BANK ONE CORP
Form 10-Q
November 13, 2002

BANK ONE CORPORATION
INDEX TO FINANCIAL REVIEW

FIVE QUARTER SUMMARY OF SELECTED FINANCIAL INFORMATION
BANK ONE CORPORATION AND SUBSIDIARIES

	Three Months Ended			
(In millions, except per share data, ratios, and headcount)	SEPTEMBER 30 2002 (5)	June 30 2002 (5)	March 31 2002 (5)	Decem
INCOME STATEMENT DATA:				

Total revenue, net of interest expense	$ 4,180	$ 4,274	$ 4,152	$
Net interest income-				
fully taxable-equivalent ("FTE") basis(1)	2,235	2,078	2,235	
Noninterest income	1,983	2,232	1,952	
Provision for credit losses	587	607	665	
Noninterest expense	2,415	2,438	2,345	
Net income	823	843	787	
PER COMMON SHARE DATA:				
Net income:				
Basic	$ 0.71	$ 0.72	$ 0.67	$
Diluted	0.70	0.71	0.67	
Cash dividends declared	0.21	0.21	0.21	
Book value	18.79	18.37	17.81	
BALANCE SHEET DATA - ENDING BALANCES:				
Loans	$ 150,389	$ 147,728	$ 152,126	$ 1
Total assets	274,187	270,343	262,947	2
Deposits	164,036	157,518	158,803	1
Long-term debt(2)	42,481	43,756	44,194	
Common stockholders' equity	21,925	21,563	20,913	
Total stockholders' equity	21,925	21,563	20,913	
CREDIT QUALITY RATIOS:				
Net charge-offs to average loans	1.55%	1.62%	1.71%	
Allowance to period end loans	3.17	3.19	3.06	
Nonperforming assets to related assets(3)	2.48	2.65	2.58	
FINANCIAL PERFORMANCE:				
Return on average assets	1.24%	1.32%	1.21%	
Return on average common equity	14.8	15.7	15.3	
Net interest margin	3.84	3.69	3.91	
Efficiency ratio	57.3	56.6	56.0	
Employees	73,535(4)	73,579(4)	73,864(4)	
CAPITAL RATIOS:				
Risk-based capital:				
Tier 1	9.5%	9.4%	9.0%	
Total	13.0	13.0	12.7	
Leverage	9.0	9.1	8.6	
COMMON STOCK DATA:				
Average shares outstanding:				
Basic	1,162	1,174	1,170	
Diluted	1,171	1,184	1,179	
Stock price, quarter-end	$ 37.40	$ 38.48	$ 41.78	$

(1) Net interest income-FTE includes tax equivalent adjustments of $38 million, $36 million, $35 million, $38 million and $30 million for the quarters ended September 30, 2002, June 30, 2002, March 31, 2002, December 31, 2001 and September 30, 2001, respectively.
(2) Includes trust preferred capital securities.
(3) Related assets consist of loans outstanding, including loans held for sale, and other real estate owned.
(4) Includes the addition of employees due to the consolidation of Paymentech, Inc. and Anexsys, LLC.
(5) Results include the effects of the consolidation of Paymentech, Inc. and Anexsys, LLC.

SUMMARY OF RESULTS

Net income for BANK ONE CORPORATION and its subsidiaries ("Bank One" or the "Corporation") for the third quarter of 2002 was $823 million, or $0.70 per diluted share. This is compared to net income of $754 million, or $0.64 per diluted share. (All comparisons are to the applicable period in the prior year unless otherwise specified.)

For the first nine months of 2002, net income was $2.5 billion, or $2.08 per diluted share, including a $40 million after tax benefit from reversals of prior restructuring charges. This is compared to $2.1 billion, or $1.78 per diluted share, including a $2 million after tax benefit from reversals of prior restructuring charges.

Net interest income of $2.2 billion in the third quarter 2002 and $6.4 billion for the nine months ended September 30, 2002 remained relatively unchanged. Decreases resulting from intentional reduction of certain segments of the loan portfolio were offset by increases in Retail core deposits and the benefit of lower interest rates that reduced the Corporation's funding costs.

Noninterest income increased $130 million in the third quarter primarily due to increases in credit card revenue and gains in the fair value of credit derivatives used to hedge exposure to specific credits in the loan portfolio offset by writedowns in investments. Noninterest income increased $916 million in the first nine months of 2002 primarily due to the acquisition of the Wachovia credit card business in the third quarter of 2001, the consolidation of Paymentech, Inc. and Anexsys, LLC beginning January 1, 2002, increased annuity and mutual fund sales, increased service charges on deposits, asset-backed finance underwriting fees and multiple other capital markets businesses, and gains recognized on credit derivatives. Noninterest income as a percentage of total revenue increased to 47.4% for the three months ended September 30, 2002 from 46.1% and increased to 48.9% for the nine months ended September 30, 2002 from 45.1%. These increases resulted from lower interest revenue driven by the intentional reduction of certain segments of the loan portfolio and the impact of lower interest rates, an increase in fee based revenue, particularly credit card revenue from the Wachovia credit card business, and offsetting increases and decreases driven by credit derivatives trading gains and other investment writedowns, respectively.

Net investment securities losses were $29 million for the third quarter of 2002 compared to losses of $42 million. Net investment gains for the first nine months of 2002 were $49 million compared with losses of $69 million. The gain for the first nine months of 2002 included a $261 million gain on sale of the interest in the GE Monogram joint venture, partially offset by net writedowns in tax-advantaged investments and principal investment portfolios.

Total noninterest expense increased for the quarter and nine months by $112 million and $353 million, respectively. These increases were primarily the result of the consolidations of Paymentech and Anexsys, increased marketing expenditures and general costs associated with the Corporation's conversion efforts. For the nine months ended September 30, 2002, total noninterest expense also included expenses for terminating and renegotiating certain vendor contracts and the benefit of restructuring-related reversals of $40 million after-tax ($63 million pre-tax) related principally to reduced severance costs associated with staff reductions, primarily in the Retail and Card Services lines of business, changes in real estate closure and consolidation strategies, and adjustments in estimates previously made for all lines of business.

Provision for credit losses was $587 million for the third quarter of 2002 compared to $620 million, a decrease of $33 million. Since the fourth quarter of 2001, the Corporation as a whole has experienced lower net charge-offs and reductions in nonperforming loans, resulting in a reduction of provision for credit losses in the current quarter. For the first nine months of 2002, provision for credit losses was $1.9 billion compared to $1.7 billion in the prior year, a 7% increase. This increase was due primarily to higher net charge-offs in the vehicle and home equity portfolios.

BALANCE SHEET ANALYSIS

The Corporation's loan portfolio was $150.4 billion at September 30, 2002 compared with $156.7 billion at December 31, 2001, a decrease of $6.3 billion, or 4%. Retail loans totaled $67.7 billion at September 30, 2002 compared with $69.6 billion at December 31, 2001, a decrease of $1.9 billion, due to the intentional reduction of the auto lease and discontinued brokered home equity portfolios. Commercial Banking loans totaled $63.0 billion at September 30, 2002 compared to $72.5 billion at December 31, 2001, a decrease of $9.5 billion, or 13%. Reductions of $7.9 billion and $1.5 billion in commercial and industrial and commercial real estate loans, respectively, reflected the conscious management of credit risk in the current economic environment. Card Services loans totaled $11.9 billion at September 30, 2002 compared to $6.8 billion at December 31, 2001, an increase of $5.1 billion, or 75%, reflecting

renewed organic growth in the portfolio. During the quarter, 1.4 million credit card accounts were opened, an increase of 11% compared to second quarter 2002.

At September 30, 2002, investment securities totaled $66.1 billion compared with $60.9 billion at December 31, 2001. This increase of $5.2 billion, or 9%, was driven by a $3.6 billion, or 14%, increase in U.S. government agencies, an increase of $1.1 billion, or 26%, in other debt securities, primarily asset-backed securities, and an increase of $172 million, or 6%, in equity securities. Partially offsetting these increases were the previously mentioned writedowns of tax-advantaged investment securities and principal investment portfolios.

Total deposits at September 30, 2002 were $164.0 billion compared to $167.5 billion at December 31, 2001, a decrease of $3.5 billion, or 2%. Demand deposits totaled $30.9 billion at September 30, 2002 compared to $32.2 billion at December 31, 2001, a decrease of $1.3 billion, or 4%. Time deposits totaled $32.3 billion at September 30, 2002 compared to $38.2 billion at December 31, 2001, a decrease of $5.9 billion, or 15%, primarily due to a decrease in certificates of deposit, as rates on them have declined. These decreases were partially offset by an increase of $4.6 billion, or 6%, in savings deposits.

BUSINESS SEGMENT RESULTS

The Corporation is managed on a line of business basis. The business segments' financial results presented reflects the current organization of the Corporation. For a detailed discussion of the various business activities of Bank One's business segments, see pages 27-40 of the Corporation's 2001 Annual Report.

The following table summarizes net income (loss) by line of business for the periods indicated:

	Three Months Ended September 30	Nine Mo

(In millions)	2002	2001	2
Retail	$ 354	$ 304	$ 1,
Commercial Banking	179	205	
Card Services	298	279	
Investment Management	100	101	
Corporate	(108)	(135)	(
Income before cumulative effect of change in accounting principle	823	754	2,
Cumulative effect of change in accounting principle, net of taxes of ($25)	-	-	
Net Income	$ 823	$ 754	$ 2,

The information provided in the line of business tables beginning with the caption entitled "Financial Performance" is included herein for analytical purposes only and is based on management information systems, assumptions and methodologies that are under continual review.

RETAIL

Retail provides a broad range of financial products and services, including deposits, investments, loans, insurance, and interactive banking to consumers and small business customers.

	Three Months Ended September 30				Nine Months	
			Change			
(Dollars in millions)	2002	2001	Amount	Percent	2002	2
INCOME STATEMENT DATA:						
Net interest income-FTE(1)(2)	$ 1,209	$ 1,222	$ (13)	(1)%	$ 3,667	$ 3,
Banking fees and commissions(3)	102	112	(10)	(9)	333	
Credit card revenue(4)	45	43	2	5	129	
Service charges on deposits(5)	213	202	11	5	610	
Trading(6)	6	-	6	-	1	
Other income (loss)	(30)	1	(31)	N/M	(19)	
Total noninterest income	336	358	(22)	(6)	1,054	1,
Total revenue, net of interest expense	1,545	1,580	(35)	(2)	4,721	4,
Provision for credit losses	199	247	(48)	(19)	681	
Salaries and employee benefits	358	372	(14)	(4)	1,080	1,
Other expense	445	494	(49)	(10)	1,352	1,

Total noninterest expense before merger and restructuring-related reversals	803	866	(63)	(7)	2,432	2,
Restructuring-related reversals(7)	-	-	-	-	(18)	
Total noninterest expense	803	866	(63)	(7)	2,414	2,
Income before income taxes	543	467	76	16	1,626	1,
Applicable income taxes	189	163	26	16	570	
Net income	$ 354	$ 304	$ 50	16	$ 1,056	$
Memo-Revenue by source:						
Core businesses	$ 1,460	$ 1,448	$ 12	1%	$ 4,436	$ 4,
Home equity discontinued/vehicle leases	85	132	(47)	(36)	285	
FINANCIAL PERFORMANCE:						
Return on equity	23%	19%	4%		23%	
Efficiency ratio	52	55	(3)		51	
Headcount-full-time	32,098	34,001	(1,903)	(6)		

RETAIL - CONTINUED

	Three Months Ended September 30				Nine Month	
			Change			
	2002	2001	Amount	Percent	2002	2
ENDING BALANCES (in billions):						
Small business commercial	$ 9.9	$ 10.0	$ (0.1)	(1)%		
Home equity	26.8	24.7	2.1	9		
Vehicle	14.3	13.5	0.8	6		
Other personal	8.9	9.9	(1.0)	(10)		
Core businesses	59.9	58.1	1.8	3		
Brokered home equity discontinued	3.6	6.0	(2.4)	(40)		
Vehicle leases	4.2	6.9	(2.7)	(39)		
Home equity discontinued/vehicle leases	7.8	12.9	(5.1)	(40)		
Total loans (8)	67.7	71.0	(3.3)	(5)		
Assets	71.0	75.0	(4.0)	(5)		
Demand deposits	26.6	24.4	2.2	9		
Savings	38.1	34.7	3.4	10		
Time	23.0	28.1	(5.1)	(18)		
Total deposits	87.7	87.2	0.5	1		

Equity	6.2	6.2	-	-	
AVERAGE BALANCES (in billions):					
Small business commercial	$ 10.0	$ 9.9	$ 0.1	1	$ 10.0 $
Home equity	26.1	24.5	1.6	7	25.6
Vehicle	13.8	14.0	(0.2)	(1)	13.6
Other personal	8.6	10.0	(1.4)	(14)	9.0
Core businesses	58.5	58.4	0.1	-	58.2
Brokered home equity discontinued	3.9	6.3	(2.4)	(38)	4.4
Vehicle leases	4.4	7.0	(2.6)	(37)	5.0
Home equity discontinued/vehicle leases	8.3	13.3	(5.0)	(38)	9.4
Total loans	66.8	71.7	(4.9)	(7)	67.6
Assets	70.2	75.7	(5.5)	(7)	71.1
Demand deposits	26.1	23.8	2.3	10	25.7
Savings	38.1	34.4	3.7	11	37.7
Time	23.7	28.8	(5.1)	(18)	24.6
Total deposits	87.9	87.0	0.9	1	88.0
Equity	6.2	6.2	-	-	6.2

RETAIL - CONTINUED

	Three Months Ended September 30				Nine Mont
			Change		
	2002	2001	Amount	Percent	2002
CREDIT QUALITY (in millions):					
Net charge-offs:					
Small business commercial	$ 15	$ 20	$ (5)	(25)%	$ 52 $
Home equity	58	45	13	29	198
Vehicle	53	45	8	18	159
Other personal	26	35	(9)	(26)	86
Core businesses	152	145	7	5	495
Brokered home equity discontinued	34	39	(5)	(13)	126
Vehicle leases	16	25	(9)	(36)	61
Home equity discontinued/vehicle leases	50	64	(14)	(22)	187
Total consumer	187	189	(2)	(1)	630
Total net charge-offs	202	209	(7)	(3)	682

Net charge-off ratios:					
Small business commercial	0.60%	0.81%	(0.21)%		0.69%
Home equity	0.89	0.73	0.16		1.03
Vehicle	1.54	1.29	0.25		1.56
Other personal	1.21	1.40	(0.19)		1.27
Core businesses	1.04	0.99	0.05		1.13
Brokered home equity discontinued	3.49	2.48	1.01		3.82
Vehicle leases	1.45	1.41	0.04		1.63
Home equity discontinued/vehicle leases	2.41	1.91	0.50		2.65
Total consumer	1.32	1.22	0.10		1.46
Total net charge-offs	1.21	1.17	0.04		1.35
Nonperforming assets:					
Commercial	$ 324	$ 241	$ 83	34	
Consumer(9)	1,110	914	196	21	
Total nonperforming loans(10)	1,434	1,155	279	24	
Other, including Other Real Estate Owned ("OREO")	180	76	104	N/M	
Total nonperforming assets	1,614	1,231	383	31	
Allowance for credit losses	1,026	979	47	5	
Allowance to period end loans	1.57%	1.40%	0.17%		
Allowance to nonperforming loans	72	85	(13)		
Nonperforming assets to related assets	2.38	1.73	0.65		

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RETAIL - CONTINUED

	Three Months Ended September 30				Nine Mon
			Change		
	2002	2001	Amount	Percent	2002
DISTRIBUTION:					
Number of:					
Banking centers	1,779	1,805	(26)	(1)%	
ATMs	4,122	5,652	(1,530)	(27)	
On-line customers (in thousands)	1,326	1,040	286	28	
Households (in thousands)	6,980	7,361	(381)	(5)	
Business customers (in thousands)	486	512	(26)	(5)	
Debit cards issued (in thousands)	4,609	4,491	118	3	
INVESTMENTS:					
Investment sales volume (in millions)	$ 1,327	$ 1,231	$ 96	8	$ 4,155 $

N/M-Not meaningful.

(1) Net interest income-FTE includes tax equivalent adjustments of $6 million for the three months ended September 30, 2002 and 2001. For the nine months ended September 30, 2002 and 2001, tax equivalent adjustments were $16 million.

(2) Net interest income is presented rather than gross interest income and gross interest expenses because the Corporation relies primarily on net interest revenue to assess the performance of the segment and make resource allocations.

(3) Banking fees and commissions include insurance fees, documentary fees, commitment fees, mutual fund commissions, syndicated management fees, leasing fees, safe deposit fees, official checks fees, ATM interchange and miscellaneous other fee revenue.

(4) Credit card revenue includes credit card fees, debit card fees, merchant fees and interchange fees.

(5) Service charges on deposits include service charges on deposits, deficient balance fees and non-sufficient funds/overdraft fees.

(6) Trading includes trading and foreign exchange.

(7) Restructuring-related charges (reversals) are allocated to each line of business for management reporting purposes. Restructuring-related charges (reversals) are discussed on page 47. Income before restructuring-related reversals, net of $7 million and $1 million of taxes, was $1.0 billion and $958 million, for nine months ended September 30, 2002 and 2001, respectively.

(8) Includes loans held for sale of $2.5 billion and $1.1 billion at September 30, 2002 and 2001, respectively. These amounts are not included in allowance coverage statistics. Prior periods have been recalculated to conform to current period presentation.

(9) Includes consumer balances that are placed on nonaccrual status when the collection of contractual principal or interest becomes 90 days past due.

(10) Includes loans held for sale of $3 million at September 30, 2002. There were no nonperforming loans held for sale at September 30, 2001. These amounts are not included in allowance coverage statistics. Prior periods have been recalculated to conform to current period presentation.

Quarterly Results

Retail net income totaled $354 million, up $50 million, or 16%, primarily due to lower noninterest and provision expense.

Net interest income declined $13 million, or 1%, driven by the intentional reduction of the auto lease and discontinued brokered home equity portfolios. This decline was partially offset by a 10% increase in core deposits, which include demand and savings products. The run-off portfolios were down $5.1 billion, while average balances for the remaining home equity loan portfolio were up $1.6 billion, reflecting strong production trends.

Noninterest income was $336 million, down $22 million, or 6%, primarily as a result of lower mortgage-related revenue and lower revenue from the intentional reduction of non-branded ATMs, partially offset by higher deposit service charges. Compared to the prior quarter, noninterest income was down $20 million, or 6%, primarily as a result of higher losses on tax-advantaged investments.

Noninterest expense was $803 million, down $63 million, or 7%. The absence of goodwill amortization, lower fraud losses, and lower staffing levels were partially offset by additional investments in marketing and higher benefits costs. Noninterest expense was up $14 million from the prior quarter due to the absence of an $18 million benefit from the reversal of a restructuring-related charge.

The provision for credit losses was $199 million, down $48 million, or 19%, due to the absence of reserve increases and lower net charge-offs on discontinued portfolios and small business loans. Compared to the prior quarter, provision declined $16 million, or 7%.

RETAIL-CONTINUED

The allowance for credit losses of $1.0 billion represented 1.57% of period-end loans, an increase from 1.40%. Nonperforming assets were $1.6 billion, up $383 million, or 31%, due to increases in home equity and small business loans.

Year-to-Date Results

Retail year-to-date net income totaled $1.1 billion, up $96 million, or 10%, primarily due to lower noninterest expense partially offset by lower revenue.

Net interest income declined $73 million, or 2%, driven by the intentional reduction of the auto lease and discontinued brokered home equity portfolios. This decline was partially offset by an 11% increase in core deposits, which include demand and savings products. The run-off portfolios decreased $5.1 billion, while average balances for the remaining home equity loan portfolio increased $1.8 billion, reflecting strong production trends.

Noninterest income was $1.1 billion, down $20 million, or 2%, primarily as a result of higher losses on tax-advantaged investments, lower mortgage-related revenue and lower revenue from the intentional reduction of non-branded ATMs, partially offset by higher deposit service charges.

Noninterest expense declined $215 million, or 8%, driven by lower staffing, the absence of goodwill amortization, and lower fraud and operating losses. The decline was partially offset by additional investments in marketing and benefits costs.

The provision for credit losses was $681 million, down $10 million, or 1%, due to the absence of reserve increases, offset by higher net charge-offs on home equity and vehicle loans.

COMMERCIAL BANKING

Commercial Banking offers a broad array of products, including global cash management, capital markets, commercial credit cards, investment management, and lending to Corporate Banking and Middle Market Banking customers.

	Three Months Ended September 30	Nine Mont
	Change	

(Dollars in millions)	2002(12)	2001	Amount	Percent	2002(12)
INCOME STATEMENT DATA:					
Net interest income-FTE(2)(11)	$ 605	$ 657	$ (52)	(8)%	$ 1,858 $
Banking fees and commissions	175	182	(7)	(4)	574
Credit card revenue	21	21	-	-	55
Service charges on deposits	188	175	13	7	545
Fiduciary and investment management fees(13)	-	3	(3)	N/M	(1)
Investment securities losses	(12)	(12)	-	-	(13)
Trading	143	81	62	77	250
Other income (loss)	(78)	(23)	(55)	N/M	(148)
Total noninterest income	437	427	10	2	1,262
Total revenue, net of interest expense	1,042	1,084	(42)	(4)	3,120
Provision for credit losses	237	246	(9)	(4)	792
Salaries and employee benefits(14)	269	249	20	8	789
Other expense(14)	315	298	17	6	947
Total noninterest expense before merger and restructuring-related reversals	584	547	37	7	1,736
Restructuring-related reversals(15)	-	-	-	-	(4)
Total noninterest expense	584	547	37	7	1,732
Income before income taxes	221	291	(70)	(24)	596
Applicable income taxes	42	86	(44)	(51)	127
Net income	$ 179	$ 205	$ (26)	(13)	$ 469 $
Memo-Revenue by activity(16):					
Lending-related revenue	$ 491	$ 493	$ (2)	-%	$ 1,340 $
Global Treasury Services	426	416	10	2	1,254
Capital Markets(17)	154	163	(9)	(6)	518
Other	(29)	12	(41)	N/M	8
FINANCIAL PERFORMANCE:					
Return on equity	10%	11%	(1)%		8%
Efficiency ratio	56	50	6		56
Headcount-full-time(14):					
Corporate Banking (including Capital Markets)	2,306	2,768	(462)	(17)	
Middle Market	2,942	3,351	(409)	(12)	
Global Treasury Services	3,403	3,035	368	12	
Operations, Technology, and other Administration	1,967	2,210	(243)	(11)	
Total headcount-full-time	10,618	11,364	(746)	(7)	

COMMERCIAL BANKING - CONTINUED

	Three Months Ended September 30		Change		Nine M
	2002(12)	2001	Amount	Percent	2002(12)
ENDING BALANCES (in billions):					
Loans(18)	$ 63.0	$ 77.4	$ (14.4)	(19)%	
Assets	95.7	106.5	(10.8)	(10)	
Demand deposits	24.5	23.3	1.2	5	
Savings	2.9	2.8	0.1	4	
Time	14.8	9.4	5.4	57	
Foreign offices	9.4	9.3	0.1	1	
Total deposits	51.6	44.8	6.8	15	
Equity	7.4	7.3	0.1	1	
AVERAGE BALANCES (in billions):					
Loans	$ 63.7	$ 78.1	$ (14.4)	(18)	$ 67.3
Assets	92.7	106.3	(13.6)	(13)	95.5
Demand deposits	21.7	20.9	0.8	4	22.3
Savings	2.8	2.8	-	-	2.8
Time	13.6	9.2	4.4	48	13.5
Foreign offices	8.9	10.0	(1.1)	(11)	8.5
Total deposits	47.0	42.9	4.1	10	47.1
Equity	7.4	7.3	0.1	1	7.4
CREDIT QUALITY (in millions):					
Net charge-offs	$ 237	$ 230	$ 7	3	$ 792
Net charge-off ratio	1.49%	1.18%	0.31%		1.57
Nonperforming assets:					
Nonperforming loans(19)	$ 2,040	$ 1,904	$ 136	7	
Other, including OREO	27	30	(3)	(10)	
Total nonperforming assets	2,067	1,934	133	7	
Allowance for credit losses	3,071	3,078	(7)	-	
Allowance to period end loans(18)	4.89%	3.98%	0.91%		
Allowance to nonperforming loans(19)	157	162	(5)		
Nonperforming assets to related assets	3.28	2.50	0.78		
CORPORATE BANKING (in billions):					
Loans-ending balance	$ 31.2	$ 40.5	$ (9.3)	(23)	
-average balance	31.6	41.4	(9.8)	(24)	$ 33.6
Deposits-ending balance	28.8	24.1	4.7	20	
-average balance	25.9	23.9	2.0	8	25.5
Credit quality (in millions):					

Net charge-offs	160	131	29	22	491
Net charge-off ratio	2.03%	1.27%	0.76%		1.95
Nonperforming loans	$ 1,010	$ 1,051	$ (41)	(4)	
Nonperforming loans to total loans	3.24%	2.60%	0.64%		
SYNDICATIONS:					
Lead arranger deals:					
Volume (in billions)	$ 11.3	$ 9.7	$ 1.6	16	$ 44.6
Number of transactions	63	56	7	13	184

COMMERCIAL BANKING - CONTINUED

	Three Months Ended September 30				Nine Mon
			Change		
	2002(12)	2001	Amount	Percent	2002(12)
SYNDICATIONS - CONTINUED					
League table standing-rank	4	4	-	-	4
League table standing-market share	6%	4%	2%		6%
MIDDLE MARKET BANKING (in billions):					
Loans-ending balance	$ 31.8	$ 36.9	$ (5.1)	(14)%	
-average balance	32.1	36.7	(4.6)	(13)	$ 33.6
Deposits-ending balance	22.8	20.6	2.2	11	
-average balance	21.2	19.0	2.2	12	21.6
Credit quality (in millions):					
Net charge-offs	77	99	(22)	(22)	301
Net charge-off ratio	0.96%	1.08%	(0.12)%		1.19%
Nonperforming loans	$ 1,030	$ 853	$ 177	21	
Nonperforming loans to total loans	3.24%	2.31%	0.93%		

For additional footnote detail see page 7.

(11) Net interest income-FTE includes tax equivalent adjustments of $24 million and $17 million for the three months ended September 30, 2002 and 2001, respectively. For the nine months ended September 30, 2002 and 2001 tax equivalent adjustments were $68 million and $56 million, respectively.

(12) Results include the effect of consolidating Anexsys, LLC, which had an impact on the classification of revenue and expense but had no impact on net income for the three months ended September 30, 2002 or the year to date.

(13) Fiduciary and investment management fees include asset management fees, personal trust fees, other trust fees and advisory fees.

(14) Prior period data has been adjusted for the transfer of the National Retail Lockbox Operations and Cash Vault Services business from Commercial to Corporate.

(15) Restructuring-related charges (reversals) are discussed on page 47. Income before restructuring-related reversals, net of $1 million tax, was $466

million for the nine months ended September 30, 2002.

(16) Prior periods have been adjusted to conform to the current organization.

(17) Capital markets include trading revenues and underwriting, syndicated lending and advisory fees.

(18) Includes loans held for sale of $230 million and $58 million at September 30, 2002 and 2001, respectively. These amounts are not included in allowance coverage statistics. Prior periods have been recalculated to conform to current period presentation.

(19) Includes loans held for sale of $90 million at September 30, 2002. There were no nonperforming loans held for sale at September 30, 2001. These amounts are not included in allowance coverage statistics. Prior periods have been recalculated to conform to current period presentation.

Quarterly Results

Commercial Banking net income totaled $179 million, down $26 million, or 13% from the prior year, and up $32 million, or 22%, from the prior quarter. Results reflected lower net interest income and higher noninterest expense, partially offset by higher noninterest income and a lower provision for credit losses.

Net interest income totaled $605 million, a decline of $52 million, or 8%, as a result of a reduction in average loans of $14.4 billion, or 18%. Compared to the prior quarter, net interest income increased by $7 million, or 1%.

Noninterest income was $437 million, up $10 million, or 2%. Banking fees and commissions decreased $7 million, or 4%, as a result of lower loan syndication fees and investment grade underwriting. Service charges on deposits increased $13 million, or 7%, as Global Treasury Services clients incurred higher fees because of the lower value of their compensating deposit balances. Trading income was $143 million, reflecting an increase of $62 million, or 77%, driven by the $101 million pre-tax gain in the credit derivatives portfolio used to hedge the commercial loan portfolio. In general, credit derivatives are used to limit exposures for specific credits that are larger than the Corporation is willing to bear. The notional amount of credit derivatives totaled $6.1 billion, while Corporate Banking loans and loan commitments totaled approximately $100 billion. While credit derivatives are marked to market through trading income, loans are not marked to market. The Corporation, however, makes risk management decisions for economic, rather than accounting, purposes to allow for better management of credit risk. The Corporation acknowledges that gains recognized during the third quarter of 2002 could decline or reverse in future quarters, and therefore does not consider them sustainable earnings. Capital markets trading income declined $14 million, or 23%, reflecting lower results across multiple trading products. Other income was a $78 million loss, a decline of $55 million, predominantly driven by a higher than expected loss in tax-oriented investments.

Noninterest expense was $584 million, up $37 million, or 7%, as a result of an $18 million impact from the consolidation of Anexsys, LLC as well as higher incentive compensation and conversion related expenses.

COMMERCIAL BANKING - CONTINUED

Commercial Banking provision for credit losses was $237 million, a decline of $9 million, or 4%, from the prior year and $37 million, or 14%, from the prior quarter. Corporate Banking net charge-offs were $160 million, or 2.03% of average loans, an increase from 1.27% in the prior year and relatively unchanged from the second quarter. Net charge-offs included $11 million related to loans sold or initially reclassified to held for sale, compared to $33 million in the prior year. Middle Market net charge-offs were $77 million, or 0.96% of average loans, down from 1.08% in the prior year and down from 1.26% in the prior quarter.

The allowance for credit losses of $3.1 billion represented 4.89% of period-end loans, an increase from 3.98% in the prior year and 4.74% in the prior quarter. Nonperforming loans declined by $257 million, or 11%, to $2.0 billion from the second quarter, reflecting credit quality improvements in both Corporate Banking and Middle Market.

Nonperforming loans at September 30, 2002 were $2.0 billion, up $136 million, or 7%, driven by a $177 million, or 21%, increase in Middle Market nonperforming loans.

Year-to-Date Results

Commercial Banking year-to-date net income totaled $469 million, down $129 million, or 22%. Results reflected lower net interest income, a higher provision for credit losses and higher noninterest expense, partially offset by higher noninterest income.

Net interest income was $1.9 billion, down $213 million, or 10%, driven by a reduction in average loans of $15.3 billion, or 19%, primarily in Corporate Banking.

Noninterest income was $1.3 billion, up $70 million, or 6%. Banking fees and commissions increased $46 million, or 9%, primarily due to growth in asset-backed finance underwriting fees and other capital markets businesses. Service charges on deposits increased $89 million, or 20%, as Global Treasury Services clients incurred higher fees because of the lower value of their compensating deposit balances. Trading revenue increased $25 million, or 11%, driven by a $100 million pre-tax gain in the credit derivatives portfolio used to hedge the commercial loan portfolio. Partially offsetting this gain, capital markets trading income declined $52 million, or 25%, reflecting lower results in fixed income securities, foreign exchange, and asset-backed finance. Other income was a $148 million loss, a decline of $77 million, primarily due to higher than expected losses in tax-oriented investments and an increase in the loss on loan sales.

Noninterest expense was $1.7 billion, up $60 million, or 4%, as a result of a $51 million impact from the consolidation of Anexsys, LLC as well as higher incentive compensation.

Commercial Banking provision for credit losses was $792 million, up $42 million, or 6%. Corporate Banking net charge-offs were $491 million, or 1.95% of average loans, an increase of 0.57%. Net charge-offs included $111 million related to loans sold or reclassified to held for sale, compared with $190 million in the prior year. Middle Market net charge-offs were $301 million, or 1.19% of average loans, an increase of 0.30%.

CARD SERVICES

Card Services (previously referred to as Credit Card) is the third largest credit card provider in the United States and the largest VISA(R) credit card issuer in the world.

	Three Months Ended September 30				Nine Months En	
			Change			
(Dollars in millions)	2002 (21)	2001	Amount	Percent	2002 (21)	200
INCOME STATEMENT DATA:						
Net interest income-FTE(2)(20)	$ 359	$ 349	$ 10	3%	$ 878	$ 9
Banking fees and commissions	13	23	(10)	(43)	55	
Credit card revenue	903	703	200	28	2,647	1,7
Other income (loss)	(24)	22	(46)	N/M	(14)	
Total noninterest income	892	748	144	19	2,688	1,8
Total revenue, net of interest expense	1,251	1,097	154	14	3,566	2,8
Provision for credit losses	148	118	30	25	363	2
Salaries and employee benefits	151	123	28	23	439	3
Other expense	464	412	52	13	1,401	1,1
Total noninterest expense before merger and restructuring-related reversals	615	535	80	15	1,840	1,5
Restructuring-related reversals(22)	-	-	-	-	(19)	
Total noninterest expense	615	535	80	15	1,821	1,5
Income before income taxes	488	444	44	10	1,382	9
Applicable income taxes	190	165	25	15	537	3
Net income	$ 298	$ 279	$ 19	7	$ 845	$ 6
Memo-Net securitization gains (amortization)	$ (11)	$ (22)	$ 11	(50)%	$ (55)	$ (
FINANCIAL PERFORMANCE:						
Return on equity	18%	17%	1%		18%	
Efficiency ratio	49	49	-		51	
Headcount-full-time	10,508	10,245	263	3		
ENDING BALANCES (in billions):						
Owned loans (23)	$ 11.9	$ 8.4	$ 3.5	42		
Seller's interest	24.4	18.4	6.0	33		
Total	36.3	26.8	9.5	35		
Assets	40.6	30.8	9.8	32		
Equity	6.4	6.4	-	-		

CARD SERVICES - CONTINUED

	Three Months Ended September 30		Change		Nine Months En	
	2002 (21)	2001	Amount	Percent	2002 (21)	2001
AVERAGE BALANCES (in billions):						
Owned loans	$ 10.5	$ 7.9	$ 2.6	33%	$ 8.7	$ 6
Seller's interest	24.3	17.8	6.5	37	22.9	18
Total	34.8	25.7	9.1	35	31.6	24
Assets	38.8	29.3	9.5	32	36.0	27
Equity	6.4	6.4	-	-	6.4	6
CREDIT QUALITY (in millions):						
Net charge-offs	$ 131	$ 118	$ 13	11	$ 346	$ 2
Net charge-off ratios:						
For the period	4.99%	5.95%	(0.96)%		5.30%	5.
12-month lagged(24)	6.63	10.04	(3.41)		7.21	7.
Delinquency ratio:						
30+ days	2.74	3.19	(0.45)			
90+ days	1.11	1.40	(0.29)			
Allowance for credit losses	$ 396	$ 397	$ (1)	-		
Allowance to period-end owned loans	5.87%	8.35%	(2.48)%			
OTHER DATA:						
Charge volume (in billions)	$ 39.5	$ 35.2	$ 4.3	12	$ 111.9	$ 102
New accounts opened (in thousands)	1,430	1,149	281	24	3,654	2,9
Credit cards issued (in thousands)	53,510	58,441	(4,931)	(8)		
Number of FirstUSA.com customers (in millions)	3.0	2.8	0.2	7		
Paymentech:						
Bank card volume (in millions)	$ 30,711	$ 28,237	$ 2,474	9	$ 88,748	$ 85,0
Total transactions (in millions)	1,063	935	128	14	3,019	2,7

The Corporation transforms a substantial portion of its credit card receivables into securities, which are sold to investors - a process referred to as securitization. Securitization impacts the Corporation's consolidated balance sheet by removing those credit card receivables that have been sold and by reclassifying those credit card receivables whose ownership has been transformed into certificate form (referred to as "Seller's Interest") from loans to investments. Gain or loss on the sale of credit card receivables, net of amortization of transaction costs and amortization from securitization repayments, is reported as securitization income. Securitization also impacts the Corporation's consolidated income statement by reclassifying interest income and fees, interchange income, credit losses and recoveries related to securitized receivables as securitization income. Credit card interest income and fees, interchange income, credit losses and recoveries related to credit card receivables whose ownership has been converted to certificate form are reclassified as investment income.

The Corporation evaluates its Card Services line of business trends on a managed basis, which assumes that securitized receivables have not been sold and are still on the balance sheet. The Corporation manages its Card Services operations on a managed basis because the receivables that are securitized are subject to underwriting standards comparable to the owned portfolio and are serviced by operating personnel without regard to ownership. The Corporation believes that investors should be informed, and often request information, about the credit performance of the entire managed portfolio in order to understand the quality of the Card Services originations and the related credit risks inherent in the owned portfolio and retained interests in securitizations. In addition, the Corporation funds its Card Services operations, reviews operating results and makes decisions about allocating resources, such as employees and capital, on a managed basis. See "Loan Securitizations" on page 64 and Note 9, "Credit Card Securitizations," of the December 31, 2001 Annual Report for additional information related to the Corporation's securitization activity.

CARD SERVICES - CONTINUED

The following table presents certain Card Services information on a managed basis.

CARD SERVICES - MANAGED BASIS	Three Months Ended September 30				Nine Months	
			Change			
	2002 (21)	2001	Amount	Percent	2002 (21)	200
ENDING BALANCES (in billions):						
Owned(23)	$ 11.9	$ 8.4	$ 3.5	42%		
Seller's interest	24.4	18.4	6.0	33		
Loans on balance sheet	36.3	26.8	9.5	35		
Securitized loans	32.9	40.0	(7.1)	(18)		
Managed loans	69.2	66.8	2.4	4		
Managed assets	73.4	70.8	2.6	4		
AVERAGE MANAGED ASSETS (in billions):	72.2	70.2	2.0	3	$ 71.2	$ 67
CREDIT QUALITY (in millions):						
Managed net charge-offs	853	981	(128)	(13)	2,722	2,8
Managed net charge-off ratios:						
For the period	5.00%	5.89%	(0.89)%		5.43%	5.
12-month lagged(24)	5.12	5.95	(0.83)		5.58	5.
Managed delinquency ratio:						
30+ days	4.05	4.25	(0.20)			
90+ days	1.68	1.80	(0.12)			

For additional footnote detail see pages 7 and 11.

(20) Net interest income-FTE did not have tax equivalent adjustments for the three months ended September 30, 2002 and 2001 or for the nine months ended September 30, 2002 and 2001.

(21) Results include the effect of consolidating Paymentech beginning in the first quarter of 2002. The impact to third quarter and year to date results was to increase net interest income by $3 million and $9 million, noninterest income by $75 million and $228 million, expense by $64 million and $201 million, respectively; there was no impact on net income.

(22) Restructuring-related charges (reversals) are discussed on page 47. Income before restructuring-related reversals, net of $7 million tax, was $833 million for the nine months ended September 30, 2002.

(23) Includes loans held for sale of $5.2 billion and $3.6 billion at September 30, 2002 and 2001, respectively. These amounts are not included in allowance coverage statistics. Prior periods have been recalculated to conform to current period presentation.

(24) The current period lagged loss rate includes nine months of Wachovia net credit losses while the prior period average loans only includes two months of Wachovia balances. The prior period lagged loss rate includes two months of Wachovia net credit losses while the 2001 average loans do not include Wachovia balances.

Quarterly Results

Card Services reported third quarter net income of $298 million, up $19 million, or 7%. While there was relatively no incremental impact to net income as a result of the consolidation in 2002 of the Corporation's interest in Paymentech, Inc., individual income and expense lines were affected.

Total reported revenue was $1.2 billion for the quarter, an increase of $154 million. Net interest income was $35 million, up $10 million or 3% reflecting both higher owned loan balances and fees, offset by lower spreads. Noninterest income was $892 million, an increase of $144 million, or 19%. The consolidation of Paymentech contributed $75 million to this increase. Excluding the impact of Paymentech, the $69 million increase in noninterest income was the result of higher volume-related revenue and higher income earned on securitized loans.

Noninterest expense totaled $615 million, an increase of $80 million, or 15%. The consolidation of Paymentech contributed $64 million to this increase. Excluding the impact of Paymentech, the $16 million increase in noninterest expense was a result of higher marketing expense, partially offset by lower processing costs.

The reported provision for credit losses was $148 million, an increase of $30 million or 25%, as a result of portfolio growth. Owned loans as of September 30, 2002, totaled $11.9 billion, an increase of $3.5 billion. The reported charge-

off rate was 4.99%, down from 5.95% in the prior year and 5.62% in the prior quarter. The reported 30-day delinquency rate was 2.74%, down from 3.19% in the year-ago quarter and up from 2.15% in the second quarter.

Managed loans were $69.2 billion at September 30, 2002, up $2.4 billion. Managed loans increased $3.3 billion from June 30, 2002. Card Services opened 1.4 million new credit card accounts during the quarter, a 24% increase from the third quarter of 2001.

On a managed basis, provision for credit losses was $870 million, an 11%

decline. Managed loans were $69.2 billion at September 30, 2002, an increase of $2.4 billion or 4%, reflecting lower attrition and increased organic growth. Charge-offs were 5.00%, down from 5.89% and 5.62% in the prior quarter.

The 30-day delinquency ratio improved on both a reported and managed basis. Delinquency rates, on a reported basis, continue to be lower than on a managed basis because new originations represent a larger percentage of the on-balance sheet portfolio. On a reported basis, the 30-day delinquency ratio was 2.74%, down from 3.19% and unchanged from the prior quarter. The 30-day delinquency ratio on a managed basis was 4.05%, down from 4.25% and up from 3.83% in the prior quarter.

Securitization gains were $11 million resulting from the securitization of $1.5 billion in credit card receivables. This compares with securitization gains of $20 million resulting from the securitization of $2.8 billion in credit card receivables in the previous quarter. In the year ago quarter, there were no new securitizations.

Year-to-Date Results

Card Services reported net income of $845 million, up $225 million, or 36%. The current period results reflected nine months of Wachovia earnings while the prior period results reflected two months of Wachovia earnings (following the addition of the Wachovia credit card business in the third quarter of 2001).

Total reported revenue was $3.6 billion, up $726 million, or 26%. Net interest income was $878 million, down $71 million, or 7%, reflecting lower spreads partially offset by both higher owned loan balances and fees. Noninterest income was $2.7 billion, an increase of $797 million, or 42%. The consolidation of Paymentech contributed $228 million to this increase. Excluding the impact of Paymentech, the $569 million increase in noninterest income was the result of higher income earned on securitized loans and higher volume-related revenue.

Noninterest expense totaled $1.8 billion, an increase of $250 million, or 16%. The consolidation of Paymentech contributed $201 million to this increase. Excluding the impact of Paymentech, the $49 million increase in noninterest expense was a result of higher marketing expense, partially offset by lower operating costs.

The reported provision for credit losses was $363 million, an increase of $84 million, or 30%, as a result of portfolio growth.

Securitization gains were $30 million resulting from the securitizations of $4.3 billion in credit card receivables. This compares with securitization gains of $28 million resulting from the securitization of $3.8 billion in credit card receivable.

INVESTMENT MANAGEMENT

The Investment Management Group (IMG) provides investment, insurance, trust and private banking services to individuals. IMG also provides investment and investment related services, including retirement and custody services, securities lending and corporate trust to institutions.

(Dollars in millions)	Three Months Ended September 30 2002	2001	Change Amount	Change Percent	Nine Months 2002	2001
INCOME STATEMENT DATA:						
Net interest income-FTE(2)(25)	$ 100	$ 106	$ (6)	(6)%	$ 320	$ 317
Banking fees and commissions	127	125	2	2	401	354
Service charges on deposits	5	4	1	25	14	12
Fiduciary and investment management fees	181	187	(6)	(3)	558	559
Other income	2	1	1	N/M	13	7
Total noninterest income	315	317	(2)	(1)	986	932
Total revenue, net of interest expense	415	423	(8)	(2)	1,306	1,249
Provision for credit losses	3	9	(6)	(67)	8	25
Salaries and employee benefits	142	140	2	1	422	430
Other expense	110	113	(3)	(3)	350	368
Total noninterest expense before merger and restructuring-related reversals	252	253	(1)	-	772	798
Restructuring-related reversals(26)	-	-	-	-	(1)	-
Total noninterest expense	252	253	(1)	-	771	798
Income before income taxes	160	161	(1)	(1)	527	426
Applicable income taxes	60	60	-	-	197	160
Net income	$ 100	$ 101	$ (1)	(1)	$ 330	$ 266
Memo - Insurance revenues	$ 104	$ 115	$ (11)	(10)%	$ 343	$ 319
FINANCIAL PERFORMANCE:						
Return on equity	36%	36%	-%		40%	36
Efficiency ratio	61	60	1		59	64
Headcount-full-time	5,925	6,253	(328)	(5)		
ENDING BALANCES (in billions):						
Loans	$ 7.1	$ 7.0	$ 0.1	1		
Assets	8.7	8.5	0.2	2		
Demand deposits	2.6	2.1	0.5	24		
Savings	3.9	2.9	1.0	34		
Time	3.3	3.3	-	-		
Foreign offices	0.3	0.2	0.1	50		
Total deposits	10.1	8.5	1.6	19		
Equity	1.1	1.1	-	-		
AVERAGE BALANCES (in billions):						
Loans	$ 7.0	$ 6.9	$ 0.1	1	$ 7.0	$ 6.9
Assets	8.5	8.2	0.3	4	8.5	8.1
Demand deposits	2.0	1.9	0.1	5	2.0	1.9

Savings	3.9	2.8	1.1	39	3.9	2.7
Time	3.3	3.3	-	-	3.3	3.3
Foreign offices	0.2	0.2	-	-	0.2	0.2
Total deposits	9.4	8.2	1.2	15	9.4	8.1
Equity	1.1	1.1	-	-	1.1	1.0

INVESTMENT MANAGEMENT - CONTINUED

	Three Months Ended September 30				Nine Months End	
			Change			
	2002	2001	Amount	Percent	2002	2001
CREDIT QUALITY (in millions):						
Net charge-offs:						
Commercial	$ 2	$ 7	$ (5)	(71)%	$ 3	$ 17
Consumer	1	2	(1)	(50)	5	5
Total net charge-offs	3	9	(6)	(67)	8	22
Net charge-off ratios:						
Commercial	0.23%	0.76%	(0.53)%		0.11%	0.68%
Consumer	0.11	0.24	(0.13)		0.17	0.20
Total net charge-off ratio	0.17	0.52	(0.35)		0.15	0.43
Nonperforming assets:						
Commercial	$ 39	$ 37	$ 2	5		
Consumer	8	3	5	N/M		
Total nonperforming loans	47	40	7	18		
Other, including OREO	1	1	-	-		
Total nonperforming assets	48	41	7	17		
Allowance for credit losses	25	25	-	-		
Allowance to period end loans	0.35%	0.36%	(0.01)%			
Allowance to nonperforming loans	53	61	(8)			
Nonperforming assets to related assets	0.68	0.59	0.09			
ASSETS UNDER MANAGEMENT ENDING BALANCES (in billions):						
Mutual funds	$ 91.5	$ 75.3	$ 16.2	22		
Other	57.5	55.5	2.0	4		
Total	149.0	130.8	18.2	14		
BY TYPE:						
Money market	68.6	50.6	18.0	36		

Equity	35.4	43.4	(8.0)	(18)
Fixed income	45.0	36.8	8.2	22
Total	149.0	130.8	18.2	14
BY CHANNEL: (16)				
Private Client Services	42.4	48.9	(6.5)	(13)
Retail Brokerage	6.7	7.0	(0.3)	(4)
Institutional	70.2	57.5	12.7	22
Commercial Cash Sweep	8.6	9.0	(0.4)	(4)
Capital Markets	4.7	0.6	4.1	N/M
External(27)	8.4	1.9	6.5	N/M
All other direct(28)	8.0	5.9	2.1	36
Total	149.0	130.8	18.2	14
MORNINGSTAR RANKINGS: (29)				
% of 4 and 5 ranked funds	48%	61%	(13)%	
% of 3+ ranked funds	93	90	3	
TRUST ASSETS ENDING BALANCES:				
Trust assets under administration (in billions)	$ 328.9	$ 333.8	$ (4.9)	(1)

INVESTMENT MANAGEMENT - CONTINUED

	Three Months Ended September 30				Nine Month	
			Change			
	2002	2001	Amount	Percent	2002	20
CORPORATE TRUST SECURITIES ENDING BALANCES:						
Corporate trust securities under administration (in billions)	$ 1,071.9	$ 917.1	$ 154.8	17%		
RETAIL BROKERAGE:						
Mutual fund sales (in millions)	575	548	27	5	$ 1,792	$ 1,
Annuity sales	752	683	69	10	2,363	1,
Total sales	1,327	1,231	96	8	4,155	3,
Number of customers - end of period (16)(in thousands)	676	631	45	7		
Market value customer assets - end of period (in billions):						
Brokerage	$ 16.1	$ 15.5	$ 0.6	4		
Annuity account value (in billions)	10.6	7.9	2.7	34		
Total market value(16)	26.7	23.4	3.3	14		
Number of registered sales						

representatives	828	703	125	18	
Number of licensed retail bankers	3,118	2,985	133	4	
PRIVATE CLIENT SERVICES:					
Number of Private Client advisors	675	658	17	3	
Number of Private Client offices	105	105	-	-	
Market value customer assets - end of period(16) (in billions)	$ 61.7	$ 71.0	$ (9.3)	(13)	
Ending balances (in billions):					
Loans	7.0	6.8	0.2	3	
Deposits	8.3	7.0	1.3	19	
Average balances (in billions):					
Loans	6.9	6.8	0.1	1	6.9
Deposits	8.2	6.8	1.4	21	8.2

For additional footnote detail see pages 7, 11 and 15.

(25) Net interest income-FTE did not have tax equivalent adjustments for the three months ended September 30, 2002 and 2001 or for the nine months ended September 30, 2002 and 2001.

(26) Restructuring-related charges (reversals) are discussed on page 47. Income before restructuring-related reversals was $329 million for nine months ended September 30, 2002.

(27) Includes broker/dealers, trust companies, and registered investment advisors that sell, or offer, One Group funds.

(28) One Group funds invested in other One Group funds and other mutual funds sub-advised.

(29) Morningstar changed the rating process effective June 30, 2002 with no prior period restatements.

Quarterly Results

Investment Management net income totaled $100 million, down $1 million, or 1%, as lower revenue was mostly offset by lower provision expense.

Assets under management were $149 billion, up $18.2 billion, or 14%, as a result of strong money market and fixed income asset growth, partially offset by a decline in equity assets, reflecting weak market conditions. One Group(R) mutual fund assets grew to $91.5 billion, up $16.2 billion, or 22%.

Performance of One Group(R) funds remained strong despite the economic environment. The percent of client assets in funds rated in the top quartile was 48%, up from 45% in the second quarter, and 71% of assets were in funds rated in the top two quartiles, down from 74% in the second quarter, based on one-year Lipper rankings.

Revenue decreased $8 million, or 2%, to $415 million, primarily as a result of the change in mix of assets under management from equities to money market and fixed income assets. This decline was partially offset by an 8% increase in the sale of mutual funds and annuities to retail clients. Revenue was down $32 million, or 7%, from the

INVESTMENT MANAGEMENT - CONTINUED

second quarter, primarily as a result of a change in mix of assets under management, lower average deposit balances, and a 9% decrease in the sales of mutual funds and annuities.

Noninterest expense was $252 million, down $1 million, primarily driven by lower compensation costs. Overall headcount declined 5%, but the number of retail brokerage registered sales representatives and Private Client advisors increased 18% and 3%, respectively, as expected.

Year-to-Date Results

Investment Management reported year-to-date net income of $330 million, up $64 million, or 24%, driven by higher revenue, lower provision, and reduced expenses.

Revenue increased $57 million, or 5%, to $1.3 billion, primarily driven by the 18% increase in the sale of mutual funds and annuities to retail clients and the 14% growth in assets under management.

Noninterest expense was $771 million, down $27 million, or 3%, driven primarily by increased operating efficiencies, including lower compensation costs.

CORPORATE

Corporate includes Treasury, fixed income and principal investment portfolios, mortgage servicing assets, unallocated corporate expenses, and any gains or losses from corporate transactions.

	Three Months Ended September 30				Nine
			Change		
(Dollars in millions)	2002	2001	Amount	Percent	2002
INCOME STATEMENT DATA:					
Net interest income (expense)-FTE (2)(30)(31)	$ (38)	$ (141)	$ 103	73%	$ (175) $
Banking fees and commissions	(8)	3	(11)	N/M	(17)
Credit card revenue	2	(1)	3	N/M	2
Service charges on deposits	4	7	(3)	(43)	10
Fiduciary and investment management fees	-	-	-	-	1
Investment securities gains (losses)	(17)	(30)	13	43	62
Trading (losses)	-	(11)	11	N/M	(16)
Other income	22	34	(12)	(35)	135
Total noninterest income(32)	3	2	1	50	177
Total revenue (loss), net of					

interest expense	(35)	(139)	104	75	2	
Provision for credit losses	-	-	-	-	15	
Salaries and employee benefits	210	162	48	30	597	
Other expense	(49)	(60)	11	18	(116)	
Total noninterest expense before merger and restructuring-related reversals	161	102	59	58	481	
Restructuring-related reversals(33)	-	-	-	-	(21)	
Total noninterest expense(34)	161	102	59	58	460	
Income (loss) before income taxes	(196)	(241)	45	19	(473)	
Applicable income taxes (benefits)	(88)	(106)	18	17	(226)	
Net income (loss)	$ (108)	$ (135)	$ 27	20	$ (247)	$
FINANCIAL PERFORMANCE:						
Headcount-full-time(14)	14,386	13,938	448	3%		
ENDING BALANCES (in billions):						
Loans	$ 0.7	$ 0.4	$ 0.3	75		
Assets	58.2	49.4	8.8	18		
Memo-						
Treasury investments(35)	36.0	29.6	6.4	22		
Principal investments(36)	2.4	3.0	(0.6)	(20)		
Deposits	14.6	21.9	(7.3)	(33)		
Equity	0.8	(0.8)	1.6	N/M		
AVERAGE BALANCES (in billions):						
Loans	$ 0.2	$ 0.8	$ (0.6)	(75)	$ 0.3	$
Assets	52.3	46.3	6.0	13	49.5	
Deposits	13.3	23.3	(10.0)	(43)	14.4	
Equity	1.0	(1.1)	2.1	N/M	0.4	

For additional footnote detail see pages 7, 11, 15 and 19.

(30) Net interest expense-FTE includes tax equivalent adjustments of $7 million and $6 million for the three months ended September 30, 2002 and 2001, respectively. For the nine months ended September 30, 2002 and 2001 tax equivalent adjustments were $24 million and $21 million, respectively.

(31) Net interest expense-FTE primarily includes Treasury results and interest spread on investment related activities.

(32) Noninterest income primarily includes the gains and losses from investment activities and other corporate transactions.

(33) Restructuring-related charges (reversals) are discussed on page 47. Loss before restructuring-related reversals, net of $8 million tax, was $260 million for nine months ended September 30, 2002.

(34) Noninterest expense primarily includes corporate expenses not allocated to the lines of business.

(35) Treasury investments may include U.S. government and agency debt securities, mortgage and other asset backed securities and other fixed income investments.

(36) Principal investments include primarily private equity investments and venture capital fund investments.

CORPORATE - CONTINUED

Quarterly Results

Corporate net loss was $108 million, compared with a net loss of $135 million.

Net interest expense was $38 million, an improvement of $103 million, reflecting lower interest rates that reduced the Corporation's funding costs and higher average balances in the treasury investment portfolio. The Corporation experienced a $58 million improvement from the previous quarter, also reflecting an increase in the treasury investment portfolio.

Noninterest income was $3 million, relatively unchanged from the prior year. Net investment securities losses were $17 million, compared to losses of $30 million in the prior year. This improvement reflected higher gains in the treasury investment portfolio, partially offset by higher losses in the principal investment portfolio.

Compared to the previous quarter, noninterest income declined $141 million. In the second quarter, the Corporation reported a gain on the sale of the GE Monogram joint venture, partially offset by net writedowns in the investment portfolios. The valuation adjustments in the principal investment portfolio, in both the second and third quarters, were primarily a result of the overall decline in the value of the equity market, the interest rate environment and a decline in the value of private investments as a result of existing economic conditions. These valuation adjustments were lower in the third quarter compared to the previous quarter.

Unallocated corporate expenses were $161 million, compared to $102 million in the prior year and $214 million in the previous quarter. The $59 million increase from the prior year reflected increases in salaries and employee benefits. The previous quarter included one-time charges of $89 million related to the insourcing of certain vendor contracts partially offset by a $21 million reversal of restructuring reserves. Adjusting for these items, unallocated corporate expenses would have been $146 million in the second quarter.

In the second quarter, the Corporation began accounting for stock options and stock purchase plans at fair value and recognized $12 million of expense in Corporate. In the third quarter, the Corporation reported $16 million of expense and allocated $20 million of the year-to-date expense to the lines of business, with $8 million of expense remaining in Corporate.

Year-to-Date Results

Corporate had a net loss of $247 million, down $56 million, or 18%.

Net interest expense was $175 million, down $407 million, or 70%, driven by lower interest rates that positively affected the Corporation's funding costs.

Noninterest income was $177 million, up $14 million, or 9%. Net investment securities gains were $62 million, up $120 million, driven by higher gains in the treasury investment portfolio and the gain on the sale of the GE Monogram joint venture recognized in the second quarter of 2002. These gains were partially offset by net write-downs in the principal investment portfolio. The valuation adjustments in the principal investment portfolio in the first nine months of 2002 were primarily due to the market conditions resulting from the overall decline in the value of the stock market, the interest rate environment and a decline in the value of private investments due to existing economic conditions. Other income was $135 million, down $105 million, or 44%. The first quarter of 2001 included $73 million in gains from the sale of the Corporation's interest in EquiServe Limited Partnership and Star Systems, an ATM network.

Provision for credit losses was $15 million, compared to zero in the prior year.

Unallocated corporate expenses were $460 million, up $285 million, reflecting higher salaries and benefits and higher unallocated costs. Year-to-date 2002 included $89 million of expenses related to insourcing of certain vendor contracts and $8 million of expenses related to adopting the fair value method of accounting for stock option and stock purchase plans.

CONSOLIDATED RESULTS

Net Interest Income

Net interest income includes spreads on earning assets as well as items such as loan fees, cash interest collections on problem loans, dividend income, interest reversals, and income or expense on derivatives used to manage interest rate risk.

	Three Months Ended September 30				Nine Mo	
			Change			
(Dollars in millions)	2002	2001	Amount	Percent	2002	
Net interest income-FTE basis(1)	$ 2,235	$ 2,193	$ 42	2%	$ 6,548	$
Average earning assets	230,794	235,352	(4,558)	(2)	229,534	2
Net interest margin	3.84%	3.70%	0.14%		3.81%	

(1) Net interest income-FTE includes tax equivalent adjustments of $38 million and $30 million for the quarters ended September 30, 2002 and 2001, respectively. For nine months ended September 30, 2002 and 2001, tax equivalent adjustments were $109 million and $93 million, respectively.

Net interest income increased by $42 million, or 2%. Net interest margin increased by 14 basis points. Both increases are due to lower interest rates and improved balance sheet profitability. This reflected an increase in the percentage of funding provided by consumer deposits and net free funds, a reduction in relatively low margin commercial loans, and an increase in credit card assets.

Noninterest Income

The components of noninterest income for the periods indicated are:

(Dollars in millions)	Three Months Ended September 30 2002	2001	Change Amount	Percent	Nine Mo[nths] 2002
Banking fees and commissions	$ 409	$ 445	$ (36)	(8)%	$ 1,346 $
Credit card revenue	971	767	204	27	2,833
Service charges on deposits	410	388	22	6	1,179
Fiduciary and investment management fees	181	190	(9)	(5)	558
Investment securities gains (losses)	(29)	(42)	13	(31)	49
Trading	149	70	79	N/M	235
Other income (losses)	(108)	35	(143)	N/M	(33)
Total noninterest income	$ 1,983	$ 1,853	$ 130	7	$ 6,167 $
Noninterest income to total revenue	47.4%	46.1%	1.3%		48.9%

N/M - Not meaningful.

Components of noninterest income that are primarily related to a single business segment are discussed within that business segment.

Banking fees and commissions decreased by $36 million, or 8%, primarily as a result of lower mortgage-related revenue, lower revenue from the intentional reduction of non-branded ATMs, lower loan syndication fees and decreased levels of investment grade underwriting fees. For the first nine months of 2002, banking fees and commissions increased by $59 million, or 5%. This increase was primarily the result of increased annuity and mutual fund sales, as well as from growth in asset-backed finance underwriting fees and multiple other capital markets businesses, partially offset by lower mortgage-related revenue.

Credit card revenue in the third quarter of 2002 increased $204 million, or 27%, and by $924 million, or 48%, for the first nine months of 2002. These increases were due to the addition of the Wachovia credit card business in the third quarter of 2001, consolidation of Paymentech beginning January 1, 2002, higher volume-related revenue and higher income earned on securitized loans.

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Service charges on deposits increased $22 million for the third quarter of 2002 and by $100 million for the first nine months of 2002. These increases primarily reflected improvement in Global Treasury Services as clients shifted their payment method to fees due to the lower value of their compensating deposit balances.

Net investment securities losses were $29 million for the third quarter of 2002, compared to $42 million in the year ago quarter. For the first nine months ended 2002, net investment gains were $49 million compared to losses of $69 million in the previous year. The year to date period includes the gain on sale of the GE Monogram joint venture, partially offset by net writedowns in the investment portfolios.

Trading produced gains of $149 million in the third quarter, compared to $70 million in the third quarter of 2001, an increase of $79 million. For the first nine months of 2002, trading revenue increased $39 million, or 20%. These gains were primarily the result of an increase in the fair value of credit derivatives used to hedge the commercial loan portfolio and limit exposures for specific credits, partially offset by lower results across multiple trading products.

Other income for the third quarter and for the nine months ended September 30, 2002, decreased $143 million and $321 million, respectively. These decreases were primarily a result of writedowns of tax-advantaged investments and leases, mortgage-related losses as well as the consolidation of Paymentech. Gains on the sale of ownership interests in EquiServe Limited Partnership and Star Systems recognized in the prior year also contributed to the decrease for the nine months ended September 30, 2002.

Noninterest Expense

The components of noninterest expense for the periods indicated are:

	Three Months Ended September 30				Nine Mo
			Change		
(Dollars in millions)	2002	2001	Amount	Percent	2002
Salaries and employee benefits:					
Salaries	$ 970	$ 916	$ 54	6%	$ 2,831 $
Employee benefits	160	130	30	23	496
Total salaries and employee benefits	1,130	1,046	84	8	3,327
Occupancy	159	175	(16)	(9)	487
Equipment	109	107	2	2	311
Outside service fees and processing	304	303	1	N/M	976
Marketing and development	291	212	79	37	813
Telecommunication	74	105	(31)	(30)	309
Other intangible amortization	32	30	2	7	94
Goodwill amortization	-	17	(17)	N/M	-
Other expense	316	308	8	3	944
Total noninterest expense before merger and restructuring-related reversals	2,415	2,303	112	5	7,261
Merger and restructuring-related reversals	-	-	-	-	(63)
Total noninterest expense	2,415	2,303	112	5	7,198
Employees	73,535	75,801	(2,266)	(3)	
Efficiency ratio	57.3%	56.9%	0.4%		56.6%

N/M - Not meaningful.

Components of noninterest expense that are primarily related to a single business segment are discussed within that business segment.

Salaries and employee benefits in the third quarter and for the first nine months of 2002 increased 8% and 6%, respectively. These increases were due to increased incentive compensation and the consolidations of Paymentech and

Anexsys, partially offset by savings from reduced headcount. Salaries and employee benefits for the first nine months of 2002 also included $28 million expense related to adopting the fair value method of accounting for stock option and stock purchase plans.

Outside service fees and processing expense remained relatively unchanged in the current quarter and increased $104 million, or 12%, in the first nine months of 2002. Contributing to the increase in outside service fees and

processing expenses for the first nine months of 2002 were increased contract programming charges related to the Corporation's conversion efforts and terminating and renegotiating certain vendor contracts.

Marketing and development expense increased in the third quarter and first nine months of 2002 by 37% and 28%, respectively, primarily due to increased advertising expenditures for Card Services and certain Retail products.

Telecommunication expense decreased $31 million in the third quarter primarily due to lower servicing expenses resulting from terminating and renegotiating certain vendor contracts in the second quarter 2002.

Other intangible amortization in the third quarter remained relatively unchanged and increased $25 million for the first nine months of 2002, primarily due to the amortization of purchased credit card relationships associated with the addition of the Wachovia credit card business. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", the Corporation no longer amortizes goodwill and thus did not incur any goodwill amortization expense in the first nine months of 2002.

Other expense in the third quarter and the first nine months of 2002 increased by $8 million and $23 million, respectively, primarily due to systems conversion costs. The Corporation successfully completed the Michigan and Florida conversion during the second quarter. The last major conversion, Illinois, the largest and most complicated to date, is on track to be completed in the fourth quarter.

As a result of the Significant Items noted on pages 41-42 of the Corporation's 2001 Annual Report and restructuring plans initiated in 2000 and 2001, the Corporation expects noninterest expense, before restructuring-related charges and the addition of Paymentech, Inc. and Anexsys, LLC, will be in the range of $9.4 billion to $9.6 billion for 2002, which represents a reduction in annualized noninterest expense of approximately $1.2 billion and decreased headcount of approximately 9,000 employees from June 30, 2000.

Applicable Income Taxes

The Corporation's income before income taxes, applicable income tax expense and effective tax rate for each of the periods indicated are:

	Three Months Ended September 30		Nine Months Ended Septe
(Dollars in millions)	2002	2001	2002
Income before income taxes and cumulative effect of change in			

accounting principle	$ 1,178	$ 1,093	$ 3,549	$
Applicable income taxes	355	339	1,096	
Effective tax rate	30.1%	31.0%	30.9%	

Applicable income tax expense for all periods included benefits for tax-exempt income, tax-advantaged investments and general business tax credits, offset by the effect of nondeductible expenses.

RISK MANAGEMENT

The Corporation's business activities generate liquidity, market, credit and operational risks:

- Liquidity risk is the risk that the Corporation is unable to meet all current and future financial obligations in a timely manner.
- Market risk is the risk that changes in future market rates or prices will make the Corporation's positions less valuable.
- Credit risk is the risk of loss from borrowers' and counterparties' failure to perform according to the terms of a transaction.
- Operational risk, among other things, includes the risk of loss due to errors in product and service delivery, failure of internal controls over information systems and accounting records, and internal and external fraud.

The following discussion of the Corporation's risk management processes focuses primarily on developments since June 30,2002. The Corporation's risk management processes for liquidity, market, credit and operational risks have not substantially changed from year-end and are described in detail in the Corporation's 2001 Annual Report, beginning on page 47.

At September 30, 2002, the Corporation and its principal banks had the following long- and short-term debt ratings:

	Short-Term Debt		Senior Long-Term Debt	
	S & P	Moody's	S & P	Moody's
The Corporation (parent)	A-1	P-1	A	Aa3
Principal banks	A-1	P-1	A+	Aa2

MARKET RISK MANAGEMENT

Overview

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. The portfolio effect of diverse trading activities helps reduce market risk. Through its trading activities, the Corporation strives to take advantage of profit opportunities available in interest and exchange rate movements. In asset and liability management activities, policies are in place to closely manage structural interest rate and foreign exchange rate risk.

Value-At-Risk-Trading Activities

The Corporation has developed policies and procedures to manage market risk in its trading activities through a value-at-risk measurement and control system, a stress testing process and dollar trading limits. The objective of this process is to quantify and manage market risk in order to limit single and aggregate exposures.

For trading portfolios, value-at-risk measures the maximum fair value the Corporation could be reasonably expected to lose on a trading position, given a specified confidence level and time horizon. Value-at-risk limits and exposure are monitored daily for each significant trading portfolio. Stress testing is similar to value-at-risk except that the confidence level is geared to capture more extreme, less frequent market events.

Value-at-risk was not calculated for credit derivatives used to hedge specific credits in the loan portfolio. However, stress testing is regularly performed for these credit derivative positions. See discussion of credit derivatives on page 37.

The Corporation's value-at-risk calculation measures potential losses in fair value using a 99% confidence level and a one-day time horizon. This equates to 2.33 standard deviations from the mean under a normal distribution. This means that, on average, daily profits and losses are expected to exceed value-at-risk one out of every 100 overnight trading days. Value-at-risk is calculated using a statistical model applicable to cash and derivative positions, including options.

The value-at-risk in the Corporation's trading portfolio was as follows: (excluding credit derivatives used to hedge specific credits in the loan portfolio with a notional amount of $6.1 billion and $5.4 billion at September 30, 2002 and June 30, 2002, respectively).

(In millions)	SEPTEMBER 30 2002	THIRD QUARTER 2002 AVERAGE	HIGH	LOW	June 30 2002
Risk type:					
Interest rate	$ 14	$ 13	$ 15	$ 11	$ 11
Commodity price	-	-	2	-	-
Currency exchange rate	-	-	1	-	1
Equity	1	1	1	-	1
Diversification benefit	-	-	N/A	N/A	(1)
Aggregate portfolio market risk	$ 15	$ 14	$ 15	$ 12	$ 12

Interest rate risk was the predominant type of market risk incurred during the third quarter of 2002. At September 30, 2002, approximately 93% of primary market risk exposures were related to interest rate risk. Exchange rate, equity and commodity risks accounted for 7% of primary market risk exposures.

Structural Interest Rate Risk Management

Interest rate risk exposure in the Corporation's core non-trading business activities, i.e., asset/liability management ("ALM") position, is a result of reprice, option, basis and yield curve risk associated with both on- and off-balance sheet positions. The position is measured using sophisticated risk management tools, including earnings simulation and economic value of equity sensitivity analysis, to capture short-term and long-term interest rate risk exposures.

Earnings simulation analysis, or earnings-at-risk, measures the sensitivity of pretax earnings to various interest rate movements. The base-care scenario is established using current interest rates. The comparative scenarios assume an immediate parallel shock in increments of +/- 100 basis point rate movements (see table below) and primarily reflect the repricing and option risk embedded in the current balance sheet.

The Corporation's 12-month pre-tax earnings sensitivity profile as of September 30, 2002 and June 30, 2002 is as follows:

	Immediate Change in Rates	
(In millions)	-100 bp	+100 bp