts and Additions thereto shall have any interest whatsoever in any specific asset of the Corporation. To the extent that any person acquires the right to receive payment of benefits from the Corporation under the Plan, such right shall be no greater than the rights of any unsecured general creditor of the Corporation.

Section 8.5. Neither the Participant, his Beneficiary, heirs, assigns, trust, estate, nor any other person claiming through or under the Participant shall have any right to commute, encumber or dispose of the right to receive payments hereunder, all of which payments and the right thereto are expressly declared to be non-assignable and any such attempt at assignment shall be void and of no effect.

Section 8.6. No provision of the Plan nor any action taken hereunder shall be construed as giving the Participant any right to be retained in the employ of the Corporation.

Section 8.7. The Corporation shall, to the extent permitted by law, have the right to deduct from any payments of any kind with respect to the benefit otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld from such payments.

Section 8.8. The Plan shall be governed and construed in accordance with the laws of the State of Missouri. In the event any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of the Plan.

Article IX. Termination and Amendment

Section 9.1. The Committee shall have full power and authority to amend,

modify, alter or terminate the Plan in whole or in part; provided, however, that any such termination, modification or amendment shall not terminate or diminish any rights or benefits accrued by a Participant under the Plan as of the effective date of any such termination, modification or amendment.

EXHIBIT A

BOATMEN'S EXECUTIVE DEFERRED
COMPENSATION PLAN
PARTICIPATION AGREEMENT

THIS AGREEMENT, made and entered as of the date stated below, by and between Boatmen's Bancshares, Inc. ("Boatmen's"), a Missouri corporation, and _____ ("Participant").

Boatmen's and the Participant mutually agree as follows:

1. The Participant has received a copy of the Boatmen's Executive Deferred Compensation Plan ("Plan") and has read and understands the Plan.
2. By completion of this Agreement and the accompanying Deferral Election Form(s), the Participant agrees to comply with the terms of the Plan in all respects.
3. All provisions of the Plan are hereby made a part of this Agreement. If there is any conflict between the terms of this Agreement and the terms of the Plan, the Plan shall govern.
4. The Participant elects to defer the percentage of his/her Compensation (as defined in the Plan) indicated on the accompanying Deferral Election Form(s).
5. Subject to the terms of the Plan, for each subsequent Plan Year and/or Performance Period (as such terms are defined in the Plan), the Participant shall have the right to make a similar election to defer a portion of his/her Base Salary and Bonus Compensation.
6. The Participant is in no way obligated to make a deferral election in any Plan Year or Performance Period, as applicable, and the failure to elect for any Plan Year or Performance Period will not affect the Participant's right to do so in any subsequent Plan Year or Performance Period.
7. The Participant's Deferral Election Form(s) must be received by Boatmen's no later than the date(s) specified in the Plan. Any Deferral Election Form received after said date(s) shall be of no effect for purposes of the Plan.
8. Each Deferral Election Form, signed and dated by the Participant, shall be irrevocable.
9. Subject to the terms of the Plan, the Participant hereby elects to have all amounts in his/her Deferred Compensation Account (as defined in the Plan) payable following his/her Retirement (as defined in the Plan) pursuant to the following benefits payment schedule:

- single lump sum;
- substantially equal yearly installments over a five (5) year period;
- substantially equal yearly installments over a ten (10) year period; or
- substantially equal yearly installments over a fifteen (15) year period.

The Participant understands that the foregoing election shall be irrevocable. The Participant further understands that, in accordance with the Plan, benefits payable prior to his/her Retirement shall be paid in a single lump sum.

10. The Participant designates the following person as his/her Beneficiary (as defined in the Plan) under the Plan:

Name: _____
Address: _____

Relationship to
the Participant: _____

11. The Participant has the right to change his/her Beneficiary at any time by notifying Boatmen's in writing of such change in Beneficiary.

BOATMEN'S BANCSHARES, INC.

By: _____

Date: _____

By: _____

Date: _____

PLAN DOCUMENT

BOATMEN'S BANCSHARES, INC.
AMENDED 1982 LONG TERM INCENTIVE PLAN

1. PURPOSE

The purpose of the Amended 1982 Long Term Incentive Plan (the "Plan") of Boatmen's Bancshares, Inc. (the "Corporation") is to provide a means by which the Corporation and its subsidiaries shall be able to attract and retain key employees of exceptional ability, to provide such individuals with added incentives to make a maximum contribution of their efforts, initiative and skill toward the goal of greater profitability and to be competitive with other companies as to executive compensation.

2. ADMINISTRATION

The Plan shall be administered by the Compensation Committee (the "Committee") composed of three or more directors of the Corporation who are not officers or employees thereof. Members of the Committee shall be appointed by, and shall serve at the pleasure of, the Board of Directors of the Corporation (the Board"). Subject to the express provisions of the Plan, the Committee shall have complete authority to determine the individuals who shall be participants in the Plan and their Salary Grades, to establish for each Performance Period (as hereafter defined) applicable Target Average Annual Earnings Per Share Growth Rates, to select peer groups of the Corporation, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to the conduct of the Committee's affairs and to take all other actions, and make all other determinations, necessary or advisable for the administration of the Plan. All actions and determinations by the Committee shall be conclusive.

3. ELIGIBILITY AND DESIGNATION OF PARTICIPANTS

Only those persons who are key employees of the Corporation or its subsidiaries, including but not limited to officers, whether or not they are directors of the Corporation or its subsidiaries, shall be eligible to participate in the Plan. In each successive year until termination of the Plan as provided hereinafter (each, a "Participation Designation Year"), the Committee shall designate certain persons, who meet the eligibility requirements, to participate in the Plan (the "Participants") and shall determine the Salary Grade to which each such Participant belongs. Such designation during a Participation Designation Year shall apply with respect to the three year period beginning with such Participation Designation Year and including the next two successive years after the Participation Designation Year (the "Performance Period"). The designation of Participants shall be at the sole discretion of the Committee. Such Participants may, but need not, be the same as those who were designated in any preceding year. As soon

as practicable after he or she is designated by the Committee, each Participant shall be given written notice of his or her designation and Salary Grade and a listing of the Corporation's peer group for the applicable Performance Period, as selected by the Committee.

4. CALCULATION OF AWARDS

The Committee shall cause awards under the Plan (the "Awards") to be paid after the end of each Performance Period with respect to the Performance Period last ended. Awards shall be paid to all of the Participants (including those who have retired, died or become disabled) designated for such prior Performance Period, with the exception of those Participants whose rights to payment of Awards have been divested pursuant to Section 6 hereof. Each Participant's Award, if any, shall be an amount equal to the Participant's Average Salary (as hereafter defined) for the applicable Performance Period multiplied by the Participant's Payout Factor (as hereafter defined) for such Performance Period.

The term "Average Salary" means, for each Participant, the sum of such Participant's annual salary at the date of his or her designation of

participation and at each of the next two anniversary dates thereof, divided by three; provided, however, that if a Participant was not eligible to participate in the Plan on January 1 of the Participation Designation Year, or if a Participant retires, dies or becomes disabled during the Performance Period, his or her salary for any such partial year or years shall be annualized for purposes of determining such Participant's Average Salary. The term "Payout Factor" means, for each Participant, a percentage factor determined by reference to such Participant's Salary Grade and the percentile rank of the Total Shareholder Return (as hereafter defined) of the Corporation as compared to the Total Shareholder Return of the Corporation's peer group. The Payout Factor, which is determined by reference to Exhibit A attached hereto, is subject to further increase or decrease (but not by more than 20% in either direction) of 1% for each 0.1% that the Corporation's actual average annual earnings per share growth rate for the Performance Period exceeds or is less than the Target Average Annual Earnings Per Share Growth Rate for that Performance Period, as determined by the Committee. The term "Total Shareholder Return" means the change in market value of the common stock of a company, plus dividends thereon, during a Performance Period.

Notwithstanding the foregoing, if a Participant was not eligible for participation in the Plan on January 1 of the Plan Designation Year in which he or she was designated, or if a Participant retires during a Performance Period, such Participant's Award shall be an amount equal to the Award which he or she would have otherwise received under the Plan multiplied by a fraction, the numerator of which shall be the number of calendar years or portions thereof in the Performance Period during which the Participant was eligible for participation in the Plan and the denominator of which shall be three, all subject, however, to the provisions of Section 9.

2

5. PAYMENT OF AWARDS

The Corporation shall make payment of each Award in cash. Payment shall be made as soon as practicable, but not later than March 31 of the applicable year.

6. VESTING

Upon designation of participation with respect to a Performance Period, a Participant's right to payment of an Award in accordance with the provisions hereof shall vest subject to automatic divestiture upon termination during the applicable Performance Period of such Participant's employment by the Corporation or one of its subsidiaries other than for reasons of retirement at or after normal retirement age, disability, death or a Change in Control as specified in Section 9. No change in the duties of a Participant while in the employ of the Corporation or one of its subsidiaries, or any transfer among them, shall constitute termination of employment by the Corporation or its subsidiaries.

7. NO GUARANTEE OF EMPLOYMENT

Nothing in the Plan shall be deemed to create any limitation or restriction on such rights as the Corporation and its subsidiaries otherwise would have to terminate the employment of any person at any time for any reason.

8. AMENDMENT OR TERMINATION

Subject to the provisions of Section 9, the Board, at any time, may terminate the Plan or make such modifications of the Plan as it may deem advisable, except that no such termination or modification shall diminish a Participant's right to an Award to the extent vested under Section 6 hereof.

9. CHANGE IN CONTROL

In the event of a Change in Control of the Corporation (as hereafter

defined) during any Performance Period or Periods, each Participant shall be paid, immediately prior to the Change in Control, an amount equal to the Award or Awards that he or she would have been entitled to receive at the end of each of the Performance Period or Periods had such Change in Control not occurred; provided, however, that, for purposes of calculating the Award or Awards payable pursuant to this Section 9, (i) the applicable Payout Factors shall be 60% for Salary Grade 75 Participants, 45% for Salary Grade 74-73 Participants, 40% for Salary Grade 72-67 Participants

3

and 30% for Salary Grade 66 Participants, without adjustment in relation to Target Average Annual Per Share Growth Rates, and (ii) each Participant's Average Salary shall be equal to such Participant's annual salary on the date of the Change in Control.

"Change in Control" of the Corporation shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

- (i) Any individual, corporation (other than the Corporation), partnership, trust, association, pool, syndicate, or any other entity or any group of persons acting in concert becomes the beneficial owner, as that concept is defined in Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, of securities of the Corporation possessing twenty percent (20%) or more of the voting power for the election of directors of the Corporation;
- (ii) There shall be consummated any consolidation, merger, or other business combination involving the Corporation or the securities of the Corporation in which holders of voting securities of the Corporation immediately prior to such consummation own, as a group, immediately after such consummation, voting securities of the Corporation (or, if the Corporation does not survive such transaction, voting securities of the corporation surviving such transaction) having less than sixty percent (60%) of the total voting power in an election of directors of the Corporation (or such other surviving corporation);
- (iii) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the directors of the Corporation cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Corporation's shareholders, of each new director of the Corporation was approved by a vote of at least two-thirds (2/3) of the directors of the Corporation then still in office who were directors of the Corporation at the beginning of any such period; or
- (iv) There shall be consummated any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Corporation (on a consolidated basis) to a party which is not controlled by or under common control with the Corporation.

10. BENEFICIARY

Each Participant shall have the right, from time to time, to designate or change the designation of a primary and a contingent beneficiary, or either thereof, to receive on his death the benefit provided herein or, as the case may be, any undistributed balance of any benefit distributable to him pursuant to the provisions hereof. Any such Participant may make such designation only in writing and by filling out and furnishing to the committee such form or forms as the committee may require. In the event that any Participant fails to designate a beneficiary or if no such

4

designated beneficiary is living upon the death of such Participant or if for any reason such designation shall be legally ineffective, then, and in any of said events, the amount which would have been paid to a designated living beneficiary shall be paid to the trustee of the Participant's revocable living trust, and if none to the trustee of the Participant's testamentary trust, and if none to the personal representative of the estate of such deceased Participant.

Upon the death of a beneficiary entitled to the distribution of an amount pursuant to the provisions hereof prior to receipt of all amounts distributable to such beneficiary hereunder, an amount equal to the unpaid

balance shall be paid to the trustee of the beneficiary's revocable living trust, and if none to the trustee of the beneficiary's testamentary trust, and if none to the personal representative of the estate of such deceased beneficiary.

11. EFFECTIVE DATE OF PLAN

The Plan shall be effective as of February 9, 1982, as amended as of February 10 and March 10, 1987, January 1, 1992, January 1, 1995, January 30, 1996 and February 12, 1996.

BOATMEN'S SUPPLEMENTAL RETIREMENT PLAN

PARTICIPATION AGREEMENT

THIS AGREEMENT is made as of August 4, 1993, between Boatmen's Bancshares, Inc. ("Corporation") and Andrew B. Craig, III ("Participant").

The Corporation and the Participant mutually agree as follows:

1. The Participation has received a copy of the Boatmen's Supplemental Retirement Plan ("Plan") and has read and understands the Plan.
2. By completion of the Agreement, the Participant agrees to comply with the terms of the Plan in all respects.
3. All provisions of the Plan are hereby made a part of the Agreement.
4. The following special provisions are applicable to the Participant's participation in the Plan: For purposes of Section 3.1(i), the participant shall receive the greater of:
 - a) thirty-three and one-third (33.3) years of credited service at age 65; or
 - b) the actual number of years of credited service accrued using an employment commencement date of March 1, 1971.

BOATMEN'S BANCSHARES, INC.

By: /s/ ARTHUR J. FLEISCHER 8-5-93

Date

/s/ ANDREW B. CRAIG, III 8-5-93

Participant Date

TRUST UNDER BOATMEN'S SUPPLEMENTAL RETIREMENT PLAN

This Agreement made this 31st day of December, 1993, by and between Boatmen's Bancshares, Inc. ("Company") and United States Trust Company of New York (Trustee);

WHEREAS, Company has adopted nonqualified deferred compensation Plans as listed in Appendix A (hereinafter collectively called "Plan");

WHEREAS, Company wishes to establish a trust (hereinafter called "Trust") and to contribute to the Trust assets that shall be held therein, subject to the claims of Company's creditors in the event of Company's Insolvency, as herein defined, until paid to Plan participants and their beneficiaries in such manner and at such times as specified in the Plan;

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974; and

WHEREAS, it is the intention of Company to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan;

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment of Trust

(a) Company hereby deposits with Trustee in trust One Hundred Dollars (\$100.00), which shall become the principal of the Trust to be held, administered and disposed of by trustee as provided in this Trust Agreement.

(b) The Trust hereby established shall be irrevocable.

(c) The Trust is intended to be a grantor trust, of which Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

(d) The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of Company and shall be used exclusively for the uses and purposes of Plan participants and general creditors as herein set forth. Plan participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan and this Trust Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against Company. Any assets held by the Trust will be subject to the claims of Company's general creditors under federal and state law in the event of Insolvency, as defined in Section 3(a) herein.

(e) Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property in trust with Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Trust

2

Agreement. Neither Trustee nor any Plan participant or beneficiary shall have any right to compel such additional deposits.

(f) Upon a Change of Control, Company shall, as soon as possible, but in no event longer than ten (10) days following the Change of Control, as defined herein, make an irrevocable contribution to the Trust in an amount that is sufficient to pay each Plan participant or beneficiary the benefits to which Plan participants or their beneficiaries would be entitled pursuant to the terms of the Plan as of the date on which the Change of Control occurred.

Section 2. Payments to Plan Participants and Their Beneficiaries.

(a) Company shall deliver to Trustee a schedule (the "Payment Schedule") that indicates the amounts payable in respect of each Plan participant (and his or her beneficiaries), that provides a formula or other instructions acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Plan), and the time of commencement for payment of such amounts. Except as otherwise provided herein,

Trustee shall make payments to the Plan participants and their beneficiaries in accordance with such Payment Schedule. The Trustee shall make provision for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of benefits pursuant to the terms of the Plan and shall pay amounts

3

withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by Company.

(b) The entitlement of a Plan participant or his or her beneficiaries to benefits under the Plan shall be determined by Company or such party as it shall designate under the Plan, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Plan.

(c) Company may make payment of benefits directly to Plan participants or their beneficiaries as they become due under the terms of the Plan. Company shall notify Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to participants or their beneficiaries. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Plan, Company shall make the balance of each such payment as it falls due. Trustee shall notify Company where principal and earnings are not sufficient.

Section 3. Trustee Responsibility Regarding Payments to Trust Beneficiary when Company is Insolvent.

(a) Trustee shall cease payment of benefits to Plan participants and their beneficiaries if the Company is Insolvent. Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) Company is unable to pay its debts as they become due, or (ii) Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

4

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of the Trust shall be subject to claims of general creditors of Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of Company shall have the duty to inform Trustee in writing of Company's Insolvency. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become Insolvent, Trustee shall determine whether Company is Insolvent and, pending such determination, Trustee shall discontinue payment of benefits to Plan participants or their beneficiaries.

(2) Unless Trustee has actual knowledge of Company's Insolvency, or has received notice from Company or a person claiming to be a creditor alleging that Company is Insolvent, Trustee shall have no duty to inquire whether Company is Insolvent. Trustee may in all events rely on such evidence concerning Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Company's solvency.

(3) If at any time Trustee has determined that Company is Insolvent, Trustee shall discontinue payments to Plan participants or their beneficiaries and shall hold the assets of the Trust for the benefit of Company's general creditors. Nothing in this Trust Agreement shall

5

in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of Company with respect to benefits due under the Plan or otherwise.

(4) Trustee shall resume the payment of benefits to Plan participants or their beneficiaries in accordance with Section 2 of this Trust Agreement only after Trustee has determined that Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such

discontinuance shall include the aggregate amount of all payments due to Plan participants or their beneficiaries under the terms of the Plan for the period of such discontinuance, less the aggregate amount of any payments made to Plan participants or their beneficiaries by Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 4. Investment Authority.

(a) In no event may Trustee invest in securities (including stock or rights to acquire stock) or obligations issued by Company, other than a de minimis amount held in common investment vehicles in which Trustee invests. All rights associated with assets of the Trust shall be exercised by Trustee or the person designated by

6

Trustee, and shall in no event be exercisable by or rest with Plan participants.

Section 5. Disposition of Income.

(a) During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

Section 6. Accounting by Trustee.

Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between Company and Trustee. Within ninety (90) days following the close of each calendar year and within ninety (90) days after the removal or resignation of Trustee, Trustee shall deliver to Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be.

7

Section 7. Responsibility of Trustee.

(a) If Trustee undertakes or defends any litigation arising in connection with this Trust, Company agrees to indemnify Trustee against Trustee's costs, expenses, and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If Company does not pay such costs, expenses and liabilities in a reasonably timely manner, Trustee may obtain payment from the Trust.

(b) Trustee may consult with legal counsel (who may also be counsel for Company generally) with respect to any of its duties or obligations hereunder.

(c) Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder.

(d) Trustee shall have, without exclusion, all powers conferred on Trustees by applicable law, unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

(e) Notwithstanding any powers granted to Trustee pursuant to this Trust Agreement or to applicable law, Trustee shall not have any power that could give this Trust the objective of carrying on

8

a business and dividing the gains, therefrom, within the meaning of Section

301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

Section 8. Compensation and Expenses of Trustee. Company shall pay all administrative and Trustee's fees and expenses. If not so paid, the fees and expenses shall be paid from the Trust.

Section 9. Resignation and Removal of Trustee.

(a) Trustee may resign at any time by written notice to Company, which shall be effective sixty (60) days after receipt of such notice unless Company and Trustee agree otherwise.

(b) Except as provided in Section 9(c), Trustee may be removed by Company on sixty (60) days notice or upon shorter notice accepted by Trustee.

(c) Upon a Change of Control, as defined herein, Trustee may not be removed by Company for twenty (20) years.

(d) If Trustee resigns within twenty (20) year(s) of a Change of Control, as defined herein, Trustee shall select a successor Trustee in accordance with the provisions of Section 10(b) hereof prior to the effective date of Trustee's resignation.

(e) Upon resignation or removal of Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within sixty (60) days after receipt of notice of resignation, removal or transfer, unless Company extends the time limit,

9

(f) If Trustee resigns or is removed, a successor shall be appointed, in accordance with Section 10 hereof, by the effective date of resignation or removal under paragraphs (a) or (b) of this section. If no such appointment has been made, Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

Section 10. Appointment of Successor.

(a) Except as provided in Section 9(d), if Trustee resigns or is removed in accordance with Section 9(a) or (b) hereof, Company may appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state law, as a successor to replace Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by Company or the successor Trustee to evidence the transfer.

(b) If Trustee resigns pursuant to the provisions of Section 9(d) hereof and selects a successor Trustee, Trustee may appoint any third party such as a bank trust department or other party that may be granted corporate trustee powers under state law. The appointment of a successor Trustee shall be effective when accepted in writing by the new Trustee. The new Trustee shall have all the

10

rights and powers of the former Trustee, including ownership rights in Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the successor Trustee to evidence the transfer.

Section 11. Amendment or Termination.

(a) This Trust Agreement may be amended by a written instrument executed by Trustee and Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan or shall make the Trust revocable.

(b) Subject to Section 11(c), the Trust shall not terminate until the date on which Plan participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plan. Upon termination of the Trust any assets remaining in the Trust shall be returned to Company.

(c) Upon written approval of participants or beneficiaries entitled to payment of benefits pursuant to the terms of the Plan, Company may terminate this Trust prior to the time all benefit payments under the Plan have been made. All assets in the Trust at termination shall be returned to Company.

(d) Sections 1.(b), 1.(d), 1.(f), 2.(a), 2.(b), 4.(a), 5.(a), 9.(c), 9.(d), 10.(b), 11.(a), 11.(b), 11.(d), 12.(a), 12.(b), 12.(c) and 12(d) of this Trust Agreement may not be amended by Company for twenty (20) year(s) following a Change of Control, as defined herein.

11

Section 12. Miscellaneous.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to Plan participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Trust Agreement shall be governed by and construed in accordance with the laws of Missouri.

(d) For purposes of this Trust, Change of Control shall mean any of the following events: (a) any individual, corporation (other than the Company), partnership, trust, association, pool, syndicate, or any other entity or any group of persons acting in concert becomes the beneficial owner, as that concept is defined in Rule 13d-3 promulgated by the SEC under the Securities Exchange Act of 1934, of securities of the Company possessing twenty percent (20%) or more of the voting power for the election of directors of the Company; (b) there shall be consummated any consolidation, merger or other business combination involving the Company or the securities of the Company in which holders of voting securities of the Company immediately prior to such consummation own, as a group, immediately after such consummation, voting securities of the Company (or, if the Company does not survive such transaction, voting securities of the corporation surviving such transaction)

12

having less than fifty percent (50%) of the total voting power in an election of directors of the Company (or such other surviving corporation); (c) during any period of two consecutive years, individuals who at the beginning of such period constitute the Directors of the Company cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new Director of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period; (d) removal by the stockholders of all or any of the incumbent Directors of the Company other than a removal for Cause; and (e) there shall be consummated any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company (on a consolidated basis) to a party which is not controlled by or under common control with the Company. For purposes of this Section 12(d), "Cause" means conduct which is knowingly fraudulent, deliberately dishonest or willful misconduct.

Section 13. Effective Date.

The effective date of this Trust Agreement shall be December 31, 1993.

BOATMEN'S BANCSHARES, INC.

By /s/ [ILLEGIBLE]

Title: SVP

13

Trustee:

UNITED STATES TRUST COMPANY
OF NEW YORK

By /s/ [ILLEGIBLE]

Title: Senior Vice President

14

Appendix A

Boatmen's Supplemental Retirement Compensation Plan

Centerre Executive Retirement Program; provided, however, for purposes of the Trust to which this Appendix A is attached, only the benefits of the participants in the Centerre Plan who are active employees of Boatmen's Bancshares, Inc. or its subsidiaries as of the date the Trust is entered into shall be deemed part of the Plan and covered by the Trust.

FIRST INSTRUMENT OF AMENDMENT

WHEREAS, Boatmen's Bancshares, Inc. (the "Company") established the Trust Under Boatmen's Supplemental Retirement Plan (the "Trust",) by entering into a trust agreement, dated December 31, 1993 (the "Trust Agreement"), with United States Trust Company of New York (the "Trustee"), in order to provide a vehicle to fund certain of the Company's deferred compensation plans, subject to the claims of the Company's creditors;

WHEREAS, the Company wishes and the Trustee agrees to amend the Trust Agreement to include the Company's Tier Two Supplemental Retirement Plan under the Trust Agreement and to provide that sufficient assets are set aside upon a Change of Control (as defined in the Trust) to ensure that the Company shall satisfy its obligations under certain employment agreements and the Company's Change of Control Severance Plan;

NOW THEREFORE, the Trust Agreement is hereby amended as follows:

1. The first paragraph is hereby amended and restated in its entirety to read as follows:

This Agreement made this 31st day of December, 1993, by and between Boatmen's Bancshares, Inc. ("Company") and United States Trust Company of New York ("Trustee") and as amended as of August 13, 1996;

2. The first WHEREAS clause is hereby amended and restated in its entirety to read as follows:

WHEREAS, Company has adopted nonqualified compensation plans and other compensation arrangements and entered into certain employment agreements as listed in Appendix A (hereinafter collectively called "Plan");

3. The third WHEREAS clause is hereby amended and restated in its entirety to read as follows:

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Retirement Plans (as defined in Appendix A) as unfunded plans maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974 and for the purpose of ensuring that the Company set aside assets sufficient to satisfy its obligations or potential obligations under certain compensation arrangements and employment agreements in the event of a Change of Control (as defined herein); and

4. Section 1, paragraph (b) is hereby amended and restated in its entirety to read as follows:

(b) The Trust hereby established shall be irrevocable, except to the extent funds may revert to the Company as specifically provided herein.

5. Section 1, paragraph (e) is hereby amended and restated in its entirety to read as follows:

(e) Company, in its sole discretion (except as provided in Section 1(f) herein), may at any time, or from time to time, make additional deposits of cash or other property in trust with the Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Trust Agreement. Neither the Trustee nor any Plan participant or beneficiary shall have any right to compel such additional deposits, except as provided in Section 1(f) herein.

6. Section 1, paragraph (f) is hereby amended and restated in its entirety to read as follows:

Upon a Change of Control (as defined herein), with respect to the Retirement Plans (as defined in Appendix A herein), Company shall, as soon as possible, but in no event longer than ten (10) days following such Change of Control, make an irrevocable cash contribution to the Trust in an amount that is sufficient to pay each Plan participant or beneficiary the benefits to which Plan participants or their beneficiaries would be entitled pursuant to the terms of such Retirement Plans as of the date on which the Change of Control occurs. Upon a Change of Control, with respect to the Change of Control Agreements (as defined in Appendix A herein), Company shall, as soon as possible, but in no event longer than ten (10) days following such Change of Control, make a cash contribution, which shall be allocated proportionately to each Change of Control Account (as defined below) for each such participant, in an amount that is sufficient to pay each Change of Control Agreement participant or beneficiary the benefits to which such participants and beneficiaries would be entitled if such participants' employment with the Company was involuntarily terminated without Cause (as defined in the Change of Control Agreements) on the date that the Change of Control occurs, excluding amounts payable in connection with the Retirement Plans with respect to which such amounts are set aside under the preceding sentence and excluding any amounts

2

payable under any plans that are qualified under Section 401(a) of the Code (the "Funding Amount"). Company shall indicate the amount of such contribution with respect to the Change of Control Agreements on a Payment Schedule prepared by the Company and submitted to the Trustee immediately prior to the date of the Change of Control. In addition, upon such Change of Control, the Trustee shall establish a separate account for each participant of the Change of Control Agreements (the "Change of Control Accounts") and shall allocate deposits made with respect to the Company's obligations under the Change of Control Agreements proportionately among such accounts.

7. Section 2 is hereby amended by adding a new paragraph (g) to read in its entirety as follows:

(g) Following a Change of Control, if the Company has satisfied its obligation with respect to any participant under a Change of Control Agreement, including any lump-sum payment due under any of the Retirement Plans, or, if the Company's obligations with respect to such participant have expired, the Company may request the Trustee to return any funds which were allocated to such participant's Change of Control Account with a copy of such request provided to such participant. Upon receiving such a request, the Trustee will determine whether the Company's obligations have been satisfied or have expired and if the Trustee determines that such obligations either have been satisfied or have expired, the Trustee will close that participant's Change of Control Account and will allocate or pay out any excess funds in the following order: (i) proportionally to the Change of Control Accounts of any other participants until each such Account contains an amount equal to the Funding Amount, (ii) to the account established for the

Retirement Plans in an amount that is sufficient to pay each Retirement Plan participant or beneficiary the benefits to which such participants or their beneficiaries would be entitled pursuant to the terms of such Retirement Plans as of the date of the Company's request, and (iii) the remainder of the funds, if any, back to the Company. Company shall not institute any action or proceeding to compel the Trustee to refund such amounts and the Trustee shall be fully protected from any liability with respect thereto in the event that the Trustee fails to refund such amount to the Company based on an assertion by such participant or his or her beneficiary that Company's obligations have not been satisfied or have not expired.

3

8. Section 2, paragraph (a) is hereby amended by deleting the first sentence and replacing it with the following:

Company shall deliver to Trustee a copy of each Plan listed on Appendix A and a schedule (the "Payment Schedule") that indicates the amounts payable or potentially payable in respect of each Plan participant (and his or her beneficiaries), provides a formula or other instructions acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or payable under the Plan), and the time of commencement for payment of such amounts. In addition, the Trustee shall obtain from the Company, participants, beneficiaries and independent third parties, and the Company shall provide to the Trustee, such data about each such participant, including data about beneficiaries, to the extent determinable, as are necessary to enable the Trustee to determine the amount and time of the benefits payable under the terms of each Plan on account of such participant (the "Participant Data").

9. Section 2, paragraph (b) is hereby amended and restated in its entirety to read as follows:

(b) Prior to a Change of Control, the entitlement of a Plan participant or his or her beneficiaries to benefits under the Plan shall be determined by Company or such party as it shall designate under the Plan, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Plan. Following a Change of Control, the entitlement of a Plan participant or his beneficiaries to benefits under the Plan shall be determined by the Trustee. The Trustee shall determine such benefits based on the Payment Schedule submitted by the Company immediately prior to the Change of Control, as updated by the Trustee in accordance with the following procedures: (i) the Trustee shall update the Participant Data as necessary to compute benefits under any Plan; and (ii) the Trustee shall add persons to the list of participants only upon the receipt of deposits from the Company earmarked for that person and only after all other funding obligations of the Company for other participants have been satisfied. In carrying out its duties to update the Payment Schedule, the Trustee shall be entitled to obtain assistance from the Company and from independent third parties, including but not limited to actuaries or accountants retained by the Trustee, and shall be afforded access to all Company records reasonably necessary to update the Participant Data. If the Company refuses to cooperate with the Trustee or

4

fails to provide the Trustee with necessary access to Company records, the Trustee shall request such information from the participants or beneficiaries and shall be entitled to rely on such information.

10. Section 4, paragraph (a) is hereby amended by deleting the first sentence and replacing it with the following:

(a) The Trustee shall have the powers and authorities granted to a trustee under New York law. Nevertheless, in no event may Trustee invest in securities (including stock or rights to acquire stock) or obligations issued by Company, other than a de minimis amount held in common investment vehicles in which Trustee invests.

11. Section 5, paragraph (a) is hereby amended and restated in its entirety to read as follows:

(a) During the term of this Trust, all income earned by the Trust, net of expenses and taxes, with respect to funds earmarked for the Retirement Plans, shall be allocated to the account established for the Retirement Plans, and, with respect to funds earmarked for the Change of Control Agreements, shall be allocated proportionately among the Change of Control Accounts.

12. Section 6 is hereby amended by inserting at the end of such Section the following:

Any such statement shall be deemed an account stated and accepted and approved by the Company, and the Trustee shall be relieved and discharged, as if such account had been settled and allowed by a judgment or decree of a court of competent jurisdiction, unless protected by written notice by the company or any Plan participant or beneficiary to the Trustee within sixty (60) days of receipt of such statement by the Company. Upon reasonable request, the Trustee shall provide a copy of such statement to the requesting Plan participant or beneficiary. The Trustee shall have the right to apply at any time to a court of competent jurisdiction for judicial settlement of any account of the Trustee not previously settled as herein provided or for the determination of any question of construction or for instructions. In any such action or proceeding it shall be necessary to join as parties only the Trustee and the Company (although the Trustee may also join such other parties as it may deem appropriate), and any judgment or decree entered therein shall be conclusive.

5

13. Section 7 is hereby amended by adding a new paragraph (f) to read in its entirety as follows:

(f) the Trustee shall incur no liability to any person in discharging its duties hereunder for any action taken or omitted in good faith and without negligence in conformity with the terms of this Trust Agreement. Except as otherwise required by law, under no circumstances shall the Trustee incur liability to any person for any indirect or consequential damages (including without limitation lost profits) of any form, whether or not foreseeable and regardless of the form of the action in which such a claim may be brought, with respect to the Trust or its role as Trustee, except that this sentence shall not apply in the case of the Trustee's willful misconduct.

14. Section 8 is hereby amended by deleting the last sentence and replacing it with the following:

If not so paid, the fees and expenses shall be paid from the Trust in a manner deemed by the Trustee, in its sole discretion, to be appropriate.

15 Section 12, paragraph (c) is hereby amended by deleting the reference to "Missouri" and inserting "New York" in its place.

16. Section 12, paragraph (d) is hereby amended by deleting the reference to "fifty percent (50%)" in subclause (b) and inserting "sixty percent (60%)" in its place.

17. Appendix A is hereby amended and restated in its entirety to read as follows:

(a) Boatmen's Supplemental Retirement Plan

(b) Boatmen's Tier Two Supplemental Retirement Plan

(c) Centerre Executive Retirement Plan; provided, however, for purposes of the Trust to which this Appendix A is attached, only the benefits of the participants in the Centerre Plan who are active employees of Boatmen's Bancshares, Inc. or its subsidiaries as of the date the Trust is entered into shall be deemed part of the Centerre Plan and covered by the Trust

(d) Boatmen's Change of Control Severance Plan

(e) Employment Agreement of Andrew B. Craig III, dated January 30, 1996

6

(f) Employment Agreement of Gregory L. Curl, dated January 30, 1996

(g) Employment Agreement of Samuel B. Hayes III, dated January 30, 1996, as amended August 13, 1996

(h) Employment Agreement of James W. Kienker, dated August 13, 1996

(i) Employment Agreement of John M. Brennan, dated August 13, 1996

The plans listed in paragraphs (a), (b) and (c) are collectively referred to as the "Retirement Plans" and the other compensation arrangements and employment agreements listed in paragraphs (d) through (i) are collectively referred to as the "Change of Control Agreements."

IN WITNESS WHEREOF, the Company and the Trustee have executed this Instrument of Amendment, pursuant to approval of the Compensation Committee and the approval and ratification by the Board of Directors, as of August 13, 1996.

Boatmen's Bancshares, Inc.

/s/ illegible signature
- - - - -

Chase Manhattan Bank, successor in
interest to United States Trust Company of
New York, as Trustee

/s/ illegible signature
- - - - -
Vice President

7

NationsBank

March 21, 1997

Andrew B. Craig
NationsBank
800 Market Street
St. Louis, MO 63101

Dear Mr. Craig:

You currently have outstanding an option to purchase 272,866 shares of the common stock of NationsBank Corporation that was granted to you under the Boatmen's Bancshares, Inc. 1987 Non-Qualified Stock Option Plan (the "Option"). You were also granted in tandem with the Option stock appreciation rights for an equal number of shares (the "SARs"). Shown on the enclosed exhibit are those options to which SARs are attached.

This letter agreement evidences our mutual understanding that you hereby waive any and all of your rights with respect to the SARs shown on the enclosed exhibit and that your SARs are hereby canceled. In consideration thereof, NationsBank will make available to you a cashless exercise procedure for exercising your Option through NationsBanc Securities, Inc. If you exercise your Option through NationsBanc Securities, Inc. using the cashless exercise procedure, NationsBank will cover any broker's fees, margin account interest charges, commissions or other expenses incurred by you in connection with such cashless exercise. The payment of these fees constitutes a taxable benefit and NationsBank will gross up the expense associated with this benefit. In order to exercise your option as a cashless exercise, please contact either Cathy Butner, Cindy Kirwan or Sig Johnson at NationsBanc Securities in Charlotte. All three are assigned to the priority services unit and are aware of your agreement. They can be reached by calling 1-800-926-1111. Press 4 to be connected to the trading desk where you can ask for one of the three.

If this letter agreement accurately reflects your understanding of our agreement on these matters, please so indicate by signing and returning to me the enclosed copy of this letter.

Sincerely,

/s/ CHARLES D. LORING

Charles D. Loring
Senior Vice President

ACCEPTED AND AGREED TO:

/s/ Andrew B. Craig 4-20-97

- - - - -

Diluted Earnings Per Common Share and
Diluted Average Common Shares Outstanding

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

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

<TABLE>
<CAPTION>

	Year Ended December 31		
	1997	1996	1995
	-----	-----	-----
	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Average common shares outstanding	717,450	590,216	544,959
Dilutive effect of			
Convertible preferred stock	3,683	3,896	4,582
Stock options	16,658	9,235	4,726
	-----	-----	-----
Total dilutive shares	737,791	603,347	554,267
	=====	=====	=====
Income available to common shareholders	\$ 3,066	\$ 2,360	\$ 1,942
Preferred dividends paid on dilutive convertible preferred stock	7	7	8
	-----	-----	-----
Total net income available to common shareholders adjusted for dilution ...	\$ 3,073	\$ 2,367	\$ 1,950
	=====	=====	=====
Diluted earnings per common share	\$ 4.17	\$ 3.92	\$ 3.52
	=====	=====	=====

</TABLE>

NationsBank Corporation and Subsidiaries
Ratio of Earnings to Fixed Charges and Preferred Dividends
(Dollars in Millions)

Exhibit 12(b)

<TABLE>
<CAPTION>

	Year Ended December 31			
	1997	1996	1995	1994
1993				
<S>	<C>	<C>	<C>	<C>
Excluding Interest on Deposits				
Income before taxes	\$ 4,796	\$ 3,634	\$2,991	\$2,555
\$1,991				
Equity in undistributed losses (earnings)				
of unconsolidated subsidiaries	--	2	(7)	(3)
(5)				
Fixed charges:				
Interest expense (including capitalized interest)	4,707	4,125	4,480	2,896
1,421				
Amortization of debt discount and				
appropriate issuance costs	19	20	12	8
6				
1/3 of net rent expense	150	126	125	114
96				
-----	-----	-----	-----	-----
Total fixed charges	4,876	4,271	4,617	3,018
1,523				
Preferred dividend requirements	17	22	13	15
16				
Earnings (excluding capitalized interest)	\$ 9,672	\$ 7,907	\$7,601	\$5,570
\$3,509				
=====	=====	=====	=====	=====
Fixed charges	\$ 4,893	\$ 4,293	\$4,630	\$3,033
\$1,539				
=====	=====	=====	=====	=====
Ratio of Earnings to Fixed Charges	1.98	1.84	1.64	1.84
2.28				
Including Interest on Deposits				
Income before taxes	\$ 4,796	\$ 3,634	\$2,991	\$2,555
\$1,991				
Equity in undistributed losses (earnings)				
of unconsolidated subsidiaries	--	2	(7)	(3)
(5)				
Fixed charges:				
Interest expense (including capitalized interest)	8,662	7,447	7,761	5,310
3,570				
Amortization of debt discount and				
appropriate issuance costs	19	20	12	8
6				
1/3 of net rent expense	150	126	125	114
96				
-----	-----	-----	-----	-----
Total fixed charges	8,831	7,593	7,898	5,432
3,672				
Preferred dividend requirements	17	22	13	15
16				
Earnings (excluding capitalized interest)	\$13,627	\$11,229	\$10,882	\$7,984
\$5,658				
=====	=====	=====	=====	=====
Fixed charges	\$ 8,848	\$ 7,615	\$7,911	\$5,447
\$3,688				
=====	=====	=====	=====	=====
Ratio of Earnings to Fixed Charges	1.54	1.47	1.38	1.47
1.53				

</TABLE>

NationsBank Corporation and Subsidiaries
Ratio of Earnings to Fixed Charges and Preferred Dividends
(Dollars in Millions)

Exhibit 12(b)

<TABLE>
<CAPTION>

	Year Ended December 31			
	1997	1996	1995	1994
1993				
<S>	<C>	<C>	<C>	<C>
Excluding Interest on Deposits				
Income before taxes	\$ 4,796	\$ 3,634	\$2,991	\$2,555
\$1,991				
Equity in undistributed losses (earnings) of unconsolidated subsidiaries	--	2	(7)	(3)
(5)				
Fixed charges:				
Interest expense (including capitalized interest)	4,707	4,125	4,480	2,896
1,421				
Amortization of debt discount and appropriate issuance costs	19	20	12	8
6				
1/3 of net rent expense	150	126	125	114
96				
-----	-----	-----	-----	-----
Total fixed charges	4,876	4,271	4,617	3,018
1,523				
Preferred dividend requirements	17	22	13	15
16				
Earnings (excluding capitalized interest)	\$ 9,672	\$ 7,907	\$7,601	\$5,570
\$3,509				
=====	=====	=====	=====	=====
Fixed charges	\$ 4,893	\$ 4,293	\$4,630	\$3,033
\$1,539				
=====	=====	=====	=====	=====
Ratio of Earnings to Fixed Charges	1.98	1.84	1.64	1.84
2.28				
Including Interest on Deposits				
Income before taxes	\$ 4,796	\$ 3,634	\$2,991	\$2,555
\$1,991				
Equity in undistributed losses (earnings) of unconsolidated subsidiaries	--	2	(7)	(3)
(5)				
Fixed charges:				
Interest expense (including capitalized interest)	8,662	7,447	7,761	5,310
3,570				
Amortization of debt discount and appropriate issuance costs	19	20	12	8
6				
1/3 of net rent expense	150	126	125	114
96				
-----	-----	-----	-----	-----
Total fixed charges	8,831	7,593	7,898	5,432
3,672				
Preferred dividend requirements	17	22	13	15
16				
Earnings (excluding capitalized interest)	\$13,627	\$11,229	\$10,882	\$7,984
\$5,658				
=====	=====	=====	=====	=====
Fixed charges	\$ 8,848	\$ 7,615	\$7,911	\$5,447
\$3,688				
=====	=====	=====	=====	=====
Ratio of Earnings to Fixed Charges	1.54	1.47	1.38	1.47
1.53				

</TABLE>

NationsBank Corporation and Its Subsidiaries at 01/31/98
(100% Owned by NationsBank Corporation Unless Otherwise Noted)

Atlantic Equity Corporation
GLM Investments, Inc. (1)
Blue Ridge Investments, L.L.C. (2)
Sweet River Investments, Ltd. (3)
Carolina Mountain Holding Company
CSF Holdings, Inc.
Citizens Travel, Inc. (4)
Citizens Financial Services, Inc. (4)
Equitable Service Corporation (5)
Transtex Management Company (5)
Export Funding Corporation
MAR, Inc.
MN World Trade Corporation
MNC Affiliates Group, Inc.
MNC American Corporation (6)
MNC Credit Corp (6)
A/M Properties, Inc. (7)
American Financial Service Group, Inc. (LEASEFIRST) (7)
Maryland National Realty Investors, Inc. (7)
Maryland National Leasing Services Corporation (7)
MNC Capital Corporation (7)
NationsCredit Corporation
NationsCredit Commercial Corporation (8)
ALS II, Inc. (9)
ALS Superior, Inc. (9)
BJCC, Inc. (9)
JCCA, Inc. (9)
BIRMSON, L.L.C. (10)
Cape Canterbury, Ltd. (9)
Chepstow Holding Corporation (9)
Chepstow Real Estate Investment Trust (11)
LDI Corporation (10)
MOIL Corporation (9)
NationsCredit Distribution Finance, Inc. (9)
Ariens Credit Corporation (12)
Gravely Credit Corporation (12)
Korg Acceptance Corporation (12)
Mercury Marine Acceptance Corporation (12)
NationsCredit Commercial Corporation Ltd. (12)
NationsCredit Marine Funding Corporation (12)
NationsCredit Securitization Corporation (12)
NIMAC Finance Corp. (12)
Sea Ray Credit Corporation (12)
Winnebago Acceptance Corporation (12)

1

SBMB Corporation (9)
TJN Corporation (9)
USW SIS I, Inc. (9)
USW SIS II, Inc. (9)
NationsCredit Consumer Corporation (8)
NationsCredit Acceptance Corporation (13)
NationsCredit Consumer Discount Company (13)
NationsCredit Consumer Services, Inc. (13)
NationsCredit Finance Group Inc. (13)
NationsCredit Financial Acceptance Corporation (13)
NationsCredit Financial Services Corporation (13)
NationsCredit Financial Services Corporation of Alabama (13)
NationsCredit Financial Services Corporation of America (13)
NationsCredit Financial Services Corporation of Florida (13)
NationsCredit Mortgage Corporation of Florida (14)
NationsCredit Financial Services Corporation of Nevada (13)
NationsCredit Financial Services Corporation of Virginia (13)
NationsCredit Home Equity ABS Corporation (13)
NationsCredit Home Equity Corporation of Kentucky (13)
NationsCredit Home Equity Corporation of Virginia (13)
NationsCredit Home Equity Services Corporation (13)
Canterbury Indiana Holdings, Inc. (15)
NationsCredit Insurance Agency, Inc. (13)
NationsCredit Insurance Corporation (13)
NationsCredit Manufactured Housing Corporation (13)
NationsCredit Management Corporation (8)
NationsBanc Business Credit, Inc.
NationsBanc Capital Markets International Limited
NationsBanc-CRT Services, Inc.
NationsBanc Montgomery Securities LLC (16)

NationsBanc Mortgage Capital Corporation
NationsBanc Asset Securities, Inc. (17)
NationsCommercial Corp. (17)
NationsLink Funding Corporation (17)
Tryon Mortgage Funding, Inc. (17)
NationsBanc Pacific Corporation
NationsBank, N.A. (Glynn County)
First Shelter Service Corporation (18)
NB Capital Trust I
NB Capital Trust II
NB Capital Trust III
NB Capital Trust IV
NB Holdings Corporation
Bank IV Community Development Corporation (19)
Bank IV Affordable Housing Corporation (19)
Fourth Investment Advisors, Inc. (19)
IV CB&T Tulsa Holdings Inc. (19)
Barnett Bank, N.A. (19)
Barnett Annuities Corporation (20)

2

Barnett Bank Premises Company - Brickell (20)
Barnett Bank Premises Company - Oakland Park (20)
Barnett Bank Premises Company - Service Center (20)
Barnett Bank Premises Company - Tamarac (20)
Barnett Bank Premises Company - Weston (20)
Barnett Business Finance Corp. (20)
Barnett Capital Advisors, Inc. (20)
Barnett Dealer Financial Services, Inc. (20)
Barnett Auto Receivables Corp. (21)
Barnett Dealer Financial Services Corporation-Alabama (22)
BTRAC Leasing Corporation (22)
Sagebrush Holdings, Inc. (22)
Barnett Insurance Services, Inc. (20)
Barnett Investments, Inc. (20)
Barnett Leasing Company (20)
Barnett Lending Services, Inc. (20)
Barnett Merchant Services Corporation (20)
Barnett Mortgage Company (20)
EquiCredit Corporation of New York (23)
Siesta Holdings, Inc. (23)
Barnett Real Estate Management, Inc. (20)
BBNA Technology Holdings, Inc. (20)
FEES, Inc. (20)
Lee County Holdings Company (20)
Oxford Resources Corp. (20)
Centrex Capital Corp. (24)
Centrex Capital Automobile Assets, Inc. (25)
Centrex Capital Automobile Assets (Number Two), Inc. (25)
Centrex Capital Automobile Assets (Number Three), Inc. (25)
Centrex Capital Automobile Assets (Number Four), Inc. (25)
Centrex Capital Corp. of Alabama (25)
Centrex Capital Corp. of Arizona (25)
Centrex Capital Corp. of California (25)
Centrex Capital Corp. of Colorado (25)
Centrex Capital Corp. of Connecticut (25)
Centrex Capital Corp. of Delaware (25)
Centrex Capital Corp. of D.C. (25)
Centrex Capital Corp. of Florida (25)
Centrex Capital Corp. of Georgia (25)
Centrex Capital Corp. of Illinois (25)
Centrex Capital Corp. of Indiana (25)
Centrex Capital Corp. of Maryland (25)
Centrex Capital Corp. of MA (25)
Centrex Capital Corp. of Michigan (25)
Centrex Capital Corp. of MO (25)
Centrex Capital Corp. of New Jersey (25)
Centrex Capital Corp. of New York (25)
Centrex Capital Corp. of N.Carolina (25)
Centrex Capital Corp. of Ohio (25)

3

Centrex Capital Corp. of PA (25)
Centrex Capital Corp. of Rhode Island (25)
Centrex Capital Corp. of S.Carolina (25)
Centrex Capital Corp. of Tennessee (25)
Centrex Capital Corp. of Texas (25)
Centrex Capital Corp. of Vermont (25)
Centrex Capital Corp. of Virginia (25)
Centrex Capital Corp. of West Virginia (25)
Centrex Capital Corp. of Wisconsin (25)

CCC Capital Corp. of Maine (25)
 CCC Capital Corp. of N.H. (25)
 Centrex Resources Corp. (24)
 Electronic Vehicle Remarketing, Inc. (26)
 Linden Tree Development Corp. (24)
 Lyndhurst Properties Corp. (27)
 Oxford Management Services Corp. (24)
 Trexar Financial Corp. (24)
 Trexar Corp. of New York (28)
 USA Auto Mall, Inc. (24)
 Price Auto Outlet of California, Inc. (29)
 USA Auto Mall of Florida (29)
 USA Auto Mall of New Jersey (29)
 USA Auto Mall of New York, Inc. (29)
 Statewide Administrative Services, Inc. (20)
 Suncoast Advertising Company, Inc. (20)
 Boatmen's Texas, Inc. (19)
 Boatmen's First National Bank of Amarillo (30)
 Southwest Bank of Texas (31)
 Community Bank of the Islands (19)
 Founders Bancorporation, Inc. (19)
 NationsBank, N.A. (19)
 American Security (Louisiana) Ltd. (32)
 Ashburn A Corp. (32)
 Atico Financial Corporation dba Cavalier Properties (32)
 Atico Investment Management (32)
 Baltic M Corp. (32)
 Bank IV Securities Inc. (32)
 Bank Marketing Systems, Inc. (32)
 Bank South Home Equity, Inc. (32)
 BBI Merchant Processing Company, LLC (33)
 Boatmen's Merchant Processing Company, LLC (34)
 BNB Auto, Inc. (32)
 Boatmen's Capital Management, Inc. (32)
 Boatmen's Foreign Investment Corporation (32)
 Savannah International Sales, Inc. (35)
 Tyler International Sales, Inc. (35)
 Carolina Pacific, Inc. (32)
 CC Plaza M Corp. (32)
 CFB Holding Corporation (32)

4

Chase Eagle, Inc. (32)
 Chase Federal Housing Corporation (32)
 ChaseFed Insurance Co. (32)
 Chase I, Inc. (32)
 Chase/Scarborough Group, Inc. (32)
 Chesapeake M Corp. (32)
 Citizens Advisory Group, Inc. (32)
 Citizens Financial Securities Corporation (32)
 Citizens Real Estate, Inc. (32)
 Community Reinvestment Group, L.C. (36)
 Consolidated Asset Management Company (32)
 Courtcom M Corp. (32)
 CSI Holdings, Inc. (32)
 Devon A Corp. (32)
 Down Under Finance Corporation (32)
 Dulaney Valley Corporation (32)
 Education Financing Services, LLC (37)
 Elwin Company, Inc. (32)
 EXHO Properties, Inc. (32)
 Federal Properties I, Inc. (32)
 Financial Automation, Inc. (32)
 Finance Investment Company (32)
 First Development Corporation (32)
 First Financial Real Estate Development, Inc. (32)
 First Land Sales, Inc. (32) Co
 First Revitalization Corp. (32)
 Forty-Six Twenty-Five Lindell Corp. (32)
 Fountain Square Corporation of Maryland (32)
 Gatwick, Inc. (32)
 Mayfair Partners (38)
 Green Park, Inc. (40)
 Regent Street, Inc. (39)
 Piccadilly, Inc. (40)
 High Street, Inc. (41)
 New Broad Street, Inc. (41)
 Guardian Property, Inc. (32)
 Harbilan Corporation (32)
 Harper Farm M Corp. (32)
 HICO Park M Corp. (32)
 M & M Realty, Inc. (32)
 Madison Park A Corp. (32)

Main Place Holdings Corporation (32)
Main Place Real Estate Investment Trust (42)
Mar A Lowe Corp. (32) Activities
Marco Properties, Inc. (32)
Greenburgh Marco, Inc. (43)
Reprise, Inc. (43)
Maryland National Community Development Corporation (32)
Greensides Elderly Limited Partnership (44)

5

The Maryland National/Enterprise Equity Fund
Limited Partnership (44)
Montgomery Homes Limited Partnership II (45)
Montgomery Homes Limited Partnership III (44)
Montgomery Homes Limited Partnership IV (44)
Neighborhood Rental Limited Partnership II (46)
The Newington Limited Partnership (46)
Rosedale Terrace Limited Partnership (46)
St. Wenceslaus Limited Partnership (46)
Maryland Nationalease Corporation (32)
Maywell Mark Corp. (32)
Melwood M Corp. (32)
Metropo M Corp. (32)
Metropolitan Commercial Properties Corporation I (32)
Metropolitan Commercial Properties Corporation VIII (32)
Metropolitan Commercial Properties Corporation X (32)
Midwest Realty & Management, Inc. (32)
MNC Consumer Discount Company (32)
MNC Investment Bank, Ltd. (32)
Motift, Inc. (32)
Multi-State Properties, Inc. (32)
MYM Holdings Corporation (32)
NationsBanc Advisors, Inc. (32)
NationsBanc Auto Funding Corporation (32)
NationsBanc Charlotte Center, Inc. (32)
NationsBanc Commercial Corporation (32)
NationsBanc Dealer Leasing, Inc. (32)
NationsBanc Equity Mortgage Corporation (32)
NationsBanc Financial Products, Inc. (32)
NationsBanc Insurance Services, Inc. (32)
NationsBanc Investments, Inc. (32)
NBII Agency, Inc. (47)
NBII Agency, LLC (47)
NationsBanc Lease Investments, Inc. (32)
NationsBanc Leasing Corporation (32)
NationsBanc Mortgage Corporation (48)
NationsBanc SBIC Corporation (32)
NationsBanc Venture Corporation (32)
NationsBank Carolinas Merchant Services, Inc. (32)
NationsBank Merchant Services (49)
Unified Merchant Services (50)
NationsBank CLO Funding Corp. (32)
NationsBank CLO Corporation (51)
NationsBank de Mexico, S.A. (52)
NationsBank Europe Limited (32)
Carolina Leasing Ltd. (53)
Nations Financial Futures Limited (53)
Nations Investment Management Limited (53)
Commonwealth Securities Limited (54)
Nations Investments Limited (53)

6

Nations Securities Services Ltd. (53)
NationsBank (Export Finance) Ltd. (53)
NationsBank Florida Merchant Services, Inc. (32)
NationsBank Merchant Services (49)
Unified Merchant Services (50)
NationsBank International (32)
NationsBank Overseas Corporation (32)
AF Funding (1993), Inc. (55)
Kill Devil Hills Finance Limited Partnership (56)
Air France/NationsBank (Grantor Trust) (57)
Wrightbrothers Ltd. (58)
AF Funding II (1993), Inc. (55)
Kill Devil Hills II Limited Partnership (59)
Air France/KDHF II (NGHGI) (Grantor Trust) (60)
Florita Finance Ltd. (61)
Binfield Ltd. (55)
Carolina Investments Limited (55)
Cathay Pacific/NationsBank Trust 1 (Grantor Trust) (55)
Wanda Finance Ltd. (62)

Clenston Ltd. (55)
Diamond Shoals Finance Ltd. (55)
Friary Leasing Limited (55)
Hatteras Finance Ltd. (55)
 Heathrow, Inc. (63)
InterFirst Leasing Ltd. (London) (64)
Island Funding, Ltd. (55)
Japan Airlines/NCNB 1993-1 (Grantor Trust) (55)
 First in Flight Finance Ltd. (65)
Nations-CRT Asia, Inc. (55)
Nations-CRT Hong Kong, Limited (55)
Nations-CRT Japan, Inc. (55)
Nations-CRT U.K. & Co. (55)
NationsBank International Trust (Jersey) Limited (66)
NCNB Lease Atlantic, Inc. (55)
 NCNB Lease Finance III (67)
 Blue Ridge Finance Ltd. (68)
NCNB Lease Finance (55)
 Wingtip Finance Limited (69)
NCNB Lease Finance IV (55)
 Sandhills Finance Ltd. (70)
NCNB Lease Finance V (55)
 Piedmont Finance Ltd. (71)
NationsBanc Lease Finance VI (55)
 Kitty Hawk Finance Ltd. (72)
NCNB Lease International, Inc. (55)
 Barnesbury, Ltd. (73)
NCNB Lease Offshore, Inc. (55)
 NCNB Lease Finance II (74)
 Outerbanks Finance Ltd. (75)

7

NCNB Overseas Services, Inc. (55)
Phaestos FSC, Inc. (76)
Republic Dallas Ltd. (U.K.) (77)
TransPacific Funding (1993), Inc. (55)
 TransPacific Finance Limited Partnership (78)
 ANA II (Grantor Trust) (79)
 Fontana Finance Ltd. (80)
Uwharrie Finance Ltd. (55)
Nations-CRT Options, Inc. (32)
NB Partner Corp. (32)
 Gartmore Global Partners (81)
NB Technology Partner, Inc. (32)
NCNB Community Development Corporation (82)
OA Management, Inc. (32)
The Ocmulgee Corporation (32)
Palisades A Corp. (32)
Pan American Mortgage Corp. (32)
Pratt Management Company (32)
Quality A Corp. (32)
Quatro I, Inc. (32)
Ritchie Court M Corporation (32)
Rive Gauche A Corp. (32)
Rockwell Resources, Inc. (32)
Rooms-Springfield, Inc. (32)
SCRC Carrolltowne, Inc. (32)
SCRC Process Service Corp. (32)
Seabrook Operations, Inc. (32)
Seaview of Seabrook, Inc. (32)
Securitization Funding Corporation (32)
Service-Wright Corporation (32)
Seventeenth Commerce Properties Corporation (32)
SOP M Corp. (32)
South Charles Realty Corp (32)
South Point Shopping Center, Inc. (32)
Spotted Horse Holdings, Inc. (32)
St. Louis Investment Properties, Inc. (32)
Sully A Corp. (32)
Sunset Hill Corporation (32)
Sweitzer M Corp. (32)
Sykesville M Corp. (32)
Townsite Plaza Development, Inc. (32)
TradeStreet Investment Associates, Inc. (32)
U.N. Service Corporation (32)
The Union Modern Mortgage Corporation (32)
Vernon M Corp. (32)
WAC One, Inc. (32)
Washington View, Inc. (32)
 Washington View (H) Corporation (83)
 Washington View (NH) Corporation (83)

Wellington Land Co., Inc. (32)
Wickliffe A Corp. (32)
Woods M Corp. (32)
Worthen Mortgage Company (32)
200 Service Corp. (32)
NationsBank of Delaware, N.A. (19)
NationsBank of Kentucky, N.A. (19)
NationsBank of Tennessee, N.A. (19)
Commerce Place Company (84)
Boatmen's Financial Services, Inc. (84)
200 Madison Avenue Realty Corp. (84)
Tennessee Nationalease Corporation (84)
NationsBank Texas Bancorporation, Inc. (19)
NationsBank of Texas, N.A. (85)
APL, Inc. (86)
Austin National Realty Corporation (86)
Beechnut Holdings, Inc. (86)
Capitol Information Networks, Inc. (86)
Charter Colonial Securities, Inc. (86)
Charter-Houston Securities, Inc. (86)
DPC, Inc. (86)
NationsBanc Capital Corporation (86)
NationsBanc Energy Group Denver, Inc. (86)
NationsBanc Mortgage Corporation (48)
NationsBanc Services, Inc. (86)
NationsBank CLO Funding Corp. of Texas (86)
NationsBank CLO Corporation (51)
Republic National Corporation (86)
Texas Nationalease Corporation (86)
RepublicBank Insurance Agency, Inc. (85)
Superior Federal Bank, FSB (19)
SFS Corporation (87)
Premier Management (88)
Southwest Protective Life Insurance Company (88)
Superior Financial Services of Oklahoma (88)
Arch Reinsurance Company, Ltd. (19)
Atlantic Credit Corporation (19)
Bancshares Properties, Inc. (19)
Barnett Aircraft Leasing, Inc. (19)
Barnett Capital Trust I (19)
Barnett Capital Trust II (19)
Barnett Capital Trust III (19)
Barnett Community Development Corporation (19)
Barnett Southside Land, Inc. (19)
Boatmen's Community Development Corporation (19)
Boatmen's Insurance Agency, Inc. (19)
Boatmen's Life Insurance Company (19)
Boatmen's Trust Company (19)
Boatmen's Trust Company, an Oklahoma Trust Company (89)

River City Capital Management, Inc. (89)
Tower Commercial Realty, Inc. (89)
Tower Holdings, L.P. (90)
Union Realty and Securities Company (89)
Boatmen's Trust Company of Arkansas (19)
Cash Flow, Inc. (19)
CreditQuick, Inc. (19)
CreditQuick Finance Company (19)
C&S Premises, Inc. (19)
C&S Premises-SPE, Inc. (91)
Employee Relocation Consultants, Inc. (19)
EquiCredit Corporation (19)
EquiCredit Corporation of America (92)
California/EquiCredit Corporation (93)
UniTrusco Corporation (94)
EquiCredit Corporation/ALA & MISS (93)
EquiCredit Corporation of AR (93)
EquiCredit Corporation of AZ (93)
EquiCredit Corporation of CO (93)
EquiCredit Corporation of CT (93)
EquiCredit Corporation of DC (93)
EquiCredit Corporation of DE (93)
EquiCredit Corporation of FL (93)
EquiCredit Corporation of GA (93)
EquiCredit Corporation of IA (93)
EquiCredit Corporation of ID (93)
EquiCredit Corporation of Illinois (93)
EquiCredit Corporation of IN (93)
EquiCredit Corporation of KY (93)
EquiCredit Corporation of LA (93)

EquiCredit Corporation of MA (93)
EquiCredit Corporation of ME (93)
EquiCredit Corporation of MD (93)
EquiCredit Corporation of MI (93)
EquiCredit Corporation of MN (93)
EquiCredit Corporation of MO (93)
EquiCredit Corporation of NC (93)
EquiCredit Corporation of NE (93)
EquiCredit Corporation of NJ (93)
EquiCredit Corporation of NM (93)
EquiCredit Corporation of NV (93)
EquiCredit Corporation of Ohio (93)
EquiCredit Corporation of OK (93)
EquiCredit Corporation of OR (93)
EquiCredit Corporation of PA (93)
EquiCredit Corporation of SC (93)
EquiCredit Corporation of TN (93)
EquiCredit Corporation of TX (93)
EquiCredit Corporation of UT (93)

10

EquiCredit Corporation of VA (93)
EquiCredit Corporation of VT (93)
EquiCredit Corporation of WA (93)
EquiCredit Corporation of WI (93)
EquiCredit Corporation of WV (93)
EquiCredit Mortgage Loan Company (93)
Equity/Protect Reinsurance Company (93)
EQCC Asset Backed Corporation (93)
EQCC Receivables Corporation (93)
EQCC of TN, Inc. (93)
EQCC Trans Receivable Corporation (93)
OS Securities Corporation (93)
Rhode Island/EquiCredit Corporation (93)
First Florida Bank OREO Holding Company (19)
First Mortgage Corporation (19)
FKF, Inc. (19)
Green Peak Insurance Company (19)
NationsBanc Insurance Agency, Inc. (19)
NationsBanc Insurance Company, Inc. (19)
NationsBanc Insurance Inc. (19)
NationsBanc Investment Corporation (19)
NationsBanc Leasing & Finance Corporation (19)
NationsBanc Leasing & R.E. Corporation (19)
McCormick Realty Limited Partnership (95)
NationsBanc Mortgage Corporation of Georgia (19)
NationsBanc Retirement Management, Inc. (19)
NationsBank Trust Company of New York (19)
NB Insurance Services, Inc. (19)
Second Land Sales, Inc. (19)
Sovran Capital Management Corporation (19)
Suburban Service Corporation (19)
Sunwest Texas, Inc. (19)
Sunwest Bank of El Paso (96)
Three Commercial Place Associates (97)
Worthen Community Development Corporation (19)
Worthen Development Corporation (19)
National Credit Corporation (98)
Worthen Financial Corporation (19)
Boatmen's National Bank of Austin (99)
NationsBank Community Development Corporation (100)
Atlanta Affordable Housing Fund Limited Partnership (101)
Biscayne Apartments, Inc. (102)
Capital Crossing Development Corporation (102)
The Charlotte Affordable Housing LLC (103)
Carlton Court CDC, Inc. (102)
Courtyards Apartments, Inc. (102)
Coventry Village Apartments, Inc. (102)
Eban Incorporated (102)
Tabono Partnership II, Ltd. (104)

11

Eban Village II, Ltd. (105)
Tabono Joint Venture (106)
Eban Village I, Ltd. (107)
Historic District Redevelopment Partnership (108)
Kenilworth Industrial Park Limited Liability Company (109)
Leon Avenue Redevelopment Company (110)
Meharry-Batavia Heights Development, LLC (111)
Misty Waters Apartments, Inc. (102)
NationsBank CDC Special Holding Company, Inc. (102)

Oak Park at Nations Ford LLC (103)
 The Park at Hillside, LLC (111)
 The Park at Lakewood L.L.C. dba Campbellton Glen Apartments LLC (113)
 Queen City Partnership (102)
 Sherwood Terrace Apartments, Inc. (102)
 Southern Oaks Condominium Partners, Ltd. (112)
 Stanton Road LLC (113)
 T-Oaks Apartments, Inc. (102)
 Terry Street Redevelopment Limited Liability Company (114)
 University Park Shopping Center, LLC (115)
 Nations Argentina, S.A. (116)
 NationsBank do Brasil Ltda (116)
 Santa Isabela Limitada (117)
 NationsBank Housing Fund Investment Corporation (118)
 Nations Housing Fund Limited Partnership (119)
 Florida City Apartments, Ltd. (120)
 Owen Brown II Limited Partnership (121)
 Bellevue Manchester Limited Partnership (121)
 Hillcrest House Partnership, Ltd. (122)
 Oliver Plaza Limited Partnership (123)
 Broadway Court Limited Partnership (121)
 Walnut Woods Limited Partnership (121)
 Roanoke at HOME Limited Partnership (121)
 Broadway Apartments Limited Partnership (121)
 San Antonio Master Limited Partnership (124)
 Vera Cruz Redevelopment Partnership, LTD. (125)
 Greensboro Elderly Affordable Housing I Limited Partnership (121)
 Historic East Side Neighborhood Housing L.P. (121)
 Timber Ridge of Immokalee Limited Partnership (121)
 Park City, Ltd. (120)
 King Street Apartments, II, L.P. (121)
 S.C. Model I Limited Partnership (121)
 Columbia Hill Partners, L.P. (121)
 Columbia Mill, I, L.P. (121)
 The Arbors, Limited Partnership (126)
 Cranberry Equities Limited Partnership (121)
 ODC Crossing, Limited Partnership (121)
 Highlandtown Cooperative Limited Partnership (127)
 VOA Eastern Avenue Limited Partnership (121)
 Mt. Pleasant Ventures Limited Partnership (121)

12

 Sherwood Park Limited Partnership (121)
 Etowah, L.P. (128)
 Dominion Pines Partners L.P. (121)
 Cheshire Chase Limited Partnership (121)
 Delowe Place, L.P. (121)
 Westwood Manor Development, L.P. (121)
 Elkridge Apartments Limited Partnership (129)
 Columbia Plaza I, L.P. (121)
 Ripley Station Limited Partnership (121)
 BHP/Johnston Square Limited Partnership (130)
 SPAR S.H.A.R.E. II, Ltd. (128)
 North Carolina Equity Fund (131)
 Riverview Townes Limited Partnership (132)
 Sedgebrook Limited Partnership (132)
 Willow Pond Limited Partnership (132)
 St. Andrew's Homes Limited Partnership (133)
 Carmel Ridge Limited Partnership (132)
 Bridgewood Square Limited Partnership (132)
 Hycienda Heights Limited Partnership (132)
 Nations Housing Fund II Limited Partnership (119)
 Eban Village I, Ltd. (107)
 Pine Knoll Limited Partnership (134)
 NationsBridge, L.L.C. (116)
 NCNB Corporate Services, Inc.
 NCNB Properties, Inc.
 South Charles Investment Corporation
 Tidewater Partners Limited Partnership (135)
 SCI Holdings Corporation (136)
 SunStar Acceptance Corporation
 DCRS Corporation (137)
 SunStar Acceptance Corporation (Hawaii) (137)
 TIM, Inc.
 TriStar Communications, Inc.
 Montgomery Sports, Inc. (138)
 Tryon Assurance Company, Ltd.

- - - - -
 The following companies are 50% or less owned by NationsBank Corporation or one of its subsidiaries.

ABB Funding Partners, L.P., Stamford, CT - NationsCredit Commercial Corporation owns a 14.27% nonvoting interest in this entity.

Barnett-First Data Alliance, Jacksonville, FL - Barnett Merchant Services Corporation owns 50% of this entity.

13

Carlton Court Limited Partnership, Dallas, TX - NationsBank Community Development Corporation ("NBCDC") and Carlton Court CDC, Inc. own 49% and 1%, respectively, of this entity.

Carver State Bank, Savannah, GA - NationsBank Corporation owns preferred nonvoting securities representing 20.63% of the total equity of this entity.

Charlotte Transit Center, Inc., Charlotte, NC - NationsBank CDC Special Holding Company, Inc. has 50% control as one of the two members of this non-profit corporation.

Church Street Crossing Associates, L.P., Washington, DC - NBCDC owns 50% of this entity.

Citizens Savings Bank & Trust Co., Nashville, TN - NationsBank Corporation owns preferred voting shares representing 5.271% of the total equity of this entity.

Collmain Customer Services Ltd., London - NationsBank Europe Limited owns 22.5% of this entity.

Collmain Services Ltd., London - Carolina Investments Limited holds a 20% minority interest in this company.

Columbia Community Investment Limited Partnership, Charlotte, NC - NBCDC has a 20% interest in this entity.

Commonwealth National Bank, Mobile, AL - NationsBank Corporation owns nonvoting securities representing 47% of this entity, however, does not exercise any form of control over it.

CSC Associates, L.P., Marietta, GA - C&S Premises, Inc. and C&S Premises-SPE, Inc. own 49% and 1%, respectively, of this entity.

Danville Community Development Corporation, Danville, VA - NBCDC owns 22% of this inactive entity.

Factoraje Bancomer, S.A., Mexico - NationsBank Overseas Corporation owns 10% of this entity.

First Housing Development Corporation of Florida, Tampa, FL - NationsBank, N.A. (South) owns 12.07% of this entity.

Foremost Factors Limited, New Delhi, India - NationsBank Overseas Corporation owns 35% of this entity.

Homeside Holdings, Inc., Jacksonville, FL - Siesta Holdings, Inc. owns 33% of this entity.

HONOR Technologies, Inc., Maitland, FL - NationsBank Corporation and NB Holdings Corporation own 18.26% and 11.627%, respectively, of this entity.

14

Integrion Financial Network, LLC, Atlanta, GA - Each of NB Technology Partners, Inc. and BBNA Technology Holdings, Inc. owns 5.88% of this entity.

Kenilworth-Burroughs Limited Partnership, Washington, DC - Kenilworth Industrial Park Limited Liability Company is General Partner with a .01% general partnership interest and a 25.99% limited partnership interest.

Maryland Housing Equity Fund Limited Partnership, Columbia, MD - Maryland National Community Development Corporation owns 13.12% of this limited partnership.

MECA Software, L.L.C., Fairfield, CT - MYM Holdings Corporation owns 16.67% of this entity.

MS Spitfire LLC, San Francisco, CA - NationsBanc Montgomery Securities LLC is managing member with a 1% capital interest and may be deemed to have control. The remaining 99% is owned by employees of the managing member. Spitfire Capital Partners LP, San Francisco, CA - MS Spitfire LLC is general partner and contributes one-third of the capital of this entity.

The limited partners are unrelated third parties.

Nubia Redevelopment Partnership, Dallas, TX - NBCDC owns 50% of this entity.

Roanoke Community Development Corporation, Roanoke, VA - NBCDC owns 28% of this inactive entity.

Savannah Community Development Corporation dba Savannah Regional Small Business Capital Fund - NationsBank, N.A. owns 21% of this entity.

Third Ward Neighborhood Development Association, Charlotte, NC - NCNB Community Development Association, a subsidiary of NationsBank, N.A. owns 50% of this joint venture.

Cedar Mill, LLC, Raleigh, NC - Third Ward Neighborhood Development Association owns a 50% general partnership interest in this entity.

Tiryns FSC, Inc., Charlotte Amalie, VI - NationsBank Overseas Corporation owns 50% of this entity.

Tri-Tech, L.P., Baltimore, MD - NationsBank of Delaware, N.A. owns 9.1% of this entity.

Troy Street Limited Liability Company, Alexandria, VA - NationsBank Community Development Corporation has a 39.89% interest in this entity, however, has no right of control over it.

Unity National Bank, Houston, TX - NationsBank Corporation owns preferred nonvoting shares representing 6.09% of the total equity of this entity.

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- 1 Atlantic Equity Corporation owns 100% of this entity.
- 2 NationsBank Corporation and NB Holdings Corporation own 99% and 1%, respectively, of this entity.
- 3 Blue Ridge Investments, L.L.C. owns 33% of this entity.

15

- 4 CSF Holdings, Inc. owns 100% of this entity.
- 5 Citizens Financial Services, Inc. owns 100% of this entity.
- 6 MNC Affiliates Group, Inc. owns 100% of this entity.
- 7 MNC Credit Corp owns 100% of this entity.
- 8 Nations Credit Corporation owns 100% of this entity.
- 9 NationsCredit Commercial Corporation owns 100% of this entity.
- 10 BJCC, Inc. and JCCA, Inc. own 49% and 51%, respectively, of this entity.
- 11 Chepstow Holding Corporation owns 100% of this entity.
- 12 NationsCredit Distribution Finance, Inc. owns 100% of this entity.
- 13 NationsCredit Consumer Corporation owns 100% of this entity.
- 14 NationsCredit Financial Services Corporation of Florida owns 100% of this entity.
- 15 NationsCredit Home Equity Services Corporation owns 100% of this entity.
- 16 NationsBank Corporation owns 99.9% and NB Holdings Corporation owns .1% of this entity.
- 17 NationsBanc Mortgage Capital Corporation owns 100% of this entity.
- 18 NationsBank, N.A. (Glynn County) owns 100% of this entity.
- 19 NB Holdings Corporation owns 100% of this entity.
- 20 Barnett Bank, N.A, owns 100% of this entity.
- 21 Barnett Dealer Financial Services, Inc. owns 33.29% of this entity; Oxford Resources Corp. owns .07%; and the remainder is owned by a number of Centrex Capital Corp. entities.
- 22 Barnett Dealer Financial Services, owns 100% of this entity.

23 Barnett Mortgage Company owns 100% of this entity.

24 Oxford Resources Corp. owns 100% of this entity.

25 Centrex Capital Corp. owns 100% of this entity.

26 Oxford Resources Corp. owns 80% of this entity.

27 Linden Tree Development Corp. owns 100% of this entity.

28 Trexar Financial Corp. owns 100% of this entity.

29 USA Auto Mall, Inc. owns 100% of this entity.

30 Boatmen's Texas, Inc. owns 100% of this entity.

31 Boatmen's Texas, Inc. owns 100% of the non-voting preferred stock of this entity.

32 NationsBank, N.A. owns 100% of this entity.

33 NationsBank, N.A. owns 91.334% of this entity; the remainder is owned by Boatmen's First National Bank of Amarillo (2.239%); Boatmen's National Bank of Austin (0.155%); NationsBank of Tennessee, N.A. (5.039%); and Sunwest Bank of El Paso (1.233%).

34 BBI Merchant Processing Company, LLC owns 50% of this entity.

35 Boatmen's Foreign Investment Corporation owns 100% of this entity.

36 NationsBank, N.A. owns 61.5% of this entity.

37 NationsBank, N.A. owns up to 22.26% of this entity; definitive % depends on total number of participants.

38 Gatwick, Inc. and Heathrow, Inc. own 75% and 25%, respectively, of this entity.

39 Green Park, Inc. owns 90% of this entity. The remainder is owned by an unrelated third party.

40 Mayfair Partners owns 100% of this entity.

41 Piccadilly, Inc. owns 90% of this entity. The remainder is owned by an unrelated third party.

42 Main Place Holdings Corporation owns 100% of this entity.

43 Marco Properties, Inc. owns 100% of this entity.

44 Maryland National Community Development Corporation owns 99% of this entity.

45 Maryland National Community Development Corporation and NationsBank, N.A., each, has a 33.3% interest in this entity.

46 Maryland National Community Development Corporation owns 98.99% of this entity.

47 NationsBanc Investments, Inc. owns 100% of this entity.

48 NationsBank, N.A. and NationsBank of Texas, N.A. own 9.1% and 90.9%, respectively, of this entity.

49 NationsBank Carolinas Merchant Services, Inc. and NationsBank Florida Merchant Services, Inc. own 49% and 51%, respectively, of this entity.

50 NationsBank Merchant Services owns 20% of this entity.

16

51 NationsBank, N.A. and NationsBank of Texas, N.A. own 52% and 48%, respectively, of this entity.

52 NationsBank Overseas Corporation and NationsBank, N.A. own 99% and 1%, respectively, of this entity.

53 NationsBank Europe Limited owns 100% of this entity.

54 Nations Investment Management Limited owns 100% of this entity.

55 NationsBank Overseas Corporation owns 100% of this entity.

56 AF Funding (1993), Inc. holds a 1% general partnership and a 49% limited

partnership interest in this entity and has 100% of the voting rights..

57 Kill Devil Hills Finance Limited Partnership owns 100% of this entity.

58 Air France/NationsBank (Grantor Trust) owns 100% of this entity.

59 AF Funding II (1993), Inc. holds a 1% general partnership and a 34% limited partnership interest in this entity and has 100% of the voting rights.

60 Kill Devil Hills II Limited Partnership owns 100% of this entity.

61 Air France/KDHF II (NGHGI) (Grantor Trust) owns 100% of this entity.

62 Cathay Pacific/NationsBank Trust I (Grantor Trust) owns 100% of this entity.

63 NationsBank Overseas Corporation and Island Funding, Inc. own 75% and 25%, respectively, of this entity.

64 NationsBank Overseas Corporation owns 99.5% of this entity.

65 Japan Airlines/NCNB 1993-1 (Grantor Trust) owns 100% of this entity.

66 NationsBank Overseas Corporation and NationsBank, N.A. own 99.33% and .67%, respectively, of this entity.

67 NCNB Lease Atlantic, Inc. owns 100% of this entity.

68 NCNB Lease Finance III owns 100% of this entity.

69 NCNB Lease Finance owns 100% of this entity.

70 NCNB Lease Finance IV owns 100% of this entity.

71 NCNB Lease Finance V owns 100% of this entity.

72 NCNB Lease Finance VI owns 100% of this entity.

73 NCNB Lease International, Inc. owns 99.9% of this entity.

74 NCNB Lease Offshore, Inc. owns 100% of this entity.

75 NCNB Lease Finance II owns 100% of this entity.

76 NationsBank Overseas Corporation owns 50% of this entity.

77 NationsBank Overseas Corporation owns 98% of this entity.

78 TransPacific Funding (1993), Inc. holds a 1% general partnership and a 65% limited partnership interest in this entity and has 100% of the voting rights.

79 TransPacific Finance Limited Partnership owns 100% of this entity.

80 ANA II (Grantor Trust) owns 100% of this entity.

81 NB Partner Corp. owns 50% of this entity.

82 NationsBank, N.A. is the sole member of this non-profit corporation.

83 Washington View, Inc. owns 69% of this entity.

84 NationsBank of Tennessee, N.A. owns 100% of this entity.

85 NationsBank Texas Bancorporation, Inc. owns 100% of this entity.

86 NationsBank of Texas, N.A. owns 100% of this entity.

87 Superior Federal Bank, FSB owns 100% of this entity.

88 SFS Corporation owns 100% of this entity.

89 Boatmen's Trust Company owns 100% of this entity.

90 Boatmen's Trust Company owns 99% of this entity.

91 C&S Premises, Inc. owns 100% of this entity.

92 EquiCredit Corporation owns 100% of this entity.

93 EquiCredit Corporation of American owns 100% of this entity.

94 California/EquiCredit Corporation owns 100% of this entity.

95 NationsBanc Leasing & R.E. Corporation and NationsBanc Leasing and Finance

Corporation own 99% and 1%, respectively, of this entity.

96 Sunwest Texas, Inc. owns 100% of this entity.

97 NB Holdings Corporation owns 70% of this entity.

17

98 Worthen Development Corporation owns 100% of this entity.

99 Worthen Financial Corporation owns 100% of this entity.

100 NationsBank, N.A. and NationsBank of Texas, N.A. own, respectively, 61.9% and 38.1% of this entity.

101 NationsBank Community Development Corporation ("NBCDC") has a 95.4% voting general partnership interest in this entity.

102 NBCDC owns 100% of this entity.

103 NBCDC and NCNB Community Development Corporation have 99% and 1% interests, respectively, in this entity.

104 Eban Incorporated has a 50% interest as general partner in this entity.

105 Tabono Partnership II, Ltd. has a 99% interest as general partner in this entity.

106 Eban Incorporated owns 5% of this entity, however, has control over it.

107 Tabono Joint Venture has a 1% interest as general partner and controls this entity; Nations Housing Fund II Limited Partnership has a 12.9% limited partnership interest.

108 NBCDC has a 94.89% interest in this entity.

109 NBCDC owns 70% of this entity.

110 NBCDC owns 80% of this entity.

111 NBCDC and Sherwood Terrace Apartments, Inc. own 99% and 1%, respectively, of this entity.

112 NBCDC has a 50.26% interest in this entity.

113 NBCDC owns 99% of this entity.

114 NBCDC owns 98% of this entity.

115 NBCDC owns 15% of this entity.

116 NationsBank Corporation and NB Holdings Corporation own 99% and 1%, respectively, of this entity.

117 NationsBank do Brasil, Ltda owns 99% of this entity.

118 NationsBank, N.A. and NationsBank of Texas, N.A. own, respectively, 75% and 25% of the voting stock of this entity.

119 NationsBank Housing Fund Investment Corporation has a 99% nonvoting limited partnership interest in this entity.

120 Nations Housing Fund Limited Partnership ("NHF") has a 51% limited partnership interest in this entity.

121 NHF has a 99% limited partnership interest in this entity.

122 NHF has an 88% limited partnership interest in this entity.

123 NHF has a 67.5% limited partnership interest in this entity.

124 NHF has a 50.49% limited partnership interest in this entity.

125 San Antonio Master Limited Partnership has a 99% limited partnership interest in this entity.

126 NHF has a 75.85% limited partnership interest in this entity.

127 NHF has an 88.05% limited partnership interest in this entity.

128 NHF has a 98.99% limited partnership interest in this entity.

129 NHF has a 51.17% limited partnership interest in this entity.

130 NHF has a 32.51% limited partnership interest in this entity.

- 131 NHF has a 39.6% limited partnership interest in this entity.
- 132 North Carolina Equity Fund ("NCEF") has a 99% limited partnership interest in this entity.
- 133 NCEF has a 98% limited partnership interest in this entity.
- 134 Nations Housing Fund II Limited Partnership ("NHFII") has a 99% limited partnership interest in this entity.
- 135 South Charles Investment Corporation has an 88% limited partnership interest and SCI Holdings Corporation has a 2% general partnership interest in this entity.
- 136 South Charles Investment Corporation owns 100% of this entity.
- 137 SunStar Acceptance Corporation owns 100% of this entity.
- 138 TriStar Communications, Inc. owns 100% of this entity.

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-3 (Nos. 33-44826; 33-57533; 33-63097; 333-7229; 333-13811; 333-15375; 333-18273 and 333-43137); the Registration Statements on Form S-8 (Nos. 2-80406; 33-45279; 33-60695; 333-02875; 333-07105; 333-20913 and 333-24331) and the Post-Effective Amendment No. 1 on Form S-8 to Registration Statements on Form S-4 (Nos. 33-43125; 33-55145; 33-63351; 33-62069; 33-62208; 333-16189 and 333-40515) of NationsBank Corporation of our report dated January 9, 1998 appearing on page 46 of this Form 10-K.

PRICE WATERHOUSE LLP
Charlotte, North Carolina
March 13, 1998

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each of NationsBank Corporation and the several undersigned officers and directors whose signatures appear below, hereby makes, constitutes and appoints James W. Kiser and Charles M. Berger, and each of them acting individually, its, his and her true and lawful attorneys with power to act without any other and with full power of substitution, to prepare, execute, deliver and file in its, his and her name and on its, his and her behalf, and in each of the undersigned officer's and director's capacity or capacities as shown below, an Annual Report on Form 10-K for the year ended December 31, 1997, and all exhibits thereto and all documents in support thereof or supplemental thereto, and any and all amendments or supplements to the foregoing, hereby ratifying and confirming all acts and things which said attorneys or attorney might do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, NationsBank Corporation has caused this power of attorney to be signed on its behalf, and each of the undersigned officers and directors, in the capacity or capacities noted, has hereunto set his or her hand as of the date indicated below.

NATIONSBANK CORPORATION

By: /s/ Hugh L. McColl, Jr.
Hugh L. McColl, Jr.
Chief Executive Officer

Dated: January 28, 1998

<TABLE>	<CAPTION>	Signature	Title	Date
-----	-----	-----	-----	-----
<S>	<C>	/s/ Hugh L. McColl, Jr.	Chief Executive Officer and Director	January 28, 1998
(Hugh L. McColl, Jr.)	(Principal Executive Officer)	/s/ James H. Hance, Jr.	Vice Chairman, Chief Financial Officer	January 28, 1998
(James H. Hance, Jr.)	and Director (Principal Financial Officer)	/s/ Marc D. Oken	Executive Vice President and	January 28, 1998
(Marc D. Oken)	Chief Accounting Officer	/s/ Andrew B. Craig, III	(Principal Accounting Officer)	January 28, 1998
(Andrew B. Craig, III)	Chairman of the Board	/s/ Ray C. Anderson	Director	January 28, 1998
(Ray C. Anderson)	Director	/s/ William M. Barnhardt	Director	January 28, 1998
(William M. Barnhardt)				

<TABLE>	<S>	<C>	<C>
/s/ Rita Bornstein	Director	January 28, 1998	(Rita Bornstein)
/s/ B.A. Bridgewater, Jr.	Director	January 28, 1998	(B.A. Bridgewater, Jr.)
/s/ Thomas E. Capps	Director	January 28, 1998	(Thomas E. Capps)
/s/ Alvin R. Carpenter	Director	January 28, 1998	(Alvin R. Carpenter)
/s/ Charles W. Coker	Director	January 28, 1998	(Charles W. Coker)
/s/ Thomas G. Cousins	Director	January 28, 1998	(Thomas G. Cousins)
(Alan T. Dickson)	Director	January 28, 1998	
/s/ Paul Fulton	Director	January 28, 1998	(Paul Fulton)
(Timothy L. Guzzle)	Director	January 28, 1998	

/s/ C. Ray Holman (C. Ray Holman)	Director	January 28, 1998
/s/ W. W. Johnson (W.W. Johnson)	Director	January 28, 1998
/s/ Kenneth D. Lewis (Kenneth D. Lewis)	President and Director	January 28, 1998
/s/ Russell W. Meyer, Jr. (Russell W. Meyer, Jr.)	Director	January 28, 1998
(Richard B. Priory)	Director	January 28, 1998
/s/ Charles E. Rice (Charles E. Rice)	Director	January 28, 1998
(John C. Slane)	Director	January 28, 1998

-2-

<TABLE>		
<S>	<C>	<C>
/s/ O. Temple Sloan, Jr. (O. Temple Sloan, Jr.)	Director	January 28, 1998
/s/ John W. Snow (John W. Snow)	Director	January 28, 1998
/s/ Meredith R. Spangler (Meredith R. Spangler)	Director	January 28, 1998
/s/ Albert E. Suter (Albert E. Suter)	Director	January 28, 1998
/s/ Ronald Townsend (Ronald Townsend)	Director	January 28, 1998
/s/ Jackie M. Ward (Jackie M. Ward)	Director	January 28, 1998
/s/ John A. Williams (John A. Williams)	Director	January 28, 1998
/s/ Virgil R. Williams (Virgil R. Williams)	Director	January 28, 1998

-3-

NATIONSBANK CORPORATION
BOARD OF DIRECTORS
RESOLUTIONS

January 28, 1998

Annual Report on Form 10-K

WHEREAS, the Chief Financial Officer and Chief Accounting Officer of NationsBank Corporation (the "Corporation") have made presentations to the Board of Directors regarding the Corporation's financial results for the year ended December 31, 1997; and

WHEREAS, the Board has had adequate opportunity to review and comment on such results;

NOW, THEREFORE, BE IT:

RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized and empowered on behalf of the Corporation to prepare, execute, deliver and file the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997 (the "Form 10-K"), based upon the information presented to and considered at this meeting, in such form and with such content and attachment of exhibits as the signing officers shall approve, their approval to be conclusively evidenced by their signature thereof; and be it

FURTHER RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized and empowered on behalf of the Corporation to execute the Form 10-K and file it with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, and with such other governmental agencies or instrumentalities as such officers deem necessary or desirable, and to prepare, execute, deliver and file any amendment or amendments to the Form 10-K, as they may deem necessary or appropriate; and be it

FURTHER RESOLVED, that James W. Kiser and Charles M. Berger be, and each of them with full power to act without the other hereby is, authorized and empowered to prepare, execute, deliver and file the Form 10-K and any amendment or amendments thereto on behalf of and as attorneys for the Corporation and on behalf of and as attorneys for any of the following: the Principle Executive Officer, the Principal Financial Officer, the Principal Accounting Officer, and any other officer of the Corporation; and be it

FURTHER RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized and directed to do all things necessary, appropriate or convenient to carry into effect the foregoing resolutions.

CERTIFICATE OF SECRETARY

I, ALLISON L. GILLIAM, Assistant Secretary of NationsBank Corporation, a corporation duly organized and existing under the laws of the State of North Carolina, do hereby certify that the foregoing is a true and correct copy of resolutions duly adopted by a majority of the entire Board of Directors of the corporation at a meeting of the Board of Directors held January 28, 1998, at which meeting a quorum was present and acted throughout and that the resolutions are in full force and effect and have not been amended or rescinded as of the date hereof.

IN WITNESS WHEREOF, I have hereupon set my hand and affixed the seal of the corporation this 4th day of March, 1998.

(CORPORATE SEAL)

/s/ Allison Gilliam
Assistant Secretary

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THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE DECEMBER 31, 1997 ANNUAL REPORT ON FORM 10-K FOR NATIONSBANK CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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