SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

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SIC: **6021** National commercial banks

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

OR

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

COMMISSION FILE NUMBER 1-6366

FLEET FINANCIAL GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

RHODE ISLAND	05-0341324
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
ONE FEDERAL STREET, BOSTON, MASSACHUSETTS	02110
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)	(ZIP CODE)

617 / 346-4000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.01 Par Value	New York Stock Exchange
Depositary Shares each representing a one-tenth interest in a share of 9.35% Cumulative Preferred Stock, $1 Par Value	New York Stock Exchange
Depositary Shares each representing a one-tenth interest in a share of Series V 7.25% Perpetual Preferred Stock, $1 Par Value	New York Stock Exchange
Depositary Shares each representing a one-fifth interest in a share of Series VI 6.75% Perpetual Preferred Stock, $1 Par Value	New York Stock Exchange
8.00% Trust Originated Preferred Securities issued by Fleet Capital Trust I, Guaranteed by Fleet Financial Group, Inc.	New York Stock Exchange
7.05% Trust Originated Preferred Securities issued by Fleet Capital Trust III, Guaranteed by Fleet Financial Group, Inc.	New York Stock Exchange
7.17% Trust Originated Preferred Securities issued by Fleet Capital Trust IV, Guaranteed by Fleet Financial Group, Inc.	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange
Warrants to purchase Common Stock	New York Stock Exchange

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

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

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

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As of February 26, 1999 (the latest practicable date), the aggregate market value of the voting stock held by nonaffiliates of the Registrant was $23.8 billion, which excludes $659 million held by directors, executive officers, and banking subsidiaries of the Registrant under trust agreements and other instruments.

The number of shares of common stock of the Registrant outstanding as of February 26, 1999 was 569,039,801.

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DOCUMENTS INCORPORATED BY REFERENCE

1. Pertinent extracts from Registrant's 1998 Annual Report to Shareholders are incorporated into Parts I, II, and IV.

2. Pertinent extracts from Registrant's Proxy Statement for its 1999 Annual Meeting filed with the Commission are incorporated into Part III.

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

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PART I.

ITEM 1. BUSINESS

GENERAL

Fleet Financial Group, Inc. (the "Registrant," "Corporation" or "Fleet") is a diversified financial services company organized under the laws of the State of Rhode Island. Fleet is a legal entity separate and distinct from its subsidiaries, assisting such subsidiaries by providing financial resources and management. By most measures, Fleet is among the ten largest bank holding companies in the United States, with total assets of $104.4 billion at December 31, 1998. Fleet has approximately 36,000 employees.

Fleet reported net income for 1998 of $1.53 billion, or $2.52 per diluted share. This compared to net income of $1.37 billion, or $2.30 per diluted share in 1997. All common share amounts and associated ratios were adjusted to reflect the Corporation's two-for-one common stock split which was effective October 7, 1998. For a more detailed discussion of the Corporation's financial results, see "Management's Discussion and Analysis" (pages 21-39) of the Corporation's 1998 Annual Report to Shareholders, which is incorporated by reference herein.

Fleet is engaged in a general commercial banking and investment management

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business throughout the states of Rhode Island, New York, Connecticut, Massachusetts, New Jersey, Maine, and New Hampshire through its banking subsidiaries: Fleet National Bank ("FNB"); Fleet Bank, National Association ("FBNA"); Fleet Bank of Maine ("Fleet-Maine"); and Fleet Bank-NH ("Fleet-NH"). All of the subsidiary banks are members of the Federal Reserve System, and the deposits of each are insured by the Federal Deposit Insurance Corporation ("FDIC") to the extent provided by law. The Corporation also has a thrift subsidiary, Fleet Bank, F.S.B. ("Fleet-FSB") located in Boca Raton, Florida.

Fleet also provides, through its subsidiaries, a variety of financial services, including mortgage banking, asset-based lending, lease financing, credit card services, real estate financing, brokerage, market-making and securities clearing services, capital market services and investment banking, investment advice and management, data processing and student loan servicing.

On March 15, 1999, Fleet and BankBoston Corporation ("BankBoston") entered into a definitive merger agreement providing for the merger of BankBoston with Fleet. Prior to the required regulatory divestitures of approximately $13 billion of deposits and approximately $5 billion of loans, the combined institution will have approximately $180 billion in assets, approximately $118 billion in deposits, and will be headquartered in Boston, Massachusetts. The merger agreement provides that each share of BankBoston common stock would be exchanged for 1.1844 newly issued shares of Fleet common stock on a tax-free basis. As a result of the merger, $360 million (post-tax) of cost savings are expected to be realized primarily through: reductions in staff; elimination, consolidation and/or divestiture of certain branches; and the consolidation of certain offices, data processing and other redundant back office operations and staff functions. Fleet expects to take a one-time restructuring charge aggregating approximately $650 million (post-tax) to cover exit costs relating to the merger. In addition, approximately $60 million (post-tax) in other expenses related to the merger will be recognized in future periods as they are incurred. The merger is expected to be completed in the fourth quarter of 1999 and is subject to certain conditions, including the approval of federal and state bank regulators and the shareholders of both companies.

On February 1, 1999, the Corporation acquired Sanwa Business Credit ("Sanwa"), a leasing and asset-based lending company, from Sanwa Bank, Ltd. The Sanwa acquisition provided approximately $6 billion of assets as well as approximately $1 billion of securitized loans. This acquisition was accounted for under the purchase method of accounting.

On February 20, 1998, the Corporation acquired the consumer credit card operations of Advanta Corporation ("Advanta"). The Advanta acquisition provided approximately $11.5 billion of managed credit card receivables. This acquisition was accounted for under the purchase method of accounting.

On February 1, 1998, the Corporation acquired The Quick & Reilly Group, Inc. ("Quick & Reilly"), a national discount brokerage firm. The transaction was accounted for as a pooling-of-interests. Under the terms of the Quick & Reilly merger, approximately 44 million Fleet common shares were exchanged for all of the outstanding Quick & Reilly common shares at an exchange ratio of .289 shares of Fleet for each share of Quick & Reilly.

On December 10, 1997, Fleet consummated its acquisition of Columbia Management Company ("Columbia"), a Portland, Oregon-based asset management company with approximately $21 billion of assets under management. Fleet accounted for this acquisition under the purchase method of accounting.

On May 1, 1996, the Corporation acquired from National Westminster Plc substantially all of the net assets of certain subsidiaries of NatWest Bancorp ("NatWest"). The former NatWest Bank was merged into FBNA. The acquisition of NatWest contributed approximately $13 billion and $18 billion of loans and deposits, respectively, and approximately 300 branches in New York and New Jersey. The transaction was accounted for using the purchase method of accounting.

On November 30, 1995, the merger of Fleet and Shawmut National Corporation ("Shawmut") was completed and was accounted for as a pooling-of-interests. Fleet exchanged approximately 210 million common shares for all the outstanding shares of Shawmut at an exchange ratio of .4461 shares of Fleet for each share of Shawmut.

The Corporation is managed along the following business lines, as more particularly described in "Management's Discussion and Analysis" (pages 26-29) and "Notes to Consolidated Financial Statements" (pages 54-55): Commercial Financial Services, Retail Banking, National Financial Services, Fleet Investment Group, and Treasury.

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Commercial Financial Services provides a full range of credit and banking services to corporate, middle-market, real estate, government and leasing customers. Fleet enjoys a strong presence in the Northeast and also has several specialty businesses of national scope which serve to diversify and complement its client base.

Retail Banking includes consumer banking and Fleet's commercial small business group. Retail Banking offers customers products and services to conveniently access, move, and manage their money and delivers these services through its network of nearly 1,200 branches. Fleet's business and entrepreneurial services group provides a full range of financial services targeted at businesses with annual sales of up to $10 million. Fleet is the leading small-business lender in New England and ranks among the ten largest in the country.

National Financial Services includes mortgage banking, credit card services, venture capital and student loan processing (AFSA). Fleet's mortgage banking business originates, sells and services first and second-mortgage products spanning all customer segments. Fleet Mortgage Group originated approximately $36 billion of loans in 1998. This business services a mortgage portfolio of $119 billion and 1.4 million loans. Fleet Credit Card Services provides a servicing function for approximately $14.5 billion of managed credit card loans. Through acquisitions and internal growth, Fleet Credit Card Services has become the eighth largest issuer of credit cards. Fleet Private Equity provides management teams with the private equity capital necessary to acquire, recapitalize or grow private and public companies. Student loan processing, through the AFSA subsidiary, services 6.5 million accounts nationwide and is the largest student loan servicer in the nation with $48.7 billion of student loans serviced.

Fleet Investment Group is comprised of several businesses, all targeting customers' growing need for investment products and services. These businesses include Quick & Reilly which offers brokerage, market-making, and securities clearing services, the private clients group which offers specialized asset management, estate settlement and deposit and credit products to high-net-worth customers, Columbia which sells proprietary mutual funds and manages personal and institutional business lines in the Pacific Northwest, retail investments which markets Galaxy (Fleet's proprietary mutual fund family) and third party mutual funds and annuity products, and several other businesses which offer retirement plan services, large institutional asset management and not-for-profit investment services.

Treasury is responsible for managing the Corporation's securities and residential mortgage portfolios, trading operations, asset-liability management function and wholesale funding needs.

The preparation of the Corporation's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. A significant estimate in the Corporation's accounting process pertains to the reserve for credit losses. The methodology for determining the adequacy of the reserve for credit losses consists of various key elements, including risk rating migration, delinquency, and loss trends by each portfolio segment.

The Corporation's loan portfolio consists primarily of commercial, consumer, and commercial real estate loans, as well as leases. The reserve levels for consumer and small business lending is based on credit quality analytical reviews of homogeneous pools of loans. Reserve levels for the commercial portfolio, which includes commercial real estate loans and leases, are established based on loan by loan reviews and evaluations of current actual losses and risk ratings of the individual loans. Self correcting mechanisms for consumer and small business loans consist of comparing actual portfolio losses to estimated results. The commercial portfolio self correcting mechanism consists of a comparison of actual charge-offs to previous specific allocated loan loss levels. Subsequent adjustments are made, as necessary, based on these processes. The reserve methodology has been consistently applied.

COMPETITION

The Corporation's subsidiaries are subject to intense competition in all aspects of the businesses in which they compete from domestic and foreign banks, equipment leasing companies, finance companies, securities and investment advisory firms, real estate financing companies, mortgage banking companies, and other financial institutions. The Corporation principally competes on interest rates and other terms of financing arrangements, including specialized customer

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services and various banking arrangements and conveniences designed to attract depositors, borrowers, and other customers.

SUPERVISION AND REGULATION

Banking is a highly regulated industry, with numerous federal and state laws and regulations governing the organization and operation of banks and their affiliates. As a bank holding company, Fleet is subject to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") under the Bank Holding Company Act of 1956, as amended (the "BHCA"). Fleet-Maine and Fleet-NH, as state-chartered member banks, are subject to regulation by the Federal Reserve Board and bank regulators in their respective states. FBNA and FNB are national banks subject to

regulation and supervision by the Office of the Comptroller of the Currency (the "OCC"). Fleet-FSB is a federal savings association subject to regulation and supervision by the Office of Thrift Supervision (the "OTS"). Each subsidiary bank's deposits are insured by the FDIC and each bank subsidiary is a member of the Federal Reserve System. Fleet is also subject to the reporting and other requirements of the Securities Exchange Act of 1934 (the "Exchange Act").

The BHCA requires that Fleet obtain prior approval from the Federal Reserve Board for bank and nonbank acquisitions and restricts the business operations permitted to Fleet. The BHCA also restricts the acquisition of shares of out-of-state banks unless the acquisition is specifically authorized by the laws of the state in which the bank to be acquired is located. In addition, Fleet's bank subsidiaries must obtain prior approval from their respective primary regulators for most acquisitions. Virtually all aspects of the subsidiary banks' businesses are subject to regulation and examination, depending on the charter of the particular banking subsidiary, by the Federal Reserve Board, the OCC, the OTS, the FDIC, the banking regulatory agencies of the states in which they operate, or a combination of the above.

As a result of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") on August 9, 1989, any or all of Fleet's subsidiary banks can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC after August 9, 1989, in connection with (a) the default of any other of Fleet's subsidiary banks or (b) any assistance provided by the FDIC to any other of Fleet's subsidiary banks in danger of default. "Default" is defined generally as the appointment of a conservator or receiver and "in danger of default" is defined generally as the existence of certain conditions indicating that a "default" is likely to occur without regulatory assistance.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDICIA") provides for, among other things, increased funding for the Bank Insurance Fund (the "BIF") of the FDIC and expanded regulation of depository institutions and their affiliates, including parent holding companies. The FDICIA provides the federal banking agencies with broad powers to take prompt corrective action to resolve problems of insured depository institutions, depending upon the particular institution's level of capital. The FDICIA established five tiers of capital measurement for regulatory purposes ranging from "well-capitalized" to "critically undercapitalized". A depository institution may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position under certain circumstances. As of December 31, 1998, all of Fleet's subsidiary banking institutions met the requirements of a "well-capitalized" institution.

The FDICIA, as amended, directs each federal banking agency to prescribe safety and soundness standards for depository institutions relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, asset quality, earnings and stock valuation. Final interagency regulations to implement these new safety and soundness standards were adopted by the federal banking agencies. As of October 1, 1996, standards for asset quality and earnings have been incorporated into the Interagency Guidelines Establishing Standards for Safety and Soundness. The three standards for Safety and Soundness established by the guidelines are (1) operational and managerial; (2) compensation; and (3) asset quality, earnings and stock valuation.

The FDICIA also contains a variety of other provisions that may affect Fleet's operations, including new reporting requirements, regulatory standards for real estate lending, "truth in savings" provisions, and the requirements that a depository institution give 90 days prior notice to customers and regulatory authorities before closing any branch.

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Under the Federal Reserve Board's capital guidelines, the minimum ratio of total capital to risk-adjusted assets (including certain off-balance sheet items, such as standby letters of credit) is 8%. At least half of the total capital is to be comprised of common equity, retained earnings, minority interests in the equity accounts of consolidated subsidiaries and a limited amount of cumulative and noncumulative perpetual preferred stock, less deductible intangibles ("Tier 1 capital"). The remainder may consist of perpetual debt, mandatory convertible debt securities, a limited amount of subordinated debt, other preferred stock and a limited amount of loan loss reserves ("Tier 2 capital"). In addition, the Federal Reserve Board requires a leverage ratio (Tier 1 capital to average quarterly assets, net of goodwill) of 3% for bank holding companies that meet certain specified criteria, including that they have the highest regulatory rating. The rule indicates that the minimum leverage ratio should be 4% for all other holding companies. Fleet's banking subsidiaries are subject to similar capital requirements except that preferred stock must be noncumulative to qualify as Tier 1 capital. Under federal banking laws, failure to meet the minimum regulatory capital requirements could subject a banking institution to a variety of enforcement remedies available to federal regulatory authorities, including the termination of deposit insurance by the FDIC and seizure of the institution. As of December 31, 1998, Fleet's capital ratios exceeded all minimum regulatory capital requirements.

The federal banking agencies continue to consider capital requirements applicable to banking organizations. Effective January 1, 1998, national banks with significant exposure to market risk must maintain adequate capital to support that exposure. As of December 31, 1998, the Corporation did not have significant exposure to market risk. The OCC may apply this provision to any national bank if the OCC deems it appropriate for safe and sound practices.

Fleet is a legal entity separate and distinct from its subsidiaries. The ability of holders of debt and equity securities of Fleet to benefit from the distribution of assets of any subsidiary upon the liquidation or reorganization of such subsidiary is subordinate to prior claims of creditors of the subsidiary (including depositors in the case of banking subsidiaries) except to the extent that a claim of Fleet as a creditor may be recognized. There are various statutory and regulatory limitations on the extent to which banking subsidiaries of Fleet can finance or otherwise transfer funds to Fleet or its nonbanking subsidiaries, whether in the form of loans, extensions of credit, investments or asset purchases. Such transfers by any subsidiary bank to Fleet or any nonbanking subsidiary are limited in amount to 10% of the bank's capital and surplus and, with respect to Fleet and all such nonbanking subsidiaries, to an aggregate of 20% of each such bank's capital and surplus. Furthermore, loans and extensions of credit are required to be secured in specified amounts and are required to be on terms and conditions consistent with safe and sound banking practices.

In addition, there are regulatory limitations on the payment of dividends directly or indirectly to Fleet from its banking subsidiaries. Federal and state regulatory agencies also have the authority to limit further Fleet's banking subsidiaries' payment of dividends based on other factors, such as the maintenance of adequate capital for such subsidiary bank.

Under the policy of the Federal Reserve Board, Fleet is expected to act as a source of financial strength to each subsidiary bank and to commit resources to support such subsidiary bank in circumstances where it might not do so absent such policy. In addition, any subordinated loans by Fleet to any of the subsidiary banks would also be subordinate in right of payment to deposits and obligations to general creditors of such subsidiary bank. Further, the Crime Control Act of 1990 amended the federal bankruptcy laws to provide that in the event of the bankruptcy of Fleet, any commitment by Fleet to its regulators to maintain the capital of a banking subsidiary will be assumed by the bankruptcy trustee and entitled to a priority of payment.

The banking industry is also affected by the monetary and fiscal policies of the federal government, including the Federal Reserve Board, which exerts considerable influence over the cost and availability of funds obtained for lending and investing. Proposals to change the laws and regulations governing the operations and taxation of banks, companies that control banks, and other financial institutions are frequently raised in Congress, in the state legislatures, and before various bank regulatory authorities. The likelihood of any major changes and the impact such changes might have on Fleet are impossible to determine.

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See "Note 19. Commitments, Contingencies and Other Disclosures" (page 62) and "Note 20. Regulatory Matters" (page 63) of the Notes to Consolidated Financial Statements and the "Liquidity Risk" (page 37) and "Capital" (pages 37-38) sections of Management's Discussion and Analysis in the 1998 Annual Report to Shareholders (each of which are incorporated by reference herein) for information concerning restrictions on the banking subsidiaries' ability to pay dividends and other regulatory matters and legal proceedings.

STATISTICAL INFORMATION BY BANK HOLDING COMPANIES

The following information from the following portions of the 1998 Annual Report to Shareholders is incorporated by reference herein:

"Rate/Volume Analysis" table (page 65) for changes in the taxable-equivalent interest income and expense for each major category of interest-earning assets and interest-bearing liabilities.

"Consolidated Average Balances/Interest Earned-Paid/Rates 1994-1998" table (pages 66-67) for average balance sheet amounts, related taxable-equivalent interest earned or paid, and related average yields and rates paid.

"Note 3. Securities" of the Notes to Consolidated Financial Statements (pages 48-49) for information regarding book values, market values, maturities, and weighted average yields of securities (by category).

"Note 4. Loans" of the Notes to the Consolidated Financial Statements (pages 49-50) for distribution of loans of the Registrant.

"Loan Maturity" table and "Interest Sensitivity of Loans Over One Year" table (page 67) for maturities and sensitivities of loans to changes in interest rates.

"Note 6. Nonperforming Assets" (page 50) and "Note 1. Summary of Significant Accounting Policies - Loans" (page 46) of the Notes to Consolidated Financial Statements for information on nonaccrual, past due, and restructured loans and the Registrant's policy for placing loans on nonaccrual status.

"Loans" section of Management's Discussion and Analysis (pages 29-31) for information regarding loan concentrations of the Registrant.

"Reserve for Credit Losses" section of Management's Discussion and Analysis (pages 31-32) for the analysis of loss experience, the allocation of the reserve for credit losses, and a description of factors which influenced management's judgment in determining the amount of additions to the allowance charged to operating expense.

"Consolidated Average Balances/Interest Earned-Paid/Rates 1994-1998" table (pages 66-67) and the "Funding Sources" section of Management's Discussion and Analysis (pages 32-33) for deposit information.

"Selected Financial Highlights - Operating Basis" and "Summary of Earnings" (page 1) for return on assets, return on equity, common dividend payout ratio, and average equity to asset ratio.

"Note 9. Short-Term Borrowings" of the Notes to Consolidated Financial Statements (page 51) for information on short-term borrowings of the Registrant.

ITEM 2. PROPERTIES

The Registrant maintains its corporate headquarters at One Federal Street, Boston, Massachusetts. The Registrant or its subsidiaries also maintain principal offices at 100 and 111 Westminster Street, Providence, Rhode Island, 777 Main Street, Hartford, Connecticut, and 75 State Street, Boston, Massachusetts. In addition, the Registrant or its subsidiaries maintain operation centers located in: Kingston, Melville, Utica, Albany, West Seneca and Menands, New York; Malden, Massachusetts; Moosic and Horsham, Pennsylvania; Milwaukee, Wisconsin; Providence and Lincoln, Rhode Island; and Hartford, Connecticut.

As of December 31, 1998, the Registrant's subsidiaries also operated approximately 1,503 offices, of which approximately 671 are owned and 832 are leased from others.

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ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings of the Registrant is incorporated by reference herein from "Note 19. Commitments, Contingencies and Other Disclosures" (page 62) of the Registrant's 1998 Annual Report to Shareholders.

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

There were no matters submitted to a vote of security holders in the fourth quarter of 1998.

PART II.

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

For information regarding Fleet's common stock listed on the New York Stock Exchange, high and low quarterly sales prices, and quarterly dividends declared and paid, in each case on Fleet's common stock, see the "Common Stock Price and Dividend Information" table (page 66) of the Registrant's 1998 Annual Report to Shareholders, which is incorporated by reference herein. At December 31, 1998, Fleet had approximately 53,000 stockholders of record.

ITEM 6. SELECTED FINANCIAL DATA

The information set forth in "Selected Financial Highlights - Operating Basis" and "Summary of Earnings" (page 1) of the Registrant's 1998 Annual Report to Shareholders is incorporated by reference herein.

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

The information set forth in "Management's Discussion and Analysis" (pages 21-39) of the Registrant's 1998 Annual Report to Shareholders is incorporated by reference herein.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth in the "Asset-Liability Management" section of Management's Discussion and Analysis (pages 33-37) of the Registrant's 1998 Annual Report to Shareholders is incorporated by reference herein.

CAUTIONARY STATEMENT

This Annual Report on Form 10-K (including the information incorporated by reference herein) contains statements relating to future results of the Corporation (including certain projections and business trends) that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to changes in political and economic conditions, either nationally or in the states in which the Corporation conducts its business; interest rate fluctuations; competitive product and pricing pressures within the Corporation's market; equity and bond market fluctuations; personal and corporate customers' bankruptcies; inflation; lower than expected savings associated with acquisitions and integrations of acquired businesses; risks relating to Year 2000 issues (particularly with respect to compliance by third parties on which the Corporation relies); adverse legislation or regulatory changes affecting the businesses in which Fleet is engaged; as well as other risks and uncertainties detailed from time to time in the filings of the Corporation with the Securities and Exchange Commission.

Fleet regularly evaluates the potential acquisition of, and holds discussions with, various potential acquisition candidates. As a general rule, Fleet publicly announces such acquisitions only after a definitive agreement has been reached.

The Corporation has limited international lending exposure. Less than 1% of the outstanding loans were in the Asian/Latin American/Emerging Market sectors. Fleet's exposure to these markets as of December 31, 1998 was approximately $485 million and related primarily to trade related financings with maturities generally less than 90 days.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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The following information set forth in the Registrant's 1998 Annual Report to Shareholders is incorporated by reference herein:

The Consolidated Financial Statements, together with the report thereon by KPMG Peat Marwick LLP (pages 41-45); the "Notes to the Consolidated Financial Statements" (pages 46-64); and the unaudited information presented in the "Quarterly Summarized Financial Information" table (page 65).

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

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

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to Instruction G of Form 10-K and Item 402 of Regulation S-K, the information set forth under the captions "Election of Directors" (pages 3-10), "Certain Information Regarding the Board of Directors - Meetings and Committees" (pages 10-11), "Compensation of Executive Officers - Severance Agreements and Employment Contracts" (page 22), and "Other Information Relating to Directors, Nominees and Executive Officers" (pages 23-24) in the Registrant's Proxy Statement with respect to the name of each nominee or director, his or her age, his or her positions and offices with the Registrant, his or her service on the Registrant's Board, any arrangement or understanding pursuant to which he or she has or is to be selected as a director or nominee, his or her business experience, his or her directorships held in other public companies, certain family relationships and involvement in certain legal proceedings is incorporated by reference herein.

The names, positions, ages and business experience during the past five years of the executive officers of the Corporation as of March 1, 1999 are set forth below. The term of office of each executive officer extends until the annual meeting of the Board of Directors, and until a successor is chosen and qualified or until they shall have resigned, retired, or have been removed.

<TABLE>
<CAPTION>

NAME	POSITIONS WITH THE CORPORATION	AGE AS OF MARCH 1, 1999
<S>	<C>	<C>
Terrence Murray............	Chairman and Chief Executive Officer	59
Robert J. Higgins..........	President and Chief Operating Officer	53
H. Jay Sarles..............	Vice Chairman and Chief Administrative Officer	53
David L. Eyles.............	Vice Chairman and Chief Credit Policy Officer	59
Eugene M. McQuade..........	Vice Chairman and Chief Financial Officer	50
Gunnar S. Overstrom, Jr....	Vice Chairman	56
Michael R. Zucchini........	Vice Chairman and Chief Technology Officer	52
William C. Mutterperl......	Executive Vice President, Secretary and General Counsel	52
M. Anne Szostak............	Executive Vice President	48
Anne M. Finucane...........	Senior Vice President	46
Robert B. Hedges, Jr.......	Senior Vice President	40
Douglas L. Jacobs..........	Senior Vice President and Treasurer	51
Brian T. Moynihan..........	Senior Vice President, Corporate Strategy and Development	39
Robert C. Lamb, Jr.........	Controller and Chief Accounting Officer	43

</TABLE>

Terrence Murray joined Fleet in 1962. After serving in various capacities for Fleet National Bank and the Corporation, in 1978, he was elected President of the Corporation. He became Chairman of the Board of Directors and Chief Executive Officer of the Corporation in 1982. He has continued to serve in that capacity, except in 1988 following the Norstar acquisition when he served as President and Chief Operating Officer, and following the Shawmut acquisition until December 1996, when Mr. Murray served as President and Chief Executive Officer. Mr. Murray has been a Director of Fleet since 1976.

Robert J. Higgins joined Fleet National Bank in 1971 and was elected President in 1986. In 1984, he was named a Vice President of the Corporation. In 1989, he was named an Executive Vice President of the Corporation and Chief Executive Officer of Fleet National Bank. In 1993, he was named a Vice Chairman of the Corporation and is currently responsible for the commercial services and

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consumer banking divisions. In 1997, Mr. Higgins was named President and Chief Operating Officer of the Corporation.

H. Jay Sarles is in charge of strategic planning, mergers and acquisitions, staff support functions, credit card operations, venture capital, and mortgage banking. Mr. Sarles joined Fleet National Bank in 1968. In 1980, he was appointed a Vice President of the Corporation. Mr. Sarles was appointed Executive Vice President of the Corporation in February of 1986. In 1991, Mr. Sarles became President and Chief Executive Officer of Fleet Banking Group, Inc. In March 1993, he was named a Vice Chairman of the Corporation. In 1996, Mr. Sarles was named Chairman of Fleet Bank, National Association. In 1997, Mr. Sarles was named Chief Administrative Officer of the Corporation.

David L. Eyles is the Chief Credit Policy Officer of the Corporation. Between 1988 and 1991, he was Vice Chairman and Chairman of the Credit Policy Committee at Mellon Bank Corporation/Mellon Bank, N.A. Mr. Eyles joined Shawmut in 1992 and served as Vice Chairman and Chief Credit Policy Officer. In 1995, Mr. Eyles was named Executive Vice President of the Corporation. In 1998, he was named a Vice Chairman of the Corporation.

Eugene M. McQuade joined the Corporation in 1992 as Senior Vice President-Finance. From 1980 to 1991, Mr. McQuade served in various capacities with Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company, having served as its Executive Vice President and Controller from 1985 to 1991. In March 1993, Mr. McQuade was named an Executive Vice President of the Corporation and in July 1993 was elected as Chief Financial Officer. In 1997, Mr. McQuade was named a Vice Chairman.

Gunnar S. Overstrom, Jr. is a Vice Chairman of the Corporation responsible for investment services. Prior to the merger of Shawmut with Fleet in 1995, Mr. Overstrom, who joined Shawmut in 1975, served in various capacities at Shawmut, including Chairman, Chief Executive Officer and Director of its banking subsidiaries, as well as President and Chief Operating Officer of Shawmut Corporation from 1988 to 1995.

Michael R. Zucchini is responsible for Fleet Information Technology (including the Year 2000 initiative), Quality Management and Re-engineering and AFSA Data Corporation. Mr. Zucchini joined the Corporation in 1987 as Executive Vice President and Chief Information Officer responsible for all data processing activities of the Corporation and its

subsidiaries. Since 1974, Mr. Zucchini had served in various capacities for General RE Corp., Stamford, Connecticut. In 1993, Mr. Zucchini was named a Vice Chairman of the Corporation. In 1997, Mr. Zucchini was named Chief Technology Officer.

William C. Mutterperl joined Fleet National Bank in 1977. In June 1985, Mr. Mutterperl was named Vice President, Secretary and General Counsel of the Corporation. In 1989, Mr. Mutterperl was named a Senior Vice President of the Corporation. In 1998, Mr. Mutterperl was named an Executive Vice President of the Corporation.

M. Anne Szostak joined Fleet National Bank in 1973. In 1988, she was named Vice President of Human Resources for the Corporation. In 1991, she was named Chairman, President and Chief Executive Officer of Fleet-Maine. In 1994, Ms. Szostak was named Senior Vice President, Human Resources, of the Corporation. In 1998, Ms. Szostak was named an Executive Vice President of the Corporation.

Anne M. Finucane joined Fleet in 1995 as Senior Vice President and Director of Corporate Marketing and Corporate Communications from her own consulting firm. From 1980 to 1994, Ms. Finucane held various executive positions at the advertising agency of Hill, Holliday, Connors, Cosmopulos, Inc.

Robert B. Hedges, Jr. is a Senior Vice President responsible for Fleet's retail distribution channels. Mr. Hedges joined Shawmut in 1993 from First Manhattan Consulting Group, where he was Vice President from 1992 to 1993. From 1983 to 1992, Mr. Hedges was Vice President and banking practice leader of the MAC Group, a consulting firm specializing in management consulting.

Douglas L. Jacobs joined Fleet Mortgage Group in 1988 as Executive Vice President in charge of secondary marketing. Prior to joining Fleet, Mr. Jacobs worked in a variety of positions at Citicorp. Mr. Jacobs was named Director of Capital Markets in 1994 and in 1995 was named Treasurer. Mr. Jacobs is responsible for all funding, investment portfolio, capital markets trading and asset/liability functions. In 1998, Mr. Jacobs was named a Senior Vice President

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of the Corporation.

Brian T. Moynihan joined the Corporation in 1993 as Deputy General Counsel. In March 1994, he was named Managing Director, Corporate Strategy and Development for the Corporation. From 1991 to 1993, Mr. Moynihan was a partner in the law firm of Edwards & Angell, where he had been an associate since 1984. In 1998, Mr. Moynihan was named a Senior Vice President of the Corporation.

Robert C. Lamb, Jr. is the Controller and Chief Accounting Officer for the Corporation. Mr. Lamb joined the Corporation in 1986 as Controller of its data processing subsidiary and was subsequently named Controller of Fleet Services Corporation in 1988. Mr. Lamb was appointed Controller of another affiliate, Fleet Credit Corporation, in 1990 and in 1991 was named Senior Vice President and Chief Financial Officer of RECOLL Management Corporation, Fleet's management and collection subsidiary. In April 1993, Mr. Lamb was named Controller of the Corporation.

ITEM 11. EXECUTIVE COMPENSATION

Pursuant to Instruction G of Form 10-K and Item 402 of Regulation S-K, information set forth in the following sections of the Corporation's Proxy Statement is incorporated by reference herein: "Compensation of Directors" (page 11), "Compensation of Executive Officers" (pages 18-22) and "Compensation Committee Interlocks and Insider Participation" (page 24). Such incorporation by reference shall not be deemed to specifically incorporate by reference the information required by Item 402(a)(8) of Regulation S-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Pursuant to Instruction G of Form 10-K and Item 403 of Regulation S-K, information set forth in the following sections of the Corporation's Proxy Statement is incorporated by reference herein: "Security Ownership of Certain Beneficial Owners" (page 2) and "Security Ownership of Directors and Executive Officers" (pages 12-13).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to Instruction G of Form 10-K and Item 404 of Regulation S-K, information set forth under "Indebtedness and Other Transactions" (pages 23-24) in the Corporation's Proxy Statement is incorporated by reference herein.

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

(a)(1). The financial statements of Fleet required in response to this Item are listed in response to Item 8 of this Report and are incorporated by reference herein.

(a)(2). All schedules to the consolidated financial statements required by Article 9 of Regulation S-X and all other schedules to the financial statements of the Registrant have been omitted because the information is either not required, not applicable, or is included in the financial statements or notes thereto.

(a)(3). See the exhibits listed below.

(b) Five Current Reports on Form 8-K were filed from October 1, 1998 to the date of this Report:

- Current Report on Form 8-K dated October 21, 1998 announcing third quarter earnings and a 10% increase in the quarterly common stock dividend to $.27 per common share.

- Current Report on Form 8-K dated November 20, 1998 announcing that the Corporation has entered into a stock purchase agreement with Sanwa Bank, Ltd. to purchase all of the outstanding capital stock of Sanwa Business Credit.

- Current Report on Form 8-K dated December 18, 1998 reporting the sale of $250 million Floating Rate Capital Securities.

- Current Report on Form 8-K dated January 20, 1999 announcing fourth quarter and fiscal 1998 earnings.

- Current Report on Form 8-K dated March 14, 1999 announcing that Fleet and BankBoston Corporation have entered into an Agreement

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and Plan of Merger. The Merger Agreement provides for the merger of BankBoston with and into Fleet.

(c) EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER		
<S>		<C>
2(a)	Agreement and Plan of Merger dated December 19, 1995 between the Registrant and National Westminster Bank Plc ("NatWest")	(1)
2(b)	First Amendment to Agreement and Plan of Merger dated May 1, 1996 between the Registrant and NatWest	(2)
3(a)	Restated Articles of Incorporation of the Registrant	(3)
3(b)	Certificate of Designations establishing the Registrant's Series V 7.25% Perpetual Preferred Stock	(4)
3(c)	Certificate of Designations establishing the Registrant's Series VI 6.75% Perpetual Preferred Stock	(5)
3(d)	Certificate of Designations establishing the Registrant's Series VII Fixed/Adjustable Rate Cumulative Preferred Stock	(6)
3(e)	Certificate of Designations establishing the Registrant's Series VIII Fixed/Adjustable Rate Noncumulative Preferred Stock	(7)
3(f)	By Laws of the Registrant, as amended	(8)
4(a)	Rights Agreement dated November 21, 1990 as amended by First Amendment to Rights Agreement dated March 28, 1991, a Second Amendment to Rights Agreement dated July 12, 1991, and a Third Amendment to Rights Agreement dated February 20, 1995	(9)
4(b)	Instruments defining the rights of security holders, including indentures	(10)
4(c)	Form of Rights Certificate for stock purchase rights issued to Whitehall Associates, L.P., and KKR Partners II, L.P.	(11)
10(a)*	Form of Change in Control Agreement together with Schedule of Persons who have entered into such contracts	(12)
10(b)*	Form of Change in Control Agreement with Gunnar S. Overstrom, Jr.	(13)
10(c)	Stock Purchase Agreement dated July 12, 1991 among Registrant and Whitehall Associates, L.P., and KKR Partners II, L.P.	(14)
10(d)	Exchange Agreement dated December 31, 1995 among Registrant and Whitehall Associates, L.P., and KKR Partners II, L.P.	(15)
10(e)*	Supplemental Compensation Plan for former Norstar directors	(16)
10(f)*	Fleet Financial Group Directors Retirement Plan	(17)
10(g)*	Supplemental Executive Retirement Plan	(18)
10(h)*	1994 Performance-Based Bonus Plan for the Named Executive Officers	(19)
10(i)*	Amended and Restated 1992 Stock Option and Restricted Stock Plan	(20)
10(j)*	Employment Agreement dated as of February 20, 1995 between Registrant and Joel B. Alvord	(21)
10(k)*	Employment Agreement dated as of February 20, 1995 between Registrant and Gunnar S. Overstrom, Jr.	(22)
10(l)*	Shawmut National Corporation Stock Option and Restricted Stock Award Plan (assumed by Registrant on November 30, 1995)	(23)
10(m)*	Shawmut National Corporation Secondary Stock Option and Restricted Stock Award Plan (assumed by Registrant on November 30, 1995)	(24)
10(n)*	Shawmut National Corporation 1989 Nonemployees Directors' Restricted Stock Plan (assumed by Registrant on November 30, 1995)	(25)
10(o)*	1995 Restricted Stock Plan	(26)
10(p)*	Executive Deferred Compensation Plan No. 1	(27)
10(q)*	Executive Deferred Compensation Plan No. 2	(28)
10(r)*	Executive Supplemental Plan	(29)
10(s)*	Retirement Income Assurance Plan	(30)
10(t)*	Trust Agreement for the Executive Deferred Compensation Plans No. 1 and 2	(31)
10(u)*	Trust Agreement for the Executive Supplemental Plan	(32)
10(v)*	Trust Agreement for the Retirement Income Assurance Plan and the Supplemental Executive Retirement Plan	(33)
10(w)*	Employment Agreement dated September 16, 1997 between Thomas C. Quick and The Quick & Reilly Group, Inc. (assumed by a subsidiary of the Registrant on February 1, 1998)	(34)
10(x)*	Letter Agreement dated April 16, 1997 between Registrant and Gunnar S. Overstrom, Jr. amending Employment Agreement and Change of Control Agreement, each dated February 20, 1995	(35)
10(y)*	Amendment One to Supplemental Executive Retirement Plan	(36)
10(z)*	Stock Unit Contract dated December 17, 1997 between Registrant and Terrence Murray	(37)
10(aa)*	Fleet Financial Group, Inc./Quick & Reilly Group, Inc. Stock Option Plan, as amended by Amendment No. 1 to Fleet Financial Group, Inc./Quick & Reilly Group, Inc. Stock Option Plan and Amendment No. 2 to Fleet Financial Group, Inc./Quick & Reilly Group, Inc. Stock Option Plan	(38)
10(bb)*	Directors Deferred Compensation and Stock Unit Plan	

</TABLE>

12	Statement re: computation of ratios
13	1998 Annual Report to Shareholders
21	Subsidiaries of the Registrant
23	Independent Auditors' Consent

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27	1998 Financial Data Schedule
27(a)	1997 Restated Financial Data Schedule
27(b)	1996 Restated Financial Data Schedule

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*Management contract, or compensatory plan or arrangement

(1) Incorporated by reference to Exhibit 2 of Registrant's Form 8-K Current Report dated December 19, 1995.

(2) Incorporated by reference to Exhibit 2 of Registrant's Form 8-K Current Report dated May 1, 1996.

(3) Incorporated by reference to Exhibit 3 of Registrant's Form 10-Q/A for the quarter ended September 30, 1998.

(4) Incorporated by reference to Exhibit 4(a) of Registrant's Form 8-K Current Report dated February 21, 1996.

(5) Incorporated by reference to Exhibit 4(b) of Registrant's Form 8-K Current Report dated February 21, 1996.

(6) Incorporated by reference to Exhibit 4(a) of Registrant's Form 8-K Current Report dated March 26, 1996.

(7) Incorporated by reference to Exhibit 4(a) of Registrant's Form 8-K Current Report dated September 27, 1996.

(8) Incorporated by reference to Exhibit 3(b) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995.

(9) Incorporated by reference to Registrant's Registration Statement Form 8-A dated November 29, 1990, as amended by an Amendment to Application on Report Form 8-A dated September 6, 1991, and as further amended by a Form 8-A/A dated March 17, 1995.

(10) Registrant has no instruments defining the rights of holders of equity or debt securities where the amount of securities authorized thereunder exceeds 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. Registrant hereby agrees to furnish a copy of any such instrument to the Commission upon request.

(11) Incorporated by reference to Exhibit 4(c) of Registrant's Form 8-K Current Report dated July 12, 1991.

(12) Incorporated by reference to Exhibit 10(a) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1997.

(13) Incorporated by reference to Exhibit 10(b) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995.

(14) Incorporated by reference to Exhibit 4 of Registrant's Form 8-K Current Report dated July 12, 1991.

(15) Incorporated by reference to Exhibit 2(b) of Registrant's Form 8-K Current Report dated December 19, 1995.

(16) Incorporated by reference to Exhibit 10(i) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1993.

(17) Incorporated by reference to Exhibit 10(j) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1993.

(18) Incorporated by reference to Exhibit 10(d) of Registrant's Form 10-Q for the quarter ended June 30, 1996.

(19) Incorporated by reference to Exhibit 10(h) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1994.

(20) Incorporated by reference to Exhibit 10(i) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996.

(21) Incorporated by reference to Exhibit 10(j) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995.

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(22) Incorporated by reference to Exhibit 10(k) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995.

(23) Incorporated by reference to Exhibit 10.1 of Shawmut's Form 10-K Annual Report for the fiscal year ended December 31, 1994.

(24) Incorporated by reference to Exhibit 10(m) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995.

(25) Incorporated by reference to Shawmut's 1989 Proxy Statement dated March 13, 1989.

(26) Incorporated by reference to Exhibit 10(o) of Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995.

(27) Incorporated by reference to Exhibit 10(a) of Registrant's Form 10-Q for the quarter ended June 30, 1996.

(28) Incorporated by reference to Exhibit 10(b) of Registrant's Form 10-Q for the quarter ended June 30, 1996.

(29) Incorporated by reference to Exhibit 10(c) of Registrant's Form 10-Q for the quarter ended June 30, 1996.

(30) Incorporated by reference to Exhibit 10(e) of Registrant's Form 10-Q for the quarter ended June 30, 1996.

(31) Incorporated by reference to Exhibit 10(f) of Registrant's Form 10-Q for the quarter ended June 30, 1996.

(32) Incorporated by reference to Exhibit 10(g) of Registrant's Form 10-Q for the quarter ended June 30, 1996.

(33) Incorporated by reference to Exhibit 10(h) of Registrant's Form 10-Q for the quarter ended June 30, 1996.

(34) Incorporated by reference to Exhibit 10(w) of Registrant's Form 10-K Annual Report for fiscal year ended December 31, 1997.

(35) Incorporated by reference to Exhibit 10(b) of Registrant's Form 10-Q for the quarter ended June 30, 1997.

(36) Incorporated by reference to Exhibit 10(c) of Registrant's Form 10-Q for the quarter ended June 30, 1997.

(37) Incorporated by reference to Exhibit 10(z) of Registrant's Form 10-K Annual Report for fiscal year ended December 31, 1997.

(38) Incorporated by reference to Exhibits 4.1, 4.2 and 4.3 of Registrant's Registration Statement on Form S-8 (File No. 333-42247).

(d) Financial Statement Schedules - None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLEET FINANCIAL GROUP, INC.
(Registrant)

/s/ Eugene M. McQuade	/s/ Robert C. Lamb, Jr.
EUGENE M. MCQUADE VICE CHAIRMAN AND CHIEF FINANCIAL OFFICER DATED MARCH 26, 1999	ROBERT C. LAMB, JR. CONTROLLER AND CHIEF ACCOUNTING OFFICER DATED MARCH 26, 1999

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

/s/ Terrence Murray	/s/ Raymond C. Kennedy

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TERRENCE MURRAY, CHAIRMAN, CHIEF EXECUTIVE OFFICER AND DIRECTOR	RAYMOND C. KENNEDY, DIRECTOR
/s/ Joel B. Alvord	/s/ Robert J. Matura
JOEL B. ALVORD, DIRECTOR	ROBERT J. MATURA, DIRECTOR
/s/ William Barnet, III	/s/ Arthur C. Milot
WILLIAM BARNET, III, DIRECTOR	ARTHUR C. MILOT, DIRECTOR
/s/ Bradford R. Boss	/s/ Thomas D. O'Connor, Sr.
BRADFORD R. BOSS, DIRECTOR	THOMAS D. O'CONNOR, SR., DIRECTOR
/s/ Stillman B. Brown	/s/ Michael B. Picotte
STILLMAN B. BROWN, DIRECTOR	MICHAEL B. PICOTTE, DIRECTOR
/s/ Paul J. Choquette, Jr.	/s/ Thomas C. Quick
PAUL J. CHOQUETTE, JR., DIRECTOR	THOMAS C. QUICK, DIRECTOR
/s/ Kim B. Clark	/s/ Lois D. Rice
KIM B. CLARK, DIRECTOR	LOIS D. RICE, DIRECTOR
/s/ John T. Collins	/s/ John R. Riedman
JOHN T. COLLINS, DIRECTOR	JOHN R. RIEDMAN, DIRECTOR
/s/ James F. Hardymon	/s/ Thomas M. Ryan
JAMES F. HARDYMON, DIRECTOR	THOMAS M. RYAN, DIRECTOR
/s/ Marian L. Heard	/s/ Samuel O. Thier
MARIAN L. HEARD, DIRECTOR	SAMUEL O. THIER, M.D., DIRECTOR
/s/ Robert M. Kavner	/s/ Paul R. Tregurtha
ROBERT M. KAVNER, DIRECTOR	PAUL R. TREGURTHA, DIRECTOR

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Exhibit 10(bb)

FLEET FINANCIAL GROUP, INC.

DIRECTORS DEFERRED COMPENSATION AND STOCK UNIT PLAN
(Effective December 17, 1997)

Section 1. PURPOSE

Fleet Financial Group, Inc. (the "COMPANY") has established, pursuant to resolutions adopted on December 17, 1997, the Directors Deferred Compensation and Stock Unit Plan (the "PLAN") to assist the Company in recruiting and retaining highly qualified directors and to strengthen the commonality of interest between directors and shareholders by enabling eligible members of the Board of Directors (the "BOARD") to defer receipt of certain amounts of compensation, as hereinafter described. The Plan hereby amends, restates and continues all of the existing deferred compensation agreements, arrangements and understandings for its current non-employee directors (the "PRIOR ARRANGEMENTS"), effective as of December 17, 1997. The Plan supersedes and replaces all Prior Arrangements.

Section 2. EFFECTIVE DATE

The effective date of the Plan is December 17, 1997, except as otherwise provided herein. Amendments to the Plan, if any, shall become effective when adopted by the Human Resources and Planning Committee, or any successor committee, of the Board (the "COMMITTEE") in accordance with the provisions of Section 20.

Section 3. DEFINITIONS

(a) "ACCOUNT" shall have the meaning set forth in Section 7.

(b) "ANNUAL EQUITY AWARD" shall have the meaning set forth in Section 8(a).

(c) "ANNUAL RETAINER" shall mean the amount that a director is entitled to receive for serving as a director for a calendar year, as determined from time to time by the Committee. As of the effective date of this Plan, the Annual Retainer is set at $40,000.

(d) "BENEFICIARY FORM" shall have the meaning set forth in Section 12(b).

(e) "BOARD" shall have the meaning set forth in Section 1.

(f) "CHAIRMAN FEES" shall have the meaning set forth in Section

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8(d).

(g) "CHANGE OF CONTROL" shall mean: (a) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of the then outstanding shares of common stock of the Company (the "OUTSTANDING COMPANY COMMON STOCK"); provided, however, that any acquisition by the Company or its subsidiaries, or any employee benefit plan (or related trust) of the Company or its subsidiaries, of 25% or more of the Outstanding Company Common Stock shall not constitute a Change of Control; and further provided, however, that any acquisition by a corporation with respect to which, following such acquisition, more than 50% of the then outstanding shares of common stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock immediately prior to such acquisition in substantially the same proportion as their ownership immediately prior to such acquisition of the Outstanding Company Common Stock, shall not constitute a Change of Control; or (b) individuals who, as of the date of this Plan, constitute the Board (the "INCUMBENT BOARD") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the date of this Plan whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board 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 is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or (c) consummation of a reorganization, merger, consolidation, sale or other disposition of all or substantially all of the assets of the Company (a "BUSINESS COMBINATION"), in each case, with respect to which all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock immediately prior to such Business Combination do not, following such Business Combination, beneficially own, directly or indirectly, more than 50% of the then outstanding shares of common stock of the corporation

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resulting from such a Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries); or (d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(h) "COMMITTEE" shall have the meaning set forth in Section 2.

(i) "COMMON STOCK" shall mean Fleet Financial Group, Inc. Common Stock, $.01 par value per share.

(j) "COMPANY" shall have the meaning set forth in Section 1.

(k) "DEFERRAL ELECTION" shall have the meaning set forth in Section 8(f).

(l) "DEFERRAL ELECTION FORM" shall have the meaning set forth in Section 8(f).

(m) "DEFERRED COMPENSATION" shall have the meaning set forth in Section 12(b).

(n) "DEFERRED STOCK UNITS" shall represent the right to receive the specified number of Shares from the Company on the date or dates specified in the applicable Distribution Election Form.

(o) "DELEGATEE" shall have the meaning set forth in Section 4.

(p) "DISTRIBUTION ELECTION" shall have the meaning set forth in Section 8(h).

(q) "DISTRIBUTION ELECTION FORM" shall have the meaning set forth in Section 8(h).

(r) "ELIGIBLE DIRECTOR" shall mean any director of the Company who is not an officer or employee of the Company or any subsidiary thereof.

(s) "FAIR MARKET VALUE" shall mean, with respect to any date, the closing price of the Common Stock as reported on the New York Stock Exchange Composite Tape on such date or, if such date is not a business day of the New York Stock Exchange, the closing price of the Common Stock as reported on the New York Stock Exchange Composite Tape on the last completed New York Stock Exchange business day prior to such date.

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(t) "FEES" shall mean, collectively, the Annual Retainer, the Chairman Fees, and the Meeting Fees.

(u) "FIXED RATE" shall have the meaning set forth in Section 10(b).

(v) "FIXED RATE ACCOUNT" shall have the meaning set forth in Section 12.

(w) "MANDATORY ANNUAL RETAINER AMOUNT" shall have the meaning set forth in Section 8(b).

(x) "MEETING FEES" shall have the meaning set forth in Section 8(e).

(y) "PHANTOM STOCK ACCOUNT" shall have the meaning set forth in Section 9(b).

(z) "PHANTOM STOCK RATE" shall have the meaning set forth in Section 10(c).

(aa) "PLAN" shall have the meaning set forth in Section 1.

(bb) "PLAN YEAR" shall mean January 1 through December 31.

(cc) "PRIOR ARRANGEMENTS" shall have the meaning set forth in Section 1.

(dd) "RETAINER BALANCE" shall have the meaning set forth in Section 8(c).

(ee) "RETIREMENT PLANS" shall mean all retirement or other pension plans of the Company or any subsidiary thereof in which any Eligible Director is or was a participant and under which such Eligible Director is or was entitled to receive any benefit.

(ff) "SHARES" shall have the meaning set forth in Section 6.

(gg) "STOCK UNIT ACCOUNT" shall have the meaning set forth in Section 12.

Section 4. ADMINISTRATION AND PARTICIPANT ACKNOWLEDGMENT

The Plan will be administered by the Committee, whose construction and interpretation of the terms and provisions of the Plan shall be final and conclusive. No member of the Committee who is an Eligible Director may vote or

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otherwise participate in any decision or act with respect to a matter relating solely to himself or herself (or to his or her beneficiaries). Each Eligible Director, by participating in the Plan, thereby acknowledges that he or she consents to the terms of the Plan.

The Committee, in its sole discretion, may delegate by written resolution certain of its duties, responsibilities and powers (including, without limitation, its power to amend the Plan) to a senior officer or officers of the Company, each acting singly (each a "DELEGATEE"). For purposes of the Plan, any action taken by any Delegatee of the Committee will be considered to have been taken by the Committee. No Committee member or Delegatee shall be liable for any action or determination under the Plan made in good faith. The Company agrees to indemnify and to defend to the fullest possible extent permitted by law any member of the Committee and any Delegatee (including any person who formerly served as a member of the Committee or as a Delegatee) against all liabilities, damages, costs and expenses (including attorneys' fees and amounts paid in settlement of any claims approved by the Company) occasioned by any act or omission to act in connection with the Plan, if such act or omission to act is or was made in good faith.

Section 5. ELIGIBILITY

Any Eligible Director is eligible to participate in the Plan.

Section 6. STOCK SUBJECT TO THE PLAN

Shares issuable under the Plan shall be shares of the Company's Common Stock, which are held in the Company's treasury (the "SHARES"). The Company will maintain a sufficient number of Shares of Common Stock in its treasury to satisfy its obligations hereunder.

Section 7. DEFERRED COMPENSATION ACCOUNT; STATEMENT OF ACCOUNT

The Committee will establish and maintain a separate Account for each Eligible Director reflecting the amounts due to such Eligible Director under the Plan. Each Account will consist of up to three subaccounts, the Stock Unit Account, the Fixed Rate Account, and the Phantom Stock Account (if any) (collectively, the "ACCOUNT"), to reflect the value of the measuring investments selected by such Eligible Director pursuant to the Plan. From time to time, and at least quarterly, the Committee will adjust each Eligible Director's Account (i) to credit the amount which the Eligible Director has elected to defer under the Plan, and (ii) to reflect increases or decreases in the value of the Account as a result of the measuring investments described under Section 10. An Eligible Director's Account will continue to be adjusted under this Section 7 until the entire amount has been paid to the Eligible Director or his or her beneficiary. An Eligible Director's Account will also be adjusted to reflect benefit payments and withdrawals made in accordance with the terms of the Plan. Such adjustments

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will be made at such time and in such manner as the Committee shall determine. Statements will be sent to each Eligible Director promptly following the close of each calendar quarter as to the estimated value of his or her Account as of the end of the preceding calendar quarter.

Section 8. AWARD OF DEFERRED STOCK UNITS AND DEFERRAL ELECTIONS

Commencing April 15, 1998, each Eligible Director shall be eligible to defer certain portions of his or her compensation (as described in this Section 8) in the form of Deferred Stock Units or into a Fixed Rate Account. For the period from December 17, 1997 through (but not including) April 15, 1998, any Fees deferred pursuant to the Plan must be deferred into a Fixed Rate Account or into a Phantom Stock Account (or a combination thereof) in accordance with Section 10.

(a) ANNUAL EQUITY AWARD. Each Eligible Director shall receive, on the date of the annual meeting in each year (or such alternative date as the Committee may approve), Deferred Stock Units with a value upon grant equal to 50% of the then current Annual Retainer (the "ANNUAL EQUITY AWARD"). The Annual Equity Award is in addition to the Mandatory Annual Retainer Amount described in Section 8(b) below.

(b) MANDATORY ANNUAL RETAINER AMOUNT. Commencing April 15, 1998 with respect to the Annual Retainer payable for the remainder of 1998 and in each year thereafter with respect to the Annual Retainer for such year, each Eligible Director shall receive 25% of his or her Annual Retainer in the form of Deferred Stock Units (the "MANDATORY ANNUAL RETAINER AMOUNT") as provided hereunder.

(c) ELECTIVE ANNUAL RETAINER AMOUNT. Commencing April 15, 1998 with respect to the remaining 75% of his or her Annual Retainer (the "RETAINER BALANCE") payable for the remainder of 1998 and in each year thereafter with respect to the Retainer Balance for such year, each Eligible Director may elect to defer all or a portion of the Retainer Balance in the form of Deferred Stock Units, into a Fixed Rate Account, or into a combination thereof, by so specifying on the Deferral Election Form.

(d) ELECTIVE CHAIRMAN FEES AMOUNT. Commencing April 15, 1998 with respect to the fees that he or she receives for serving as a chairman or co-chairman of a committee of the Board (the "CHAIRMAN FEES") for the remainder of 1998 and in each year thereafter with respect to the Chairman Fees for such year, each Eligible Director may elect to defer some or all of the

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Chairman Fees in the form of Deferred Stock Units, into a Fixed Rate Account, or into a combination thereof, by so specifying on the Deferral Election Form.

(e) ELECTIVE MEETING FEES AMOUNT. Commencing April 15, 1998 with respect to the fees that he or she receives for attending meetings of the Board (the "MEETING FEES"), which term shall include any fees received for attending meetings of one or more committees of the Board, for the remainder of 1998 and in each year thereafter with respect to the Meeting Fees for such year, each Eligible Director may elect to defer some or all of the Meeting Fees in the form of Deferred Stock Units, into a Fixed Rate Account, or into a combination thereof, by so specifying on the Deferral Election Form.

(f) DEFERRAL ELECTION. Eligible Directors must complete and execute an election to defer receipt of Fees (a "DEFERRAL ELECTION") in the form required by the Committee from time to time (the "DEFERRAL ELECTION FORM") and deliver it to the Secretary of the Company on or before December 31 of the year prior to the year for which such Deferral Election will take effect (or prior to April 15, 1998 solely with respect to Deferral Elections for the remainder of 1998). The Deferral Election Form shall specify the portion of the Fees to be deferred and the subaccount(s) of the Account in which such deferred Fees will be held. A Deferral Election once made is irrevocable and may not be changed with respect to the Fees earned in such year and the choice of subaccount(s) of the Account into which such deferred Fees will be held.

Future Deferral Elections with respect to Fees to be earned in future years may specify a different choice of subaccount(s) into which such future years' deferred Fees will be held but any such change in an Eligible Director's Deferral Election will not effect such Eligible Director's previously deferred Fees.

(g) DEFERRAL ELECTION DURING A PLAN YEAR. Any Eligible Director who becomes an Eligible Director during a Plan Year may make a Deferral Election for the remainder of the Plan Year within thirty (30) days after taking office in which case the Deferral Election will be effective for the remainder of the Plan Year. A nominee for director may make a Deferral Election prior to his or her election.

(h) DISTRIBUTION ELECTION. Eligible Directors must complete and execute an election form to choose the method of distribution

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of the Deferred Compensation held in such Eligible Director's Account (the "DISTRIBUTION ELECTION") in the form required by the Committee from time to time (the "DISTRIBUTION ELECTION FORM") and deliver it to the Secretary of the Company within thirty (30) days after becoming an Eligible Director (or prior to April 15, 1998 for directors who became Eligible Directors prior to April 15, 1998). The Distribution Election Form shall specify the method of distributing such Eligible Director's Deferred Compensation held in such Eligible Director's Account. An Eligible Director may change his or her Distribution Election at any time up to 12 months prior to the date of his or her cessation of service as a director of the Company (including service as a director of any subsidiary of the Company) by properly completing and delivering to the Secretary of the Company a new Distribution Election Form bearing a later date, provided, however, that any Distribution Election made by an Eligible Director in the 12-month period prior to his or her cessation of service as a director of the Company (including service as a director of any subsidiary of the Company) is not valid and will not be honored. In the event an Eligible Director has not made a valid Distribution Election in accordance with this Section 8(h), such Eligible Director's Account will be fully distributed in a lump sum in January of the year following the year in such Eligible Director ceases to serve on the Board (including service on the board of directors of any subsidiary of the Company).

Section 9. CONVERSION OF RETIREMENT PLAN BENEFITS AND PHANTOM STOCK ACCOUNT BALANCES

(a) RETIREMENT PLAN BENEFITS. The accrued benefit owing to each Eligible Director under the Company's Retirement Plans as of December 31, 1997 may, at the election of such Eligible Director, be converted into Deferred Stock Units by delivering to the Secretary of the Company prior to April 15, 1998 a conversion election form relating to such benefits. The number of Deferred Stock Units credited in exchange for the accrued benefit will equal the net present value of the accrued benefit divided by the Fair Market Value of the Company's Common Stock on April 15, 1998. Any benefit owing under

the Company's Retirement Plans not converted into Deferred Stock Units will continue to be governed by the terms and conditions of the applicable Retirement Plan.

(b) PHANTOM STOCK ACCOUNT BALANCE. The value of the phantom stock account (the "PHANTOM STOCK ACCOUNT") balance as of April 15,

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1998 payable in cash upon retirement to each Eligible Director may, at the election of such Eligible Director, be converted into Deferred Stock Units by delivering to the Secretary of the Company, prior to April 15, 1998, a conversion election form relating to such Phantom Stock Account. The number of Deferred Stock Units credited in exchange for such Phantom Stock Account balance will equal the balance in the Phantom Stock Account divided by the Fair Market Value of the Company's Common Stock on April 15, 1998. With respect to the balance of each Eligible Director's Phantom Stock Account not converted into Deferred Stock Units, the Eligible Director's selection of the Phantom Stock Rate shall continue in full force and effect.

(c) DETERMINATION OF VALUE OF UNCONVERTED PHANTOM STOCK ACCOUNT BALANCES. For purposes of calculating the value of any Phantom Stock Account not converted into Deferred Stock Units, such account will continue to be credited based upon the Phantom Stock Rate.

Section 10. MEASURING INVESTMENTS

(a) ELECTION OF MEASURING INVESTMENT. For deferral of Fees prior to April 15, 1998, each Eligible Director may elect to defer such fees into a Fixed Rate Account or a Phantom Stock Account. Commencing April 15, 1998 each Eligible Director may elect to defer Fees as Deferred Stock Units or into a Fixed Rate Account and each Deferral Election Form shall specify the portion of the Fees deferred that are to be credited to a Fixed Rate Account and the portion to be deferred as Deferred Stock Units.

(b) DETERMINATION OF FIXED RATE. The Committee shall from time to time establish annual fixed rate factors (the "FIXED RATE"). The initial Fixed Rate shall be the highest fixed rate in effect from time to time for deferral amounts under the Company's Executive Deferred Compensation Plan No. 2 (1997 Restatement), as amended from time to time. The Fixed Rate will be applied to each Eligible Director's Account at such time and in such manner as the Committee shall determine and may be changed from time to time by the Committee. Notwithstanding the foregoing provisions of this Section 10 or any other provision of the Plan to the contrary, following a Change of Control of the Company, the Fixed Rate to be applied under this Section 10 to increase the balance of the Eligible Director's Account (as determined under the provisions of

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the Plan in effect immediately prior to such Change of Control), for the period beginning on the date of such Change of Control and ending on the date that the entire amount of the Eligible Director's Account has been paid to the Eligible Director or his or her beneficiary, shall not be less than the Fixed Rate being applied under this Section 10 to deferral amounts under the Eligible Director's Account under the provisions of the Plan in effect immediately prior to such Change of Control.

(c) DETERMINATION OF PHANTOM STOCK RATE. The stock equivalent measurement (the "PHANTOM STOCK RATE") will be a rate equal to (a)(i) the sum of (or the difference between) (x) the mean of the high and low sales prices of the Company's Common Stock as reported on the New York Stock Exchange Composite Tape on the first business day of any fiscal quarter plus (y) the aggregate amount of any cash dividends or other distributions paid on the Company's Common Stock as of the first business day of any fiscal quarter, minus (ii) the mean of the high and low sales prices of the Company's Common Stock as reported on the New York Stock Exchange Composite Tape on the first business day of the prior fiscal quarter (the "PRIOR STOCK PRICE"), divided by (b) the prior stock price.

Section 11. DIVIDENDS AND DISTRIBUTIONS

Whenever a cash dividend or any other distribution is paid with respect to the Common Stock, each Eligible Director shall be entitled to receive an additional number of Deferred Stock Units equal to the number of Shares, including fractional Shares (up to three decimal places), that could have been purchased had such dividend or other distribution been paid on each Share underlying the then outstanding Deferred Stock Units in the Eligible Director's Account (on the record date for such dividend or distribution) and the amount of such dividend or value of such other distribution been used to acquire additional Shares at their Fair Market Value on the date such dividend or other distribution is paid. The value of a distribution of any property other than cash on or related to the Shares shall, at the option of the Committee, be either determined by the Committee or independently established.

Section 12. TERMS, CONDITIONS AND FORM OF DEFERRALS

Amounts deferred under the Plan that are to be credited with a Fixed Rate shall be evidenced by a bookkeeping account record (the "FIXED RATE ACCOUNT"), amounts deferred under the Plan that are to be credited with the Phantom Stock Rate shall be evidenced by a Phantom Stock Account, and amounts deferred as Deferred Stock Units shall be evidenced by a bookkeeping account record (the "STOCK UNIT ACCOUNT") in accordance with Section 7 in such form as the Committee shall from time to time approve, which shall be subject to the following terms and conditions:

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(a) TIMING OF DEFERRALS. Subject to Section 24, the Annual Equity Award and any

Fees deferred, whether mandatory or elective, shall be credited to the appropriate subaccount of the Account on the date such Annual Equity Award and such Fees are earned, as described below. The number of Deferred Stock Units credited to the Stock Unit Account shall be equal to the number (including fractional amounts up to three decimal places) obtained by dividing the dollar value of the portion of the applicable Fees or Annual Equity Award by the Fair Market Value of the Common Stock on the date that such Fee or Annual Equity Award is earned, as described below. One quarter of the Annual Retainer and one quarter of the annual Chairman Fees will be earned on the first day of each calendar quarter. Meeting Fees will be earned on the date of the meeting or, in the case of a committee meeting held in conjunction with a Board meeting, on the date of the related Board meeting. The Annual Equity Award will be earned on the date of the Company's annual meeting in such year, or such alternative date as the Committee may approve.

(b) PAYMENT UPON DEATH. In the event of an Eligible Director's death, the balance owing in such Eligible Director's Account (the "DEFERRED COMPENSATION") shall be payable to the designated beneficiary or beneficiaries in accordance with such Eligible Director's Distribution Election. An Eligible Director may elect to designate one or more beneficiaries to receive his or her Deferred Compensation in the event of such director's death. In order to designate a beneficiary or beneficiaries, such director must complete and deliver to the Secretary of the Company a written form (the "BENEFICIARY FORM") on which he or she makes such designation. Such a designation will become effective when received by the Secretary of the Company. The designation shall be irrevocable unless modified or revoked as provided in this subsection. In order to modify or revoke a designation, an Eligible Director must complete and deliver to the Secretary of the Company a new Beneficiary Form bearing a later date. Payments to a beneficiary under this Section 12 will be made commencing in January of the year following the year that the Company is notified of such director's death. If the director shall die without making a designation (or if a designated beneficiary does not survive the Eligible Director), the Deferred Compensation shall be payable to the Eligible Director's estate in one lump sum following the Company's receipt of notification of such director's death.

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Section 13. PERIOD OF DEFERRAL

An Eligible Director may elect in his or her Distribution Election Form to defer receipt of compensation until his or her termination of service as a director of the Company (including service as a director of any subsidiary of the Company). If such a deferral is elected, distribution of balances in an Eligible Director's Account will commence in January of the year following the year in which such Eligible Director ceases to serve on the Company's Board (including service on the board of directors of any subsidiary of the Company).

Section 14. FORM OF PAYMENT AND METHOD OF DELIVERY

Delivery of Shares (but not fractional Shares, which fractional amount will be payable in cash) representing the Deferred Stock Units and delivery of cash representing balances in the Fixed Rate Account and the Phantom Stock Account (if any) will be made to an Eligible Director in accordance with his or her Distribution Election or, if no election applies, in January of the year following the year in which such Eligible Director ceases to serve on the Board (and any subsidiary board(s)). An Eligible Director may elect to receive amounts due under the Plan either in (a) a lump sum, or (b) a number of annual installments (not to exceed 10) as specified by that Eligible Director in his or her Distribution Election Form. If installment payments are specified, annual installments will be paid in January of each year such an installment payment is due.

Section 15. EFFECT OF ELECTION: HARDSHIP WITHDRAWALS

All elections to defer compensation shall be irrevocable; provided, however, that a director may request early payment of all or a portion of the amounts deferred only upon a showing of severe financial hardship as a result of an unanticipated emergency, as determined by the Committee in its sole discretion. If a hardship election is approved by the Committee, then payment of the amount approved by the Committee for early payment shall be made within thirty (30) days of such approval.

Section 16. ADJUSTMENT PROVISIONS

(a) RECAPITALIZATIONS. If, as a result of any recapitalization or reclassification of the Common Stock, or any stock dividend, stock split, reverse stock split or other similar transaction, (i) the outstanding shares of Common Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or (ii) additional shares or new or different shares or other securities of the Company or other non-cash assets of the Company are distributed with respect to such shares of Common Stock or

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other securities, an appropriate and proportionate adjustment may be made in (x) the kind of shares reserved for issuance under the Plan and (y) the number and kind of shares or other securities subject to any then outstanding Deferred Stock Unit under the Plan. In the event of any other extraordinary dividend or distribution, whether in stock, cash or other property, or a spinoff, split up or other extraordinary transaction, the number of shares issuable under this Plan shall be subject to such adjustment as the Committee may deem appropriate, and the number of shares issuable pursuant to any Deferred Stock Unit theretofore granted shall be subject to such adjustment as the Committee may deem appropriate with a view toward preserving the value of such Deferred Stock Unit.

(b) CHANGE OF CONTROL. In the event of a Change of Control of the Company after which an Eligible Director does not continue on the Board of the Company or the surviving company of the Change of Control transaction, or any subsidiary board of the Company or the surviving company of the Change of Control, such Eligible Director's Deferred Compensation shall become due and payable. The distribution of balances in such Eligible Director's Account will commence in January of the year following the year in which such Eligible Director ceases to serve on the board of directors of the Company or any successor company, or any subsidiary board of the Company or any successor company.

Section 17. TAXES

All distributions under the Plan shall be subject to reduction for applicable tax withholding obligations. Tax withholding obligations incurred in connection with the distribution of Shares pursuant to the Plan may be satisfied by an Eligible Director by directing the Company to withhold Shares having a Fair Market Value equal to the applicable tax withholding obligation.

Section 18. DIRECTOR'S RIGHTS UNSECURED

The right of any director to receive future payments under the provisions of the Plan shall be an unsecured, contractual claim against the general assets of the Company. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any segregation of assets for the payment of any amounts under the Plan. An Eligible Director shall have no right on account of the Plan in or to any specific assets of the Company. The obligations of the Company hereunder shall be binding upon its successors and assigns, whether by merger, consolidation or acquisition of all or substantially all of its business or assets.

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Section 19. LIMITATION OF RIGHTS

(a) NO RIGHT TO CONTINUE AS DIRECTOR. Neither the Plan, nor the granting of a Deferred Stock Unit or any other Deferred Compensation nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, expressed or implied, that the Company will retain a director for any period of time. The Plan will not be deemed to constitute a contract of employment between the Company and any Eligible Director, or to be consideration for the employment of any Eligible Director.

(b) NO SHAREHOLDER RIGHTS. An Eligible Director shall have no rights as a shareholder with respect to the Shares covered by his or her Deferred Stock Unit until the date of the issuance to him or her of a stock certificate covering the Shares underlying such Deferred Stock Unit.

Section 20. AMENDMENT OF THE PLAN

The Plan may be altered, amended, revoked or terminated by the Committee, or any Delegatee thereof, or by the Company, in any manner and at any time; provided, however, no such alteration, amendment, revocation or termination may adversely affect any person then receiving benefits under the Plan without his or her written consent; and further provided, however, following a Change of Control of the Company, no such alteration, amendment, revocation or termination shall reduce the amount of an Eligible Director's Account or his or her rights to such Account as determined under the provisions of the Plan in effect immediately prior to such Change of Control, or in any way adversely affect the annual measuring investment factors described in Section 10, or otherwise adversely affect the Eligible Director's benefits under the Plan, without the written consent of the Eligible Director; and further provided, however, following said Change of Control, the provisions of this Section 20 may not be amended.

Section 21. TERMINATION OF THE PLAN

Unless earlier terminated pursuant to the terms of the Plan, the Plan shall terminate upon the date on which all Shares available for issuance under the Plan shall have been issued pursuant to Deferred Stock Units granted under the Plan and all amounts owing to Eligible Directors under the Plan have been paid.

Section 22. ASSIGNMENTS

All Deferred Compensation owing hereunder, by its terms shall not be transferable by the Eligible Director otherwise than by will or by the laws of

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descent and distribution, or pursuant to a qualified domestic relations order (as defined in Section 414(p) of the Internal Revenue Code of 1986, as amended or replaced from time to time) and shall be payable during the lifetime of the Eligible Director only to such Eligible Director or a transferee pursuant to a qualified domestic relations order. Such Deferred Compensation will not be subject to being taken by his or her creditors by any process whatsoever, and any attempt to cause such interest to be so subjected will not be recognized.

Section 23. NOTICE

Any written notice to the Company required by any of the provisions of the Plan shall be addressed to the Secretary of the Company and shall become effective when it is received.

Section 24. GENERAL RESTRICTIONS

(a) INVESTMENT REPRESENTATIONS. The Company may require any person to whom a Deferred Stock Unit is granted, as a condition of the grant of such Deferred Stock

Unit, to give written assurances in substance and form satisfactory to the Company to the effect that such person is acquiring the Shares underlying the Deferred Stock Unit for his or her own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

(b) COMPLIANCE WITH SECURITIES LAWS. The settlement of each Deferred Stock Unit shall be subject to the requirements that if, at any time, counsel to the Company shall determine that the listing, registration or qualification of the Shares subject to such Deferred Stock Unit upon any securities exchange or under any state or federal law is necessary as a condition of, or in connection with, the issuance or purchase of shares thereunder, such Shares may not be issued unless such listing, registration, qualification, consent or approval, or satisfaction of such condition shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain listing, registration or qualification, or to satisfy such condition.

Section 25. SPECIAL PROVISIONS FOR ELIGIBLE DIRECTORS COVERED BY PRIOR ARRANGEMENTS

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Notwithstanding any provision of the Plan to the contrary, the following special rules shall apply to each Eligible Director covered by a Prior Arrangement on December 17, 1997.

(a) FORMS, CONSENTS, ETC.. In order to participate in the Plan, such Eligible Director may be required to complete such Deferral Election and Distribution Election or other forms or consents as the Committee shall prescribe; and

(b) TERMINATION OF PRIOR ARRANGEMENTS. As of December 17, 1997, such Eligible Director's Account under the Plan shall be credited with an amount equal to the amount of his or her account or accounts under the Prior Arrangements and the Company shall have no further liability or obligations under said Prior Arrangements.

Section 26. GOVERNING LAW

The Plan shall be construed in accordance with the laws of the State of Rhode Island without giving effect to the conflict of laws provisions therein to the extent those laws are not preempted by the Employee Retirement Income Security Act of 1974, as amended.

Adopted by the Human Resources and Planning Committee of the Board of Directors as of December 17, 1997

William C. Mutterperl
General Counsel

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EXHIBIT 12
FLEET FINANCIAL GROUP, INC.
COMPUTATION OF CONSOLIDATED RATIO OF EARNINGS
TO FIXED CHARGES AND PREFERRED DIVIDENDS
EXCLUDING INTEREST ON DEPOSITS
(DOLLARS IN MILLIONS)

	1998	1997	1996	1995	1994
Earnings:					
Income before income taxes, extraordinary credit and cumulative effect of accounting changes	$2,507	$2,294	$2,070	$1,156	$1,460
Adjustments:					
(a) Fixed charges:					
(1) Interest on borrowed funds	1,061	737	813	1,413	1,074
(2) 1/3 of rent	54	53	55	52	53
(b) Preferred dividends	83	104	117	62	51
(c) Adjusted earnings	$3,705	$3,188	$3,055	$2,683	$2,638
Fixed charges and preferred dividends	$1,198	$ 894	$ 985	$1,527	$1,178
Adjusted earnings/fixed charges	3.09x	3.57x	3.10x	1.76x	2.24x

INCLUDING INTEREST ON DEPOSITS

	1998	1997	1996	1995	1994
Earnings:					
Income before income taxes, extraordinary credit and cumulative effect of accounting changes	$2,507	$2,294	$2,070	$1,156	$1,460
Adjustments:					
(a) Fixed charges:					
(1) Interest on borrowed funds	1,061	737	813	1,413	1,074
(2) 1/3 of rent	54	53	55	52	53
(3) Interest on deposits	1,835	1,654	1,754	1,726	1,170
(b) Preferred dividends	83	104	117	62	51
(c) Adjusted earnings	$5,540	$4,842	$4,809	$4,409	$3,808
Fixed charges and preferred dividends	$3,033	$2,548	$2,739	$3,253	$2,348
Adjusted earnings/fixed charges	1.83x	1.90x	1.76x	1.36x	1.62x

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EXHIBIT 12 (CONTINUED)
FLEET FINANCIAL GROUP, INC.
COMPUTATION OF CONSOLIDATED RATIO OF EARNINGS
TO FIXED CHARGES EXCLUDING INTEREST ON DEPOSITS
(DOLLARS IN MILLIONS)

	1998	1997	1996	1995	1994
Earnings:					
Income before income taxes, extraordinary credit and cumulative effect of accounting changes	$2,507	$2,294	$2,070	$1,156	$1,460
Adjustments:					
(a) Fixed charges:					
(1) Interest on borrowed funds	1,061	737	813	1,413	1,074
(2) 1/3 of rent	54	53	55	52	53
(b) Adjusted earnings	$3,622	$3,084	$2,938	$2,621	$2,587
Fixed charges	$1,115	$ 790	$ 868	$1,465	$1,127
Adjusted earnings/fixed charges	3.25x	3.90x	3.38x	1.79x	2.30x

INCLUDING INTEREST ON DEPOSITS

	1998	1997	1996	1995	1994
Earnings:					
Income before income taxes, extraordinary credit and cumulative effect of accounting changes	$2,507	$2,294	$2,070	$1,156	$1,460
Adjustments:					
(a) Fixed charges:					
(1) Interest on borrowed funds	1,061	737	813	1,413	1,074
(2) 1/3 of rent	54	53	55	52	53
(3) Interest on deposits	1,835	1,654	1,754	1,726	1,170
(b) Adjusted earnings	$5,457	$4,738	$4,692	$4,347	$3,757
Fixed charges	$2,950	$2,444	$2,622	$3,191	$2,297
Adjusted earnings/fixed charges	1.85x	1.94x	1.79x	1.36x	1.64x

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Exhibit 13

SELECTED FINANCIAL HIGHLIGHTS - OPERATING BASIS

DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS Prepared on an FTE basis	1998	1997	1996	1995	1994
FOR THE YEAR (a)					
Net interest income	$ 3,905	$ 3,739	$ 3,498	$ 3,118	$ 3,144
Noninterest income	3,237	2,456	2,333	1,939	1,630
Total revenue	7,142	6,195	5,831	5,057	4,774
Noninterest expense	4,056	3,535	3,512	3,090	3,036
Provision for credit losses	470	322	213	101	65
Net income	1,576	1,377	1,221	1,108	993
PER COMMON SHARE					
Basic earnings (a)	$ 2.69	$ 2.38	$ 2.02	$ 2.02	$ 1.82
Diluted earnings (a)	2.60	2.31	1.98	1.81	1.68
Market price (year-end)	44.69	37.56	24.94	20.38	16.19
Cash dividends declared	1.00	.92	.87	.82	.70
Book value (year-end)	15.31	13.68	12.04	11.01	9.94
AT YEAR-END					
Assets	$104,382	$91,047	$89,650	$87,955	$83,608
Securities	10,792	9,362	8,680	19,331	21,141
Loans	69,396	62,565	59,861	52,566	46,687
Reserve for credit losses	1,552	1,432	1,488	1,321	1,496
Deposits	69,678	63,735	67,071	57,122	55,528
Short-term borrowings	9,312	7,505	4,194	13,332	13,038
Long-term debt	8,820	4,500	5,114	6,481	5,931
Total stockholders' equity	9,409	8,452	7,790	6,667	5,708
RATIOS					
Return on average common equity (a)	18.61%	19.45%	17.68%	16.55%	17.63%
Return on average assets (a)	1.61	1.59	1.40	1.29	1.21
Common dividend payout ratio	38.34	36.32	40.64	79.22	35.86
Net interest margin	4.63	5.01	4.68	4.03	4.23
Efficiency ratio	56.7	57.0	60.2	61.1	63.5
Common equity-to-assets (year-end)	8.35	8.52	7.63	7.13	6.16
Average total equity-to-assets	9.07	8.76	8.50	7.96	7.33

(a) Operating earnings exclude the impact of merger and restructuring-related charges as well as other special items.

SUMMARY OF EARNINGS

DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS Prepared on an FTE basis	1998	1997	1996	1995	1994
Net interest income	$ 3,905	$ 3,739	$ 3,498	$ 3,118	$ 3,144
Noninterest income	3,237	2,631	2,333	1,939	1,654
Total revenue	7,142	6,370	5,831	5,057	4,798
Noninterest expense	4,129	3,715	3,512	3,755	3,221
Provision for credit losses	470	322	213	101	65
Net income	1,532	1,367	1,221	679	890
Basic earnings per share	$ 2.61	$ 2.37	$ 2.02	$ .91	$ 1.62
Diluted earnings per share	2.52	2.30	1.98	.85	1.50
Return on average common equity	18.07%	19.30%	17.68%	9.93%	15.74%
Return on average assets	1.56	1.58	1.40	.79	1.08

[The following tables are represented as bar charts in the printed material.]

Diluted Earnings Per Share
PRESENTED ON AN OPERATING BASIS

1994	1995	1996	1997	1998
$ 1.68	$ 1.81	$ 1.98	$ 2.31	$ 2.60

Market Capitalization
(DOLLARS IN BILLIONS)

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1994	1995	1996	1997	1998
$ 9.3	$ 11.7	$ 14.5	$ 21.4	$ 26.3

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Fleet Financial Group (Fleet or the corporation) reported operating earnings of $1.58 billion, or $2.60 per diluted share, for 1998, a 14% increase compared with $1.38 billion, or $2.31 per diluted share, earned in 1997. Return on assets (ROA) and return on common equity (ROE) on an operating basis were 1.61% and 18.61%, respectively, in 1998, compared to 1.59% and 19.45%, respectively, in 1997. Net income for 1998 was $1.53 billion, or $2.52 per diluted share, compared with $1.37 billion, or $2.30 per diluted share in 1997. ROA and ROE during 1998 were 1.56% and 18.07%, respectively, compared with 1.58% and 19.30%, respectively, for 1997. All common share amounts and associated ratios were adjusted to reflect the corporation's two-for-one common stock split which was effective October 7, 1998.

Increases in both net income and earnings per share during 1998 primarily reflect strong results achieved from the corporation's franchise businesses, as well as companies acquired in 1998 (The Quick & Reilly Group, Inc., the consumer credit card business of Advanta and Columbia Management Company).

Net interest income on a fully taxable equivalent (FTE) basis totaled $3.9 billion for 1998 and $3.7 billion for 1997. The increase was principally attributable to a $10 billion increase in average earning assets, due largely to an 11% increase in average loans, which includes strong growth in our commercial loan portfolio and the acquisition of the credit card operations of Advanta. The net interest margin for 1998 was 4.63%, a decline from 5.01% reported in 1997. The decrease in net interest margin was primarily attributable to narrowed margins due to the corporation's growth in core commercial loans, combined with the acquisitions of lower rate spread activity at The Quick & Reilly Group, Inc. (Quick & Reilly) and credit cards purchased from Advanta.

The provision for credit losses was $470 million in 1998, compared to $322 million in 1997. The increase in provision was due principally to increased credit card charge-offs as a result of higher levels of credit card receivables due to the acquisitions of various credit card portfolios.

Noninterest income increased over $600 million to $3.2 billion in 1998. Increases were noted in nearly all core revenue categories including investment services, capital markets and credit cards. These increases reflect growth in the corporation's core businesses, the impact of recent acquisitions, and a

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strong equity market. Fee revenue represented 45% of total 1998 revenue compared to 36% on an operating basis in 1997, excluding the impact of the Quick & Reilly acquisition that was accounted for as a pooling-of-interests.

Noninterest expense totaled $4.1 billion for 1998, compared with $3.7 billion in 1997, an increase of 11%, resulting primarily from acquisitions. Excluding these acquisitions, noninterest expense would have been relatively flat compared to 1997. The combination of increasing revenues and modest expense growth positively impacted the corporation's efficiency ratio which improved to 56.7%.

Total loans at December 31, 1998, were $69.4 billion, an increase of 11%, compared with $62.6 billion at December 31, 1997. The increase was attributable to strong loan growth in the commercial and industrial (C&I) and lease financing portfolios, as well as higher levels of credit card receivables as a result of various portfolio acquisitions, offset by a slight decline in the commercial real estate portfolio.

Total deposits increased $5.9 billion to $69.7 billion at December 31, 1998. The increase was due principally to a $4.8 billion increase in money market deposits as a result of rates aimed at attracting new sources of funds.

Dividends Declared

[The following table was represented as a bar chart in the printed material.]

1994	$ .70
1995	$ .82
1996	$ .87
1997	$ .92
1998	$1.00

Management's discussion and analysis may contain forward-looking statements that are provided to enhance the reader's ability to see the corporation's anticipated financial performance through the eyes of management. However, such performance involves risks and uncertainties, which may cause actual results to differ materially from those expressed in such forward-looking statements. A more complete discussion of these risks and uncertainties will be contained in Fleet's Form 10-K for the year ended December 31, 1998.

ACQUISITIONS

Consistent with Fleet's strategy to combine the strengths of a leading regional bank with the national distribution capabilities of a diversified financial services company, the corporation announced and/or completed several key acquisitions and new initiatives during 1998.

The acquisitions included Quick & Reilly and the consumer credit card operations of Advanta, both completed in February of 1998. The acquisition of Quick & Reilly, one of the country's largest discount brokerage firms with a nationwide network of 118 investor centers, provides the corporation with four strong, vertically integrated units, consisting of discount brokerage, including securities trading over the Internet; correspondent clearing; New York Stock Exchange (NYSE) specialist; and Nasdaq market-making capabilities. The corporation also purchased Merrill Lynch Specialists, Inc. (MLSI), a NYSE specialist firm, during the fourth quarter of 1998. The acquisitions of Quick & Reilly and MLSI make the corporation the leading specialist firm on the NYSE. Since the Quick & Reilly acquisition was accounted for under the pooling-of-interests method of accounting, all prior periods have been restated to include Quick & Reilly's financial information.

The acquisition of the consumer credit card operations of Advanta, along with the purchase of credit card receivables from Crestar Financial and Household International, Inc. place Fleet as the eighth largest issuer of credit cards, with approximately 8 million credit card customers and $14.5 billion in managed credit card receivables.

New investments included a 35% stake in Oechsle International Advisors, L.P. (Oechsle), a leading international investment advisor with approximately $13 billion in assets under management, a 20% ownership in Parallel Capital Corporation (Parallel), an independent commercial mortgage conduit with a national network of lending offices, and the recently completed acquisition of Sanwa Business Credit (Sanwa), a leasing and asset-based lending company with approximately $6 billion in assets. The Parallel and Oechsle investments closed in the third and fourth quarters of 1998, respectively. The Sanwa acquisition closed on February 1, 1999.

New initiatives included the formation of the High Yield Securities Group and the Global Lease Finance unit. The Global Lease Finance unit complements

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Fleet Capital Leasing's current capital markets activities and expands its product capabilities in the market for large-lease transactions.

These acquisitions and new initiatives strengthen Fleet's competitive position in higher-growth, higher-return businesses and advance Fleet's strategy of accelerating revenue growth and diversifying earnings sources by both business line and geography while achieving a more equal balance of fee-based versus spread revenues. Furthermore, these acquisitions enhance Fleet's capabilities in technology and information management, marketing and new product development, and enable Fleet to offer additional products and services to our customers.

INCOME STATEMENT ANALYSIS

Net Interest Income

Year ended December 31 FTE basis Dollars in millions	1998	1997	1996
Interest income	$6,765	$6,091	$6,028
Tax-equivalent adjustment	36	39	36
Interest expense	2,896	2,391	2,566
Net interest income	$3,905	$3,739	$3,498

Net interest income on an FTE basis totaled $3.9 billion for the year ended December 31, 1998, compared with $3.7 billion for 1997. The $166 million increase was principally the result of strong C&I loan growth, selected credit card portfolio purchases, and a higher level of securities.

Net Interest Margin and Interest-Rate Spread

Year ended December 31 FTE basis Dollars in millions	1998 Average Balance	 Rate	1997 Average Balance	 Rate
Securities	$10,343	6.59%	$ 8,674	6.73%
Loans	66,419	8.58	60,076	8.68
Due from brokers/dealers	3,765	4.89	2,884	4.62
Mortgages held for resale	2,623	7.05	1,413	7.65
Other	1,153	4.48	1,597	5.74
Total interest-earning assets	84,303	8.07	74,644	8.21
Deposits	50,572	3.63	47,514	3.48
Short-term borrowings	8,400	4.76	5,266	4.69
Due to brokers/dealers	4,501	4.75	3,463	4.39
Long-term debt	6,261	7.15	4,608	7.34
Interest-bearing liabilities	69,734	4.15	60,851	3.93
Interest-rate spread		3.92		4.28
Interest-free sources of funds	14,569		13,793	
Total sources of funds	$84,303	3.44%	$74,644	3.20%
Net interest margin		4.63%		5.01%

Net interest margin is a measurement of how effectively the corporation manages the difference between the yield on earning assets and the rate paid on funds used to support those assets, as well as the overall mix of interest-earning assets and interest-bearing liabilities.

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

The net interest margin for 1998 declined 38 basis points to 4.63%. The decrease in net interest margin was primarily attributable to narrowed margins due to the corporation's growth in core commercial loans, combined with the acquisitions of lower rate spread activity at Quick & Reilly and credit cards purchased from Advanta.

Average securities increased $1.6 billion in 1998, due to Fleet's efforts to maintain a relatively neutral interest-rate-sensitive position. The yield on securities declined slightly as a result of a lower interest-rate environment.

Average loans increased $6.3 billion to $66.4 billion, or to nearly 80% of average interest-earning assets in 1998, due primarily to the strong growth in commercial loans, principally in middle-market lending and asset-based lending,

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leases, and selected credit card portfolio purchases.

Average due from brokers/dealers and due to brokers/dealers increased $881 million and $1,038 million, respectively, as a result of increased match book activity and funding of customers' margin accounts at Quick & Reilly.

Average mortgages held for resale increased $1.2 billion, or 86%, due to increased loan production at Fleet Mortgage. The yield has declined by 60 basis points as a result of a lower mortgage-rate environment.

Average interest-bearing deposits increased $3.1 billion to $50.6 billion in 1998, primarily the result of increased money market deposits. The interest rate paid on these interest-bearing deposits increased to 3.63% in 1998 from 3.48% in 1997. The increase in the cost of deposits reflects a shift in the mix of deposits as a result of funding asset growth with higher-cost wholesale deposits, as well as the corporation paying more competitive rates on higher-yielding money market deposits.

The $3.1 billion increase in average short-term borrowings is attributable to an increase in both federal funds purchased and treasury, tax and loan borrowings as the corporation utilized these favorably priced funding vehicles to fund asset growth. The $1.7 billion increase in long-term debt was due primarily to net increases in senior and subordinated debt and the issuance of capital securities. The 19 basis point decrease in the funding rate was due to additional debt issued by the corporation in order to lock in longer-term funding at lower interest rates.

The contribution to the net interest margin from interest-free sources of funds during 1998 was 71 basis points, consistent with 1997.

Noninterest Income

Year ended December 31 Dollars in millions	1998	1997	1996
Investment services revenue	$ 851	$ 696	$ 634
Banking fees and commissions	748	708	601
Capital markets revenue	530	326	269
Processing-related revenue	457	473	503
Credit card revenue	391	62	59
Gain from branch divestitures	--	--	92
Other noninterest income	260	191	175
Total noninterest income before net gains on sales of business units	3,237	2,456	2,333
Net gains on sales of business units	--	175	--
Total noninterest income	$3,237	$2,631	$2,333

As a result of intensified competition and changing customer needs in the banking industry, Fleet has made strategic decisions directed at future revenue-producing activities. Throughout the past several years, the corporation has developed new products and service lines and broadened existing lines via acquisitions to provide additional revenue streams to complement Fleet's traditional banking products and services. These product lines include mutual funds and annuity products, venture capital, direct banking, corporate finance, brokerage, investment management, and credit cards.

Operating noninterest income totaled $3.24 billion for 1998, up 32% when compared to $2.46 billion for 1997. This increase reflects continued growth in fee revenue businesses and the impact of the strategic acquisitions described earlier.

Investment Services Revenue

Year ended December 31 Dollars in millions	1998	1997	1996
Investment management revenue	$523	$397	$364
Brokerage fees and commissions	328	299	270
Total investment services revenue	$851	$696	$634

Investment services revenue, which includes investment management revenue as well as brokerage fees and commissions revenue, increased $155 million, or 22%, in 1998 to $851 million.

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Investment Management Revenue

Year ended December 31 Dollars in millions	1998	1997	1996
Private clients group	$216	$200	$181
Columbia Management Company	98	--	--
Retail investments	79	62	46
Retirement plan services	66	63	59
Not-for-profit institutional services	50	47	41
Other	14	25	37
Total	$523	$397	$364

Investment management revenue rose 32% in 1998 to $523 million. The improvement was due largely to the acquisition of Columbia Management Company (Columbia), record sales of Fleet's Galaxy Mutual Funds in 1998, combined with growth in the overall value of assets under management and administration that was substantially aided by a strong equity market. Assets under management increased from $77 billion at December 31, 1997 to $84 billion at December 31, 1998.

Brokerage fees and commissions revenue increased $29 million, or 10%, due to increased customer trading volume at the corporation's brokerage subsidiary, Quick & Reilly, as a result of the strong performance in the equity markets.

Banking fees and commissions, which includes fees received for cash management, deposit accounts, electronic banking fees and other fees, increased $40 million, or 6%, to $748 million. The increase was due principally to the development of new product packaging and fee schedules, as well as targeted marketing efforts.

Capital Markets Revenue

Year ended December 31 Dollars in millions	1998	1997	1996
Venture capital revenue	$149	$ 71	$106
Brokerage market-making revenue	135	100	59
Foreign exchange/interest-rate products	74	49	34
Securities gains	74	33	43
Corporate finance fees	54	47	6
Securities trading gains	44	26	21
Total capital markets revenue	$530	$326	$269

Capital markets revenue increased $204 million, or 63%, to $530 million for the year ended December 31, 1998. This increase was driven by significant gains pertaining to venture capital investments, brokerage market-making activities, higher securities gains and robust foreign exchange and interest-rate product revenue.

The gains on the investments of Fleet Private Equity, the corporation's venture capital business, increased by $78 million in 1998 when compared with 1997 as a result of the strength in the equity markets. The corporation's ability to continue to experience increases in the value of these venture capital investments depends on a variety of factors, including the condition of the economy and equity markets. Thus, the likelihood of such gains in the future cannot be predicted.

Brokerage market-making revenue increased $35 million, or 35%, to $135 million in 1998 as a result of market volatility and increased volume reflecting the corporation's purchase of an over-the-counter market-maker in March 1997.

Foreign exchange/interest-rate products revenue increased $25 million, or 51%, to $74 million in 1998. Strong foreign exchange and interest-rate product activities were primarily the result of customers locking in their interest-rate and foreign exchange risk during volatile financial markets. Also contributing to the rise in capital markets revenue were increases in securities trading gains and securities gains due to the favorable interest-rate environment.

Processing-Related Revenue

Year ended December 31 Dollars in millions	1998	1997	1996
Mortgage banking revenue, net	$258	$327	$372
Student loan servicing fees	121	101	99

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Other	78	45	32
Total processing-related revenue	$457	$473	$503

Processing-related revenue decreased $16 million to $457 million in 1998, from $473 million in 1997. The decrease was a result of a $69 million decrease in net mortgage banking revenue offset in part by increases in student loan servicing fees and other processing-related fees. Student loan servicing fees increased $20 million, or 20%, at AFSA Data Corporation (AFSA), the corporation's student loan servicing subsidiary, as accounts serviced increased 18% to 6.5 million in 1998. Other processing-related revenue increased $33 million, due principally to the addition of a healthcare processing unit during 1998.

Mortgage Banking Revenue, Net

Year ended December 31 Dollars in millions	1998	1997	1996
Net loan servicing revenue	$ 456	$ 450	$ 395
Mortgage production revenue	201	115	132
Gains on sales of mortgage servicing	34	10	33
Amortization/Impairment charge	(433)	(248)	(188)
Total mortgage banking revenue, net	$ 258	$ 327	$ 372

Net mortgage banking revenue of $258 million in 1998 decreased $69 million from the $327 million recorded in 1997. The decrease in net mortgage banking revenue was due principally to increased mortgage servicing rights (MSRs) amortization, a $75 million impairment charge taken as a result of increased refinancings in a lower mortgage-rate environment, as well as the sale of Option One in 1997, which contributed $40 million of mortgage banking revenue, primarily mortgage production revenue, in 1997. Excluding the impact of the impairment charge in 1998 and the Option One revenue contribution in 1997, mortgage banking revenue actually increased 16%, driven by strong mortgage production revenue as a result of record loan production volume of nearly $36 billion in 1998.

Mortgage servicing rights amortization increased $110 million to $358 million in 1998. The level of amortization increased due to an acceleration in prepayments resulting from a decline in mortgage interest rates. Since mortgage servicing rights are an interest-rate-sensitive asset, the value of the corporation's mortgage servicing portfolio and related mortgage banking revenue may be adversely impacted if mortgage interest rates decline and actual or expected loan prepayments increase. For additional information regarding prepayment risk refer to the Asset-Liability Management discussion in Management's Discussion and Analysis.

Credit card revenue increased $329 million to $391 million in 1998, primarily the result of the acquisition of the consumer credit card operations of Advanta in February 1998. As part of this acquisition, the corporation acquired nearly $10 billion of securitized credit card receivables that are currently serviced by Fleet. As a result of these securitizations, the corporation recognizes securitization income, servicing revenue, interchange fees, and amortization of deferred origination costs as the primary components of credit card revenue.

Other noninterest income increased $69 million to $260 million in 1998, due primarily to revenues resulting from acquisitions.

Noninterest Expense

Year ended December 31 Dollars in millions	1998	1997	1996
Employee compensation and benefits	$1,927	$1,752	$1,735
Equipment	307	317	300
Occupancy	298	294	293
Intangible asset amortization	227	169	140
Legal and other professional	151	118	136
Marketing	132	109	106
Printing and mailing	95	79	81
Telephone	92	78	89
Other	827	774	632
Total noninterest expense, excluding merger-related charges	4,056	3,690	3,512
Merger-related charges	73	25	--
Total noninterest expense	$4,129	$3,715	$3,512

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Critical to Fleet's goals of maximizing long-term profitability and increasing shareholder value is the corporation's expense management strategy. The corporation has implemented various programs in the past several years to reduce expenses. These expense management programs will continue to be an ongoing process used to help Fleet meet its goals. The corporation's successful expense management, coupled with revenue growth, is illustrated by the improvement in the efficiency ratio which decreased 30 basis points from 1997 to 56.7% in 1998.

Efficiency Ratio

[The following table was represented as a bar chart in the printed material.]

Year	Ratio
1994	63.5%
1995	61.1%
1996	60.2%
1997	57.0%
1998	56.7%

Total noninterest expense was $4.13 billion in 1998 and $3.72 billion in 1997. The $414 million, or 11%, increase was due primarily to various acquisitions, new initiatives, as well as growth in selected business areas. Excluding acquisitions, noninterest expense was relatively flat when compared to 1997.

Employee compensation and benefits increased $175 million during 1998, due to increasing levels of compensation expense primarily attributable to acquisitions, the newly formed business units, as well as increases in compensation expense related to incentives at business units with strong revenue growth. As a result of the acquisitions and new business initiatives, full-time equivalent staff increased from 33,739 at December 31, 1997 to 35,612 at December 31, 1998.

Intangible asset amortization increased $58 million to $227 million from 1997 due to the acquisitions of Columbia and the consumer credit card operations of Advanta, as well as additional goodwill recorded in 1998, pertaining to the NatWest earnout agreement. Intangible asset amortization will increase in 1999 as a result of 1998 acquisition activity and additional earnout payments.

Legal and other professional expense increased $33 million during 1998, due to the aforementioned acquisitions and other initiatives. Marketing, telephone, and printing and mailing expenses increased as a result of promotional mailings and the day-to-day operations of the corporation's processing-related businesses.

IMPACT OF THE YEAR 2000

The corporation's Year 2000 project continues to be directed by an Executive Management Steering Committee consisting of its President and Vice Chairmen. The committee provides direct oversight of the Year 2000 initiative and continues to be updated monthly on the project's progress. The corporation's Board of Directors receives formal project updates at least quarterly.

The corporation has completed its assessment of Year 2000 issues, developed a plan, and arranged for the required resources to complete the necessary remediation efforts for both information technology and non-information technology systems. The corporation will continue to utilize both internal and external resources to appropriately prepare Fleet for the Year 2000. Additionally, the corporation continues to work on high-priority new business technological initiatives that it deems critical to its ongoing business success.

The corporation has made significant progress in remediating and testing its information systems. All Fleet mission-critical systems have been remediated, tested, and returned to production or are in final testing. Additionally, 97% of all systems have been remediated, tested, and returned to production. This activity continues to track in accordance with the original plan. The corporation has established a separate test environment to accommodate its Year 2000 testing activity and the anticipated need to test with select customers and other third parties during 1999.

The corporation relies on several third party service providers for key business processes. It continues to work closely with these companies to monitor the progress of their Year 2000 efforts. The corporation's senior management has conducted on-site visits and in many cases follow-up discussions with its most critical service providers to further assess their Year 2000 readiness. In addition, the corporation continues to receive written and verbal verification from its significant third party service providers and vendors as to their Year 2000 readiness.

The corporation began Year 2000 testing with several of these key vendors and third parties in the third quarter of 1998 and plans to substantially complete testing by the end of the second quarter of 1999. Validation of Year

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2000 readiness of all the corporation's vendors continues with a particular focus on the readiness and alternatives, where possible, for vendors that have been identified as critical.

Until and after the Year 2000 rollover takes place, there can be no assurance that Year 2000-related problems will not occur. Despite the corporation's efforts to identify and address Year 2000 issues, such issues present risks to the corporation, including business disruptions and financial losses.

The corporation has previously established business resumption plans for its lines of business and subsidiaries. These plans have been reviewed and where appropriate are being enhanced to address potential Year 2000 failure scenarios. This process will be completed by the second quarter of 1999. In addition, a corporate-wide Year 2000 Event Plan has been developed to govern the corporation's activities prior to, during and after the calendar rollover to 2000. Specific plans developed for each of Fleet's lines of business and subsidiary companies are being reviewed and validated by an Event Plan Steering Committee consisting of management from various areas of the corporation.

The corporation's credit risk associated with borrowers may increase to the extent borrowers are not adequately prepared for the Year 2000. As a result, there may be increases in the corporation's problem loans and credit losses subsequent to Year 2000. The corporation cannot quantify the potential impact of any such losses at this time. However, to mitigate the risk, the corporation has assessed the Year 2000 readiness of 98% of the material business relationships to which it extends credit. The assessment sought to determine the customers' level of Year 2000 preparedness and their level of dependency on technology. Factored together with the overall credit rating of the customer, the corporation identified customers that present an unacceptable risk to the corporation due to Year 2000. Of the material relationships the corporation has assessed, less than 1% have presently been identified as unacceptable in their level of Year 2000 preparedness and will be required to take action to mitigate their Year 2000 risk. The corporation will actively reassess the readiness of customers receiving the unacceptable rating on a quarterly basis throughout 1999 to ensure that the proper steps are being taken.

The corporation continues to approximate that the cost of the Year 2000 project will be $150 million. The corporation incurred $75 million of expenses in 1998 and $92 million since the inception of this project.

INCOME TAXES

The corporation recorded income tax expense in the amount of $975 million for 1998 compared with $927 million for 1997. The effective tax rate was 38.9% in 1998 compared with 40.4% in 1997. The decrease in the effective tax rate was attributable, in part, to a decrease in the statutory rates of certain states in which the corporation conducts business.

CREDIT CARD SECURITIZATION

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

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

Credit Card Securitization Summary

Year ended December 31 Dollars in millions	Reported	Credit Card Securitization	Managed
Net interest income (FTE)	$ 3,905	$ 743	$ 4,648
Provision for credit losses	470	518	988
Noninterest income	3,237	(225)	3,012
Noninterest expense	4,129	--	4,129
Net income	1,532	--	1,532
Assets-year-end	$104,382	$ 8,808	$113,190
Assets-average	98,008	7,912	105,920
Net interest margin	4.63%	9.39%	5.04%

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LINES OF BUSINESS

Fleet Financial Group is organized and managed along five lines of business: Commercial Financial Services, Retail Banking, National Financial Services, Fleet Investment Group, and Treasury. The financial performance of the corporation is monitored by an internal profitability measurement system, which provides line of business results and key performance measures. The following table presents selected line of business results. As required by Statement of Financial Accounting Standards No. 131, three years of business line comparative financial statements are presented in Footnote 14.

Line of Business Earnings Summary

Year ended December 31 Dollars in millions	1998 Net Income	1997 Net Income	1998 Total Revenue	1997 Total Revenue	1998 Return on Equity	1997 Return on Equity
Commercial Financial Services	$ 444	$ 371	$1,732	$1,601	20%	17%
Retail Banking	427	456	2,399	2,440	24	26
National Financial Services	242	97	1,504	811	12	11
Fleet Investment Group	238	187	1,201	981	21	28
Treasury	127	92	240	202	42	34
All Other	54	164	66	335	n/m	n/m
Total	$1,532	$1,367	$7,142	$6,370	18%	19%

During 1998, increased earnings were recorded by all business lines with the exception of Retail Banking. Increased earnings were driven by continued core franchise growth which was further enhanced by acquisitions. 1998 results also reflect increased resources directed towards higher growth fee-generating businesses such as Fleet Investment Group and National Financial Services. In 1998, resources freed up by the sale of several units in 1997 were invested into the acquisitions of Quick & Reilly, the consumer credit card operations of Advanta, and Columbia. As a result of the ongoing evaluation of corporate businesses, over 30% of corporate earnings are now from higher growth fee-based businesses (Fleet Investment Group and National Financial Services), as compared to just over 20% in 1997.

Earnings Composition by Line of Business

[The following table was represented as a bar chart in the printed material.]

	1996	1997	1998
Commercial Financial Services	25%	27%	29%
Retail Banking	21%	33%	28%
National Financial Services	11%	7%	16%
Fleet Investment Group	14%	14%	15%
Treasury/All Other	29%	19%	12%

Commercial Financial Services

Year ended December 31 Dollars in millions	1998	1997
Income Statement Data:		
Net interest income (FTE)	$ 1,316	$ 1,212
Noninterest income	416	389
Provision	207	218
Noninterest expense	796	740
Taxes/FTE adjustment	285	272
Net income	$ 444	$ 371
Balance Sheet Data:		
Average loans	$39,697	$34,572
Average deposits	11,447	11,027
Return on equity	20%	17%

Commercial Financial Services provides a full range of credit and banking services to corporate, middle-market, real estate, government and leasing customers. Fleet enjoys a strong presence in the Northeast and also has several specialty businesses of national scope which serve to diversify and complement

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its client base.

Commercial Financial Services earned $444 million in 1998, a 20% increase from earnings of $371 million in 1997. Increased earnings resulted from strong loan growth, up $5 billion, or 15%, over 1997, as well as increased noninterest revenues across most Commercial Financial Services businesses. These results also reflect investments in several business initiatives in the areas of high yield lending, Fleet Leasing, Fleet Capital, and Corporate Finance. While loan growth was evident in all commercial business lines, increased noninterest revenues were driven by increased banking fees from cash management and trade services, as well as increased corporate finance cross-selling efforts.

Retail Banking

Year ended December 31 Dollars in millions	1998	1997
Income Statement Data:		
Net interest income (FTE)	$ 1,779	$ 1,862
Noninterest income	620	578
Provision	117	119
Noninterest expense	1,493	1,482
Taxes/FTE adjustment	362	383
Net income	$ 427	$ 456
Balance Sheet Data:		
Average loans	$ 9,935	$10,590
Average deposits	42,614	43,434
Return on equity	24%	26%

Retail Banking includes consumer banking and Fleet's commercial small business group. Retail Banking offers customers products and services to conveniently access, move, and manage their money and delivers these services through its network of nearly 1,200 branches. Fleet's business and entrepreneurial services group provides a full range of financial services targeted at businesses with annual sales of up to $10 million. Fleet is the leading small-business lender in New England and ranks among the ten largest in the country.

In 1998, Retail Banking earned $427 million, down from 1997 earnings of $456 million. Lower earnings resulted primarily from lower net interest income driven by lower loan and deposit volumes. Retail deposit volumes declined by $820 million on average, as customers continued to migrate from traditional deposit products towards investment products and mutual funds. While total average retail deposits declined by $820 million, the runoff in lower cost savings and NOW accounts was even greater. This decline, however, was partly offset by an increase in money market accounts which typically carry higher interest costs than traditional savings products. Lower net interest income was partly offset by higher noninterest revenue driven by new product initiatives and increased direct banking fees from ATM and debit card activity, as the Retail Banking unit continued to invest in alternative delivery channels and fee-based products.

In 1998, Retail Banking continued the ongoing reconfiguration of retail product distribution channels in a manner consistent with changing customer preferences. During 1998, the bank sold 33 branches and consolidated 15 other branches in various well-serviced locations. While reducing the number of traditional branches, Fleet increased retail distribution points by adding ATMs. The following table shows the increase in total retail distribution points.

Retail Distribution Points

[The following table was represented as a bar chart in the printed material.]

	1996	1997	1998
ATMs	2,021	2,389	2,530
Branches	1,248	1,197	1,151
	3,269	3,586	3,681

National Financial Services

Year ended December 31 Dollars in millions	1998	1997
Income Statement Data:		
Net interest income (FTE)	$ 489	$ 289

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Noninterest income	1,015	522
Provision	297	203
Noninterest expense	810	452
Taxes/FTE adjustment	155	59
Net income	$ 242	$ 97
Balance Sheet Data:		
Average loans	$4,634	$3,007
Average deposits	2,645	1,899
Return on equity	12%	11%

National Financial Services includes mortgage banking, credit cards, venture capital and student loan processing (AFSA). Fleet's mortgage banking business originates, sells and services first and second-mortgage products spanning all customer segments. Fleet Mortgage Group originated approximately $36 billion of loans in 1998. This business services a mortgage portfolio of $119 billion and 1.4 million loans. In 1998, Fleet purchased three credit card portfolios. These acquisitions rank Fleet as the eighth largest issuer of credit cards. Fleet Private Equity provides management teams with the private equity capital necessary to acquire, recapitalize or grow private and public companies. Student loan processing, through the AFSA subsidiary, services 6.5 million accounts nationwide and is the largest student loan servicer in the nation with $48.7 billion of student loans serviced.

National Financial Services earnings increased by $145 million compared to 1997, due primarily to the acquisition of the Advanta consumer credit card business.

The following table presents the comparative net income for each of the units which comprise National Financial Services.

National Financial Services
Net Income by Line of Business

Year ended December 31 Dollars in millions	1998	1997
Credit cards	$ 91	$ (5)
Venture capital	84	33
Mortgage banking	43	49
Student loan processing	24	20
Net income	$242	$ 97

In 1998, mortgage banking recorded a $75 million MSR impairment charge, partly offset by related gains on the sale of servicing rights. Excluding these items, mortgage banking earnings were $73 million, representing a 49% increase over 1997. This results from increased loan production volumes as refinancing activity was strong in a low mortgage-rate environment. National Financial Services also had increased earnings from AFSA student loan processing, resulting from increases in student loan account volumes, while venture capital net income increased by $51 million. Venture capital earnings are affected by the condition of equity markets and the general state of the economy. Accordingly, earnings for this unit can vary significantly from period-to-period. During 1998, National Financial Services had a return on equity of 12% which reflected the impact of the goodwill recorded in connection with the purchase of Advanta's credit card operation, as well as the impact of the impairment charge in the mortgage banking business.

Fleet Investment Group

Year ended December 31 Dollars in millions	1998	1997
Income Statement Data:		
Net interest income (FTE)	$ 185	$ 170
Noninterest income	1,016	811
Provision	5	5
Noninterest expense	789	651
Taxes/FTE adjustment	169	138
Net income	$ 238	$ 187
Assets under management	$84,127	$76,654
Return on equity	21%	28%

Fleet Investment Group is comprised of several businesses, all targeting customers' growing need for investment products and services. These businesses include Quick & Reilly which offers brokerage, market-making, and securities

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clearing services, the private clients group which offers specialized asset management, estate settlement and deposit and credit products to high-net-worth customers, Columbia which sells proprietary mutual funds and manages personal and institutional business lines in the Pacific Northwest, retail investments which markets Galaxy (Fleet's proprietary mutual fund family) and third party mutual fund and annuity products, and several other businesses which offer retirement plan services, large institutional asset management and not-for-profit investment services.

Combined, these units of Fleet Investment Group earned $238 million in 1998, an increase of $51 million compared to 1997. Revenue increased by $220 million, or 22%, driven by strong growth in assets under management, as well as increased brokerage and market-making revenues. Increased investment management revenue was the result of related growth in assets under management and increased sales of mutual funds and annuity products, as well as the acquisition of Columbia. Assets under management grew to over $84 billion in 1998.

Assets Under Management
(Dollars in billions)

[The following table was represented as a bar chart in the printed material.]

1994	$39
1995	$45
1996	$48
1997	$77
1998	$84

Revenue growth was also the result of increased brokerage and market-making revenues which increased by $64 million, or 16%, compared to 1997. Lower return on equity in 1998 reflected the impact of the premium paid in connection with the acquisition of Columbia.

Treasury

Year ended December 31 Dollars in millions	1998	1997
Income Statement Data:		
Net interest income (FTE)	$ 118	$ 115
Noninterest income	122	87
Provision	14	15
Noninterest expense	64	64
Taxes/FTE adjustment	35	31
Net income	$ 127	$ 92
Balance Sheet Data:		
Average securities	$9,349	$7,696
Average residential mortgages	7,519	6,608
Return on equity	42%	34%

Treasury is responsible for managing the corporation's securities and residential mortgage portfolios, trading operations, asset-liability management function and wholesale funding needs. The Treasury unit earned $127 million in 1998, an increase of $35 million from 1997. Excluding securities gains in both periods, earnings increased by $25 million, or 35%. Increased earnings were driven by increased sales of foreign exchange and interest-rate protection products. Increased sales of these items were the result of strong cross-selling efforts and referrals, primarily from the Commercial Financial Services unit. Increased earnings were also influenced by increased residential and investment portfolios.

All Other

All Other includes the parent company and certain transactions not allocable to any specific business unit. In addition, the impact of methodology allocations such as provision for credit losses, credit reserve, and equity are reported in this unit. Similarly, for comparative purposes, certain businesses sold in 1997 have also been moved into this unit. Earnings in this unit can fluctuate with changes affecting consolidated provision for credit losses, merger and restructuring-related charges, gains and other actions not driven by specific business units.

All Other earned $54 million in 1998 compared to $164 million in 1997. The decline in earnings was due primarily to revenues and associated expenses in 1997 from business units Fleet exited in 1997, and higher merger charges taken

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in 1998. Lower earnings also resulted from higher consolidated provision for credit losses in 1998.

BALANCE SHEET ANALYSIS

Total assets increased $13.3 billion to $104.4 billion as of December 31, 1998, as a result of strong loan growth, an increase in mortgages held for resale and the acquisition of three credit card portfolios during the year.

Fleet's investment securities portfolio plays a significant role in the management of the corporation's balance sheet as the liquid nature of the securities portfolio enhances the efficiency of the balance sheet. The amortized cost of securities available for sale increased $1.6 billion to $9.5 billion at December 31, 1998 compared to $8.0 billion at December 31, 1997. The valuation reserve for securities available for sale increased $53 million to an unrealized gain position of $211 million at December 31, 1998, due to changes in the interest-rate environment.

Securities

December 31 Dollars in millions	1998 Amortized Cost	1998 Market Value	1997 Amortized Cost	1997 Market Value	1996 Amortized Cost	1996 Market Value
Securities available for sale:						
U.S. Treasury and government agencies	$ 434	$ 437	$ 1,126	$ 1,134	$ 1,077	$ 1,083
Mortgage-backed securities	7,784	7,982	6,177	6,298	5,987	6,006
Other debt securities	792	802	186	189	--	--
Total debt securities	9,010	9,221	7,489	7,621	7,064	7,089
Marketable equity securities	292	292	256	282	229	255
Other securities	211	211	210	210	159	159
Total securities available for sale	9,513	9,724	7,955	8,113	7,452	7,503
Total securities held to maturity	1,068	1,073	1,249	1,254	1,177	1,172
Total securities	$10,581	$10,797	$ 9,204	$ 9,367	$ 8,629	$ 8,675

Loans

The loan portfolio inherently includes credit risk. Fleet attempts to control such risk through review processes that include analysis of credit applications, portfolio diversification and ongoing examinations of outstandings and delinquencies. Fleet strives to identify potential classified assets as early as possible, to take charge-offs promptly based on realistic assessments of probable losses and to maintain adequate reserves for credit losses. The corporation's portfolio is well-diversified by borrower, industry and product, thereby reducing risk.

Loans

December 31 Dollars in millions	1998	1997
Commercial and industrial	$37,167	$32,000
Lease financing	4,225	3,376
Commercial real estate	5,374	5,677
Consumer	22,630	21,512
Total loans	$69,396	$62,565

Total loans increased $6.8 billion, or 11%, over December 31, 1997. This increase was due primarily to loan growth in the commercial and industrial and lease financing portfolios, as well as the acquisition of the credit card operations of Advanta and purchases of credit card receivables from Crestar Financial and Household International, Inc., offset by a slight decline in the commercial real estate and residential real estate portfolios.

LOANS
(Dollars in billions)

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(The following table was represented as a bar chart in the printed material.)

<TABLE>
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<S>	1994	1995	1996	1997	1998
Commercial	$ 19.5	$ 23.1	$ 29.1	$ 32.0	$ 37.2
Consumer	20.2	22.3	21.7	21.5	22.6
Commercial RE	5.5	5.0	6.5	5.7	5.4
Lease Financing	1.5	2.2	2.6	3.4	4.2
	$ 46.7	$ 52.6	$ 59.9	$ 62.6	$ 69.4

</TABLE>

Commercial and Industrial-Product Diversification

December 31 Dollars in millions	1998	1997
Banks and insurance	$ 5,697	$ 4,596
Real estate/construction/contractors	3,018	2,188
Communications	2,604	2,568
Business services	2,055	1,699
Precious metals/jewelry	2,030	1,637
Retail	2,014	1,750
Healthcare	2,000	1,969
Transportation	1,780	1,656
Tourism and entertainment	1,580	1,306
Machinery and equipment	1,578	1,280
Computers and electronics	1,546	1,457
Apparel and textiles	1,232	1,077
Energy production and distribution	1,072	1,018
Printing and publishing	1,056	839
Food distribution and production	957	880
Forest products	932	1,015
Plastics, ceramics, rubber and misc. products	920	827
Other	5,096	4,238
Total	$37,167	$32,000

C&I borrowers consist primarily of middle-market and corporate customers and are well-diversified as to industry and companies within each industry. Although the corporation is engaged in business nationwide, the lending done by the banking subsidiaries is primarily concentrated in New England, New York and New Jersey.

The corporation has limited international lending exposure, which is evidenced by the fact that $485 million, or less than 1% of the outstanding loans were in the Asia/Latin America/Emerging Markets sectors. The corporation's international loans are trade-related with maturities generally less than 90 days. Asia had outstandings of $95 million of which $92 million was outstanding in Korea; Latin America had outstandings of $343 million of which $161 million and $76 million were outstanding in Brazil and Argentina, respectively; and other emerging markets had outstandings of $47 million. The corporation had no direct exposure to Russia and other Eastern European countries.

Lease financing totaled $4.2 billion at December 31, 1998, compared with $3.4 billion at December 31, 1997. This 25% increase was primarily attributable to increased lease originations from both the direct leasing group and the newly formed Global Lease Finance unit. The corporation provides a wide variety of leasing products to the middle and large ticket marketplaces. The Sanwa Business Credit acquisition closed on February 1, 1999 and added approximately $6 billion of assets, of which approximately $4 billion are lease financings. This acquisition significantly expands Fleet's geographic presence, existing product line, and client base to include lease financing for manufacturers of capital equipment and leasing programs for small businesses. As a result of this acquisition, Fleet Capital Leasing has become the third ranked bank lessor and one of the top ten leasing companies in the United States.

Commercial Real Estate-Product Diversification

December 31 Dollars in millions	1998	1997
Apartments	$1,330	$1,196
Office	1,241	1,184
Retail	1,211	1,365
Industrial	321	366
Other	1,271	1,566
Total	$5,374	$5,677

Commercial real estate (CRE) loans decreased by $303 million, or 5%, from

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December 31, 1997 to December 31, 1998, as the corporation has strategically sought to reduce this loan portfolio.

Consumer Loans

December 31 Dollars in millions	1998	1997
Residential real estate	$ 9,314	$10,019
Home equity	4,257	4,851
Credit card	5,673	2,742
Student loans	812	1,029
Installment/other	2,574	2,871
Total	$22,630	$21,512

Approximately 60% of the consumer loan portfolio at December 31, 1998 represented loans secured by residential real estate, including second mortgages, home equity loans and lines of credit. The corporation manages the risk associated with most types of consumer loans by utilizing uniform credit standards when extending credit, together with systems that streamline the process of monitoring delinquencies.

Outstanding residential real estate loans secured by one- to four-family residences decreased $705 million to $9.3 billion at December 31, 1998. This decline was primarily the result of the sale of $750 million of Community Reinvestment Act (CRA) residential mortgage loans at book value. The loans were sold to provide balance sheet capacity for further CRA lending.

The remainder of consumer loans increased $1.8 billion from December 31, 1997. The increase was directly attributable to the acquisition of the consumer credit card operations of Advanta and purchases of credit card receivables from Crestar Financial and Household International, Inc., as credit card loans increased by $2.9 billion during the period.

NONPERFORMING ASSETS

Nonperforming Assets(a)(b)

Dollars in millions	C&I	CRE	Consumer	Total
Nonperforming loans:				
Current or less than 90 days past due	$123	$ 26	$ 2	$151
Noncurrent	48	27	39	114
Other real estate owned (OREO)	2	4	11	17
Total NPAs December 31, 1998	$173	$ 57	$ 52	$282
Total NPAs December 31, 1997	$257	$ 83	$ 76	$416

(a) Throughout this document, NPAs and related ratios do not include loans greater than 90 days past due and still accruing interest ($234 million and $202 million at December 31, 1998 and 1997, respectively). Included in the 90 days past due and still accruing interest were $209 million and $172 million of consumer loans at December 31, 1998 and 1997, respectively.

(b) Nonperforming assets and related ratios at December 31, 1998 and 1997 do not include $46 million and $214 million, respectively, of nonperforming assets classified as held for sale by accelerated disposition.

Nonperforming assets (NPAs) are assets on which income recognition has either ceased or is limited. NPAs negatively affect the corporation's earnings by reducing interest income. In addition to NPAs, asset quality is measured by the amount of provision, charge-offs and certain credit quality related ratios as disclosed in the Reserve for Credit Losses Activity table.

NPAs decreased $134 million, or 32%, over the prior year. NPAs at December 31, 1998, as a percentage of total loans and as a percentage of total assets were .41% and .27%, respectively, compared to .66% and .46%, respectively, at December 31, 1997. This improvement was due to declining NPAs in all portfolios.

Activity in Nonperforming Assets

Year ended December 31

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Dollars in millions	1998	1997
Balance at beginning of year	$ 416	$ 723
Additions	458	696
Reductions:		
Payments/interest applied	(303)	(441)
Returned to accrual	(47)	(68)
Charge-offs/write-downs	(166)	(174)
Sales/other	(43)	(89)
Total reductions	(559)	(772)
Subtotal	315	647
Assets reclassified as held for sale by accelerated disposition	(33)	(231)
Balance at end of year	$ 282	$ 416

RESERVE FOR CREDIT LOSSES

The reserve for credit losses represents the amount available for credit losses inherent in the bank's portfolio. It reflects management's ongoing detailed review of certain individual loans, supplemented by an analysis of the historical net charge-off experience of the portfolio, an evaluation of prevailing economic and business conditions, a review of industry concentrations, including emerging market risk, and changes in the size and characteristics of the portfolio, as well as other pertinent factors. Assumptions utilized in the reserve calculation methodology have been relatively consistent with actual results. Based on these analyses, and the assumptions contained therein, the corporation believes that its year-end reserve for credit losses is adequate.

Loans are charged off once the probability of loss has been established, with consideration given to factors such as the customer's financial condition, underlying collateral and guarantees, as well as general and industry economic conditions.

Fleet's reserve for credit losses increased $120 million from December 31, 1997, to $1.552 billion at December 31, 1998, significantly due to reserves acquired as part of the acquisition of the consumer credit card operations of Advanta. The 1998 provision for credit losses was $470 million, $148 million higher than the prior year level of $322 million. The increase in the provision for credit losses was due primarily to a 59% increase in net charge-offs in the credit card portfolio. The provision for credit losses is expected to increase in 1999 due to the Sanwa and Household portfolio acquisitions. Total assets from these acquisitions were $7.3 billion.

During 1998, the corporation experienced significant loan growth of $6.8 billion, or 11%, while the reserve for credit losses increased 8%. As a result of core loan growth and the acquisition of various credit card portfolios, the risk characteristics of the corporation's loan portfolio have been altered. Specifically, the growth in credit card receivables of $2.9 billion required that additional reserves be allocated to the consumer portfolio. Therefore, the allocated reserve pertaining to the consumer portfolio has increased from 24% of the total reserve for credit losses in 1997 to 39% in 1998. Additionally, even though the corporation's loan portfolio increased 11%, the reserve for credit losses, as a percent of total loans, decreased 2% as a result of the corporation's reserve methodology assessing the impact of a strong domestic economy combined with improvements in certain business sectors.

An integral component of the corporation's risk management process is to ensure the proper allocation of the reserve for credit losses based upon an analysis of risk characteristics, demonstrated losses, loan segmentations, and other factors. The unallocated component of the reserve for credit losses represents management's evaluation of the loan portfolio, including its size and complexity, and the realization that there are estimable losses that have been incurred within the portfolio but not yet specifically identified. At December 31, 1998, the corporation's unallocated reserve has declined 38% from 1997 as the portfolio's risk characteristics have been altered resulting primarily from the additional credit card receivables acquired throughout 1998.

Reserve for Credit Losses Allocation

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	1998	1997	1996	1995

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December 31 Dollars in millions	Amount	Percent of Loan Type to Total Loans	Amount	Percent of Loan Type to Total Loans	Amount	Percent of Loan Type to Total Loans	Amount	Percent of Loan Type to Total Loans
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial and industrial	$ 639	53.56%	$ 626	51.15%	$ 668	48.63%	$ 606	43.85%
Consumer	609	19.19	345	18.37	365	22.79	209	20.54
Commercial real estate:								
Construction	12	1.55	15	1.42	26	1.79	23	1.15
Interim/permanent	47	6.19	83	7.65	129	8.99	138	8.40
Residential real estate	24	13.42	41	16.01	67	13.44	90	21.83
Lease financing	18	6.09	18	5.40	20	4.36	19	4.23
Unallocated	203	--	304	--	213	--	236	--
Total	$1,552	100.0%	$1,432	100.0%	$1,488	100.0%	$1,321	100.0%

<CAPTION>

	1994	
December 31 Dollars in millions	Amount	Percent of Loan Type to Total Loans
<S>	<C>	<C>
Commercial and industrial	$ 620	41.80%
Consumer	226	25.06
Commercial real estate:		
Construction	17	1.43
Interim/permanent	190	10.26
Residential real estate	47	18.27
Lease financing	18	3.18
Unallocated	378	--
Total	$1,496	100.0%

</TABLE>

Reserve for Credit Losses Activity

<TABLE>
<CAPTION>

Year ended December 31 Dollars in millions	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Balance at beginning of year	$ 1,432	$ 1,488	$ 1,321	$ 1,496	$ 1,669
Gross charge-offs:					
Consumer	83	118	98	84	100
Credit card	332	203	132	57	30
Commercial and industrial	164	132	160	109	91
Commercial real estate	16	38	60	99	95
Residential real estate	13	21	30	65	52
Lease financing	1	2	4	4	9
Total gross charge-offs	609	514	484	418	377
Recoveries:					
Consumer	22	29	22	29	32
Credit card	31	14	8	5	3
Commercial and industrial	63	64	59	48	60
Commercial real estate	19	26	17	25	27
Residential real estate	2	3	4	4	11
Lease financing	2	2	4	5	5
Total recoveries	139	138	114	116	138
Net charge-offs	470	376	370	302	239
Provision	470	322	213	101	65
Acquired/other	120	(2)	324	26	1
Balance at end of year	$ 1,552	$ 1,432	$ 1,488	$ 1,321	$ 1,496
Ratio of net charge-offs to average loans	.71%	.63%	.65%	.58%	.53%
Ratio of reserve for credit losses to year-end loans	2.24%	2.29%	2.49%	2.51%	3.20%
Ratio of reserve for credit losses to year-end nonperforming loans	586%	365%	214%	301%	224%

</TABLE>

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Net charge-offs increased $94 million to $470 million in 1998. Net charge-offs from the credit card portfolio increased $112 million to $301 million, due to a $1.7 billion increase in average credit card loans, year-to-year, from the acquisition of Advanta's consumer credit card portfolio. The ratio of net charge-offs to average loans increased to .71% as compared to .63% at December 31, 1997. Net charge-offs are expected to increase in 1999 due to the acquisition of Sanwa.

FUNDING SOURCES

Components of Funding Sources

December 31 Dollars in millions	1998	1997
Deposits:		
Demand	$13,400	$13,148
Regular savings and NOW	5,399	5,981
Money market	29,297	24,504
Time:		
Domestic	17,764	16,258
Foreign	3,818	3,844
Total deposits	69,678	63,735
Short-term borrowed funds:		
Federal funds purchased	1,857	1,005
Securities sold under agreements to repurchase	2,599	2,630
Commercial paper	943	811
Other	3,913	3,059
Total short-term borrowed funds	9,312	7,505
Due to brokers/dealers	3,975	4,316
Long-term debt	8,820	4,500
Total	$91,785	$80,056

Total deposits increased $5.9 billion to $69.7 billion at December 31, 1998. The increase was due primarily to a $4.8 billion increase in money market deposits as a result of rates aimed at attracting new sources of funds. Time deposits increased $1.5 billion due to the corporation issuing jumbo time deposits to fund earning asset growth during 1998.

Certificates of deposit and other time deposits issued by domestic offices in amounts of $100,000 or more as of December 31, 1998 will mature as follows:

Maturity of Time Deposits

December 31, 1998 Dollars in millions, Remaining maturity	Certificates of Deposit	Foreign Time Deposits
3 months or less	$3,718	$3,810
3 to 6 months	799	6
6 to 12 months	1,531	2
Over 12 months	715	--
Total	$6,763	$3,818

Total short-term borrowed funds increased $1.8 billion from December 31, 1997, due primarily to increasing levels of federal funds purchased as a result of needs to fund asset growth.

Long-term debt increased by $4.3 billion due to the issuance of $4.6 billion of new debt and $520 million of capital securities to fund acquisitions and balance sheet growth, partially offset by almost $900 million of maturities.

Management believes Fleet has sufficient liquidity to meet its liabilities of customer deposits and debt holders. The effect of maturing liabilities is discussed in the Asset-Liability Management section that follows.

ASSET-LIABILITY MANAGEMENT

The goal of asset-liability management is the prudent control of market risk,

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

Market Risk

Market risk is the sensitivity of income to variations in interest rates, foreign exchange rates, equity prices, commodity prices, and other market-driven rates or prices. As discussed below, the corporation is exposed to market risk in both its non-trading and trading operations.

Non-trading Market Risk

Interest-rate risk, including mortgage prepayment risk, is by far the most significant non-trading market risk to which the corporation is exposed. Interest-rate risk is the sensitivity of income to variations in interest rates. This risk arises directly from the corporation's core banking activities - lending, deposit gathering, and loan servicing.

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

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

The corporation manages the interest-rate risk inherent in its core banking operations using both on-balance sheet instruments, mainly fixed-rate portfolio securities, and a variety of off-balance sheet instruments. The most frequently used off-balance sheet instruments are interest-rate swaps and options (e.g., interest-rate caps and floors). When appropriate, forward-rate agreements, options on swaps, and exchange-traded futures and options are also used.

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

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

In managing net interest income, the corporation uses fixed-rate portfolio securities and interest-rate swaps to offset the general asset-sensitivity of the core bank. Additionally, the corporation uses interest-rate swaps to offset basis risk, including the specific exposure to changes in the prime rate. At December 31, 1998 and 1997, interest-rate swaps totaling $14.8 billion and $12.2 billion (notional amount), respectively, were being used to manage risk to net interest income.

A second major source of the corporation's non-trading interest-rate risk is the sensitivity of its mortgage servicing rights (MSRs) to prepayments. The mortgage borrower has the option to prepay the mortgage loan at any time. When mortgage interest rates decline, borrowers have a greater incentive to prepay mortgage loans through a refinancing; when mortgage interest rates rise, this incentive is reduced or eliminated. Since MSRs represent the right to service mortgage loans, a decline in interest rates and an actual, or probable, increase in mortgage prepayments shorten the expected life of the MSR asset and reduce its economic value. Correspondingly, an increase in interest rates and an actual, or probable, decline in mortgage prepayments lengthen the expected life of the MSR asset and enhance its economic value. The expected income from and, therefore, economic value of MSRs is sensitive to movements in interest rates due to this sensitivity to mortgage prepayments.

To mitigate the risk of declining long-term interest rates, increased mortgage prepayments, and the potential impairment of the MSRs, the corporation uses a variety of risk-management instruments, including interest-rate swaps, caps and floors tied to "constant maturity" yields on long-term (e.g., 10-year) Treasury notes and swaps, options on swaps, and exchange-traded options on Treasury bond and note futures contracts. These instruments gain value as

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interest rates decline, mitigating the impairment of MSRs. At December 31, 1998 and 1997, the corporation had approximately $65.2 billion and $30.7 billion (notional amount), respectively, of outstanding derivatives being used to manage risk to the MSRs' valuation.

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

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

Similarly, customers have the right to prepay loans, particularly residential mortgage loans, without penalty. As a result, the corporation's mortgage-based assets (including mortgage loans and securities as well as mortgage servicing rights) are subject to prepayment risk. This risk tends to increase when interest rates fall due to the benefits of refinancing. Since the future prepayment behavior of the bank's customers is uncertain, the interest-rate sensitivity of mortgage assets cannot be determined exactly.

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

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

Simulation analysis involves dynamically modeling interest income and expense from the corporation's balance sheet and off-balance sheet positions over a specified time period under various interest-rate scenarios and balance sheet structures. The corporation uses simulation analysis to measure the sensitivity of net interest income over relatively short (e.g., 1-2 year) time horizons.

Key assumptions in these simulation analyses (and in the gap and valuation analyses discussed below) relate to the behavior of interest rates and spreads, the growth or shrinkage of product balances and the behavior of the bank's deposit and loan customers. As indicated above, the most material assumptions relate to the prepayment of mortgage assets, as well as the repricing and/or runoff of noncontractual deposits.

As the future path of interest rates cannot be known in advance, management uses simulation analysis to project earnings under various interest-rate scenarios. Some scenarios reflect reasonable or "most likely" economic forecasts. Other scenarios are deliberately extreme, including immediate interest-rate "shocks," gradual interest-rate "ramps," spread widenings, and yield curve "twists."

Usually, each analysis incorporates what management believes to be the most appropriate assumptions about customer and competitor behavior in the specified interest-rate scenario. But in some analyses, assumptions are deliberately manipulated to test the corporation's exposure to "assumption risk."

The corporation's Board limits on interest-rate risk specify that if interest rates were to shift immediately up or down 200 basis points, estimated net interest income for the subsequent 12 months should decline by less than 7.5%. The corporation was in compliance with this limit at December 31, 1998 and 1997. The following table reflects the estimated exposure of the corporation's net interest income for the next 12 months, assuming an immediate shift in

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interest rates.

Rate Change (Basis Points)	Estimated Exposure to Net Interest Income (Dollars in millions)	
	1998	1997
+200	$44	$72
-200	(142)	(127)

Management believes that these estimates reflect a complete and accurate representation of the corporate balance sheet. It should be emphasized, however, that the results are dependent on material assumptions such as those previously discussed.

Management believes that the exposure of the corporation's net interest income to gradual and/or modest changes in interest rates is relatively small. As indicated by the results of the simulation analyses, however, a sharp decline in interest rates will tend to reduce net interest income, but by amounts that are within corporate limits. This exposure is primarily related to two major risk factors discussed earlier - the anticipated slow repricing of noncontractual deposits and the assumed rapid prepayment of mortgage loans and securities.

Gap analysis provides a static view of the maturity and repricing characteristics of the on- and off-balance sheet positions. The interest-rate gap is prepared by scheduling all assets, liabilities and off-balance sheet positions according to scheduled or anticipated repricing or maturity. Interest-rate gap analysis can be viewed as a complement to simulation analysis.

The corporation's Board limits on interest-rate risk specify that the cumulative one-year gap should be less than 10% of total assets. As of December 31, 1998, the estimated exposure was 5.4% asset-sensitive (see the following table).

Interest-Rate Gap Analysis

<TABLE>
<CAPTION>

December 31, 1998 Dollars in millions, by repricing date	Cumulatively Repriced Within 3 months or less	4 to 12 months	12 to 24 months	2 to 5 years	After 5 years	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total assets	$ 62,763	$ 9,814	$ 5,006	$ 10,024	$ 16,775	$104,382
Total liabilities and stockholders' equity	(51,358)	(7,616)	(5,254)	(3,180)	(36,974)	(104,382)
Net off-balance sheet	(10,276)	2,307	4,065	2,488	1,416	
Periodic gap	1,129	4,505	3,817	9,332	(18,783)	--
Cumulative gap	1,129	5,634	9,451	18,783	--	--
Cumulative gap as a percent of total assets-1998	1.1%	5.4%	9.1%	18.0%		
Cumulative gap as a percent of total assets-1997	4.7	3.6	2.3	8.9		

</TABLE>

Valuation analysis involves projecting future cash flows from the corporation's assets, liabilities, and off-balance sheet positions over a very long-term horizon, discounting those cash flows at appropriate interest rates, and then aggregating the discounted cash flows. The corporation's "economic value of equity" (EVE) is the estimated net present value of the discounted cash flows. The interest-rate sensitivity of EVE is a measure of the sensitivity of long-term earnings to changes in interest rates. The corporation uses valuation analysis (specifically, the sensitivity of EVE) to measure the exposure of earnings and equity to changes in interest rates over a relatively long (e.g., greater than 2-year) time horizon. Valuation analysis provides a more comprehensive measure of the corporation's exposure to interest-rate risk than simulation analysis. Valuation analysis incorporates a longer time horizon, and also includes certain interest-rate-sensitive components of noninterest income and expense, specifically fee income and amortization from mortgage servicing rights.

The corporation's Board limits on interest-rate risk specify that if interest rates were to shift immediately up or down 200 basis points, the estimated economic value of equity should decline by less than 10%. The corporation was in compliance with this limit at December 31, 1998 and 1997. The

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following table reflects the corporation's estimated exposure to economic value assuming an immediate shift in interest rates. Exposures are reported for shifts of +/- 100 basis points, as well as +/- 200 basis points because the sensitivity of EVE, in particular, the sensitivity of the hedged MSRs, to changes in interest rates can be nonlinear.

Rate Change (Basis Points)	Estimated Exposure to Economic Value (Dollars in millions)	
	1998	1997
+200	$ 69	$(158)
+100	152	9
-100	(498)	(381)
-200	(713)	(798)

During 1998, management continued to add fixed-rate portfolio securities and interest-rate swaps to control the asset-sensitivity inherent in the maturity and repricing mismatch of core bank assets and liabilities. The impact of these programs was partly offset by a reduction in the assumed repricing sensitivity of interest-bearing retail deposits. These assumptions, which are subject to frequent and careful management review, are revised as necessary to reflect current market conditions, business trends and product manager expectations.

In the fourth quarter of 1998, the corporation entered into a definitive agreement to acquire Sanwa Business Credit. This transaction, which closed on February 1, 1999, will reduce the corporation's estimated exposure to falling interest rates. The year-end balance sheet position reflects management's anticipation of this impact.

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

As a result of such accounting requirements, a portion of the EVE exposure attributable to mortgage servicing rights could materially impact earnings within the next 12 months under certain extreme scenarios involving a tightening of mortgage-treasury spreads, a decline in implied options volatilities, and/or a greater than anticipated increase in prepayments.

Off-balance sheet interest-rate instruments used to manage net interest income are designated as hedges of specific assets and liabilities. Accrual accounting is applied to these hedges, and the income or expense is recorded in the same category as that of the related balance sheet item. The periodic net settlement of the interest-rate risk-management instruments is recorded as an adjustment to net interest income. The interest-rate risk-management instruments generated $45 million, $52 million, and $12 million of net interest income during 1998, 1997, and 1996, respectively. As of December 31, 1998, the corporation had net deferred income of $11.5 million relating to terminated interest-rate swap contracts, which will be amortized over the remaining life of the underlying terminated interest-rate contracts of approximately 8 years.

During 1998, the corporation altered its interest-rate risk-management portfolio to limit an increase in asset-sensitivity resulting from balance sheet changes and swap runoff. In particular, $5.4 billion of receive-fixed swaps were added through new transactions, partially offsetting maturities of $2.9 billion.

The interest-rate instruments used to manage potential impairment of MSRs are designated as hedges of the MSRs. Changes in fair value of the hedges are recorded as adjustments to the carrying value of the MSRs and related hedges. During 1998, net hedge gains of $667 million were deferred and recorded as adjustments to the carrying value of the MSRs and related hedges. At December 31, 1998, the carrying value and fair value of the corporation's MSRs were $1.4 billion and $1.8 billion, respectively.

In connection with the corporation's management of its MSR hedge program, the corporation terminated (in notional amounts) $28 billion of interest-rate floor agreements and $12 billion of call options and added $44 billion and $16 billion of interest-rate floor agreements and call options, respectively, during 1998. Additionally, the corporation added $10 billion of interest-rate cap

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corridors and $6 billion of interest-rate swap contracts in its management of the MSR hedge program.

These risk-management activities do not completely eliminate interest-rate risk in the MSRs. The MSR hedges utilized were indexed to Treasury rates, swap rates, and mortgage rates. At December 31, 1998, approximately 30%, 54%, and 16%, were indexed to Treasury, swap, and mortgage related rates, respectively. Treasury rates and swap rates may not move in tandem with mortgage interest rates. In addition, as mortgage interest rates change, actual prepayments may not respond exactly as anticipated. Other pricing factors, such as the implied volatility of market yields, may affect the value of the option hedges without similarly impacting the MSRs. Therefore, the corporation's hedging activity may not be sufficient to eliminate prepayment and other market risk completely in all interest-rate scenarios.

Risk-Management Instrument Analysis

<TABLE>
<CAPTION>

December 31, 1998 Dollars in millions	Notional Value	Assets-Liabilities Hedged	Weighted Average Maturity (Years)	Fair Value	Weighted Average Rate Receive	Weighted Average Rate Pay
<S>	<C>		<C>	<C>	<C>	<C>
Interest-rate risk-management instruments						
Interest-rate swaps:						
Receive-fixed/pay-variable	$ 9,825	Variable-rate loans				
	356	Fixed-rate deposits				
	1,867	Long-term debt				
	12,048		1.9	$ 165	6.74%	6.05%
Basis swaps	2,779	Deposits	.3	--	5.26	5.61
Total hedges of net interest income	14,827		1.6	165	6.46	5.97
Mortgage banking risk-management instruments						
Interest rate swaps:						
Receive-fixed/pay-variable, PO swaps	7,011	Mortgage servicing rights	3.0	83	5.88	5.59
Options:						
Interest-rate floors and options on swaps	39,560	Mortgage servicing rights	4.3	517	--(a)	--(a)
Interest-rate caps and cap corridors	14,759	Mortgage servicing rights	3.8	68	--(a)	--(a)
Call options purchased	3,150	Mortgage servicing rights	.1	27	--	--
Call options sold	730	Mortgage servicing rights	.1	(5)	--	--
Total options	58,199		3.9	607	--	--
Total hedges of mortgage servicing rights	65,210		3.8	690	5.88	5.59
Total risk-management instruments	$ 80,037		3.4	$ 855	6.27%	5.85%

</TABLE>

(a) The mortgage-banking risk-management interest-rate floors and options on swaps, and interest-rate caps and cap corridors have weighted average strike rates of 5.28% and 6.50%, respectively.

Trading Market Risk

The corporation's trading portfolios are exposed to market risk due to variations in interest rates, currency exchange rates, equity prices, precious metals prices, and related market volatilities. This exposure arises in the normal course of the corporation's business as a financial intermediary. Interest-rate, foreign exchange, and precious metals contracts are primarily entered into to satisfy the investment and risk-management needs of our customers. The corporation generally enters into offsetting interest-rate, foreign exchange, and precious metals contracts to mitigate the risk to earnings. Equity positions result mainly from the corporation's market-making activity. The corporation also enters into some proprietary on-balance sheet trading positions, which principally include U.S. federal and state government and agency securities.

The corporation uses an "earnings at risk" (EAR) system, based on an industry-standard risk measurement methodology, to measure the overall market risk inherent in its trading activities. The system, using historical data to estimate market volatility, measures the risk to earnings at a 99% confidence level based on an assumed ten-day holding period. For instance, the corporation's EAR measure

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estimates the loss that would be suffered if its trading positions were held for a full ten days during an adverse market move.

Management recognizes that this methodology, while standard, can underestimate risk. The actual probability of an extreme market move is generally greater than the statistics suggest because returns on financial instruments are not normally distributed. Nevertheless, as applied to the corporation's trading positions, the method appears to be a conservative measure of risk because in any sustained adverse market move, it is unlikely that trading positions would be held for a full ten days.

Measured market risk is controlled by earnings at risk limits, which are reviewed and approved annually by the Board. Additionally, more restrictive guidelines may be established by ALCO. During 1998, the Board limit was $46 million. The average daily exposure to this market risk was $11.2 million, and the maximum daily exposure was $39.6 million.

Liquidity Risk

Liquidity risk-management's objective is to assure the ability of the corporation and its subsidiaries to meet their financial obligations. These obligations are the withdrawal of deposits on demand or at their contractual maturity, the repayment of borrowings as they mature, the ability to fund new and existing loan commitments and the ability to take advantage of new business opportunities. Liquidity is achieved by the maintenance of a strong base of core customer funds, maturing short-term assets, the ability to sell marketable securities, committed lines of credit and access to capital markets. Liquidity may also be enhanced through the securitization of consumer asset receivables. Liquidity at Fleet is measured and monitored daily, allowing management to better understand and react to balance sheet trends. ALCO is responsible for implementing the Board's policies and guidelines governing liquidity.

Liquidity at the bank level is managed through the monitoring of anticipated changes in loans, core deposits, and wholesale funds. Diversification of liquidity sources by maturity, market, product and counterparty are mandated through ALCO guidelines. The corporation's banking subsidiaries routinely model liquidity under three economic scenarios, two of which involve increasing levels of economic difficulty and financial market strain. Management also maintains a detailed contingency liquidity plan designed to respond either to an overall decline in the condition of the banking industry or a problem specific to Fleet. The strength of Fleet's liquidity position is a result of its base of core customer deposits. These core deposits are supplemented by wholesale funding sources in the capital markets, as well as from direct customer contacts. Wholesale funding sources include large certificates of deposit, foreign branch deposits, federal funds, collateralized borrowings, and a $10 billion bank-note program. During 1998, Fleet National Bank enhanced its liquidity by lengthening the term of its wholesale funding sources through the issuance of $4 billion of funds with maturities up to three years.

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

At December 31, 1998, the corporation had commercial paper outstanding of $943 million, all of which was placed directly by Fleet in its local markets, compared with $811 million at December 31, 1997. The corporation has a backup line of credit totaling $1 billion to ensure that funding is not interrupted if commercial paper is not available. At December 31, 1998 and 1997, Fleet had no outstanding balance under the line of credit.

The parent company had $2.1 billion available for the issuance of common, preferred stock or preferred securities, and senior or subordinated securities at December 31, 1998 under the existing shelf registration filed with the Securities and Exchange Commission (SEC). The parent company's ability to access the capital markets was demonstrated in 1998 through the issuance of $1.3 billion in subordinated debt and the issuance of $520 million of capital securities. The parent company also repaid $550 million of debt during 1998.

As shown in the consolidated statements of cash flows, cash and cash equivalents increased by $164 million during 1998. The increase was due to cash provided by financing activities of $8.3 billion, offset in part by cash used in operating activities of $1.6 billion and cash used in investing activities of $6.6 billion. Net cash provided by financing activities was the result of net increases in deposits, short-term borrowings and long-term debt, offset in part by cash dividends paid. Net cash used in operating activities was due to a net increase in mortgages held for resale. Net cash used in investing activities was attributable to a net increase in loans, resulting primarily from loan growth in the commercial and industrial and lease financing portfolios and purchases of credit card loan portfolios, as well as a net increase in securities.

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CAPITAL

A financial institution's capital serves to support asset growth and provide protection against loss to depositors and creditors. Common equity represents the stockholders' investment in the corporation. In addition to common equity, regulatory capital includes, within certain limits, preferred stock, subordinated debt and loss reserves.

The corporation strives to maintain an optimal level of capital, commensurate with its risk profile, on which an attractive return to stockholders will be realized over both the short and long term, while serving depositors', creditors' and regulatory needs. In determining optimal capital levels, the corporation also considers the capital levels of its peers and the evaluations of the major rating agencies that assign ratings to the corporation's public debt.

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

The corporation strives to maintain regulatory capital at approximately .75%-1.25% above the minimum regulatory requirements for a well-capitalized institution, as defined in the FDIC Improvement Act. In addition, the corporation currently has a tangible common equity-to-assets ratio target range of 5.50%-6.00% and a total equity-to-assets target range of 7.25%-7.75%.

Capital Ratios

December 31 Dollars in millions	1998	1997
Risk-adjusted assets	$104,372	$90,063
Tier 1 risk-based capital (4% minimum)	7.08%	7.26%
Total risk-based capital (8% minimum)	11.22	10.71
Leverage ratio (4% minimum)	7.48	7.66
Common equity-to-assets	8.35	8.52
Total equity-to-assets	9.01	9.28
Tangible common equity-to-assets	5.53	6.26
Tangible total equity-to-assets	6.21	7.04

At December 31, 1998, the corporation exceeded all regulatory required minimum capital ratios and was categorized as well-capitalized. The corporation's risk-based Tier 1 capital ratio decreased compared with December 31, 1997, due mainly to growth in risk-adjusted assets. However, total risk-based capital increased as the corporation issued $1.3 billion of subordinated debt during the year. Excess capital, defined as common equity above the capital target, is available for core business investments and acquisitions.

As registered brokers-dealers and member firms of the NYSE, certain subsidiaries are subject to rules of both the SEC and the NYSE. These rules require registrants to maintain minimum levels of net capital, as defined, and may restrict a member from expanding its business and declaring dividends as its net capital approaches specified levels. At December 31, 1998, these subsidiaries had net capital, in the aggregate, of approximately $349 million which exceeded aggregate minimum net capital requirements by approximately $304 million.

During 1998, the corporation announced its intention to repurchase up to $1.5 billion of its common stock from time-to-time as market conditions permit. In addition, the corporation's Board of Directors authorized a 10% increase in the quarterly stock dividend to $.27 per common share payable January 1, 1999. The corporation also effected a two-for-one stock split of the corporation's common stock on October 7, 1998.

COMPARISON OF 1997 AND 1996

Fleet reported net income for 1997 of $1.37 billion, or $2.30 per diluted share, compared with $1.22 billion, or $1.98 per diluted share in 1996. ROA and ROE were 1.58% and 19.30%, respectively, for 1997 compared with 1.40% and 17.68%, respectively, in 1996. All prior periods have been restated to reflect the merger of Quick & Reilly which was accounted for under the pooling-of-interests method of accounting. In addition, all common share amounts and associated ratios were adjusted to reflect the corporation's two-for-one common stock split which was effective October 7, 1998.

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Net interest income on an FTE basis totaled $3.7 billion in 1997, compared with $3.5 billion in 1996. The net interest margin for 1997 was 5.01%, compared with 4.68% in 1996. The increase of 33 basis points was due principally to increased loan fee revenue as well as a complete year's impact of a balance sheet restructuring program undertaken during 1996 in connection with the NatWest acquisition. This restructuring allowed the corporation to replace lower-yielding assets and higher-cost sources of funds with a more favorable mix of loans and core deposits.

The provision for credit losses was $322 million in 1997 compared with $213 million in 1996, with the increase due principally to a higher level of bankruptcies and delinquencies in the consumer loan portfolio.

Noninterest income increased $298 million to $2.6 billion in 1997. The increase was due primarily to the inclusion of NatWest for four additional months in 1997 as well as $175 million of net gains on sales of business units.

Noninterest expense totaled $3.72 billion for 1997, compared with $3.51 billion in 1996. Expenses only increased slightly in 1997, as a result of the successful integrations of NatWest and Shawmut National Corporation in combination with the corporation's continuing cost containment efforts.

Total loans at December 31, 1997 were $62.6 billion, compared with $59.9 billion at December 31, 1996. The increase is attributable to strong loan growth in the commercial and industrial, lease financing and residential portfolios, which was partially offset by the sale of $2.2 billion of indirect auto loans and a $776 million and $485 million decline in commercial real estate and credit card loans, respectively.

Total deposits decreased $3.3 billion to $63.7 billion at December 31, 1997. The decrease was due primarily to deposit runoff, which was anticipated as a result of the corporation's efforts to maintain a competitive cost structure, combined with the continued migration of deposits to higher-yielding investment products.

RECENT ACCOUNTING DEVELOPMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes comprehensive accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The standard requires that all derivative instruments be recorded in the balance sheet at fair value. However, the accounting for changes in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. If the derivative instrument does not qualify as a hedge, changes in fair value are reported in earnings when they occur. If the derivative instrument qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged. The adoption of this standard may cause volatility in both the income statement as well as the equity section of the balance sheet. This standard is effective as of January 1, 2000. The impact of this Statement is not estimable and will be dependent upon the fair value, nature and purpose of the derivative instruments held by the corporation as of January 1, 2000.

MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

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

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

The Audit and Risk Management Committees of the Board of Directors consist solely of directors who are not employees of the corporation or its subsidiaries. During 1998, the Audit Committee met five times and the Risk

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Management Committee met four times with internal auditors, credit review management, the independent auditors, and representatives of senior management to discuss the results of examinations and to review their activities to ensure that each is properly discharging its responsibilities. The independent auditors, internal auditors, and credit review management have direct and unrestricted access to these committees at all times.

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

/s/ Terrence Murray

Terrence Murray
Chairman and
Chief Executive Officer

/s/ Eugene M. McQuade

Eugene M. McQuade
Vice Chairman and
Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders of Fleet Financial Group, Inc.:

We have audited the accompanying consolidated balance sheets of Fleet Financial Group, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fleet Financial Group, Inc. and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

Boston, Massachusetts
January 20, 1999

/s/ KPMG Peat Marwick LLP

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

Year ended December 31 Dollars in millions, except per share amounts	1998	1997	1996
<S>	<C>	<C>	<C>
Interest and fees on loans	$5,878	$5,357	$5,169
Interest on securities	673	570	723
Other	214	164	136
Total interest income	6,765	6,091	6,028
Interest expense:			
Deposits	1,835	1,654	1,754
Short-term borrowings	400	247	311
Long-term debt	448	338	390
Other	213	152	111
Total interest expense	2,896	2,391	2,566

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Net interest income	3,869	3,700	3,462
Provision for credit losses	470	322	213
Net interest income after provision for credit losses	3,399	3,378	3,249
Noninterest income:			
Investment services revenue	851	696	634
Banking fees and commissions	748	708	601
Capital markets revenue	530	326	269
Processing-related revenue	457	473	503
Credit card revenue	391	62	59
Net gains on sales of business units	--	175	--
Other	260	191	267
Total noninterest income	3,237	2,631	2,333
Noninterest expense:			
Employee compensation and benefits	1,927	1,752	1,735
Equipment	307	317	300
Occupancy	298	294	293
Intangible asset amortization	227	169	140
Legal and other professional	151	118	136
Marketing	132	109	106
Merger-related charges	73	25	--
Other	1,014	931	802
Total noninterest expense	4,129	3,715	3,512
Income before income taxes	2,507	2,294	2,070
Applicable income taxes	975	927	849
Net income	$1,532	$1,367	$1,221
Diluted weighted average common shares outstanding (in millions)	587.8	568.6	580.0
Net income applicable to common shares	$1,481	$1,305	$1,149
Basic earnings per share	2.61	2.37	2.02
Diluted earnings per share	2.52	2.30	1.98

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

December 31 Dollars in millions, except share amounts	1998	1997
<S>	<C>	<C>
Assets		
Cash, due from banks and interest-bearing deposits	$ 5,635	$ 5,076
Federal funds sold and securities purchased under agreements to resell	103	498
Securities (market value: $10,797 and $9,367)	10,792	9,362
Loans	69,396	62,565
Reserve for credit losses	(1,552)	(1,432)
Net loans	67,844	61,133
Due from brokers/dealers	3,600	3,510
Mortgages held for resale	3,960	1,526
Premises and equipment	1,229	1,205
Mortgage servicing rights	1,405	1,768
Intangible assets	3,117	2,196
Other assets	6,697	4,773
Total assets	$ 104,382	$ 91,047
Liabilities		
Deposits:		
Demand	$ 13,400	$ 13,148
Regular savings, NOW, money market	34,696	30,485
Time	21,582	20,102
Total deposits	69,678	63,735
Federal funds purchased and securities sold under agreements to repurchase	4,456	3,635
Other short-term borrowings	4,856	3,870
Due to brokers/dealers	3,975	4,316

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Long-term debt	8,820	4,500
Accrued expenses and other liabilities	3,188	2,539
Total liabilities	94,973	82,595
Stockholders' equity		
Preferred stock	691	691
Common stock (571,168,358 shares issued in 1998 and 571,204,564 shares issued in 1997)	6	3
Common surplus	3,284	3,329
Retained earnings	5,337	4,437
Accumulated other comprehensive income	128	97
Treasury stock, at cost (1,593,005 shares in 1998 and 3,878,928 shares in 1997)	(37)	(105)
Total stockholders' equity	9,409	8,452
Total liabilities and stockholders' equity	$ 104,382	$ 91,047

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

Dollars in millions, except per share amounts	Preferred Stock	Common Stock at $.01 Par	Common Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995	$ 399	$ 3	$ 3,226	$ 2,994	$ 52	$ (7)	$ 6,667
Net income	--	--	--	1,221	--	--	1,221
Other comprehensive income:							
Net unrealized securities gains arising during the period, net of taxes of $3	--	--	--	--	5	--	--
Less: reclassification adjustment for net gains included in net income, net of taxes of $17	--	--	--	--	26	--	--
Other comprehensive income	--	--	--	--	(21)	--	(21)
Total comprehensive income	--	--	--	--	--	--	1,200
Cash dividends declared on common stock ($.87 per share)	--	--	--	(457)	--	--	(457)
Cash dividends declared on preferred stock	--	--	--	(69)	--	--	(69)
Cash dividends declared by pooled company prior to merger	--	--	--	(10)	--	--	(10)
Issuance of preferred stock	650	--	(15)	--	--	--	635
Redemption of preferred stock	(96)	--	--	(3)	--	--	(99)
Common stock issued in connection with:							
Employee benefit plans	--	--	30	(31)	--	64	63
Warrants	--	--	15	--	--	--	15
Treasury stock purchased	--	--	--	--	--	(105)	(105)
Other items, net	--	--	(33)	(5)	--	(12)	(50)
Balance at December 31, 1996	$ 953	$ 3	$ 3,223	$ 3,640	$ 31	$ (60)	$ 7,790
Net income	--	--	--	1,367	--	--	1,367
Other comprehensive income:							
Net unrealized securities gains arising during the period, net of taxes of $54	--	--	--	--	86	--	--
Less: reclassification adjustment for net gains included in net income, net of taxes of $13	--	--	--	--	20	--	--
Other comprehensive income	--	--	--	--	66	--	66
Total comprehensive income	--	--	--	--	--	--	1,433
Cash dividends declared on common stock ($.92 per share)	--	--	--	(467)	--	--	(467)
Cash dividends declared on preferred stock	--	--	--	(62)	--	--	(62)
Cash dividends declared by pooled company prior to merger	--	--	--	(7)	--	--	(7)
Redemption of preferred stock	(178)	--	--	--	--	--	(178)
Common stock issued in connection with:							
Employee benefit plans	--	--	(51)	(11)	--	162	100
Reissuance of treasury stock	--	--	161	--	--	595	756
Acquisition of Nash Weiss & Co.	--	--	16	--	--	--	16
Treasury stock purchased	--	--	--	--	--	(803)	(803)
Adjustment to retained earnings reflecting pooled entity different year-end	--	--	--	(23)	--	--	(23)
Exchange of Series V preferred stock for trust							

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preferred securities	(84)	--	--	--	--	--	(84)
Other items, net	--	--	(20)	--	--	1	(19)
Balance at December 31, 1997	$ 691	$ 3	$ 3,329	$ 4,437	$ 97	$(105)	$ 8,452
Net income	--	--	--	1,532	--	--	1,532
Other comprehensive income:							
Net unrealized securities gains arising during the period, net of taxes of $51	--	--	--	--	76	--	--
Less: reclassification adjustment for net gains included in net income, net of taxes of $29	--	--	--	--	45	--	--
Other comprehensive income	--	--	--	--	31	--	31
Total comprehensive income	--	--	--	--	--	--	1,563
Cash dividends declared on common stock ($1.00 per share)	--	--	--	(568)	--	--	(568)
Cash dividends declared on preferred stock	--	--	--	(51)	--	--	(51)
Common stock issued in connection with:							
Employee benefit plans	--	--	(40)	(15)	--	119	64
Treasury stock purchased	--	--	--	--	--	(51)	(51)
Two-for-one common stock split	--	3	(3)	--	--	--	--
Other items, net	--	--	(2)	2	--	--	--
Balance at December 31, 1998	$ 691	$ 6	$ 3,284	$ 5,337	$ 128	$ (37)	$ 9,409

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

Year ended December 31 Dollars in millions	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities			
Net income	$ 1,532	$ 1,367	$ 1,221
Adjustments for noncash items:			
Depreciation and amortization of premises and equipment	247	213	200
Amortization and impairment of mortgage servicing rights	433	248	188
Amortization of other intangible assets	227	169	140
Provision for credit losses	470	322	213
Deferred income tax expense	177	341	443
Securities gains	(74)	(33)	(43)
Net gains on sales of business units	--	(175)	--
Merger-related charges	73	25	--
Originations and purchases of mortgages held for resale	(30,273)	(15,400)	(18,760)
Proceeds from sales of mortgages held for resale	27,839	14,997	20,025
Increase in due from brokers/dealers	(90)	(1,162)	(692)
Increase in accrued receivables, net	(145)	(132)	(430)
(Decrease) increase in due to brokers/dealers	(341)	1,585	739
Increase (decrease) in accrued liabilities, net	238	88	(229)
Other, net	(1,917)	(219)	468
Net cash flow (used in) provided by operating activities	(1,604)	2,234	3,483
Cash flows from investing activities			
Purchases of securities available for sale	(5,516)	(3,998)	(5,682)
Proceeds from sales of securities available for sale	3,000	2,766	16,313
Proceeds from maturities of securities available for sale	1,085	884	4,161
Purchases of securities held to maturity	(1,234)	(1,428)	(1,125)
Proceeds from maturities of securities held to maturity	1,415	1,317	791
Net cash and cash equivalents received (paid) for businesses acquired	380	(525)	2,386
Purchases of credit card loan portfolios	(1,870)	--	--
Net (increase) decrease in loans	(3,136)	(5,777)	1,617
Net cash and cash equivalents received from sales of business units	--	2,719	--
Net cash received from divestiture of assets and liabilities	--	--	768
Purchases of mortgage servicing rights	(485)	(271)	(293)
Purchases of premises and equipment	(189)	(152)	(164)
Net cash flow (used in) provided by investing activities	(6,550)	(4,465)	18,772
Cash flows from financing activities			
Net increase (decrease) in deposits	3,357	(3,335)	(6,139)
Net increase (decrease) in short-term borrowings	1,215	3,311	(10,300)
Proceeds from issuance of long-term debt	5,209	492	697
Repayments of long-term debt	(889)	(1,106)	(2,108)
Proceeds from issuance of common stock	64	856	78

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Proceeds from issuance of preferred stock	--	--	635
Redemption and repurchase of common and preferred stock	(51)	(981)	(204)
Cash dividends paid	(587)	(536)	(509)
Net cash flow provided by (used in) financing activities	8,318	(1,299)	(17,850)
Net increase (decrease) in cash and cash equivalents	164	(3,530)	4,405
Cash and cash equivalents at beginning of year	5,574	9,104	4,699
Cash and cash equivalents at end of year	$ 5,738	$ 5,574	$ 9,104

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1.

Summary of Significant Accounting Policies

The accounting and reporting policies of Fleet Financial Group (Fleet or the corporation) conform to generally accepted accounting principles and prevailing practices within the financial services industry. The corporation is a diversified financial services company headquartered in Boston, Massachusetts, and is organized along functional lines of business, which include: Commercial Financial Services, Retail Banking, National Financial Services, Fleet Investment Group, Treasury and all other.

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

The following is a summary of the significant accounting policies:

Basis of Presentation. The consolidated financial statements of Fleet include the accounts of the corporation and its subsidiaries. All material intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform to current year classifications. All common share amounts and associated ratios were adjusted to reflect the corporation's two-for-one common stock split which was effective October 7, 1998.

Cash and Cash Equivalents. For purposes of the Consolidated Statements of Cash Flows, the corporation defines cash and cash equivalents to include cash, due from banks, interest-bearing deposits, federal funds sold and securities purchased under agreements to resell.

Securities. Securities are classified at the time of purchase, based on management's intentions, as held to maturity, available for sale or trading account.

Securities held to maturity are those that management has the positive intent and ability to hold to maturity. Securities held to maturity are stated at cost, net of the amortization of any premium and the accretion of any discount. Securities available for sale are those that management intends to hold for an indefinite period of time, including securities used as part of the asset/liability management strategy, that may be sold in response to changes in interest rates, prepayment risk, liquidity needs, the desire to increase capital or other similar factors. Securities available for sale are recorded at their fair value. Securities that do not have a readily determinable fair value are stated at cost.

Unrealized losses on an individual security deemed to be other than temporary are written down to their fair value in the accounting period in which such determination is made. The specific identification method is used to determine gains and losses on sales of securities.

Trading account securities, principally debt securities, and other trading instruments, including foreign exchange and interest-rate derivatives, are purchased and held primarily for the purpose of sale in the near term. Realized and unrealized gains and losses on trading instruments are included in trading revenue. Interest income realized on trading instruments is included in interest income.

Securities owned and securities sold, but not yet purchased, are valued at market and the resulting unrealized gains and losses are reflected in the consolidated statements of income.

Loans. Loans are stated at the principal amounts outstanding, net of unearned

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income. Loans are placed on nonaccrual status as a result of past-due status or a judgment by management that, although payments are current, such action is prudent. Except in the case of most consumer and residential real estate loans, loans on which payments are past due 90 days or more are placed on nonaccrual status, unless they are well-secured and in the process of collection or renewal. Consumer loans, including residential real estate, are generally placed on nonaccrual status at 180 days past due, or earlier if deemed to be uncollectible, and losses are charged off no later than 180 days past due. When a loan is placed on nonaccrual status, all interest accrued in the current year, but uncollected, is reversed against interest income; prior year amounts are charged against the reserve for credit losses. Cash receipts on nonaccruing commercial loans are generally applied to reduce the unpaid principal balance, and cash receipts on nonaccruing consumer loans are recognized in income on a cash basis. Loans can be returned to accrual status when they become current as to principal and interest or demonstrate a period of performance under the contractual terms and, in management's opinion, are fully collectible.

Reserve for Credit Losses. The corporation continually evaluates the reserve for credit losses by performing detailed reviews of certain individual loans, reviewing historical net charge-off experience of the portfolio as a whole, evaluating prevailing economic and business conditions, reviewing industry concentrations, including emerging market risk, and changes in the size and characteristics of the portfolio, as well as other pertinent factors. The reserve for credit losses related to loans that are identified as impaired, which are primarily commercial and commercial real estate loans on nonaccrual status, is based on discounted cash flows using the loan's effective interest rate, or the fair value of the collateral for collateral-dependent loans, or the observable market price of the impaired loan. Based on these analyses, the reserve for credit losses is maintained at levels considered adequate by management to provide for loan losses inherent in these portfolios.

Loans, or portions thereof, deemed uncollectible are charged off against the reserve, while recoveries of amounts previously charged off are credited to the reserve. Amounts are charged off once the probability of loss has been established, giving consideration to such factors as the customer's financial condition, underlying collateral and guarantees, and general and industry economic conditions.

Mortgages Held for Resale. Mortgages held for resale are recorded at the lower of aggregate cost or market value. Market value is determined by outstanding commitments from investors or by current investor yield requirements.

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

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

Intangible Assets. Intangible assets are generally amortized on a straight-line basis over the estimated period benefited. The excess of cost over the fair value of net assets acquired (goodwill) in business combinations is amortized over appropriate periods given the characteristics of the assets acquired. In certain acquisitions, a core deposit intangible asset is recorded and amortized over a period not to exceed ten years. Purchased credit card intangibles are amortized over a period not to exceed six years. The corporation periodically reviews its intangible assets for events or changes in circumstances that may indicate that the carrying amount of the assets may not be recoverable, in which

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case an impairment charge may be recorded.

Income Taxes. The corporation records deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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

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

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

The corporation also uses interest-rate instruments and combinations of interest-rate instruments to hedge the value of the corporation's mortgage servicing portfolio. Such instruments are designated as hedges of specific strata of MSRs. To qualify for hedge accounting, net changes in value of the hedges are expected to be highly correlated with changes in the value of the hedged MSRs, and combinations of options purchased and sold must be entered into simultaneously and result in a net purchased option position. Changes in the value of risk-management instruments are treated as adjustments to the carrying value of the hedged MSRs.

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

Note 2.

Mergers, Acquisitions, and Divestitures

On February 1, 1998, the corporation consummated its acquisition of The Quick & Reilly Group, Inc. (Quick & Reilly), one of the country's largest discount brokerage

firms. The acquisition was accounted for as a pooling-of-interests and, therefore, these consolidated financial statements have been restated for all periods presented to include the results of operations, financial position and changes in cash flows of Quick & Reilly. Under the terms of the Quick & Reilly merger, approximately 44 million Fleet common shares were exchanged for all of the outstanding Quick & Reilly common shares at an exchange ratio of .289 shares of Fleet for each share of Quick & Reilly.

On February 20, 1998, the corporation consummated its acquisition of the consumer credit card operations of Advanta Corporation. Since this acquisition was accounted for under the purchase method of accounting, the results of the acquisition are included for the periods subsequent to the acquisition date. The acquisition provided approximately $11.5 billion of managed credit card receivables, of which approximately $2 billion reside on the balance sheet in consumer loans. Purchased credit card intangible of approximately $150 million was recorded and is being amortized over 6 years. Additionally, goodwill of

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approximately $500 million was recorded and is being amortized on a straight-line basis over 15 years. Subject to the level of earnings, Fleet may be required to make additional payments up to $100 million over 5 years, which if paid, will be recorded as goodwill.

On December 18, 1998, the corporation acquired Merrill Lynch Specialists, Inc. (MLSI), a New York Stock Exchange (NYSE) specialist firm, from Merrill Lynch & Co., Inc. The management staff and listings of MLSI merged with JJC Specialist, a division of Fleet Securities, Inc. Goodwill of approximately $106 million was recorded and is being amortized on a straight-line basis over 15 years.

During the fourth quarter of 1998, the corporation entered into a definitive agreement with Sanwa Bank, Ltd. to purchase its subsidiary, Sanwa Business Credit (Sanwa), a leasing and asset-based lending company. Sanwa offers a wide variety of asset-based lending, equipment leasing and vendor finance programs throughout the United States and has approximately $6 billion in assets. This acquisition closed on February 1, 1999. Goodwill of approximately $385 million was recorded and is being amortized on a straight-line basis over 25 years.

On December 10, 1997, Fleet consummated its acquisition of Columbia Management Company (Columbia), a Portland, Oregon-based asset management company with approximately $21 billion of assets under management. Goodwill of approximately $466 million was initially recorded in connection with this transaction and is being amortized on a straight-line basis over 30 years. Fleet may be required to make additional payments up to $110 million in accordance with an earnout calculation which, if paid, will be recorded as goodwill. Fleet accounted for this acquisition under the purchase method of accounting. Accordingly, the corporation's financial statements include the effect of Columbia for the periods subsequent to the December 10, 1997 acquisition date.

During 1997, the corporation sold Option One, a mortgage banking subsidiary; the corporate trust division; and its indirect auto lending portfolio. The pretax net gain recorded on these sales totaled $175 million.

On May 1, 1996, the corporation acquired from National Westminster Plc substantially all of the net assets of certain subsidiaries of NatWest Bancorp (NatWest). The acquisition of NatWest contributed approximately $13 billion and $18 billion of loans and deposits, respectively, and approximately 300 branches in New York and New Jersey. In accordance with the NatWest merger agreement, Fleet paid a purchase price at closing of $2.7 billion. Goodwill of approximately $660 million was initially recorded in connection with this transaction and is being amortized on a straight-line basis over 15 years. Subject to the level of earnings of NatWest, Fleet may be required to make additional earnout payments of up to $560 million over eight years to be recorded as goodwill, if paid, of which $142 million was paid in 1998 and $270 million to date. The transaction was accounted for under the purchase method of accounting. Accordingly, the corporation's financial statements include the effect of NatWest for the period subsequent to the May 1, 1996 acquisition date.

Note 3.

Securities

<TABLE>
<CAPTION>

December 31 Dollars in millions	1998 Amortized Cost	1998 Gross Unrealized Gains	1998 Gross Unrealized Losses	1998 Market Value	1997 Amortized Cost	1997 Gross Unrealized Gains	1997 Gross Unrealized Losses	1997 Market Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Securities available for sale:								
U.S. Treasury and government agencies	$ 434	$ 3	$ --	$ 437	$ 1,126	$ 8	$ --	$ 1,134
Mortgage-backed securities	7,784	200	2	7,982	6,177	123	2	6,298
Other debt securities	792	11	1	802	186	3	--	189
Total debt securities	9,010	214	3	9,221	7,489	134	2	7,621
Marketable equity securities	292	--	--	292	256	27	1	282
Other securities	211	--	--	211	210	--	--	210
Total securities available for sale	9,513	214	3	9,724	7,955	161	3	8,113
Securities held to maturity:								
State and municipal	1,056	5	--	1,061	1,238	5	--	1,243
Other debt securities	12	--	--	12	11	--	--	11

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Total securities held to maturity	1,068	5	--	1,073	1,249	5	--	1,254
Total securities	$10,581	$ 219	$ 3	$10,797	$ 9,204	$ 166	$ 3	$ 9,367

</TABLE>

Proceeds from sales of debt securities during 1998, 1997 and 1996 were $3 billion, $3 billion and $16 billion, respectively. Gross gains of $48 million and gross losses of $7 million were realized on those sales in 1998, gross gains of $19 million and gross losses of $9 million were realized on those sales in 1997, and gross gains of $73 million and gross losses of $48 million were realized on those sales in 1996. Net realized gains on sales of marketable equity securities were $33 million, $23 million and $18 million in 1998, 1997 and 1996, respectively.

The amortized cost and estimated market value, by contractual maturity, of debt securities held to maturity and securities available for sale are shown in the following tables. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Maturities of Securities Available for Sale

December 31, 1998 Dollars in millions	Within 1 Year	1 to 5 Years	5 to 10 Years	After 10 Years	Total
Amortized cost:					
U.S. Treasury and government agencies	$403	$ 10	$ 21	$ --	$ 434
Mortgage-backed securities	--	4	1,258	6,522	7,784
Other debt securities	5	189	593	5	792
Total debt securities	$408	$203	$1,872	$6,527	$9,010
Percent of total debt securities	4.53%	2.25%	20.78%	72.44%	100%
Weighted average yield(a)	6.13	6.26	6.41	6.68	6.59
Market value	$410	$205	$1,899	$6,707	$9,221

Maturities of Securities Held to Maturity

December 31, 1998 Dollars in millions	Within 1 Year	1 to 5 Years	5 to 10 Years	After 10 Years	Total
Amortized cost:					
State and municipal	$ 954	$ 76	$ 22	$ 4	$1,056
Other debt securities	--	12	--	--	12
Total debt securities	$ 954	$ 88	$ 22	$ 4	$1,068
Percent of total debt securities	89.33%	8.24%	2.06%	.37%	100%
Weighted average yield(a)	5.70	7.83	9.07	6.60	5.93
Market value	$ 954	$ 90	$ 25	$ 4	$1,073

(a) A tax-equivalent adjustment has been included in the calculations of the yields to reflect this income as if it had been fully taxable. The tax-equivalent adjustment is based upon the applicable federal and state income tax rates.

Note 4.

Loans

<TABLE>
<CAPTION>

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December 31 Dollars in millions	1998	1997	1996	1995	1994
Loans:					
Commercial and industrial	$ 37,167	$32,000	$29,107	$23,052	$19,520
Residential real estate	9,314	10,019	8,048	11,475	8,529
Consumer	13,316	11,493	13,642	10,796	11,700
Commercial real estate:					
Construction	1,079	890	1,074	606	666
Interim/permanent	4,295	4,787	5,379	4,414	4,789
Loans, net of unearned income	65,171	59,189	57,250	50,343	45,204
Lease financing:					
Lease receivables	4,316	3,342	2,587	2,267	1,765
Estimated residual value	1,075	936	688	520	212
Unearned income	(1,166)	(902)	(664)	(564)	(494)
Lease financing, net of unearned income(a)	4,225	3,376	2,611	2,223	1,483
Total loans, net of unearned income	$ 69,396	$62,565	$59,861	$52,566	$46,687

</TABLE>

(a) The corporation's leases consist principally of full-payout, direct financing leases. The corporation's investment in leverage leases totaled $1,355 million and $935 million for 1998 and 1997, respectively. For federal income tax purposes, the corporation has the tax benefit of depreciation on the entire leased unit and interest on the long-term debt. Deferred taxes arising from leverage leases totaled $858 million in 1998 and $503 million in 1997. Future minimum lease payments to be received are $608 million, 1999; $571 million, 2000; $480 million, 2001; $364 million, 2002; $266 million, 2003; $2,027 million, 2004 and thereafter.

Total loans increased $6.8 billion from $62.6 billion at December 31, 1997 to $69.4 billion at December 31, 1998 due primarily to growth in the commercial and industrial and lease financing portfolios, as well as purchases of various credit card portfolios.

Concentrations of Credit Risk. Although the corporation is engaged in business nationwide, the lending done by the banking subsidiaries is primarily concentrated in New England, New York and New Jersey.

Note 5.

Reserve for Credit Losses

Year ended December 31 Dollars in millions	1998	1997	1996
Balance at beginning of year	$ 1,432	$ 1,488	$ 1,321
Provision charged to income	470	322	213
Loans charged off	(609)	(514)	(484)
Recoveries of loans charged off	139	138	114
Acquisitions/other	120	(2)	324
Balance at end of year	$ 1,552	$ 1,432	$ 1,488

The reserve for credit losses increased $120 million from December 31, 1997, to $1.552 billion at December 31, 1998. The 1998 provision for credit losses was $470 million, $148 million higher than the prior year level of $322 million. The increase in the provision for credit losses was due primarily to increased net charge-offs in the credit card portfolio.

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"Acquisitions/Other" primarily related to the acquisitions of credit card receivables in 1998, and NatWest in 1996, which added $120 million and $335 million to the reserves, respectively, offset by reserve transfers related to assets held for sale by accelerated disposition.

Note 6.

Nonperforming Assets

December 31 Dollars in millions	1998	1997	1996	1995	1994
Nonperforming loans:					
Current or less than 90 days past due	$151	$216	$264	$157	$186
Noncurrent	114	176	432	283	480
Other real estate owned (OREO)	17	24	27	59	95
Total NPAs(a)	$282	$416	$723	$499	$761
NPAs as a percent of outstanding loans and OREO	.41%	.66%	1.21%	.95%	1.63%
Accruing loans contractually past due 90 days or more	$234	$202	$247	$198	$139

(a) Excludes $46 million, $214 million, and $265 million of NPAs classified as held for sale by accelerated disposition at December 31, 1998, 1997 and 1996, respectively.

Nonperforming assets (NPAs) decreased $134 million from December 31, 1997 to December 31, 1998, due primarily to declining levels of nonperforming assets in all loan and OREO portfolios as a result of the successful resolution of certain commercial and industrial and commercial real estate loans, as well as $33 million of nonperforming assets transferred to assets held for sale by accelerated disposition.

The gross interest income that would have been recorded if the nonperforming loans had been current in accordance with their original terms, and had been outstanding throughout the period (or since origination if held for part of the period), was $20 million, $43 million and $71 million in 1998, 1997 and 1996, respectively. The actual amount of interest income on those loans included in net income for the period was $10 million, $11 million and $18 million in 1998, 1997 and 1996, respectively.

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

Impaired Loans

December 31 Dollars in millions	1998	1997
Impaired loans with a reserve	$121	$228
Impaired loans without a reserve	99	95
Total impaired loans	$220	$323
Reserve for impaired loans(a)	$ 36	$ 63
Average balance of impaired loans during the year ended December 31	$248	$422

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

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

Note 7.

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Mortgage Servicing Rights

Year ended December 31 Dollars in millions	1998	1997	1996
Balance at beginning of year	$ 1,768	$ 1,566	$ 1,276
Additions	803	586	429
Sales	(66)	(20)	(39)
Deferred hedge (gain)/loss	(667)	(116)	40
Amortization/Impairment charge	(433)	(248)	(188)
Impairment reserve	--	--	48
Balance at end of year	$ 1,405	$ 1,768	$ 1,566

Various interest-rate instruments, which are designated as hedges of the MSRs, are used to manage potential impairment. Changes in fair value of the hedges are recorded as adjustments to the carrying value of the MSRs and related hedges. During 1998 and 1997, net hedge gains of $667 million and $116 million, respectively, were deferred and recorded as adjustments to the carrying value of the MSRs and the related hedges. The aggregate fair value of the corporation's MSRs was approximately $1.8 billion as of December 31, 1998. The level of amortization increased due to an increase in prepayments resulting from a decline in mortgage interest rates. (See Footnote 17 for further discussion of MSR risk management).

Note 8.

Merger-Related Liabilities

During 1998 and 1997, the corporation incurred $73 million and $25 million, respectively, of merger-related charges in connection with the acquisitions of Quick & Reilly and the consumer credit card operations of Advanta. At December 31, 1998, the remaining accrued liabilities relating to these charges were $33 million. These charges are direct incremental costs associated with the acquisitions and are presented in the following table:

Components of Merger-Related Charges

Year ended December 31 Dollars in millions	1998	1997
Professional fees	$ 8	$18
Personnel costs	30	7
Other expenses	35	--
Total	$73	$25

Professional fees pertain to investment banking, attorneys, and accounting fees. Personnel costs relate primarily to the costs of employee severance, retention payments, and employee assistance for separated employees. Other merger expenses consist primarily of facilities-related exit costs, conversion costs and the write off of various assets.

In addition to the above merger-related charges, the corporation incurred as part of the purchase of the consumer credit card operations of Advanta, $14 million of exit costs that were included in goodwill at the time of the acquisition. An exit plan had been formulated at the acquisition date and included a $3 million charge to write off certain facilities, and $11 million of personnel expenses, primarily severance costs.

Note 9.

Short-Term Borrowings

<TABLE>
<CAPTION>

Dollars in millions	Federal Funds Purchased	Securities Sold Under Agreements to Repurchase	Commercial Paper	Other Short-Term Borrowings	Total Short-Term Borrowings

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1998					
Balance at December 31	$1,857	$2,599	$ 943	$3,913	$ 9,312
Highest balance at any month-end	2,449	2,599	962	7,225	13,235
Average balance for the year	1,892	2,328	863	3,317	8,400
Weighted average interest rate as of December 31	3.73%	3.88%	5.27%	4.55%	4.27%
Weighted average interest rate paid for the year	5.39	4.27	5.48	5.27	4.76
1997					
Balance at December 31	$1,005	$2,630	$ 811	$3,059	$ 7,505
Highest balance at any month-end	2,002	2,630	940	3,733	9,305
Average balance for the year	778	2,284	799	1,405	5,266
Weighted average interest rate as of December 31	5.92%	4.77%	5.77%	4.70%	5.06%
Weighted average interest rate paid for the year	5.52	4.48	5.51	4.20	4.69
1996					
Balance at December 31	$ 488	$2,382	$ 676	$ 648	$ 4,194
Highest balance at any month-end	1,221	3,579	2,889	4,238	11,927
Average balance for the year	838	2,730	1,368	1,415	6,351
Weighted average interest rate as of December 31	5.54%	4.72%	5.41%	4.44%	4.82%
Weighted average interest rate paid for the year	5.21	4.63	5.46	4.73	4.91

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

Commercial paper and other short-term borrowings generally mature within 90 days, although commercial paper may have a term of up to 270 days. Total credit facilities available were $1 billion with no amount outstanding at December 31, 1998 and 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10.

Long-Term Debt

December 31 Dollars in millions	Maturity Date	1998	1997
Senior notes and debentures:			
Parent company:			
6.849% MTNs	1998-2005	$15	$165
6.00% notes	1998	--	250
7.25% notes	1999	200	200
7.125% notes	2000	250	250
Floating-rate notes	2000	--	50
Other	2013	1	1
Total parent company		466	916
Affiliates:			
6.50% notes	1999-2000	350	350
MTNs 6.24%-7.06%	1998-2003	130	192
FHLB borrowings	1998-2018	238	244
Floating-rate bank notes	1999-2026	2,859	12
Fixed-rate bank notes	2000-2012	307	5
Other	1998-2026	64	70
Total affiliates		3,948	873
Total senior notes and debentures		4,414	1,789
Subordinated notes and debentures:			
Floating-rate subordinated notes	1998	--	100
7.625%-9.85% subordinated notes	1999	450	450
9.00%-9.90% subordinated notes	2001	325	325
6.875%-7.20% subordinated notes	2003	300	300
8.125% subordinated notes	2004	250	250
8.625% subordinated notes	2005	250	250
7.125% subordinated notes	2006	300	300
8.625% subordinated notes	2007	107	107
6.375% subordinated notes	2008	500	--
7.00%-7.75% subordinated MTNs	2011-2013	320	295
6.70%-6.875% subordinated notes	2028	750	--
Total subordinated notes and debentures		3,552	2,377
Company-obligated mandatorily redeemable capital securities of Fleet Capital Trust:			
7.05%-8.00%		604	334
Floating-rate		250	--

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Total long-term debt	$8,820	$4,500

Fleet has a shelf registration with the Securities and Exchange Commission (SEC), providing for the issuance of common and preferred stock, senior or subordinated debt securities, and other debt securities with $2.1 billion of funds available at December 31, 1998.

The corporation has five statutory business trusts, Fleet Capital Trust I through Fleet Capital Trust V (Trust I through Trust V), of which the corporation owns all of the common stock. These trusts exist for the sole purpose of issuing trust securities and investing the proceeds thereof in an equivalent amount of junior subordinated debt securities of Fleet.

The sole assets of Trust I through Trust V are $84 million of 8.00%, $250 million of 7.92%, $120 million of 7.05%, $150 million of 7.17% and $250 million of floating-rate notes, respectively, junior subordinated deferrable interest debentures due in 2027, 2026, 2028, 2028 and 2028, respectively. The floating-rate notes pay interest based on the three-month London Interbank Offered Rate (LIBOR), reset quarterly. The junior subordinated debt securities are unsecured obligations of Fleet and are subordinate and junior in right of payment to all present and future senior and subordinated indebtedness and certain other financial obligations of Fleet. The subordinated debentures and related income statement effects are eliminated in the corporation's consolidated financial statements. Fleet fully and unconditionally guarantees each Trust's obligations under the preferred securities and capital securities.

The fixed-rate subordinated notes all provide for single principal payments at maturity with the exception of $150 million of 9.85% subordinated notes and subordinated Medium-Term Notes (MTNs). The subordinated MTNs are callable as follows: $100 million in 2000; $195 million in 2001; and $25 million in 2002. The 9.85% subordinated notes mature on June 1, 1999, and at the corporation's option, the notes will either be exchanged for common stock, preferred stock, or certain other primary capital securities of the corporation having a market value equal to the principal amount of the notes, or will be repaid from the proceeds of other issuances of such securities. The corporation may, however, at its option, revoke its obligation to redeem the notes with capital securities based upon the capital treatment of the notes by its primary regulator or consent by its primary regulator for such revocation. The holders of the capital notes are subordinate in rights to depositors and other creditors.

During 1998, the corporation issued $1.3 billion of subordinated debt with interest rates ranging from 6.375% to 7.00%. All of the parent company fixed-rate senior notes pay interest semiannually, provide for single principal payments and are not redeemable prior to maturity.

Long-term senior borrowings of affiliates include $350 million of 6.50% notes and $130 million of MTNs with rates ranging from 6.24% to 7.06% issued by Fleet Mortgage Group.

Fleet National Bank issued $3.1 billion of fixed- and floating-rate bank notes during 1998. The fixed rates range from 6.45% to 7.18%. The floating-rate bank notes pay interest at rates tied to one-month or three-month LIBOR reset monthly or quarterly.

As part of its interest-rate risk-management process, the corporation uses interest-rate swaps to modify the repricing and maturity characteristics of certain long-term debt. These interest-rate risk-management activities are discussed in greater detail in Note 17 to the Consolidated Financial Statements.

The aggregate payments required to retire long-term debt are: $873 million in 1999; $2.511 billion in 2000; $1.487 billion in 2001; $88 million in 2002; $401 million in 2003; $252 million in 2004; and $3.208 billion thereafter.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11.

Preferred Stock

The following is a summary of the corporation's preferred stock outstanding at December 31, 1998 and 1997:

<TABLE>
<CAPTION>

December 31 Dollars in millions, except per share amounts	Stated Value	Shares	Outstanding at 1998	Outstanding at 1997	Earliest Redemption Date	Redemption Price(a)	Interest Per Share(d)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

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7.25% Series V perpetual preferred	$250	765,000	$191	$191	04/15/2001	$250	10%
6.75% Series VI perpetual preferred	250	600,000	150	150	04/15/2006	250	20
6.60% Series VII cumulative preferred(b)	250	700,000	175	175	04/01/2006	250	20
6.59% Series VIII noncumulative preferred(c)	250	200,000	50	50	10/01/2001	250	20
9.35% cumulative preferred	250	500,000	125	125	01/15/2000	250	10
Total preferred stock			$691	$691			

</TABLE>

(a) Plus accrued but unpaid dividends.
(b) After April 1, 2006, the rate will adjust based on a U.S. Treasury security rate.
(c) After October 1, 2006, the rate will adjust based on a U.S. Treasury security rate.
(d) Represents ownership interest in depositary shares.

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

Note 12.

Common Stock

At December 31, 1998, Fleet had 1.2 billion common shares authorized for issuance with 569.6 million common shares outstanding. Shares reserved for future issuance in connection with the corporation's stock plans, outstanding rights and warrants, and stock options totaled 66 million.

The following table presents the warrants that were outstanding as of December 31, 1998:

Stock Warrants

December 31, 1998 Shares in millions	Shares	Exercise Price	Expiration Date
	13.0	$ 8.83	7/12/01
	4.9	21.94	1/27/01

During 1990, Fleet's Board of Directors declared a dividend of one preferred share purchase right for each outstanding share of Fleet common stock (adjusted to one-half of a right per share upon Fleet's two-for-one common stock split which was effective October 7, 1998). Under certain conditions, a right may be exercised to purchase 1/100 of the corporation's cumulative participating preferred stock at a price of $50, subject to adjustment. The rights become exercisable if a party acquires 10% or more (in the case of certain qualified investors, 15% or more) of the issued and outstanding shares of Fleet common stock, or after the commencement of a tender or exchange offer for 10% or more of the issued and outstanding shares. When exercisable under certain conditions, each right would entitle the holder to receive upon exercise of a right that number of shares of common stock having a market value of two times the exercise price of the right. The rights will expire in the year 2000 and may be redeemed in whole, but not in part, at a price of $.005 per share at any time prior to expiration or the acquisition of 10% of Fleet common stock.

Note 13.

Earnings Per Share

The following table presents a reconciliation of earnings per share as of December 31, 1998, 1997 and 1996:

<TABLE>
<CAPTION>

December 31 Dollars in millions, except per share amounts	1998 Basic	Diluted	1997 Basic	Diluted	1996 Basic	Diluted
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Equivalent shares:						

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Average shares outstanding	568,059,117	568,059,117	551,956,482	551,956,482	568,896,262	568,896,262
Additional shares due to:						
Stock options	--	7,344,899	--	5,795,650	--	3,198,176
Warrants	--	12,365,147	--	10,852,678	--	7,931,536
Total equivalent shares	568,059,117	587,769,163	551,956,482	568,604,810	568,896,262	580,025,974
Earnings per share:						
Net income	$1,532	$1,532	$1,367	$1,367	$1,221	$1,221
Less preferred stock dividends	(51)	(51)	(62)	(62)	(72)	(72)
Adjusted net income	$1,481	$1,481	$1,305	$1,305	$1,149	$1,149
Total equivalent shares	568,059,117	587,769,163	551,956,482	568,604,810	568,896,262	580,025,974
Earnings per share on net income	$2.61	$2.52	$2.37	$2.30	$2.02	$1.98

</TABLE>

Options and warrants to purchase 810,050 shares of common stock at exercise prices between $40.22 and $44.16; 8,237,060 shares of common stock at exercise prices between $31.88 and $37.02; and 7,704,930 shares of common stock at exercise prices between $22.22 and $27.50 at December 31, 1998, 1997, and 1996, respectively, were outstanding but not included in the computation of diluted EPS because the options and warrants were antidilutive.

Note 14.

Management Reporting

The corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for reporting information by operating segment.

Fleet Financial Group is managed through five principal business lines. These are Commercial Financial Services, Retail Banking, National Financial Services, Fleet Investment Group, and Treasury. Commercial Financial Services includes traditional commercial banking, leasing and asset-based lending, as well as investment banking, government banking, trade finance, and cash management services. Retail Banking includes the distribution of consumer financial services and small business lending and deposit services. The National Financial Services business line includes mortgage banking, credit card services, student loan processing, and venture capital, all marketed nationally. Fleet Investment Group provides asset management services to institutional and wealthy market clients, retail mutual fund and annuity sales, and brokerage, market-making and securities clearing services. Treasury is responsible for managing the corporation's securities and residential mortgage portfolios, asset-liability management function and wholesale funding needs. All Other includes unallocated support units, the management accounting control units and certain transactions and events not allocated to specific business lines. Management accounting control units includes management accounting offsets to transfer pricing, equity, and provision allocations.

Management Reporting Policies

The financial performance of the corporation is monitored by an internal profitability measurement system. Monthly financial statements are produced and reviewed by senior management. Within business units, assets, liabilities, and equity are match-funded utilizing similar maturity, liquidity and repricing information. Additionally, equity, provision for credit losses and reserve for credit losses are determined on an economic basis. The corporation has developed a risk-adjusted methodology that quantifies risk types (e.g., credit and operating risk) within business units and assigns capital accordingly. Provision for credit losses and reserve for credit losses are allocated to each business line based on economic modeling of long-term expected loss rates. Management accounting policies are in place for assigning expenses that are not directly incurred by businesses, such as overhead, operations and technology expense. Internal users of these services meet with suppliers of services annually, and are charged on an agreed-upon measure of usage. Management accounting concepts are periodically refined and results are periodically restated to reflect methodological and/or management organization changes.

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<TABLE>
<CAPTION>

December 31, 1998 Dollars in millions	Commercial Financial Services	Retail Banking	National Financial Services	Fleet Investment Group	Treasury	All Other	Fleet Financial Group
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:(a)							
Net interest income (FTE)	$ 1,316	$ 1,779	$ 489	$ 185	$ 118	$ 18	$ 3,905
Noninterest income	416	620	1,015	1,016	122	48	3,237
Total revenue	1,732	2,399	1,504	1,201	240	66	7,142
Noninterest expense	796	1,493	810	789	64	177	4,129
Provision for credit losses	207	117	297	5	14	(170)	470
Taxes/FTE adjustment	285	362	155	169	35	5	1,011
Net income	$ 444	$ 427	$ 242	$ 238	$ 127	$ 54	$ 1,532
Balance Sheet Data:							
Average total assets	$44,021	$13,088	$12,952	$ 9,200	$18,088	$ 659	$98,008
Other Financial Data (pre-tax):							
Return on Equity	19.86%	24.34%	11.67%	21.31%	42.16%	n/m	18.07%
Return on Assets	1.01	3.26	1.87	2.59	.70	n/m	1.56
Expenditures for long-lived assets	$ 9	$ 61	$ 26	$ 3	$ --	$ 90	$ 189
Depreciation and amortization(b)	44	165	505	42	2	149	907
Merger charges						73	73

<CAPTION>

December 31, 1997 Dollars in millions	Commercial Financial Services	Retail Banking	National Financial Services	Fleet Investment Group	Treasury	All Other	Fleet Financial Group
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:(a)							
Net interest income (FTE)	$ 1,212	$ 1,862	$ 289	$ 170	$ 115	$ 91	$ 3,739
Noninterest income	389	578	522	811	87	244	2,631
Total revenue	1,601	2,440	811	981	202	335	6,370
Noninterest expense	740	1,482	452	651	64	326	3,715
Provision for credit losses	218	119	203	5	15	(238)	322
Taxes/FTE adjustment	272	383	59	138	31	83	966
Net income	$ 371	$ 456	$ 97	$ 187	$ 92	$ 164	$ 1,367
Balance Sheet Data:							
Average total assets	$38,664	$14,016	$ 8,345	$ 6,989	$15,664	$ 2,982	$86,660
Other Financial Data (pre-tax):							
Expenditures for long-lived assets	$ 7	$ 62	$ 15	$ 10	$ 3	$ 55	$ 152
Depreciation and amortization(b)	43	171	288	23	3	102	630
Merger charges						25	25

<CAPTION>

December 31, 1996 Dollars in millions	Commercial Financial Services	Retail Banking	National Financial Services	Fleet Investment Group	Treasury	All Other	Fleet Financial Group
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:(a)							
Net interest income (FTE)	$ 1,174	$ 1,691	$ 266	$ 161	$ 149	$ 57	$ 3,498

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Noninterest income	321	430	598	710	73	201	2,333
Total revenue	1,495	2,121	864	871	222	258	5,831
Noninterest expense	750	1,512	510	569	82	89	3,512
Provision for credit losses	196	107	125	5	18	(238)	213
Taxes/FTE adjustment	248	246	88	127	45	131	885
Net income	$ 301	$ 256	$ 141	$ 170	$ 77	$ 276	$ 1,221
Balance Sheet Data:							
Average total assets	$34,401	$14,097	$ 9,081	$ 5,930	$21,847	$ 1,382	$86,738
Other Financial Data (pre-tax):							
Expenditures for long-lived assets	$ 10	$ 62	$ 17	$ 7	$ 1	$ 67	$ 164
Depreciation and amortization(b)	37	156	222	20	2	91	528

</TABLE>

(a) Prepared on a fully taxable equivalent basis.

(b) Includes amortization of mortgage servicing rights, core deposit intangibles, purchased credit card intangibles and goodwill.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15.

Employee Benefits

Stock Option Plan. The corporation has a stock option plan under which incentive and nonqualified stock options are granted to certain employees for the purchase of Fleet common stock at the fair value on the date of grant. Options granted under the plan generally vest over a three- to five-year period and expire at the end of ten years.

The following tables summarize information about stock options outstanding at December 31:

Stock Options

<TABLE>
<CAPTION>

December 31	1998		1997		1996	
	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	29,646,044	$23.35	26,108,868	$18.74	23,460,616	$15.92
Granted	10,330,142	39.26	9,120,516	32.00	8,798,870	22.36
Exercised	(3,447,862)	18.88	(4,035,500)	14.52	(5,141,958)	12.15
Forfeited	(1,217,173)	26.50	(1,547,840)	19.58	(1,008,660)	18.54
Outstanding at end of year	35,311,151	$28.32	29,646,044	$23.35	26,108,868	$18.74
Options exercisable at year-end	14,591,445	$21.45	10,981,724	$17.98	8,785,142	$14.86

</TABLE>

Stock Options Outstanding and Exercisable

<TABLE>
<CAPTION>

December 31, 1998	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price

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$ 4- $18	6,197,411	4.7 Years	$ 15.91	5,490,645	$ 15.62
$19- $24	11,006,114	7.0 Years	21.89	6,579,651	21.90
$25- $45	18,107,626	9.1 Years	36.48	2,521,149	32.96
$ 4- $45	35,311,151	7.7 Years	$ 28.32	14,591,445	$ 21.45

</TABLE>

Restricted Stock Plan. The corporation maintains restricted stock plans under which key employees are awarded shares of the corporation's common stock subject to certain vesting requirements.

Certain restricted stock granted in 1998, 1997 and 1996 vests, in whole or in part, only if certain preestablished performance goals are attained. The performance periods range from two to five years. The remaining restricted stock vests over three years. During 1998, 1997 and 1996, grants of 538,000; 475,000; and 194,000 shares, respectively, of restricted stock were made. As of December 31, 1998, 1997 and 1996, outstanding shares totaled 954,333; 629,000; and 609,500, respectively, with average grant prices of $36.18, $29.85 and $17.84, respectively. Compensation cost recognized for restricted stock during 1998, 1997 and 1996 was $9 million, $7 million and $3 million, respectively.

Pro Forma Fair Value Information. The corporation has adopted SFAS No. 123, "Accounting for Stock-Based Compensation." This standard defines a fair value-based method of accounting for employee stock options and similar equity instruments, but permits companies to continue to use the intrinsic value-based method. The corporation has elected to continue the intrinsic value-based method. Pro forma net income and earnings per share information, as required by SFAS No. 123, has been calculated as if the corporation had accounted for employee stock options and other stock-based compensation under the fair value method. The fair value was estimated as of the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rates of 4.33% for 1998, 6.09% for 1997 and 6.37% for 1996, a dividend yield approximating the current yield, volatility of the corporation's common stock of 26% for 1998 and 25% for 1997 and 1996. The weighted average expected life of the stock options is 7 years. The weighted average grant date fair values of stock options granted during 1998, 1997 and 1996 were $10.28, $8.95 and $6.19, respectively.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option pricing models require the use of highly subjective assumptions, including the expected stock price volatility. Because the corporation's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can materially affect the fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock-based compensation.

For purposes of pro forma disclosures, the estimated fair value is amortized on a straight-line basis over the vesting period.

Pro Forma Information

Dollars in millions, except per share amounts		1998	1997	1996
Net income	As reported	$1,532	$1,367	$1,221
	Pro forma	1,500	1,346	1,212
Diluted earnings per share	As reported	2.52	2.30	1.98
	Pro forma	2.48	2.27	1.97

Pension Plans. The corporation maintains noncontributory, defined benefit pension plans covering substantially all employees. Effective January 1, 1997, the corporation amended the defined benefit pension plan that covers the majority of its employees from a final average pay plan to a cash balance plan. Benefits are based on length of service, level of compensation and an interest crediting rate. The amounts contributed to the plans are determined annually based upon the amount needed to satisfy the Employment Retirement Income Security Act (ERISA) funding standards. Assets of the plans are primarily invested in listed stocks, corporate obligations, and U.S. Treasury and government agency obligations.

The corporation also maintains supplemental, noncontributory defined

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benefit plans covering certain employees whose benefits exceed the Internal Revenue Service limitation under the corporation's qualified defined benefit plans.

Pension and Postretirement Benefit Plans

December 31 Dollars in millions	Pension Benefits 1998	Pension Benefits 1997	Postretirement Benefits 1998	Postretirement Benefits 1997
Change in benefit obligation				
Benefit obligation at beginning of year	$957	$868	$140	$139
Service cost	41	40	--	--
Interest cost	69	64	8	11
Participant contributions	--	--	5	5
Plan amendments	13	(51)	--	--
Benefits paid	(108)	(81)	(20)	(24)
Actuarial loss or (gain)	66	117	(12)	9
Benefit obligation at end of year	$1,038	$957	$121	$140
Change in plan assets				
Fair value of plan assets at beginning of year	$1,055	$923	$19	$16
Actual return on plan assets	149	202	4	3
Employer contributions	60	11	27	19
Participant contributions	--	--	5	5
Benefits paid	(108)	(81)	(20)	(24)
Fair value of plan assets at end of year	$1,156	$1,055	$35	$19
Reconciliation of funded status				
Funded status	$118	$98	$(86)	$(121)
Unrecognized actuarial loss or (gain)	80	54	(14)	(1)
Unrecognized transition (asset) or obligation	(1)	(1)	62	66
Unrecognized prior service cost	1	(6)	(1)	--
Net amount recognized at year-end	$198	$145	$(39)	$(56)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $158 million, $112 million and $14 million, respectively, as of December 31, 1998 and $139 million, $98 million and $12 million, respectively, as of December 31, 1997.

Pension and Postretirement Benefit Expense

<TABLE>
<CAPTION>

December 31 Dollars in millions	Pension Benefits 1998	Pension Benefits 1997	Pension Benefits 1996	Other Benefits 1998	Other Benefits 1997	Other Benefits 1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>

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Components of net periodic benefit costs						
Service cost	$ 41	$ 40	$ 43	$ --	$ --	$ 1
Interest cost	69	64	57	8	11	10
Expected return on plan assets	(105)	(90)	(75)	(2)	(2)	(1)
Net amortization and recognized actuarial loss	6	--	6	5	3	3
Net periodic benefit cost	$ 11	$ 14	$ 31	$ 11	$ 12	$ 13
Assumptions as of December 31						
Discount rate	6.75%	7.25%	7.85%	6.75%	7.25%	7.85%
Expected rate of return on plan assets	10.00	10.00	10.00	10.00	10.00	10.00
Rate of compensation increase	5.00	5.00	5.00	--	--	--
Healthcare cost trend rate	--	--	--	6.50	8.50	9.50

</TABLE>

The corporation maintains various defined contribution savings plans covering substantially all employees. The corporation's savings plan expense was $51 million, $50 million and $43 million for 1998, 1997 and 1996, respectively.

Postretirement Healthcare Benefits. In addition to providing pension benefits, the corporation provides healthcare cost assistance and life insurance benefits for retired employees. The cost of providing these benefits was $11 million, $12 million and $13 million in 1998, 1997 and 1996, respectively.

The healthcare cost trend rate was 6.50% as of December 31, 1998, decreasing gradually to 4.50% through the year 2001, and level thereafter. The healthcare cost trend rate assumption has a minimal effect on the amounts reported. A one-percentage point change in the assumed healthcare cost trend rate would have had the following effects on 1998 service and interest cost and the accumulated postretirement benefit obligation at December 31, 1998:

Healthcare Cost Trend

Dollars in thousands	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total of service and interest cost components for 1998	$195	$(190)
Effect on year-end 1998 postretirement benefit obligation	2,141	(2,090)

Note 16.

Income Taxes

The components of income tax expense for the years ended December 31, 1998, 1997 and 1996 were as follows:

Income Tax Expense

December 31 Dollars in millions	1998	1997	1996
Current income taxes:			
Federal	$669	$512	$305
State and local	129	74	101
	798	586	406
Deferred income tax expense:			
Federal	139	244	369
State and local	38	97	74
	177	341	443
Total income tax expense:			
Federal	808	756	674
State and local	167	171	175
Applicable income taxes	$975	$927	$849

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The income tax expense for the years ended December 31, 1998, 1997 and 1996, varied from the amount computed by applying the statutory income tax rate to income before taxes. A reconciliation between the statutory and effective tax rates follows:

Statutory Rate Analysis

December 31	1998	1997	1996
Tax at statutory rate	35.0%	35.0%	35.0%
Increases (decreases) in taxes resulting from:			
State and local income taxes, net of federal income tax benefit	4.3	4.9	6.4
Goodwill amortization	1.5	1.4	1.6
Tax-exempt income	(1.1)	(1.0)	(1.0)
Other, net	(0.8)	0.1	(1.0)
Effective tax rate	38.9%	40.4%	41.0%

The corporation had $485 million and $521 million of state net operating loss carryforwards at December 31, 1998 and 1997, respectively. These carryforwards will begin to expire in 1999 and continue through 2013.

Deferred income tax assets and liabilities reflect the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. Significant components of the corporation's deferred tax assets and deferred tax liabilities as of December 31, 1998 and 1997, are presented in the following table:

Net Deferred Tax Liability

December 31 Dollars in millions	1998	1997
Deferred tax assets:		
Reserve for credit losses	$538	$540
Expenses not currently deductible	111	248
Other	347	231
Total gross deferred tax assets	996	1,019
Less: valuation reserve	23	23
Total deferred tax assets	973	996
Deferred tax liabilities:		
Lease financing	1,119	805
Mortgage banking	162	292
Other	305	273
Total gross deferred tax liabilities	1,586	1,370
Net deferred tax liability	$613	$374

The corporation has evaluated the available evidence supporting the realization of its gross tax assets of $973 million and $996 million at December 31, 1998 and 1997, respectively, including the amount and timing of future taxable income, and has determined it is more likely than not that the asset will be realized. Given the nature of state tax laws, the corporation believes that uncertainty remains concerning the realization of tax benefits in various state jurisdictions. State valuation reserves in the amount of $23 million, established at December 31, 1997, are still in effect at December 31, 1998. These benefits may, however, be recorded in the future either as they are

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realized or, as it becomes more likely than not, that such tax benefits or portions thereof will be realized.

Note 17.

Trading Activities, Other Derivative Financial Instruments and Off-Balance Sheet Items

Trading Activities. All of the corporation's trading positions are currently stated at market value with realized and unrealized gains and losses reflected in other noninterest income. The following table represents the notional or contractual amount of Fleet's off-balance sheet, interest-rate and foreign exchange trading instruments and related credit exposure:

Trading Instruments with Off-Balance Sheet Risk

December 31 Dollars in millions	Contract or Notional Amount		Credit Exposure	
	1998	1997	1998	1997
Interest-rate contracts	$16,570	$8,959	$165	$55
Foreign exchange contracts	2,429	2,395	30	53

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

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

Trading Instruments

December 31, 1998 Dollars in millions	Fair Value (Carrying Amount)	Average Fair Value
Interest-rate contracts:		
Assets	$165	$130
Liabilities	(136)	(103)
Foreign exchange contracts:		
Assets	$30	$38
Liabilities	(31)	(39)

Risk-Management Activities. The corporation's principal objective in holding or issuing derivatives for purposes other than trading, is the management of interest-rate risk.

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

A second major source of the corporation's non-trading interest-rate risk is the sensitivity of its MSRs to prepayments. The mortgage borrower has the option to prepay the mortgage loans at any time. When mortgage interest rates decline, borrowers have a greater incentive to prepay mortgage loans through a refinancing. To mitigate the risk of declining long-term interest rates, increased mortgage prepayments, and the potential impairment of the MSRs, the corporation uses a variety of risk-management instruments, including

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interest-rate swaps, caps and floors, options on swaps, and exchange-traded options on Treasury bond and note futures. These instruments gain value as interest rates decline, mitigating the impairment of MSRs. Increases in the value of these instruments and related cash flows aggregating $667 million were recorded as adjustments to the carrying value of the MSRs during 1998.

The following table presents the notional amount and fair value of risk-management instruments at December 31, 1998 and 1997:

Risk-Management Instruments

December 31 Dollars in millions	1998 Notional Amount	1998 Fair Value	1997 Notional Amount	1997 Fair Value
Interest-rate risk-management instruments:				
Receive-fixed/pay-variable	$12,048	$165	$9,509	$48
Basis swaps	2,779	--	2,729	(1)
Mortgage banking risk-management instruments:				
Receive-fixed/pay-variable, PO swaps	7,011	83	2,502	--
Interest-rate floors and options on swaps	39,560	517	23,870	138
Interest-rate caps and cap corridors	14,759	68	4,309	(25)
Call options purchased	3,150	27	--	--
Call options sold	730	(5)	--	--
Total risk-management instruments	$80,037	$855	$42,919	$160

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

The corporation's interest-rate risk-management instruments had credit exposure of $258 million at December 31, 1998, versus $61 million at December 31, 1997. The corporation's mortgage banking risk-management instruments had credit exposure of $349 million at December 31, 1998, versus $114 million at December 31, 1997. The increase in the credit exposure from year-to-year mainly reflects the increase in the market value of the remaining risk-management instruments. The periodic net settlement of interest-rate risk-management instruments is recorded as an adjustment to net interest income and generated $45 million, $52 million and $12 million of net interest income during 1998, 1997 and 1996, respectively. As of December 31, 1998, the corporation had net deferred income of $11.5 million related to terminated interest-rate swap contracts, which will be amortized over the remaining life of the underlying terminated contracts of approximately 8 years.

Other Financial Instruments

December 31 Dollars in millions	Contract or National Amount 1998	 1997
Other financial instruments whose notional or contractual amounts exceed the amount of potential credit risk:		
Commitments to sell loans	$6,069	$2,247
Commitments to originate or purchase loans	3,206	1,308
Financial instruments whose notional or contractual amounts represent potential credit risk:		

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Commitments to extend credit	105,706	50,865
Letters of credit, financial guarantees and foreign office guarantees (net of participations)	6,092	4,996
Assets sold with recourse	9,122	386

Commitments to sell loans have off-balance sheet market risk to the extent that the corporation does not have available loans to fill those commitments, which would require the corporation to purchase loans in the open market. Commitments to originate or purchase loans have off-balance sheet market risk to the extent the corporation does not have matching commitments to sell loans obtained under such commitments, which could expose the corporation to lower-of-cost or market-valuation adjustments in a rising interest-rate environment.

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

Commitments to Extend Credit

December 31 Dollars in millions	1998	1997
Commercial and industrial loans	$39,837	$34,059
Revolving, open-end loans secured by residential properties (e.g., home equity lines)	3,672	3,641
Credit card lines	53,546	6,919
Residential mortgages	3,542	1,531
Commercial real estate	2,461	1,776
Other unused commitments	2,648	2,939
Total	$105,706	$50,865

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

Note 18.

Fair Value of Financial Instruments

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

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Accordingly, the aggregate fair value amounts presented do not purport to represent the underlying market value of the corporation.

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

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Cash and Cash Equivalents. The carrying amounts reported in the balance sheet approximate fair values because maturities are less than 90 days.

Securities. Fair values are based primarily on quoted market prices.

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

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

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

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

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

Off-Balance Sheet Instruments. Fair values for off-balance sheet instruments are estimated based on quoted market prices or dealer quotes and is the amount the corporation would receive or pay to execute a new agreement with identical terms considering current interest rates.

Fair Value of Financial Instruments

December 31 Dollars in millions	1998 Carrying Value	1998 Fair Value	1997 Carrying Value	1997 Fair Value
On-balance sheet financial assets:				
Financial assets for which carrying value approximates fair value	$6,288	$6,288	$6,085	$6,085
Securities	10,792	10,797	9,362	9,367
Loans(a)	63,679	65,251	57,805	59,146
Mortgages held for resale	3,960	3,960	1,526	1,526
Trading account securities	355	355	290	290
Trading instruments	195	195	108	108
Other	1,046	1,046	412	412
On-balance sheet financial liabilities:				
Deposits with no stated maturity	48,096	48,096	43,633	43,633
Time deposits	21,582	22,023	20,102	20,470
Short-term borrowings	9,312	9,312	7,505	7,505
Long-term debt	8,820	9,104	4,500	4,612

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Trading instruments	167	167	92	92
Other	261	261	212	212
Off-balance sheet financial instruments:				
Interest-rate risk-management instruments	32	165	1	47
Commitments to originate or purchase loans	--	15	--	7
Commitments to sell loans	2	(1)	1	(5)

(a) Excludes net book value of leases of $4,165 million and $3,328 million at December 31, 1998 and 1997, respectively.

Certain assets which are not financial instruments and, accordingly, are not included in the above fair values, contribute substantial value to the corporation in excess of the related amounts recognized in the balance sheet. These include the core deposit intangibles and the related retail banking network, the value of customer relationships associated with certain types of consumer loans (particularly the credit card portfolio), lease financing business, and mortgage servicing rights.

Note 19.

Commitments, Contingencies, and Other Disclosures

The corporation and its subsidiaries are involved in various legal proceedings arising out of, and incidental to, their respective businesses. Management of the corporation, based on its review with counsel of the development of these matters to date, does not anticipate that any losses incurred as a result of these legal proceedings would have a materially adverse effect on the corporation's financial position.

Lease Commitments. The corporation has entered into a number of noncancelable operating lease agreements for premises and equipment. The minimum annual rental commitments under these leases at December 31, 1998, exclusive of taxes and other charges, were as follows: $133 million, 1999; $117 million, 2000; $102 million, 2001; $86 million, 2002; $62 million, 2003; and $243 million, 2004 and thereafter. Total rental expense for 1998, 1997 and 1996, including cancelable and noncancelable leases, amounted to $137 million, $136 million and $144 million, respectively.

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

Transaction and Dividend Restrictions. Fleet's banking subsidiaries are subject to restrictions under federal law that limit the transfer of funds by the subsidiary banks to Fleet and its nonbanking subsidiaries. Such transfers by any subsidiary bank to Fleet or any nonbanking subsidiary are limited in amount to 10% of the bank's capital and surplus.

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

Restrictions on Cash and Due from Banks. The corporation's banking subsidiaries are subject to requirements of the Federal Reserve Board (the Federal Reserve) to maintain certain reserve balances. At December 31, 1998 and 1997, these reserve balances were $1,132 million and $1,110 million, respectively.

Note 20.

Regulatory Matters

As a bank holding company, Fleet is subject to regulation by the Federal

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Reserve, the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS), as well as state regulators. Under the regulatory capital adequacy guidelines and FDIC Improvement Act (FDICIA), Fleet and its banking subsidiaries must meet specific capital requirements. These requirements are expressed in terms of the following ratios: (1) Risk-based Total Capital (Total Capital/risk-weighted on- and off-balance sheet assets); (2) Risk-based Tier 1 Capital (Tier 1 Capital/risk-weighted on- and off-balance sheet assets); and (3) Leverage (Tier 1 Capital/average quarterly assets).

To meet all minimum regulatory capital requirements, Fleet and its banking subsidiaries must maintain a minimum risk-based Total Capital ratio of at least 8%, risk-based Tier 1 Capital ratio of at least 4%, and Tier 1 Leverage ratio of at least 4%. Failure to meet minimum capital requirements can initiate certain mandatory- and possibly discretionary-actions by regulators that, if undertaken, could have a direct material effect on financial statements. To be categorized as well-capitalized under the prompt corrective action provision of FDICIA, Fleet's banking subsidiaries must maintain a risk-based Total Capital ratio of at least 10%, a risk-based Tier 1 Capital ratio of at least 6%, and a Leverage ratio of at least 5%, and not be subject to a written agreement, order or capital directive. Neither Fleet nor any of its subsidiaries has entered into formal written agreements with state and federal regulators or are subject to any orders or capital directives.

The following table presents capital information for the corporation as of December 31, 1998 and 1997:

Regulatory Capital Ratios

December 31 Dollars in millions	1998		1997	
Actual:				
Risk-Based Tier 1 Capital	$7,385	7.08%	$6,542	7.26%
Risk-Based Total Capital	11,706	11.22	9,649	10.71
Leverage	7,385	7.48	6,542	7.66
Minimum regulatory capital standards:				
Risk-Based Tier 1 Capital	4,175	4.00	3,603	4.00
Risk-Based Total Capital	8,350	8.00	7,205	8.00
Leverage	3,947	4.00	3,416	4.00

As of December 31, 1998, Fleet's banking subsidiaries were all categorized as well-capitalized. There are no conditions or events since that date that management believes have changed the institutions category.

As registered broker-dealers and member firms of the NYSE, certain subsidiaries are subject to rules of both the SEC and the NYSE. These rules require registrants to maintain minimum levels of net capital, as defined, and may restrict a member from expanding its business and declaring dividends as its net capital approaches specified levels. At December 31, 1998, the subsidiaries had net capital, in the aggregate, of approximately $349 million, which exceeded aggregate minimum net capital requirements by approximately $304 million.

Note 21.

Disclosure for Statements of Cash Flows

Cash Flow Disclosure

Year ended December 31 Dollars in millions	1998	1997	1996
Supplemental disclosure for cash paid during the period for:			
Interest expense	$2,861	$2,484	$ 2,531
Income taxes, net of refund	593	428	356
Supplemental disclosure of non-cash investing and financing activities:			
Transfer of loans to foreclosed property and repossessed equipment	$ 15	$ 30	$ 27
Securitization of residential loans	--	--	1,998
Retirement of common stock	--	--	34

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Transfer of assets to held for sale by accelerated disposition	33	231	110
Adjustment to unrealized gain (loss) on securities available for sale	31	66	(21)
Assets acquired and liabilities assumed in business combinations were as follows:			
Assets acquired, net of cash and cash equivalents received	$2,845	$ 544	$17,848
Net cash and cash equivalents received (paid)	380	(523)	2,386
Liabilities assumed	3,225	21	20,234
Divestitures:			
Assets sold, net of cash received	$ --	$2,552	$ 3,119
Net cash received for divestitures	--	2,719	768
Liabilities sold	--	24	2,351

Note 22.

Parent Company Only Financial Statements

Statements of Income

Year ended December 31 Dollars in millions	1998	1997	1996
Dividends from subsidiaries:			
Banking subsidiaries	$755	$1,098	$727
Other subsidiaries	270	170	130
Interest income	246	192	205
Other	43	35	38
Total income	1,314	1,495	1,100
Interest expense	358	294	306
Noninterest expense	33	34	50
Total expenses	391	328	356
Income before income taxes and equity in undistributed income of subsidiaries	923	1,167	744
Applicable income taxes (benefit)	(43)	(61)	(47)
Income before equity in undistributed income of subsidiaries	966	1,228	791
Equity in undistributed income of subsidiaries	566	139	430
Net income	$1,532	$1,367	$1,221

Balance Sheets

December 31 Dollars in millions	1998	1997
Assets:		
Money market instruments	$582	$859
Securities	5	78

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Loans receivable from:		
Banking subsidiaries	2,454	2,159
Other subsidiaries	1,203	860
	3,657	3,019
Investment in subsidiaries:		
Banking subsidiaries	9,698	8,028
Other subsidiaries	793	615
	10,491	8,643
Other	826	532
Total assets	$15,561	$13,131
Liabilities:		
Short-term borrowings	$988	$811
Accrued liabilities	516	481
Long-term debt	4,648	3,387
Total liabilities	6,152	4,679
Stockholders' equity	9,409	8,452
Total liabilities and stockholders' equity	$15,561	$13,131

Statements of Cash Flows
Year ended December 31

Dollars in millions	1998	1997	1996
Cash flows from operating activities:			
Net income	$1,532	$1,367	$1,221
Adjustments for noncash items:			
Equity in undistributed income of subsidiaries	(566)	(139)	(430)
Depreciation and amortization	10	11	11
Net securities gains	(33)	(22)	(18)
Increase (decrease) in accrued liabilities, net	35	(11)	(26)
Other, net	(494)	54	(119)
Net cash flow provided by operating activities	484	1,260	639
Cash flows from investing activities:			
Purchases of securities	--	(15)	(3)
Proceeds from sales and maturities of securities	80	58	65
Net increase in loans made to affiliates	(638)	(307)	(57)
Return of capital from subsidiaries	112	3	1,756
Capital contributions to subsidiaries	(1,179)	(253)	(1,802)
Net cash flow used in investing activities	(1,625)	(514)	(41)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	177	135	(144)
Proceeds from issuance of long-term debt	1,811	281	650
Repayments of long-term debt	(550)	(455)	(484)
Proceeds from issuance of common stock	64	856	77
Proceeds from issuance of preferred stock	--	--	635
Redemption and repurchase of common and preferred stock	(51)	(981)	(204)
Cash dividends paid	(587)	(536)	(509)
Net cash flow provided by (used in) financing activities	864	(700)	21
Net (decrease) increase in cash and cash equivalents	(277)	46	619
Cash and cash equivalents at beginning of year	859	813	194
Cash and cash equivalents at end of year	$582	$859	$813

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SUPPLEMENTAL FINANCIAL INFORMATION

Rate/Volume Analysis (Unaudited)

<TABLE>
<CAPTION>

	1998 Compared to 1997 Increase (Decrease) Due to(a)			1997 Compared to 1996 Increase (Decrease) Due to(a)		
Dollars in millions	Volume	Rate	Net	Volume	Rate	Net
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest earned on:(b)						
Interest-bearing deposits	$ 8	$ (1)	$ 7	$ 3	$ --	$ 3
Federal funds sold and securities purchased under agreements to resell	(7)	(1)	(8)	(16)	1	(15)
Trading account securities	5	--	5	--	2	2
Securities available for sale	103	(11)	92	(193)	32	(161)
Securities held to maturity	--	(2)	(2)	(10)	4	(6)
Nontaxable securities	8	--	8	17	(1)	16
Loans	543	(57)	486	262	42	304
Due from brokers/dealers	43	8	51	32	6	38
Mortgages held for resale	84	(7)	77	(36)	(4)	(40)
Assets held for disposition	(22)	(23)	(45)	(40)	(35)	(75)
Total interest-earning assets	765	(94)	671	19	47	66
Interest paid on:						
Deposits-						
Savings	24	31	55	22	(17)	5
Time	104	21	125	(49)	(56)	(105)
Total interest-bearing deposits	128	52	180	(27)	(73)	(100)
Short-term borrowings	149	4	153	(51)	(13)	(64)
Due to brokers/dealers	48	14	62	36	5	41
Long-term debt	119	(9)	110	(66)	14	(52)
Total interest-bearing liabilities	444	61	505	(108)	(67)	(175)
Net interest differential(c)	$321	$(155)	$166	$127	$114	$241

</TABLE>

(a) The change in interest due to both rate and volume has been allocated to rate and volume changes in proportion to the relationship of the absolute dollar amounts of the changes in each.

(b) Tax-equivalent adjustment has been included in the calculations to reflect this income as if it had been fully taxable. The tax-equivalent adjustment is based upon the applicable federal and state income tax rates. The FTE adjustment included in interest income was $36 million in 1998, $40 million in 1997 and $36 million in 1996.

(c) Includes fee income of $272 million, $210 million and $165 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Quarterly Summarized Financial Information (Unaudited)

<TABLE>
<CAPTION>

By quarter Dollars in millions, except per share amounts	1998					1997				
	1	2	3	4	Year	1	2	3	4	Year
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

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Interest income	$1,594	$1,716	$1,729	$1,726	$6,765	$1,490	$1,507	$1,540	$1,554	$6,091
Interest expense	665	744	759	728	2,896	581	583	606	621	2,391
Net interest income	929	972	970	998	3,869	909	924	934	933	3,700
Provision for credit losses	92	118	120	140	470	65	83	85	89	322
Net interest income after provision for credit losses	837	854	850	858	3,399	844	841	849	844	3,378
Securities gains	51	--	20	3	74	12	4	4	13	33
Other noninterest income	644	809	823	887	3,163	601	771	615	611	2,598
	1,532	1,663	1,693	1,748	6,636	1,457	1,616	1,468	1,468	6,009
Noninterest expense	997	1,017	1,042	1,073	4,129	904	1,025	873	913	3,715
Income before income taxes	535	646	651	675	2,507	553	591	595	555	2,294
Applicable income taxes	212	253	250	260	975	219	244	243	221	927
Net income	$323	$393	$401	$415	$1,532	$334	$347	$352	$334	$1,367
Basic earnings per share	$.55	$.67	$.68	$.71	$2.61	$.57	$.60	$.62	$.58	$2.37
Diluted earnings per share	.53	.65	.66	.69	2.52	.55	.58	.60	.57	2.30

</TABLE>

Consolidated Average Balances/Interest Earned-Paid/Rates 1994-1998 (Unaudited)

<TABLE>
<CAPTION>

December 31 Dollars in millions(a)	1998 Average Balance	1998 Interest Earned/ Paid(b)	1998 Rate	1997 Average Balance	1997 Interest Earned/ Paid(b)	1997 Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:						
Interest-bearing deposits	$ 339	$ 14	4.17%	$ 141	$ 7	4.96%
Federal funds sold and securities purchased under agreements to resell	302	15	5.29	423	23	5.44
Trading account securities	331	20	5.97	259	15	5.79
Securities available for sale	9,036	595	6.59	7,461	503	6.74
Securities held to maturity	12	1	8.75	32	3	7.12
Nontaxable securities	1,295	85	6.54	1,181	77	6.52
Loans(c)	66,419	5,700	8.58	60,076	5,214	8.68
Due from brokers/dealers	3,765	184	4.89	2,884	133	4.62
Mortgages held for resale	2,623	185	7.05	1,413	108	7.65
Assets held for disposition	161	2	1.12	746	47	6.17
Foreclosed property and repossessed equipment	20	--	--	28	--	--
Total interest-earning assets	84,303	6,801	8.07	74,644	6,130	8.21
Accrued interest receivable	487	--	--	473	--	--
Reserve for credit losses	(1,509)	--	--	(1,454)	--	--
Other assets	14,727	--	--	12,997	--	--
Total assets	$98,008	$6,801	--	$86,660	$6,130	--
Liabilities and stockholders' equity:						
Deposits						
Savings	$28,540	$ 674	2.36%	$27,478	$ 619	2.25%
Time	22,032	1,160	5.27	20,036	1,035	5.16
Total interest-bearing deposits	50,572	1,834	3.63	47,514	1,654	3.48
Short-term borrowings	8,400	400	4.76	5,266	247	4.69
Due to brokers/dealers	4,501	214	4.75	3,463	152	4.39
Long-term debt	6,261	448	7.15	4,608	338	7.34
Total interest-bearing liabilities	69,734	2,896	4.15	60,851	2,391	3.93
Net interest spread		3,905	3.92		3,739	4.28
Demand deposits and other noninterest-bearing time deposits	16,326	--	--	15,882	--	--
Other liabilities	3,056	--	--	2,338	--	--

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Total liabilities	89,116	2,896	--	79,071	2,391	--
Stockholders' equity and dual convertible preferred stock	8,892	--	--	7,589	--	--
Total liabilities and stockholders' equity	$98,008	$2,896	--	$86,660	$2,391	--
Net interest margin			4.63%			5.01%

<CAPTION>

December 31 Dollars in millions(a)	1996 Average Balance	Interest Earned/ Paid(b)	Rate	1995 Average Balance	Interest Earned/ Paid(b)	Rate	1994 Average Balance	Interest Earned/ Paid(b)	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:									
Interest-bearing deposits	$ 82	$ 4	4.39%	$ 325	$ 23	7.08%	$ 292	$ 14	4.79%
Federal funds sold and securities purchased under agreements to resell	733	38	5.24	662	39	5.89	296	15	5.07
Trading account securities	257	13	5.37	238	14	5.45	205	10	4.88
Securities available for sale	10,287	664	6.45	12,779	797	6.24	16,923	1,023	6.05
Securities held to maturity	121	9	7.20	6,954	412	5.92	7,971	447	5.61
Nontaxable securities	924	61	6.60	782	59	7.54	816	51	6.25
Loans(c)	57,046	4,910	8.61	52,164	4,688	8.99	44,754	3,668	8.20
Due from brokers/dealers	2,179	95	4.35	1,927	109	5.64	1,606	70	4.36
Mortgages held for resale	1,878	148	7.87	1,459	116	7.96	1,322	91	6.90
Assets held for disposition	1,253	122	9.77	--	--	--	--	--	--
Foreclosed property and repossessed equipment	52	--	--	97	--	--	166	--	--
Total interest-earning assets	74,812	6,064	8.11	77,387	6,257	8.09	74,351	5,389	7.25
Accrued interest receivable	481	--	--	539	--	--	533	--	--
Reserve for credit losses	(1,493)	--	--	(1,489)	--	--	(1,600)	--	--
Other assets	12,938	--	--	9,804	--	--	8,859	--	--
Total assets	$86,738	$6,064	--	$86,241	$6,257	--	$82,143	$5,389	--
Liabilities and stockholders' equity:									
Deposits									
Savings	$26,363	$ 614	2.33%	$22,987	$ 592	2.57%	$24,803	$ 495	2.00%
Time	20,971	1,140	5.44	20,133	1,135	5.64	15,310	676	4.41
Total interest-bearing deposits	47,334	1,754	3.70	43,120	1,727	4.00	40,113	1,171	2.92
Short-term borrowings	6,351	311	4.91	14,807	815	5.50	15,807	636	4.02
Due to brokers/dealers	2,645	111	4.20	2,341	119	5.08	1,821	74	4.06
Long-term debt	5,486	390	7.10	6,581	478	7.26	5,383	364	6.76
Total interest-bearing liabilities	61,816	2,566	4.15	66,849	3,139	4.69	63,124	2,245	3.56
Net interest spread		3,498	3.96		3,118	3.40		3,144	3.69
Demand deposits and other noninterest-bearing time deposits	15,042	--	--	10,910	--	--	11,227	--	--
Other liabilities	2,511	--	--	1,619	--	--	1,773	--	--
Total liabilities	79,369	2,566	--	79,378	3,139	--	76,124	2,245	--
Stockholders' equity and dual convertible preferred stock	7,369	--	--	6,863	--	--	6,019	--	--
Total liabilities and stockholders' equity	$86,738	$2,566	--	$86,241	$3,139	--	$82,143	$2,245	--
Net interest margin			4.68%			4.03%			4.23%

</TABLE>

(a) The data in this table is presented on a fully taxable equivalent basis. The tax-equivalent adjustment is based upon the applicable federal and state income tax rates.

(b) Includes fee income of $272 million, $210 million, $165 million, $110 million and $108 million for the years ended December 31, 1998, 1997, 1996, 1995 and 1994, respectively.

(c) Nonperforming loans are included in average balances used to determine rates.

Common Stock Price and Dividend Information(a) (Unaudited)

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<TABLE>
<CAPTION>

By quarter	1998 1	1998 2	1998 3	1998 4	1998 Year	1997 1	1997 2	1997 3	1997 4	1997 Year
Stock Price										
High	$ 42.53	$ 45.00	$ 44.22	$ 44.69	$ 45.00	$ 31.38	$ 32.91	$ 35.38	$ 37.56	$ 37.56
Low	34.31	39.00	32.78	31.69	31.69	24.81	27.75	31.69	30.97	24.81
Dividends declared	.245	.245	.245	.270	1.00	.225	.225	.225	.245	.92
Dividends paid	.245	.245	.245	.245	.98	.225	.225	.225	.225	.90

</TABLE>

(a) Fleet's common stock is listed on the New York Stock Exchange (NYSE). The table above sets forth, for the periods indicated, the range of high and low sale prices per share of Fleet's common stock on the composite tape and dividends declared and paid per share. All per common share data for all periods presented reflects the two-for-one common stock split which was effective October 7, 1998.

Loan Maturity (Unaudited)

December 31, 1998 Dollars in millions	Within 1 Year	1 to 5 Years	After 5 Years	Total
Commercial and industrial	$11,409	$16,537	$ 9,221	$37,167
Residential real estate	1,594	3,935	3,785	9,314
Consumer	4,451	5,880	2,985	13,316
Commercial real estate:				
Construction	331	480	268	1,079
Interim/permanent	1,318	1,912	1,065	4,295
Lease financing	672	3,465	88	4,225
Total	$19,775	$32,209	$17,412	$69,396

Interest Sensitivity of Loans Over One Year (Unaudited)

December 31, 1998 Dollars in millions	Predetermined Interest Rates	Floating Interest Rates	Total
1 to 5 years	$ 9,315	$ 22,894	$ 32,209
After 5 years	4,014	13,398	17,412
Total	$ 13,329	$ 36,292	$ 49,621

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EXHIBIT 21
FLEET FINANCIAL GROUP, INC.
SUBSIDIARIES OF THE REGISTRANT

<TABLE>
<CAPTION>

SUBSIDIARY	JURISDICTION OF INCORPORATION
<S>	<C>
Fleet Financial Group, Inc. (name holder only)	Delaware
Fleet Bank - NH	New Hampshire
FFG Asset Holding Company II, Inc.	Rhode Island
National Mortgage Company, Inc.	New Hampshire
NH Lafayette Properties, Inc.	Delaware
NH Red Brick Properties, Inc.	Delaware
Fleet Bank of Maine	Maine
Maine Credit Holdings, Inc.	Rhode Island
ME Saturn Properties, Inc.	Delaware
ME Orion Properties, Inc.	Delaware
Fleet National Bank	United States
Fleet Bank (RI), National Association	United States
Fleet (Delaware) Insurance Agency Services, Inc.	Delaware
Fleet (Delaware) Consumer Services, Inc.	Delaware
Fleet Credit Card Holdings, Inc.	Delaware
Fleet Credit Card Services, L.P. (98.73%)	
Fleet Insurance Company	Arizona
Fleet Life Insurance Company	Arizona
Columbia Management Co.	Oregon
Columbia Financial Center Incorporated	Oregon
Columbia Funds Management Company	Oregon
Columbia Trust Company (79% owned by Columbia Funds Management Company and 21% owned by Fleet National Bank)	Oregon
The Providence Group Investment Advisory Company	Rhode Island
FFG Asset Holding Company VII, Inc.	Rhode Island
FFG Asset Holding Company III, Inc.	Rhode Island
RECOLL Management Corporation	Rhode Island
Onyx Properties Limited Partnership (99% owned by Fleet National Bank and 1% owned by GTT Corp.)	
GTT Realty Limited Partnership (99% owned by Fleet National Bank and 1% owned by GTT Corp.)	
Fleet Insurance Agency Corp. - Connecticut	Connecticut
Fleet Insurance Agency Corporation	Massachusetts
The Stamford Fidelity Realty Company, Inc.	Connecticut
CNB Equity Corporation	Connecticut
CB Asset Recovery Incorporated	Connecticut
NEMAC Escrow Corp.	Connecticut
NEMAC, Inc.	Connecticut
Fleet Mortgage Group, Inc.	Rhode Island
Fleet Mortgage Securities, Inc.	Rhode Island
Fleet Mortgage Corp.	South Carolina
Norstar Mortgage Corporation	New York
Fleet Mortgage Asset Management Corp.	Rhode Island
Fleet Mortgage Reinsurance Company, Inc.	Rhode Island

</TABLE>

EXHIBIT 21
FLEET FINANCIAL GROUP, INC.
SUBSIDIARIES OF THE REGISTRANT

(Continued)

<TABLE>

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<CAPTION>

SUBSIDIARY	JURISDICTION OF INCORPORATION
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Fleet Holding Corp.	Rhode Island
Fleet Capital Corporation	Rhode Island
AdFleet, Inc.	Connecticut
Industrial National Leasing Corporation	Massachusetts
Industrial Leasing Corporation of Fitchburg, Inc.	Massachusetts
OneFed Leasing Corporation	Rhode Island
Industrial Leasing Corporation of Massachusetts, Inc.	Massachusetts
Industrial Leasing Corporation of Springfield, Inc.	Massachusetts
Fleet Precious Metals Inc.	Rhode Island
AFSA Data Corporation	Delaware
Benova, Inc.	Oregon
North East Hillcroft, Inc.	Texas
Fleet RI Holding Corp.	Rhode Island
FIS Securities, Inc.	Delaware
Fleet Investment Advisors Inc.	New York
Fleet Investment Services, Inc.	Rhode Island
Investment & Insurance Services, Inc.	Rhode Island
Investment & Insurance Services, Inc.	Maine
Investment & Insurance Services, Inc.	Connecticut
Fleet Associates, Inc.	Rhode Island
RI Waterman Properties, Inc.	Delaware
Broadmoor Property Associates (50%)	
Wamsutta Associates (50%)	
RI Hillcroft, Inc.	Delaware
Fleet Investment Funding Corp.	Rhode Island
Meca Software, LLC (16%)	Delaware
Fleet Land Company	Rhode Island
Poorman-Douglas Corporation	Rhode Island
Felton Management Corporation	Massachusetts
Felton Real Estate Limited Partnership (99% owned by Fleet National Bank and 1% owned by Felton Management Corporation)	
WSB Property Management Company	Massachusetts
Sterling Investment Corporation I	Massachusetts
Fleet Trade Services, Limited	Hong Kong
Metro Plaza, Inc.	Massachusetts
BancNewEngland Mortgage Company, Inc.	Rhode Island
Plymouth, Incorporated	Florida
Dade Investment Services, Inc.	Florida
FFG Asset Holding Company VIII, Inc.	Rhode Island
FFG Asset Holding Company X, Inc.	Rhode Island
FFG Asset Holding Company XI, Inc.	Rhode Island
FFG Asset Holding Company IX, Inc.	Rhode Island
FFG Asset Holding Company A, Inc.	Rhode Island
Fleet Funding, Inc.	Massachusetts
Colex Realty Limited Partnership (99% owned by Fleet National Bank and 1% owned by DBT Corp.)	
Kendall Realty Trust	Massachusetts
FNB Realty Trust	Massachusetts
SB Asset Recovery Incorporated	Massachusetts

</TABLE>

EXHIBIT 21
FLEET FINANCIAL GROUP, INC.
SUBSIDIARIES OF THE REGISTRANT

(Continued)

<TABLE>
<CAPTION>

SUBSIDIARY	JURISDICTION OF INCORPORATION
<S>	<C>
First Service Corporation of New England	Massachusetts

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First Service Insurance Agency, Inc.	Massachusetts
Essex Leeway Investment Company	Massachusetts
Parallel Capital Group, L.L.C. (20%)	Delaware
CBT Realty Corporation	Connecticut
Fleet Trust and Investment Services Company, National Association	United States
Fleet Bank, National Association	United States
CF Leasing Corp.	New Jersey
C.F. Property, Inc.	New Jersey
CFN-Cedar Cove, Inc.	New Jersey
Fleet (NJ) Brokerage Services Inc.	New Jersey
FFG Asset Holding Company XIII, Inc.	Rhode Island
Fleet Pennsylvania Services Inc.	Delaware
Connecticut Realty Corp. IV	Rhode Island
FFG Asset Holding Company B, Inc.	Rhode Island
Fleet Funding II, Inc.	Massachusetts
Fleet (NJ) Credit Corp.	New York
Fleet Capital Markets Group Inc.	New Jersey
Fleet Connecticut Corp.	Connecticut
Fleet Global Trade, Limited	Hong Kong
Fleet LIHTC Corporation	Delaware
Family Security Corporation	New York
FJN-Goodlands Inc.	New Jersey
Fleet Insurance Agency Corp. - New York	New York
Fleet Insurance Agency (NJ), Inc.	New Jersey
Fleet NJ Community Development Corp.	New Jersey
Fleet LIHTC II Corporation	Delaware
Western Project Holding Corp.	New York
Western Redding Ltd.	New York
Fleet Financial Pennsylvania Corp.	Pennsylvania
Fleet (Delaware) Servicing Corp.	Delaware
Fleet New Jersey Corp.	New Jersey
Fleet Enterprises Inc.	New York
International Broadcasting Corporation	Delaware
H.G. Disposition Corp.	Delaware
I.C. Disposition Corp.	Delaware
Stuarts Department Stores, Inc. (12.03%)	Delaware
Citizens First Investment Corp.	New Jersey
Fleet Delaware Corp.	Delaware
FFG-NJ Vehicle Funding Corp. of NJ	New Jersey
FFG-NJ Vehicle Management Corp.	New Jersey
FFG-NJ Vehicle Funding Corp.	New York
Nobility Hill Realty Trust	Massachusetts
DBT Corp.	Massachusetts
Shawmut Life Insurance Co., Inc.	Arizona
HNC Realty Company	Connecticut
GTT Corp.	Connecticut

</TABLE>

EXHIBIT 21
FLEET FINANCIAL GROUP, INC.
SUBSIDIARIES OF THE REGISTRANT

(Continued)

<TABLE>
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SUBSIDIARY	JURISDICTION OF INCORPORATION
<S>	<C>
Indian Head Banks, Inc.	New Hampshire
Indian Head Plaza Associates (50%)	
Fleet Financial Corporation	Rhode Island
Fleet Finance, Inc.	Delaware
Fleet Consumer Discount Company	Pennsylvania

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Subsidiary	Jurisdiction of Incorporation
Fleet Finance of Louisiana, Inc.	Louisiana
Fleet Finance, Inc. of GA	Georgia
Fleet Finance, Inc.	South Carolina
Fleet Finance, Inc.	Tennessee
Home Equity USA, Inc.	Rhode Island
Home Equity USA, Inc.	Delaware
Fleet Home Equity USA, Inc.	Florida
Fleet Insurance Agency, Inc.	Georgia
Consumer Life Insurance Co.	Arizona
Fleet Finance, Inc.	Florida
Fleet Finance & Mortgage, Inc.	Florida
Home Equity USA Loan Co. of Minnesota, Inc.	Minnesota
Fleet Home Equity USA, Inc.	Delaware
Quick & Reilly/Fleet Securities, Inc.	Delaware
Fleet Clearing Corporation	Delaware
Q & R Capital Corp.	New York
Quick & Reilly, Inc.	New York
Fleet Securities, Inc.	New York
Quick & Reilly, Ltd.	United Kingdom
Q & R Charter, Inc.	Delaware
Quick & Reilly Tara Corporation	Rhode Island
Financial Systemware, Inc.	Delaware
SureTrade, Inc.	Delaware
Fleet Capital Trust I	Delaware
Fleet Capital Trust II	Delaware
Fleet Capital Trust III	Delaware
Fleet Capital Trust IV	Delaware
Fleet Capital Trust V	Delaware
Fleet Employee Benefit Services, Inc.	New York
Fleet Mortgage Brokers, Inc.	Florida
Fleet Corporate Finance, Inc.	Massachusetts
FFG Property Holding Corp.	Rhode Island
Fleet Services Corporation	New York
Business Benefits Administrators, Inc.	Massachusetts
Interpay, Inc. (69.7%)	Massachusetts
Fleet Community Development Corporation	Rhode Island
AFSA, Inc.	Rhode Island
Fleet Real Estate, Inc.	Rhode Island
Reed Street Partners, L.P. (99%)	
Pioneer Credit Corporation	Connecticut

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EXHIBIT 21
FLEET FINANCIAL GROUP, INC.
SUBSIDIARIES OF THE REGISTRANT

(Continued)

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SUBSIDIARY	JURISDICTION OF INCORPORATION
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Fleet Property Company	Rhode Island
Fleet Center Associates (45.6%)	
Fleet Garage Associates (47.5%)	
Fleet Historical Associates (47.5%)	
Fleet Employer Services, Inc.	Delaware
Westminster Properties, Inc.	Delaware
Fleet Real Estate Capital, Inc.	Rhode Island
Fleet Mezzanine Capital, Inc.	Rhode Island
Fleet Mezzanine Partners	
Fleet Overseas Asset Management, Inc.	Rhode Island
Oechsle International Advisors, L.P. (36.4%)	
FFG Insurance Co., Ltd.	Bermuda

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Industrial Investment Corporation	Rhode Island
Industrial Investment Corporation - NH	New Hampshire
IIC - NY Corporation	New York
Fleet Private Equity Co., Inc.	Rhode Island
Fleet Growth Resources, Inc.	Rhode Island
PEP Guide Fleet, L.L.C. (99.5%)	Delaware
Navigator Partners, L.P. (27%)	
Fleet Growth Resources II, Inc.	Delaware
Fleet Equity Partners VI, L.P.	
Fleet Equity Partners V, L.P.	
Investment Fund Partners	
Fleet Equity Partners VII, L.P.	
Norstar Venture Partners I	
Fleet Venture Partners I	
Fleet Venture Partners II	
Fleet Venture Partners III	
Fleet Venture Partners IV, L.P.	
Mezzanine Capital Fund I, LLC (29%)	Massachusetts
Navigator Institutional Fund, L.P.	
Fleet Venture Resources, Inc.	Rhode Island
Fleet Bank, F.S.B.	United States
CN Transportation Company, Inc.	Delaware
Shawmut Association, Incorporated	Massachusetts
NYCE Corporation (21.1%)	Delaware

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EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Fleet Financial Group, Inc.

We consent to incorporation by reference in the Registration Statements (Nos. 33-19425, 33-25872, 33-65230, 33-48818, 33-56061, 33-62367, 33-58933, 33-64635, 33-59139, 333-16037, 333-44517 and 333-68153) on Form S-8, the Registration Statements (Nos. 333-37231, 333-43625, 33-36707, 333-48043 and 333-62905) on Form S-3, and the Registration Statements (Nos. 33-58573 and 33-58933) on Form S-4 of Fleet Financial Group, Inc. of our report dated January 20, 1999, relating to the consolidated balance sheets of Fleet Financial Group, Inc. as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998, which report appears in the 1998 Annual Report to Shareholders of Fleet Financial Group, Inc. and has been incorporated by reference on Form 10-K of Fleet Financial Group, Inc. for the year ended December 31, 1998.

/s/ KPMG Peat Marwick LLP

Boston, Massachusetts
March 26, 1999

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