

# **Consumer Finance Group**

## **Strategic Resolutions**

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# Forward Looking Statements

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This presentation contains forward-looking statements with respect to the financial conditions and results of operations of Bank of America, including, without limitation, statements relating to the earnings outlook of the company. These forward-looking statements involve certain risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) the inability to sell the subprime real estate branch, fulfillment or servicing businesses; (2) the inability to dispose of the subprime real estate loan portfolio; (3) increased credit costs from the corporation's estimate of future lease losses; (4) unexpected costs and expenses associated with exiting the auto leasing and subprime real estate lending businesses; (5) projected business increases following process changes and other investments being lower than expected; (6) competitive pressure among financial services companies increasing significantly; (7) general economic conditions, internationally, nationally or in the states in which the company does business, including the impact of the energy crisis, being less favorable than expected; (8) changes in the interest rate environment reducing interest margins and affecting funding sources; (9) changes in market rates and prices adversely affecting the value of assets; (10) legislation or regulatory requirements or changes adversely affecting the businesses in which the company is engaged; and (11) additional decisions to downsize, sell or close units or otherwise change the business mix of the company. For further information, please refer to Bank of America's reports filed with the SEC.

# **Today's Strategic Announcement**

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- **Exit Underperforming Businesses**
  - **Indirect auto leasing**
  - **Indirect subprime real estate lending**

# **Auto Leasing - Background**

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- **2000 origination volume - \$3.6 billion**
  - **1<sup>st</sup> half 2001 volume - \$773 million**
- **Total lease servicing portfolio \$9.7 billion, 8.7% market share**
- **495,000 vehicles under lease**
- **1st half 2001 revenues - \$213 million excluding residual losses**

# **Auto Leasing - Decisioning**

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- **Does not meet corporate return rates**
- **Earnings volatility**
  - **Economic conditions**
  - **Vehicle manufacturer incentive programs**
- **Limited point of sale customer cross-sell opportunities**

# Auto Leasing

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- **Actions**

- **Cease originations immediately**
  - ❑ **Will remain in auto lending business**
- **Manage liquidation of current portfolio to term**
  - ❑ **50% of portfolio expires over next 18 months**

- **Financial Impact**

- **Write-off goodwill of \$454 million**
- **Recognize \$400 million additional lease residual charge**
  - ❑ **Raises reserve to \$700 million**
  - ❑ **Represents best estimate of remaining lease losses**

# **Subprime Real Estate - Background**

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- **Origination**

- **Fourth largest subprime originator**
- **\$7.8 billion in 2000**
- **\$4.9 billion YTD in 2001**

- **Servicing**

- **Third largest subprime servicer**
- **\$26 billion serviced, \$22 billion on balance sheet**
- **330,000 borrowers**

- **96 offices nationwide**

- **1st half 2001 revenues - \$405 million**

## Subprime Real Estate - Credit Statistics

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(\$ in millions)	<u>12/31/99</u>	<u>12/31/00</u>	<u>6/30/01</u>
Nonperforming Loans	\$ 598	\$ 1,092	\$ 1,226
OREO	22	114	209
Nonperforming Assets	\$ 620	\$ 1,206	\$ 1,435
NPLs % of Loans	3.76%	5.44%	5.57%



# **Subprime Real Estate - Decisioning**

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- **Does not meet corporate return rates**
- **Profitability not commensurate with credit risk**
- **Overall credit concentration limits growth**

## **Subprime Real Estate - Actions**

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- **Sell branch origination network**
- **Sell servicing platform**
- **Securitize and sell performing loans over next 3 quarters**
- **Sell delinquent and nonperforming loans**

# **Subprime Real Estate – Financial Impact**

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- **Write-off goodwill of \$231 million**
- **Provision charge of \$395 million**
  - **Combine with existing reserve of \$240 million to accommodate mark to market on loan portfolio**
- **\$145 million charge to revalue servicing assets and existing securitization residuals**

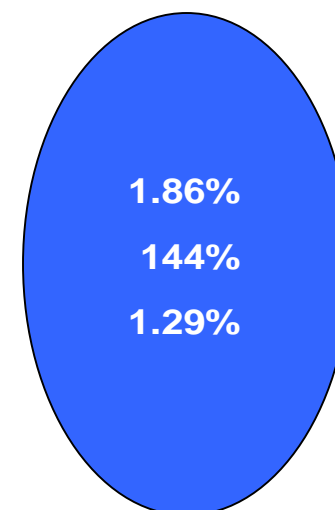
# Asset Quality Impact

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(\$ in millions)	Actual	Adj. For	Proforma
	<u>June 2001</u>	<u>Consumer</u> <u>Real Estate</u>	<u>June 2001</u>
Total Loans & Leases	\$ 380,425	\$ (22,000)	\$ 358,425
Nonperforming Loans	5,849	(1,226)	4,623
Allowance for Losses	6,911	(240)	6,671

## Allowance as % of:

Loans and leases	1.82%
Nonperforming loans	118%
NPLs as % of loans and leases	1.54%



# Exit Cost Summary

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(\$ in millions)	<u>Pre-tax Charge</u>	<u>After-tax Charge</u>
Provision expense		
Loan write-down	\$ 395	\$ 253
Other expense		
Goodwill writeoff	685	600
Auto lease residual charge	400	256
Real estate servicing asset re-valuation	145	93
Other	75	48
Total other expense	1,305	997
Total pre-tax charge	1,700	
Income tax benefit	(450)	
Expected charge to net income	1,250	1,250
EPS impact (based on Q2 avg shares)	\$ 0.77	\$ 0.77

Impact on operating earnings will be neutral to mildly dilutive as lost revenue will be offset by lower credit costs and earnings from the redeployment of freed up capital in out years.

# Bank of America Going Forward

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- Customer and shareholder focused
- Accelerated growth of revenue and earnings
- Improved overall profitability
- More consistent earnings stream