BANK ONE CORP
Form 10-Q
May 08, 2003

BANK ONE CORPORATION
INDEX TO FINANCIAL REVIEW

1 Five Quarter Summary of Selected Financial Information

2 Application of Critical Accounting Policies

2 Summary of Results

4 Business Segment Results

4 Business Segment Results and Other Data

21 Balance Sheet Analysis

21 Risk Management

22 Liquidity Risk Management

22 Market Risk Management

24 Credit Portfolio Composition

28 Asset Quality

31 Allowance for Credit Losses

34 Derivative Financial Instruments

35 Loan Securitizations and Off-Balance Sheet Activities

38 Capital Management

40 Forward-Looking Statements

41 Consolidated Financial Statements

45 Notes to Consolidated Financial Statements

55 Selected Statistical Information

56 Report of Management

57 Review Report of Independent Public Accountants

58 Form 10-Q

62 Management's Certification of Periodic Report

Five Quarter Summary of Selected Financial Information
Bank One Corporation and Subsidiaries

(In millions, except per share data, ratios,	March 31	December 31	September 30	June 3

and headcount)	2003	2002	2002	2002
INCOME STATEMENT DATA:				
Total revenue, net of interest expense(1)	$ 3,977	$ 4,232	$ 4,185	$ 4,2
Net interest income	1,992	2,156	2,197	2,0
Net interest income-- fully taxable-equivalent basis ("FTE")(2)	2,029	2,192	2,235	2,0
Noninterest income(1)	1,985	2,076	1,988	2,2
Provision for credit losses	496	628	587	6
Noninterest expense(1)	2,320	2,390	2,420	2,4
Net income	818	842	823	8
PER COMMON SHARE DATA:				
Net income:				
Basic	$ 0.71	$ 0.73	$ 0.71	$ 0.
Diluted	0.71	0.72	0.70	0.
Cash dividends declared	0.21	0.21	0.21	0.
Book value	19.44	19.28	18.79	18.
BALANCE SHEET DATA-ENDING BALANCES:				
Loans	$144,747	$148,125	$150,389	$147,7
Total assets	287,864	277,383	274,187	270,3
Deposits	167,075	170,008	164,036	157,5
Long-term debt(3)	44,950	43,234	42,481	43,7
Common stockholders' equity	22,316	22,440	21,925	21,5
Total stockholders' equity	22,316	22,440	21,925	21,5
CREDIT QUALITY RATIOS:				
Annualized net charge-offs to average loans	1.35%	1.65%	1.55%	1.
Allowance to period end loans	3.31	3.20	3.17	3.
Nonperforming assets to related assets(4)	2.38	2.38	2.48	2.
FINANCIAL PERFORMANCE:				
Return on average assets	1.22%	1.24%	1.24%	1.
Return on average common equity	14.7	15.0	14.8	15
Net interest margin	3.46	3.67	3.84	3.
Efficiency ratio	57.8	56.0	57.3	56
CAPITAL RATIOS:				
Risk-based capital:				
Tier 1	10.0%	9.9%	9.5%	9
Total	13.8	13.7	13.0	13
Leverage	8.9	8.9	9.0	9
COMMON STOCK DATA:				
Average shares outstanding:				
Basic	1,148	1,157	1,162	1,1
Diluted	1,156	1,166	1,171	1,1
Stock price, quarter-end	$ 34.62	$ 36.55	$ 37.40	$ 38.
Headcount- full-time	74,077	73,685	73,535	73,5

(1) Prior period amounts have been reclassified to conform with the current period presentation.
(2) Net interest income-FTE includes tax equivalent adjustments of $37 million, $36 million, $38 million, $36 million and $35 million for the quarters ended March 31, 2003, December 31, 2002, September 30, 2002, June 30, 2002 and March 31, 2002, respectively.
(3) Includes trust preferred capital securities.
(4) Related assets consist of loans outstanding, including loans held for

sale, and other real estate owned.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Generally accepted accounting principles are complex and require management to apply significant judgments to various accounting, reporting and disclosure matters. Management of Bank One Corporation and its Subsidiaries (the "Corporation") must use assumptions and estimates to apply these principles where actual measurement is not possible or practical.

For a complete discussion of the Corporation's significant accounting policies, see "Notes to the Consolidated Financial Statements" in the Corporation's 2002 Annual Report on pages 84-108. Certain policies are considered critical because they are highly dependent upon subjective or complex judgments, assumptions and estimates. Changes in such estimates may have a significant impact on the financial statements. Management has reviewed the application of these policies with the Audit and Risk Management Committee of the Corporation's Board of Directors. For a discussion of applying critical accounting policies, see "Application of Critical Accounting Policies" beginning on page 35 in the Corporation's 2002 Annual Report.

SUMMARY OF RESULTS

(All comparisons are to the same period in the prior year unless otherwise specified.)

Net income was $818 million, or $0.71 per diluted share. This compares to net income of $787 million, or $0.67 per diluted share.

Net interest income represents the spread on interest earning assets over interest bearing liabilities, as well 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. Net interest income was $2.0 billion, a decrease of $208 million, or 9%. Net interest margin decreased to 3.46% from 3.91%. Approximately half of these declines resulted from actions taken by the Corporation to position itself for rising interest rates. Also contributing to the decreases were the intentional reductions in the Commercial Banking and certain Retail loan portfolios, with a modest impact due to yield compression in Card Services.

Noninterest income of $2.0 billion increased $16 million, and as a percentage of total revenue increased to 49.9% from 47.2%. This increase was primarily due to net gains in the investment portfolio offset by reduced credit card revenue and banking fees and commissions. The components of noninterest income for the periods indicated are:

			Change	
Three Months Ended March 31,	2003	2002	Amount	Percent
(Dollars in millions)				
Banking fees and commissions	$ 440	$ 458	$(18)	(4)%
Credit card revenue	851	909	(58)	(6)
Service charges on deposits	383	393	(10)	(3)
Fiduciary and investment management fees	186	189	(3)	(2)
Investment securities gains (losses)	69	(18)	87	N/M
Trading	4	17	(13)	(76)
Other income	52	21	31	N/M

Total noninterest income	$1,985	$1,969	$ 16	1
Noninterest income to total revenue	49.9%	47.2%	2.7%	

Banking fees and commissions of $440 million decreased $18 million, or 4%. This net decrease was the result of several offsetting items. Lower premiums and commissions on accident and health insurance, lower investment advisory fees and lower fees resulting from the intentional reduction of non-branded ATM machines were the primary drivers of this decrease. Partially offsetting the decrease was an increase in asset-backed, syndication and tax-exempt underwriting fees.

Credit card revenue of $851 million decreased $58 million, or 6%. This decrease was primarily driven by lower income earned on securitized loans and yield compression. Partially offsetting this decrease was higher interchange fees from increased card usage by our customers and increased securitization activity.

Net investment securities gains were $69 million compared to losses of $18 million. Net securities gains arose primarily from treasury's investment portfolio as a result of further interest rate repositioning.

Trading produced gains of $4 million, a decrease of $13 million, or 76%. This decrease was primarily the result of a decrease in the fair value of credit derivatives used to hedge the commercial loan portfolio and limit exposures for specific credits, partially offset by improved foreign exchange trading income.

Other income increased $31 million. This increase was primarily driven by an increase in new securitization deals and gains on the sales of investments and other assets.

Total noninterest expense of $2.3 billion decreased by $42 million, or 2%. The components of noninterest expense for the periods indicated are:

			Change	
Three Months Ended March 31,	2003	2002	Amount	Percent
(Dollars in millions)				
Salaries and employee benefits:				
Salaries	$ 992	$ 920	$ 72	8%
Employee benefits	191	176	15	9
Total salaries and employee benefits	1,183	1,096	87	8
Occupancy	165	158	7	4
Equipment	111	103	8	8
Outside service fees and processing	277	300	(23)	(8)
Marketing and development	226	271	(45)	(17)
Telecommunication	48	101	(53)	(52)
Other intangible amortization	32	33	(1)	(3)
Other expense	278	300	(22)	(7)
Total noninterest expense	$ 2,320	$ 2,362	$(42)	(2)
Headcount-full-time	74,077	73,864	213	--

Efficiency ratio	57.8%	56.2%	1.6%

Salaries and employee benefits of $1.2 billion increased $87 million, or 8%. This increase was due to higher salary expense partially related to increased headcount, the prior year adoption of the fair value method of accounting for stock options and increased incentive compensation.

Outside service fees and processing expense of $277 million decreased $23 million, or 8%. The prior year period included higher expenses related to terminating and renegotiating certain vendor contracts and higher servicing and contract programming charges resulting from the Corporation's systems conversion efforts.

Marketing and development expense of $226 million decreased $45 million, or 17%, primarily due to decreased advertising expenditures for Card Services.

Telecommunication expense of $48 million decreased $53 million, or 52%. The prior year period included higher servicing expenses resulting from terminating and renegotiating certain vendor contracts during that period.

Other expense decreased $22 million, or 7%, primarily due to lower operating and fraud costs associated with Card Services.

Provision for credit losses was $496 million, a decrease of $169 million, or 25%. At March 31, 2003, the related allowance for credit losses was $4.5 billion. The overall loan portfolio decreased from $152.1 billion to $144.7 billion. As a percentage of period end loans, the allowance increased to 3.31% from 3.06%.

Applicable Income Taxes

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

Three Months Ended March 31,	2003	2002
(Dollars in millions)		
Income before income taxes	$1,161	$1,142
Applicable income taxes	343	355
Effective tax rate	30%	31%

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.

BUSINESS SEGMENT RESULTS

The Corporation is managed on a line of business basis. The business segments' financial results presented reflect the current organization of the Corporation. For a detailed discussion of the various business activities of the Corporation's business segments, see pages 38-51 of the Corporation's 2002 Annual Report.

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

Three Months Ended March 31,	2003	2002
(In millions)		
Retail	$ 381	$353
Commercial Banking	217	143
Card Services	248	239
Investment Management	80	101
Corporate	(108)	(49)
Net income	$ 818	$787

BUSINESS SEGMENT RESULTS AND OTHER DATA

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 by management.

Retail

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

	Three Months Ended March 31			
			Change	
(Dollars in millions)	2003	2002(1)	Amount	Perc
INCOME STATEMENT DATA:				
Net interest income-FTE(2)(3)	$ 1,236	$ 1,258	$ (22)	(2
Banking fees and commissions(4)	189	205	(16)	(8
Credit card revenue(5)	53	43	10	23
Service charges on deposits(6)	204	201	3	1
Other income	13	11	2	18
Total noninterest income	459	460	(1)	--
Total revenue, net of interest expense	1,695	1,718	(23)	(1
Provision for credit losses	205	267	(62)	(23
Salaries and employee benefits	391	389	2	1
Other expense	499	502	(3)	(1
Total noninterest expense	890	891	(1)	--
Income before income taxes	600	560	40	7
Applicable income taxes	219	207	12	6
Net income	$ 381	$ 353	$ 28	8

Memo-Revenue by source:				
Core businesses	$ 1,626	$ 1,614	$ 12	1
Brokered home equity discontinued /vehicle leases	69	104	(35)	(34
FINANCIAL PERFORMANCE:				
Return on average common equity	25%	23%	2%	
Efficiency ratio	53	52	1	
Headcount-full-time	33,400	33,631	(231)	(1
ENDING BALANCES (in billions):				
Small business commercial	$ 9.7	$ 9.9	$(0.2)	(2
Home equity	28.9	25.3	3.6	14
Vehicle	13.6	13.7	(0.1)	(1
Other personal	7.9	8.6	(0.7)	(8
Core businesses	60.1	57.5	2.6	5
Brokered home equity discontinued	2.8	4.6	(1.8)	(39
Vehicle leases	3.0	5.4	(2.4)	(44
Brokered home equity discontinued/vehicle leases	5.8	10.0	(4.2)	(42
Total loans(7)	65.9	67.5	(1.6)	(2
Assets	69.1	71.0	(1.9)	(3
Demand deposits	28.5	26.0	2.5	10
Savings	40.2	37.9	2.3	6
Time	20.6	24.9	(4.3)	(17
Total deposits	89.3	88.8	0.5	1
Equity	6.2	6.2	--	--

5

Retail - continued

	Three Months Ended March 31			
			Change	
	2003	2002(1)	Amount	Percen
AVERAGE BALANCES (in billions):				
Small business commercial	$ 9.8	$ 9.9	$ (0.1)	(1)
Home equity	28.5	25.2	3.3	13
Vehicle	13.8	13.5	0.3	2
Other personal loans	8.6	9.9	(1.3)	(13)
Core businesses	60.7	58.5	2.2	4
Brokered home equity discontinued	3.0	4.9	(1.9)	(39)
Vehicle leases	3.3	5.7	(2.4)	(42)
Brokered home equity discontinued/vehicle leases	6.3	10.6	(4.3)	(41)

Total loans	67.0	69.1	(2.1)	(3)
Assets	$70.2	$72.6	$ (2.4)	(3)
Demand deposits	27.6	25.1	2.5	10
Savings	39.6	37.1	2.5	7
Time	21.2	25.4	(4.2)	(17)
Total deposits	88.4	87.6	0.8	1
Equity	6.2	6.2	--	--
CREDIT QUALITY				
Net charge-offs:				
Small business commercial	$ 24	$ 14	$ 10	71%
Home equity	70	82	(12)	(15)
Vehicle	47	65	(18)	(28)
Other personal loans	18	26	(8)	(31)
Core businesses	159	187	(28)	(15)
Brokered home equity discontinued	29	48	(19)	(40)
Vehicle leases	16	30	(14)	(47)
Brokered home equity discontinued/vehicle leases	45	78	(33)	(42)
Total consumer	180	251	(71)	(28)
Total net charge-offs	204	265	(61)	(23)
Annualized net charge-off ratios:				
Small business commercial	0.98%	0.57%	0.41%	
Home equity	0.98	1.30	(0.32)	
Vehicle	1.36	1.93	(0.57)	
Other personal loans	0.84	1.05	(0.21)	
Core businesses	1.05	1.28	(0.23)	
Brokered home equity discontinued	3.87	3.92	(0.05)	
Vehicle leases	1.94	2.11	(0.17)	
Brokered home equity discontinued/vehicle leases	2.86	2.94	(0.09)	
Total consumer	1.26	1.70	(0.44)	
Total net charge-offs	1.22	1.53	(0.31)	

6

Retail - continued

	Three Months Ended March 31			
			Change	
	2003	2002(1)	Amount	Percen
Nonperforming assets:				
Commercial	$ 345	$ 318	$ 27	8
Consumer(8)	1,005	1,080	(75)	(7

Total nonperforming loans(9)	1,350	1,398	(48)	(3
Other, including other real estate owned ("OREO")	231	159	72	45
Total nonperforming assets	1,581	1,557	24	2
Allowance for credit losses	$1,015	$1,024	$ (9)	(1
Allowance to period end loans(7)	1.60%	1.56%	0.04%	
Allowance to nonperforming loans(9)	75	73	2	
Nonperforming assets to related assets	2.39	2.30	0.09	
DISTRIBUTION:				
Number of:				
Banking centers	1,798	1,776	22	1
ATMs	4,009	5,109	(1,100)	(22
Relationship bankers	2,893	2,295	598	26
On-line customers (in thousands)	1,701	1,248	453	36
Personal demand accounts (in thousands)	4,438	4,316	122	3
Business demand accounts (in thousands)	496	496	--	--
Debit cards issued (in thousands)	4,818	4,404	414	9
RETAIL BROKERAGE:				
Mutual fund sales	$ 577	$ 580	$ (3)	(1
Annuity sales	766	797	(31)	(4
Total investment sales volume	1,343	1,377	(34)	(2
Market value customer assets - end of period (in billions)	$ 28.6	$ 26.8	$ 1.8	7
Number of customers - end of period (in thousands)	693	663	30	5
Number of dedicated investment sales representatives	870	737	133	18

N/M-Not meaningful.

(1) Prior period data has been adjusted for the transfer of Retail brokerage from the Investment Management line of business and the transfer of the community development business to the Corporate line of business.

(2) Net interest income-FTE includes tax equivalent adjustments of $5 million for the three months ended March 31, 2003 and 2002.

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

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

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

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

(7) Loans include loans held for sale of $2.4 billion and $1.8 billion at March 31, 2003 and 2002, respectively. These amounts are not included in allowance coverage statistics.

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

(9) Nonperforming loans includes loans held for sale of $5 million and $4 million at March 31, 2003 and 2002, respectively. These amounts are not included in allowance coverage statistics.

Quarterly Results

Retail net income totaled $381 million, an increase of $28 million, or 8%, primarily resulting from lower provision expense.

Total revenue decreased 1% to $1.7 billion. Excluding revenue associated with the portfolios being intentionally reduced, revenue increased $12 million. Net interest income was $1.2 billion, down 2%, primarily from the intentional reduction of the vehicle lease and discontinued brokered home equity portfolios, where average balances declined $4.3 billion. This revenue decline was partially offset by higher direct home equity loans and core demand deposits.

Noninterest income of $459 million was relatively unchanged, as lower fees related to the intentional reduction of non-branded ATM machines were offset by higher debit card revenue.

Noninterest expense of $890 million was also relatively unchanged, as improved efficiencies in operating expenses were offset by increased collection, marketing, benefits and branch expansion costs.

The provision for credit losses was $205 million, a decline of $62 million, or 23%, reflecting lower net charge-offs primarily in the intentionally reduced portfolios as well as the on-going real estate portfolio. As a percent of average loans, net charge-offs were 1.22%, down from 1.53%.

The allowance for credit losses of $1.0 billion represented 1.60% of period-end loans, compared to 1.56%. Nonperforming assets were $1.6 billion, up 2% from the prior year.

In April 2003, VISA reached an agreement to settle merchant litigation regarding debit card interchange reimbursement fees. The Corporation currently estimates that Retail debit card revenue would decline by approximately $60 million pre-tax on an annualized basis beginning in August 2003. Conditions of the settlement permit VISA to renegotiate debit card interchange rates as of January 1, 2004 which will affect this estimate.

Commercial Banking

Commercial Banking offers a broad array of products, including global cash management, treasury services, capital markets, commercial cards, lending and other noncredit products and services to corporate banking and middle market banking customers.

	Three Months Ended March 31			
			Change	
(Dollars in millions)	2003	2002	Amount	Percent
INCOME STATEMENT DATA:				
Net interest income-FTE(3)(10)	$ 569	$ 655	$ (86)	(13)%

Banking fees and commissions	191	175	16	9
Credit card revenue	23	14	9	64
Service charges on deposits	175	184	(9)	(5)
Fiduciary and investment management fees(11)	1	(1)	2	N/M
Trading(12)	17	26	(9)	(35)
Other income (loss)	10	(27)	37	N/M
Total noninterest income	417	371	46	12
Total revenue, net of interest expense	986	1,026	(40)	(4)
Provision for credit losses	128	281	(153)	(54)
Salaries and employee benefits	277	259	18	7
Other expense	290	301	(11)	(4)
Total noninterest expense	567	560	7	1
Income before income taxes	291	185	106	57
Applicable income taxes	74	42	32	76
Net income	$ 217	$ 143	$ 74	52
Memo-Revenue by activity				
Lending-related revenue	$ 430	$ 445	$ (15)	(3)
Credit derivative hedge portfolio	(54)	(33)	(21)	(64)
Global treasury services	390	429	(39)	(9)
Capital markets(13)	201	168	33	20
Other	19	17	2	12
FINANCIAL PERFORMANCE:				
Return on average common equity	12%	8%	4%	
Efficiency ratio	58	55	3	
Efficiency ratio excluding credit hedge portfolio	55	53	2	
Headcount-full-time				
Corporate banking (including capital markets)	2,491	2,306	185	8%
Middle market	2,677	3,064	(387)	(13)
Global treasury services	3,203	3,306	(103)	(3)
Operations, technology, and other administration	2,023	2,203	(180)	(8)
Total headcount-full-time	10,394	10,879	(485)	(4)
ENDING BALANCES (in billions):				
Loans(14)	$ 59.5	$ 69.0	$(9.5)	(14)%
Assets	96.6	96.3	0.3	--
Demand deposits	27.7	22.4	5.3	24
Savings	3.3	2.9	0.4	14
Time	13.7	11.1	2.6	23
Foreign offices	9.2	7.0	2.2	31
Total deposits	53.9	43.4	10.5	24
Equity	7.4	7.4	--	--

Commercial Banking - continued

	Three Months Ended March 31			
			Change	
	2003	2002	Amount	Percent
AVERAGE BALANCES (in billions):				
Loans	$ 60.0	$ 71.1	$(11.1)	(16)%
Assets	93.0	99.3	(6.3)	(6)
Demand deposits	22.6	22.7	(0.1)	--
Savings	3.3	3.0	0.3	10
Time	14.1	17.2	(3.1)	(18)
Foreign offices	9.0	8.2	0.8	10
Total deposits	49.0	51.1	(2.1)	(4)
Equity	7.4	7.4	--	--
CREDIT QUALITY				
Net charge-offs	$ 128	$ 281	$ (153)	(54)%
Annualized net charge-off ratio	0.85%	1.58%	(0.73)%	
Nonperforming assets:				
Nonperforming loans(15)	$1,761	$2,257	$ (496)	(22)
Other, including OREO	19	33	(14)	(42)
Total nonperforming assets	1,780	2,290	(510)	(22)
Allowance for credit losses	3,071	3,071	--	--
Allowance to period end loans(14)	5.18%	4.46%	0.72%	
Allowance to nonperforming loans(15)	176	140	36	
Nonperforming assets to related assets	2.99	3.32	(0.33)	
CORPORATE BANKING (in billions):				
Loans-ending balance	$ 29.9	$ 34.7	$ (4.8)	(14)%
-average balance	30.4	36.0	(5.6)	(16)
Deposits-ending balance	29.8	21.5	8.3	39
-average balance	26.8	29.1	(2.3)	(8)
Credit quality (dollars in millions)				
Net charge-offs	81	163	(82)	(50)
Annualized net charge-off ratio	1.07%	1.81%	(0.74)%	
Nonperforming loans	$ 814	$1,170	$ (356)	(30)
Nonperforming loans to total loans	2.72%	3.37%	(0.65)%	
SYNDICATIONS:				
Lead arranger deals:				
Volume (in billions)	$ 14.8	14.9	$ (0.1)	(1)%
Number of transactions	46	45	1	2
League table standing-rank	4	4	--	--
League table standing-market share	9%	9%	--	

Commercial Banking - continued

	Three Months Ended March 31			
			Change	
	2003	2002	Amount	Percent
MIDDLE MARKET BANKING (in billions):				
Loans-ending balance	$29.6	$ 34.3	$ (4.7)	(14)%
-average balance	29.6	35.1	(5.5)	(16)
Deposits-ending balance	24.1	21.9	2.2	10
-average balance	22.2	22.0	0.2	1
Credit quality (dollars in millions):				
Net charge-offs	47	118	(71)	(60)
Annualized net charge-off ratio	0.64%	1.34%	(0.70)%	
Nonperforming loans	$ 947	$1,087	$ (140)	(13)
Nonperforming loans to total loans	3.20%	3.17%	0.03%	

For additional footnote detail see page 7.

(10) Net interest income-FTE includes tax equivalent adjustments of $23 million and $21 million for the three months ended March 31, 2003 and 2002, respectively.

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

(12) Trading income primarily includes realized and unrealized mark-to-market changes from trading assets, derivative financial instruments and foreign exchange products.

(13) Capital markets includes trading income and underwriting, syndicated lending and advisory fees.

(14) Loans includes loans held for sale of $0.2 billion and $0.1 billion at March 31, 2003 and 2002, respectively. These amounts are not included in allowance coverage statistics.

(15) Nonperforming loans includes loans held for sale of $17 million and $66 million at March 31, 2003 and 2002, respectively. These amounts are not included in allowance coverage statistics.

Quarterly Results

Commercial Banking net income increased $74 million, or 52%, to $217 million, primarily reflecting improved credit performance and capital markets revenue, partially offset by weak loan demand and deposit margin compression.

Net interest income decreased 13% to $569 million, reflecting a 16% reduction in average loan volume and compression in deposit spreads, partially offset by an improvement in corporate banking and middle market loan spreads.

Mark-to-market adjustments on the $7.7 billion notional credit derivatives hedge portfolio negatively impacted trading income by $54 million versus $33

million in the prior year.

Noninterest income (excluding the impact of the credit derivative hedge portfolio) increased $67 million, primarily driven by gains in tax-oriented investments, increased asset-backed, syndication and tax-exempt underwriting fees, and improved foreign exchange trading income.

Continued expense management held noninterest expense relatively stable at $567 million despite higher compensation costs resulting from the expensing of stock options and increased benefits expense.

Credit quality continued to improve as reflected by the decline of $153 million, or 54%, in the provision for credit losses.

The allowance for credit losses of $3.1 billion represented 5.18% of period-end loans, an increase from 4.46% in the prior year. Nonperforming loans declined 22% to $1.8 billion, reflecting declines of 30% in corporate banking and 13% in middle market banking.

Card Services

Card Services offers customers more than 1,200 co-brand, affinity and other cards. These cards include some of the leading corporations, financial institutions, universities, sports franchises and affinity organizations. All of these cards carry the respective VISA(R) or MasterCard(R) brand names.

With 51.0 million cards in circulation, Card Services is the third largest credit card provider in the United States and the largest Visa credit card issuer in the world. Card Services is also a leader in online card marketing and customer service, with more than 3.8 million registered users of its website.

	Three Months Ended March 31			
			Change	
(Dollars in millions)	2003	2002	Amount	Percent
INCOME STATEMENT DATA:				
Net interest income-FTE(3)(16)	$ 309	$ 251	$ 58	23%
Banking fees and commissions	11	25	(14)	(56)
Credit card revenue	774	853	(79)	(9)
Other loss	(4)	(18)	14	78
Total noninterest income	781	860	(79)	(9)
Total revenue, net of interest expense	1,090	1,111	(21)	(2)
Provision for credit losses	161	97	64	66
Salaries and employee benefits	153	146	7	5
Other expense	374	475	(101)	(21)
Total noninterest expense	527	621	(94)	(15)
Income before income taxes	402	393	9	2

Applicable income taxes	154	154	--	--
Net income	$ 248	239	$ 9	4
Memo-Net securitization gains (amortization)	$ 1	$ (31)	$ 32	N/M
FINANCIAL PERFORMANCE:				
Return on average common equity	16%	15%	1%	
Efficiency ratio	48	56	(8)	
Headcount-full-time	10,778	10,718	60	1%
ENDING BALANCES (in billions):				
Owned loans:				
Held in portfolio	$ 7.1	$ 4.8	$ 2.3	48%
Held for sale(17)	5.2	2.6	2.6	N/M
Total owned loans	12.3	7.4	4.9	66
Seller's interest and accrued interest receivable	25.2	22.3	2.9	13
Total receivables	37.5	29.7	7.8	26
Assets	42.8	34.9	7.9	23
Equity	6.4	6.4	--	--
AVERAGE BALANCES (in billions):				
Owned loans:				
Held in portfolio	$ 7.7	$ 5.0	$ 2.7	54%
Held for sale	4.6	2.2	2.4	N/M
Total owned loans	12.3	7.2	5.1	71
Seller's interest and accrued interest receivable	26.5	22.5	4.0	18
Total receivables	38.8	29.7	9.1	31
Assets	44.2	34.8	9.4	27
Equity	6.4	6.4	--	--

Card Services - continued

	Three Months Ended March 31			
			Change	
CREDIT QUALITY (dollars in millions):	2003	2002	Amount	Percent
Net charge-offs	$ 161	$ 97	$ 64	66%
Annualized net charge-off ratio	5.24%	5.38%	(0.14)%	
Delinquency ratio:				
30+ days	2.81	2.99	(0.18)	
90+ days	1.30	1.36	(0.06)	

Allowance for credit losses	$ 396	$ 396	--	--
Allowance to period end loans held in portfolio	5.58%	8.29%	(2.71)%	
OTHER DATA:				
Charge volume (in billions)	$ 38.3	$ 34.0	$ 4.3	13%
New accounts opened (in thousands)	1,037	941	96	10
Credit cards issued (in thousands)	50,978	49,407	1,571	3
Number of CardmemberServices.com customers (in millions)	3.8	2.3	1.5	65
Paymentech (in millions):				
Bank card volume	$34,444	$27,961	$6,483	23
Total transactions	1,218	940	278	30

Through securitization, the Corporation transforms a substantial portion of its credit card receivables into securities, which are sold to investors. 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 in other 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 that have been converted to certificate form are reclassified as investment income in net interest income.

The Corporation evaluates its Card Services line of business trends on a managed basis, which treats the securitization as a secured financing transaction and assumes that 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 35 and Note 9, "Credit Card Securitizations," of the Corporation's 2002 Annual Report on pages 94-95 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. See page 13 for a description of the managed presentation.

Three Months Ended March 31

Card Services - Managed Basis	2003	2002	Change Amount	Change Percent
ENDING BALANCES (in billions):				
Owned loans:				
Held in portfolio	$ 7.1	$ 4.8	$ 2.3	48%
Held for sale(17)	5.2	2.6	2.6	N/M
Seller's interest and accrued interest receivable	25.2	22.3	2.9	13
Loans on balance sheet	37.5	29.7	7.8	26
Securitized	35.3	35.1	0.2	1
Total loans	72.8	64.8	8.0	12
Managed assets	78.1	70.0	8.1	12
AVERAGE MANAGED ASSETS (in billions):	78.8	71.4	7.4	10
CREDIT QUALITY (dollars in millions):				
Managed net charge-offs	$ 971	$ 943	$ 28	3%
Annualized managed net charge-off ratios:				
For the period	5.29%	5.69%	(0.40)%	
12-month lagged(18)	5.86	5.77	0.09	
Managed delinquency ratio:				
30+ days	4.08	4.27	(0.19)	
90+ days	1.88	1.96	(0.08)	

For additional footnote detail see pages 7 and 11.

(16) Net interest income-FTE did not have tax equivalent adjustments for the three months ended March 31, 2003 and 2002.
(17) These amounts are not included in allowance coverage statistics.
(18) 2002 ratio includes Wachovia net charge-offs but excludes Wachovia loans.

Quarterly Results

Card Services net income increased 4% to $248 million. Expense management and higher loan balances were partially offset by margin compression associated with continued competitive pricing necessary to retain and attract customers.

Total revenue decreased 2% to $1.1 billion. Net interest income increased 23% to $309 million, reflecting higher owned loan balances, partially offset by the impact of lower, more competitive yields. Noninterest income declined 9% to $781 million, primarily driven by lower income earned on securitized loans, also the result of lower yields. This decline was partially offset by higher interchange fees from increased card usage by our customers and increased securitization activity. Paymentech, Inc., the Corporation's merchant card processor, reported an increase in total revenue of 13% to $134 million, resulting from a 23% increase in bank card volume and a 30% increase in total transactions, driven primarily by the purchase of the Scotia Bank merchant acquirer business.

Noninterest expense decreased 15% to $527 million, resulting from reduced marketing expense and operational efficiencies.

Period-end owned loans were $12.3 billion, an increase of $4.9 billion, or 66%, due to a lower percentage of securitized loans to managed loans in the

current period. Net charge-offs were $161 million, an increase of $64 million, or 66%, primarily driven by higher owned loan balances. Net charge-offs as a percentage of average loans were 5.24%, down from 5.38%, resulting from improved portfolio credit quality.

The 30-day delinquency ratio was 2.81%, down from 2.99%, resulting from improved portfolio credit quality. Delinquency rates, on a reported basis, continued to be lower than on a managed basis as new originations represented a larger percentage of the on-balance sheet portfolio.

Managed Basis

Period-end managed loans were $72.8 billion, an increase of $8.0 billion, or 12%. Reflecting the increase in loan balances, the provision for credit losses increased $28 million, or 3%, to $971 million. Net charge-offs as a percentage of average managed loans, however, declined to 5.29% from 5.69%, reflecting underwriting discipline and focus on the prime and super-prime markets.

The 30-day delinquency ratio was 4.08%, compared to 4.27%, resulting from improved portfolio credit quality. Delinquency rates, on a reported basis, continued to be lower than on a managed basis as new originations represented a larger percentage of the on-balance sheet portfolio.

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.

	Three Months Ended March 31			
			Change	
(Dollars in millions)	2003	2002(19)	Amount	Percent
INCOME STATEMENT DATA:				
Net interest income-FTE(3)(20)	$ 98	$ 114	$ (16)	(14)%
Banking fees and commissions	66	60	6	10
Service charges on deposits	5	5	--	--
Fiduciary and investment management fees	177	188	(11)	(6)
Other income	--	1	(1)	N/M
Total noninterest income	248	254	(6)	(2)
Total revenue, net of interest expense	346	368	(22)	(6)
Provision for credit losses	2	5	(3)	(60)

Salaries and employee benefits	117	116	1	1
Other expense	99	87	12	14
Total noninterest expense	216	203	13	6
Income before income taxes	128	160	(32)	(20)
Applicable income taxes	48	59	(11)	(19)
Net income	$ 80	$ 101	$ (21)	(21)
Memo-Insurance revenues	$ 107	$ 123	$ (16)	(13)
FINANCIAL PERFORMANCE:				
Return on equity	32%	41%	(9)%	
Efficiency ratio	62	55	7	
Headcount-full-time	4,703	5,009	(306)	(6)%
ENDING BALANCES (in billions):				
Loans	$ 6.7	$ 7.2	$(0.5)	(7)%
Assets	8.5	8.6	(0.1)	(1)
Demand deposits	2.3	3.0	(0.7)	(23)
Savings	5.2	3.9	1.3	33
Time	3.8	3.6	0.2	6
Foreign offices	0.2	0.2	--	--
Total deposits	11.5	10.7	0.8	7
Equity	1.0	1.0	--	--
AVERAGE BALANCES (in billions):				
Loans	$ 6.8	$ 7.0	$(0.2)	(3)%
Assets	8.4	8.3	0.1	1
Demand deposits	2.0	2.1	(0.1)	(5)
Savings	4.9	3.7	1.2	32
Time	3.5	3.3	0.2	6
Foreign offices	0.2	0.2	--	--
Total deposits	10.6	9.3	1.3	14
Equity	1.0	1.0	--	--

Investment Management - continued

	Three Months Ended March 31			
			Change	
	2003	2002(19)	Amount	Percent
CREDIT QUALITY (dollars in millions)				
Net charge-offs:				
Commercial	$ 1	$ 2	$ (1)	(50)%

Consumer	1	3	(2)	(67)
Total net charge-offs	2	5	(3)	(60)
Annualized net charge-off ratios:				
Commercial	0.13%	0.27%	(0.14)%	
Consumer	0.11	0.29	(0.18)	
Total net charge-off ratio	0.12	0.29	(0.17)	
Nonperforming assets:				
Commercial	$ 68	$ 30	$ 38	N/M
Consumer	13	7	6	86
Total nonperforming loans	81	37	44	N/M
Other, including OREO	1	--	1	--
Total nonperforming assets	82	37	45	N/M
Allowance for credit losses	40	25	15	60
Allowance to period end loans	0.60%	0.35%	0.25%	
Allowance to nonperforming loans	49	68	(19)	
Nonperforming assets to related assets	1.22	0.51	0.71	
ASSETS UNDER MANAGEMENT				
ENDING BALANCES (in billions):				
Mutual funds	$ 97.5	$ 89.9	$ 7.6	8%
Other	60.8	58.4	2.4	4
Total assets	158.3	148.3	10.0	7
By type:				
Money market	73.9	62.7	11.2	18
Equity	35.4	47.9	(12.5)	(26)
Fixed income	49.0	37.7	11.3	30
Total assets	158.3	148.3	10.0	7
By channel:				
Private client services	41.2	50.1	(8.9)	(18)
Retail brokerage	7.1	7.7	(0.6)	(8)
Institutional	80.3	64.4	15.9	25
Commercial cash sweep	7.7	10.1	(2.4)	(24)
Capital markets	3.4	2.6	0.8	31
External(21)	9.8	6.7	3.1	46
All other direct(22)	8.8	6.7	2.1	31
Total assets	158.3	148.3	10.0	7
Morningstar(R) Rankings:(23)				
% of 4 and 5 ranked funds	54%	55%	(1)%	
% of 3+ ranked funds	88	89	(1)	

Investment Management - continued

	Three Months Ended March 31			
			Change	
	2003	2002(19)	Amount	Percent
CORPORATE TRUST SECURITIES ENDING BALANCES: (in billions)				
Corporate trust securities under administration(24)	$1,003.9	$958.4	$ 45.5	5%
PRIVATE CLIENT SERVICES:				
Number of private client advisors	649	660	(11)	(2)%
Number of private client offices(25)	90	97	(7)	(7)
Total client assets-end of period (in billions)	$ 60.6	$ 72.0	$(11.4)	(16)
Ending balances (in billions):				
Loans	6.6	6.9	(0.3)	(4)
Deposits	9.9	8.2	1.7	21
Average balances (in billions):				
Loans	6.7	6.9	(0.2)	(3)
Deposits	9.3	8.1	1.2	15

For additional footnote detail see pages 7, 11 and 14.

(19) Prior period data has been adjusted for the transfer of retail brokerage to the Retail line of business.
(20) Net interest income-FTE did not have tax equivalent adjustments for the three months ended March 31, 2003 and 2002.
(21) Includes broker/dealers, trust companies, and registered investment advisors that sell, or offer, One Group funds.
(22) One Group funds invested in other One Group funds and other mutual funds sub-advised.
(23) Morningstar changed the rating process effective June 30, 2002 with no prior period restatements.
(24) Certain adjustments, primarily definitional in nature, were made to prior periods to conform to the current period presentation. Ending balances are estimated.
(25) During 2002, PCS offices that were in close proximity were consolidated to realize operational efficiencies.

Quarterly Results

Investment Management net income totaled $80 million, a decline of $21 million, or 21%, reflecting weak market conditions.

Assets under management were $158 billion, an increase of $10 billion, or 7%, as a result of strong money market and fixed income asset growth, partially offset by a decline in equity assets. During this same period, the S&P 500 declined 26%. Institutional and external assets under management increased $19 billion, or 27%, partially offset by a decline in Private Client Services assets under management of $9 billion, or 18%. One Group mutual funds assets increased 8% to $98 billion.

Net interest income decreased 14% to $98 million. Despite continued strong

average deposit growth of $1.3 billion, or 14%, net interest income declined due to deposit spread compression.

Noninterest income declined 2% to $248 million. Despite positive net fund inflows, noninterest income was negatively impacted by a shift in asset mix from equities to money market and fixed income, mostly caused by continuing market decline.

Noninterest expense increased 6% to $216 million, reflecting higher legal and other operating expenses. Salaries and benefits remained fairly flat despite an overall decline in headcount, because of increased benefits expenses and a change in the skill mix of the employee base.

The provision for credit losses was $2 million, down $3 million from a year ago. Provision decreased $26 million from the prior quarter, which had reflected the deterioration in credit quality of certain large loans.

Subsequent to March 31, 2003, the Corporation announced that it is exploring strategic options with the Global Corporate Trust business, which may include possible sale. No decision has been made pending managements' review.

18

Corporate

Corporate includes treasury, fixed income and principal investment portfolios, mortgage-servicing assets, unallocated corporate expenses, and any gains or losses from corporate transactions. The treasury group within the Corporate line of business risk manages mortgage-servicing assets on behalf of the Corporation.

	Three Months Ended March 31			
			Change	
(Dollars in millions)	2003	2002(26)	Amount	Percent
INCOME STATEMENT DATA:				
Net interest expense-FTE(3)(27)(28)	$ (183)	$ (43)	$ (140)	N/M
Banking fees and commissions	(17)	(7)	(10)	N/M
Credit card revenue	1	(1)	2	N/M
Service charges on deposits	(1)	3	(4)	N/M
Fiduciary and investment management fees	8	2	6	N/M
Investment securities gains (losses)	69	(18)	87	N/M
Trading losses	(13)	(9)	(4)	(44)%
Other income	33	54	(21)	(39)
Total noninterest income(29)	80	24	56	N/M
Total loss, net of interest expense	(103)	(19)	(84)	N/M
Provision for credit losses	--	15	(15)	N/M
Salaries and employee benefits	245	186	59	32
Other expense	(125)	(99)	(26)	(26)
Total noninterest expense(30)	120	87	33	38

Loss before income tax benefit	(223)	(121)	(102)	(84)
Applicable income tax benefit	(115)	(72)	(43)	(60)
Net loss	$ (108)	$ (49)	$ (59)	N/M
FINANCIAL PERFORMANCE:				
Headcount-full-time	14,802	13,627	1,175	9%
ENDING BALANCES (in billions):				
Loans	$ 0.3	$ 1.0	$ (0.7)	(70)%
Assets	70.9	52.1	18.8	36
Memo-				
Treasury investments(31)	41.6	30.4	11.2	37
Principal investments(32)	2.2	2.5	(0.3)	(12)
Deposits	12.4	15.9	(3.5)	(22)
Equity	1.3	(0.1)	1.4	N/M
AVERAGE BALANCES (in billions):				
Loans	$ 0.3	$ 0.5	$ (0.2)	(40)%
Assets	56.1	48.3	7.8	16
Deposits	12.9	15.7	(2.8)	(18)
Equity	1.6	(0.1)	1.7	N/M
CREDIT QUALITY (in millions):				
Net charge-offs	$ --	$ 15	$ (15)	N/M
Nonperforming assets:				
Nonperforming loans	7	45	(38)	(84)%
Other including OREO	3	5	(2)	(40)
Total nonperforming assets	10	50	(40)	(80)
Allowance for credit losses	4	4	--	
Allowance to period end loans	1.33%	0.40%	0.93%	
Allowance to nonperforming loans	57	9	48	
Nonperforming assets to related assets	3.30	4.98	(1.68)	

For additional footnote detail see pages 7, 11, 14 and 18.

(26) Prior period data has been adjusted for the transfer of the community development business from the Retail line of business.

(27) Net interest expense-FTE includes tax equivalent adjustments of $8 million for the three months ended March 31, 2003 and 2002.

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

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

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

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

(32) Principal investments include primarily private equity investments and

venture capital fund investments.

Quarterly Results

Corporate net loss totaled $108 million, compared with a net loss of $49 million. During the quarter, more than 20 million shares were repurchased at an average price of $35.72.

During 2002, actions were taken to position the balance sheet more defensively for a potential increase in interest rates. The Corporation extended funding duration by fixing rates, and better positioned treasury's investment portfolio for rising rates. As a result, net interest expense of $183 million in the current quarter reflects an increase of $140 million from the prior year.

Noninterest income was $80 million, an increase of $56 million, driven by net investment gains. Net securities gains of $69 million consisted primarily of net gains from treasury's investment portfolio as a result of further repositioning. In addition, other income decreased $21 million from the previous year primarily due to asset sales and valuation adjustments related to other investments.

Corporate noninterest expenses were $120 million, an increase of $33 million over the prior year.

BALANCE SHEET ANALYSIS

(All comparisons are to December 31, 2002, unless otherwise specified.)

The Corporation's loan portfolio was $144.7 billion compared with $148.1 billion, a decrease of $3.4 billion, or 2%. Commercial Banking loans totaled $59.5 billion compared to $61.9 billion, a decrease of $2.4 billion, or 4%. Reductions of $2.0 billion in the commercial and industrial portfolio were the result of on going risk management initiatives and weak loan demand. Card Services loans totaled $12.3 billion compared to $11.6 billion, an increase of $0.7 billion, or 7%. During the quarter, 1.0 million credit card accounts were opened. Retail loans totaled $65.9 billion compared with $67.6 billion, a decrease of $1.7 billion, or 3%, due primarily to the intentional reduction of the discontinued brokered home equity and vehicle lease portfolios partially offset by growth in home equity loans.

Investment securities totaled $71.3 billion compared with $67.6 billion. This increase of $3.7 billion, or 5%, was driven by an increase of $7.7 billion, or 29%, in U.S. government agencies and an increase of $605 million, or 45%, in U.S. Treasuries. Partially offsetting these increases was a decrease of $3.4 billion, or 12%, in retained interests in securitized credit card receivables, a decrease of $836 million, or 18%, in other debt securities and a decrease of $510 million, or 15%, in equity securities.

Total deposits were $167.1 billion compared to $170.0 billion, a decrease of $2.9 billion, or 2%. Time deposits totaled $28.1 billion compared to $30.5 billion, a decrease of $2.4 billion or 8%. Foreign offices' deposits totaled $15.0 billion compared to $16.2 billion, a decrease of $1.2 billion, or 7%. Offsetting this decrease was an increase in demand deposits of $1.7 billion, or 5%, to $36.0 billion from $34.3 billion. As a result of the current interest rate environment, customer deposits are migrating from time deposits to demand deposits.

RISK MANAGEMENT

Risk is an inherent part of the Corporation's business activity. The Corporation's ability to properly and effectively identify, measure, monitor, and report risk in its business activities is critical to its soundness and profitability. The diversity of the Corporation's lines of business helps reduce the impact that volatility in any particular area has on its operating results as a whole.

Risk Types
There are seven major risk types identified by the Corporation:

- Credit risk is the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract with the lender or otherwise fail to perform as agreed.
- Liquidity risk is the risk of loss arising from an institution's inability to meet its obligations when they come due without incurring unacceptable losses.
- Market risk is the risk that changes in future market rates or prices will make the Corporation's positions less valuable.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.
- Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the institution's ability to establish new relationships or services, or continue servicing existing relationships.
- Strategic risk is the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions.
- Compliance risk is the risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, or ethical standards.

The following discussion of the Corporation's risk management process focuses primarily on developments since December 31, 2002. The Corporation's risk management processes for credit, liquidity, market and operational risks have not substantially changed from year-end and are described in detail in the Corporation's 2002 Annual Report, beginning on page 56.

LIQUIDITY RISK MANAGEMENT

At March 31, 2003, 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	Fitch	S & P	Moody's	Fitch
The Corporation (parent)	A-1	P-1	F-1	A	Aa3	A+
Principal banks	A-1	P-1	F-1+	A+	Aa2	AA-

MARKET RISK MANAGEMENT

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads in market risk sensitive instruments. Market risk arises in both trading and non-trading portfolios. The section on "Market Risk Management-Nontrading Activities" in the Corporation's 2002 Annual Report on pages 61-62 provides an

overview of our approach to managing market risks arising from non-trading portfolios. In these asset and liability management activities, policies are in place to closely manage structural interest rate risk. Disclosures about the fair value of financial instruments, which reflect changes in market prices and rates, can be found in Note 23 "Fair Value of Financial Instruments" in the Corporation's 2002 Annual Report on pages 103-105.

Market Risk Management - Trading Activities

Through its trading activities, the Corporation strives to take advantage of profit opportunities due to changes in interest rates, exchange rates, equity prices, commodity prices and credit spreads. The Corporation's trading activities are primarily customer-oriented. For example, cash instruments are bought and sold to satisfy customers' investment needs. Derivative contracts are initially entered into to meet the risk management needs of customers. The Corporation enters into subsequent transactions to manage the level of risk in accordance with approved limits. In order to accommodate customers, an inventory of capital markets instruments is carried, and access to market liquidity is maintained by providing bid-offer prices to other market makers. The Corporation may also take proprietary trading positions in various capital markets cash instruments and derivatives, and these positions are designed to profit from anticipated changes in market factors. Activity is focused in OECD (Organisation for Economic Cooperation and Development) markets, with very little activity in emerging markets.

Many trading positions are kept open for brief periods of time, often less than one day. Other positions may be held for longer periods. Trading positions are carried at estimated fair value, with realized and unrealized gains and losses included in noninterest income as trading income.

Value-At-Risk

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. Value-at-risk is 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 under the "Trading Derivative Instruments" section in the Corporation's 2002 Annual Report on page 72. Likewise, value-at-risk calculations do not include the principal investments portfolio, which is carried at fair value with realized and unrealized gains and losses reported currently in income.

The Corporation applies a statistical model to its portfolios of cash and derivative positions, including options, to calculate value-at-risk. The variance-covariance model estimates the volatility of returns on individual assets, as well as the correlation of changes of asset price pairs. These volatility and correlation estimates are made on the basis of one-year, equally-weighted historical observations of market variables. The model then computes the volatility of changes in the market values of the portfolios (i.e., the value-at-risk results) by applying each portfolio's statistical sensitivities to the correlations.

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.

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 $7.7 billion and $7.3 billion at March 31, 2003 and December 31, 2002, respectively).

	First Quarter 2003				
(In millions)	March 31, 2003	Average	High	Low	December 31, 20
High Volume Capital Markets Trading Portfolios and Mortgage Pipeline (1)					
Risk type:					
Interest rate	$ 6	$ 6	$ 7	$ 4	$ 6
Currency exchange rate	--	--	1	--	--
Equity	--	--	--	--	1
Diversification benefit	--	--	--	--	--
Total	6	6	7	5	7
Other Trading Portfolios					
Risk type:					
Interest rate	4	5	6	4	7
Aggregate trading portfolio market risk	$10	$11	$12	$ 9	$14

(1) Subject to backtesting.

Interest rate risk was the predominant type of market risk incurred during the first quarter of 2003. At March 31, 2003, approximately 96% of primary market risk exposures were related to interest rate risk. Currency exchange rate, equity and commodity risks accounted for 1%, 2% and 1%, respectively, of primary market risk exposures.

At March 31, 2003, aggregate portfolio market risk exposures were 25% lower than at year-end 2002.

Value-at-risk levels are regularly backtested to validate the model by comparing predictions with actual results. For the three months ended March 31, 2003, backtesting results for the high volume capital markets portfolios and the mortgage pipeline appear in the following graph:

[GRAPHIC APPEARS HERE]

23

These backtesting results reflect only the higher-volume trading portfolios that are actively managed and marked-to-market on a daily basis (i.e., the capital markets trading portfolios and the mortgage pipeline in the consumer lending business). Based on a 99% confidence interval in predicting actual profit or loss, the Corporation would expect actual profit or loss to exceed value-at-risk one day for every one hundred days. As shown in the graph above, there were no days during the first quarter where the actual loss exceeded the calculated value-at-risk. The Corporation's value-at-risk measure provides a conservative measure of the level of market risk.

Market Risk Management - Non-Trading Activities
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, and basis risks associated with on- and off-balance sheet positions. Reprice risk represents timing mismatches in the Corporation's ability to alter contractual rates earned on financial assets or paid on liabilities in response to changes in market interest rates. Basis risk refers to the potential for change in the underlying relationship between market rates or indices, which subsequently result in a narrowing of the spread earned on a loan or investment relative to its cost of funds. Option risk arises from "embedded options" present in many financial instruments such as interest rate options, loan prepayment options and deposit early withdrawal options. These provide customers and investors opportunities to take advantage of directional changes in rates, which could have an adverse impact on the Corporation's margin performance. Embedded options are complex risk positions that are difficult to predict and offset, and are a significant component of the interest rate risk exposure for the Corporation.

Based on immediate parallel shocks, the Corporation's earnings at-risk to rising interest rates, versus base-case, has improved. The Corporation's 12-month pretax earnings sensitivity profile is as follows:

	Immediate Change in Rates			
(In millions)	+200 bp	+100 bp	-50 bp	-100 bp
March 31, 2003	$281	$242	$(227)	$(450)
December 31, 2002	$165	$100	$ (89)	$(177)

The increase in measured exposure to falling interest rates, and corresponding increase in benefit derived from rising rates, reflects management's decision to position the balance sheet more defensively for a potential increase in interest rates. The change in risk position effected over the past year included a more defensive investment portfolio and a longer duration wholesale funding posture. In the table above, the Corporation has provided disclosure of the immediate parallel shock of a -100 basis point rate movement in accordance with the risk monitoring policy even though management believes that the probability of rates declining by 100 basis points in a parallel shift is low.

CREDIT PORTFOLIO COMPOSITION

Selected Statistical Information
The significant components of credit risk and the related ratios for the periods indicated are as follows:

	March 31 2003	December 31 2002	September 30 2002	June 30 2002
(Dollars in millions)				
Loans outstanding	$144,747	$148,125	$150,389	$147,728
Average loans	146,419	150,531	148,152	149,674
Nonperforming loans(1)	3,199	3,276	3,521	3,720
Other, including other real estate owned	254	251	214	204
Nonperforming assets	3,453	3,527	3,735	3,924

Allowance for credit losses	4,526	4,525	4,518	4,521
Net charge-offs	495	622	573	607
Nonperforming assets to related assets(2)	2.38%	2.38%	2.48%	2.65%
Allowance to period end loans	3.31	3.20	3.17	3.19
Allowance to nonperforming loans	142	139	132	125
Annualized net charge-offs to average loans	1.35	1.65	1.55	1.62
Allowance to annualized net charge-offs	229	182	197	186

(1) Includes loans held for sale of $22 million, $22 million, $93 million, $107 million and $69 million at March 31, 2003, December 31, 2002, September 30, 2002, June 30, 2002 and March 31, 2002, respectively. These amounts are not included in allowance coverage statistics.
(2) Related assets consist of loans outstanding, including loans held for sale, and other real estate owned.

24

Loan Composition
The Corporation's loan portfolios at the periods indicated are as follows:

	March 31, 2003		December 31, 2002		September 30, 2002		June 30
(Dollars in millions)	Amount	Percent	Amount	Percent	Amount	Percent	Amount
Retail:							
Smallbusinesss commercial	$ 9,739	7%	$ 9,795	7%	$ 9,821	6%	$ 9,958
Home equity	28,842	20	28,469	19	26,757	18	25,579
Vehicle	13,627	9	14,012	9	14,296	10	13,584
Other personal	7,898	5	8,486	6	8,861	6	8,229
Core businesses	60,106	41	60,762	41	59,735	40	57,350
Brokered home equity discontinued	2,806	2	3,242	2	3,648	2	4,120
Vehicle leases	2,955	2	3,596	2	4,204	3	4,722
Home equity discontinued/ vehicle leases	5,761	4	6,838	4	7,852	5	8,842
Total Retail	65,867	45	67,600	45	67,587	45	66,192
Commercial Banking:							
Corporate banking:							
Commercial and industrial	16,679	12	17,866	12	17,388	12	17,912
Commercial real estate	8,414	6	8,321	6	8,557	6	8,433
Lease financing	4,250	3	4,358	3	4,693	3	4,758
Other	553	--	1,014	--	514	--	670
Total corporate banking	29,896	21	31,559	21	31,152	21	31,773
Middle market:							
Commercial and industrial	26,199	18	26,983	18	28,086	18	29,337
Commercial real estate	2,150	1	2,318	2	2,353	2	2,421
Lease financing	943	1	1,008	1	1,039	1	1,092

Other	269	--	27	--	361	--	251
Total middle market	29,561	20	30,336	21	31,839	21	33,101
Total Commercial Banking	59,457	41	61,895	42	62,991	42	64,874
Card Services	12,387	9	11,581	8	11,924	8	9,115
IMG	6,718	5	6,946	5	7,131	5	7,088
Corporate	318	--	103	--	756	--	459
Total loans	$144,747	100%	$148,125	100%	$150,389	100%	$147,728

Loans held for sale, which are classified as loans, are carried at lower of cost or fair value, totaled $7.9 billion and $6.9 billion at March 31, 2003 and December 31, 2002, respectively. At March 31, 2003, loans held for sale included Commercial Banking loans of $0.2 billion, of which approximately $17 million were included in nonperforming loans, and Card Services and other consumer loans of $7.7 billion.

Commercial and Industrial Loans

At March 31, 2003, commercial and industrial loans totaled $42.9 billion, which represents 72% of the Commercial Banking portfolio.

The more significant borrower industry concentrations of the Commercial Banking commercial and industrial portfolio for the periods indicated are as follows:

	March 31, 2003		December 31, 2002	
(Dollars in millions)	Outstanding	Percent(1)	Outstanding	Percent(1)
Motor vehicles and parts/auto related	$ 4,025	9.4%	$ 3,990	8.9%
Wholesale trade	3,499	8.2	3,558	7.9
Oil and gas	2,738	6.4	3,069	6.8
Industrial materials	2,338	5.4	2,471	5.5
Business finance and leasing	2,132	5.0	2,222	5.0
Other(2)	28,146	65.6	29,539	65.9
Total	$42,878	100%	$44,849	100%

(1) Total outstanding by industry concentration as a percentage of total commercial and industrial loans.
(2) Presented for informational purposes and includes 36 industry concentrations.

Commercial Real Estate

Commercial real estate loans represent credit extended for real estate related

purposes to borrowers or counterparties who are primarily in the real estate development or investment business and for which the primary source of repayment of the loan is from the sale, lease, rental, management, operations or refinancing of the property. At March 31, 2003, commercial real estate loans totaled $10.6 billion, which represented 18% of the Commercial Banking portfolio.

Commercial real estate lending is conducted in several lines of business with the majority of these loans originated by corporate banking primarily through its specialized National Commercial Real Estate Group. This group's focus is lending to targeted regional and national real estate developers and homebuilders. As of March 31, 2003, National Commercial Real Estate Group's loan outstandings totaled $8.4 billion, or 80% of the commercial real estate portfolio.

The commercial real estate loan portfolio by both collateral location and property type for the periods indicated are as follows:

(Dollars in millions)	March 31, 2003		December 31, 2002	
	Amount	Percent of Portfolio	Amount	Percent of Portfolio
By Collateral Location:				
Michigan	$ 1,147	11%	$ 1,118	11%
California	1,047	10	1,109	10
Illinois	943	9	1,088	10
Texas	845	8	824	8
Ohio	839	8	848	8
Arizona	709	7	741	7
Louisiana	363	3	376	3
Indiana	349	3	363	3
Kentucky	347	3	369	3
Colorado	260	3	288	3
Other areas	1,530	14	1,563	15
Unsecured	1,363	13	1,341	13
Secured by other than commercial real estate	822	8	611	6
Total commercial real estate	$10,564	100%	$10,639	100%
By Property Type:				
Apartment	$ 1,845	18%	$ 1,854	17%
Retail	1,798	17	1,762	17
Office	1,658	16	1,738	16
Industrial/warehouse	1,192	11	1,161	11
Single family residential development	1,184	11	1,137	11
Residential lots	539	5	543	5
Hotels	517	5	560	5
Other commercial income producing	1,696	16	1,758	17
Other residential developments	135	1	126	1
Total commercial real estate	$10,564	100%	$10,639	100%

ASSET QUALITY

Nonperforming Assets

The Corporation places loans on nonaccrual status as follows:

- Retail consumer loans are placed on nonaccrual status when the collection of contractual principal or interest becomes 90 days past due.
- Commercial Banking and Retail small business commercial loans are placed on nonaccrual status when the collection of contractual principal or interest is deemed doubtful, or the loan becomes 90 days or more past due and is not both well-secured and in the process of collection.
- Credit card receivables are charged-off rather than placed on nonaccrual status.

The Corporation's nonperforming assets for the quarterly periods indicated are as follows:

(Dollars in millions)	March 31 2003	December 31 2002	September 30 2002	June 30 2002
Nonperforming loans:				
Retail	$1,350	$1,325	$1,426	$1,343
Commercial Banking:				
Corporate banking	814	873	1,010	1,161
Middle market banking	947	1,001	1,030	1,136
Total Commercial Banking	1,761	1,874	2,040	2,297
IMG	81	71	47	38
Corporate	7	6	8	42
Total nonperforming loans(1)(2)	3,199	3,276	3,521	3,720
Other, including other real estate owned	254	251	214	204
Total nonperforming assets	$3,453	$3,527	$3,735	$3,924
Nonperforming assets to related assets	2.38%	2.38%	2.48%	2.65
Loans 90-days or more past due and accruing interest:				
Card Services	$ 161	$ 160	$ 132	$ 112
Other	--	1	--	--
Total loans	$ 161	$ 161	$ 132	$ 112

(1) Nonperforming loans at March 31, 2003, include $22 million of loans held for sale.

(2) Related assets consist of loans outstanding, including loans held for sale, and other real estate owned.

Credit quality improved during the first quarter as nonperforming assets declined $74 million from the prior quarter. In Commercial Banking, nonperforming loans declined $113 million from the prior quarter. These declines were a result of risk management actions, including loan sales and ongoing review of individual credits. The Corporation has established processes for identifying potential problem areas of the portfolio, which currently include exposure to energy/utilities, auto-related and airlines. The Corporation will

continue to monitor and manage these potential risks; however, concerns remain due to the uncertain economic environment and the potential effect it may have on future credit quality.

Nonperforming loans within Retail at March 31, 2003, were $1.3 billion, an increase of $25 million from the prior quarter. This increase was primarily driven by increases in small business commercial loans partially offset by discontinued brokered home equity and vehicle loan decreases. Small business nonperforming loans are modestly higher, reflecting continued general economic weakness. Overall residential real estate nonperforming loans continue to improve as foreclosure inventories continue to decline. Home equity loans are written down to net realizable value once a loan reaches 120 days delinquency. Due to the time necessary to complete foreclosure and acquire title, real estate loans remain in nonperforming status for an extended period.

Charge-offs

The Corporation records charge-offs as follows:

- Commercial loans are charged-off in the reporting period in which either an event occurs that confirms the existence of a loss or it is determined that a loan or a portion of a loan is uncollectible.
- A credit card loan is charged-off in the month it becomes contractually 180 days past due and remains unpaid at the end of that month, or 60 days after receipt of bankruptcy notification.
- Retail loans are generally charged-off following a delinquency period of 120 days, or within 60 days for unsecured Retail loans after receipt of notification of bankruptcy. Closed-end consumer loans, such as auto loans and leases and home mortgage loans, are typically written down to the extent of loss after considering the net realizable value of the collateral.

The timing and amount of the charge-off on consumer loans will depend on the type of loan, giving consideration to available collateral, as well as the circumstances giving rise to the delinquency. The Corporation adheres to uniform guidelines published by the FFIEC in charging off consumer loans.

The Corporation's net charge-offs for the quarterly periods indicated are as follows:

	March 31, 2003			December 31, 2002		
(Dollars in millions)	Net charge-offs	Average balance	Annualized net charge-off rate	Net charge-offs	Average balance	Annualized net charge-off rate
Retail	$204	$ 67,026	1.22%	$237	$ 67,753	1.40%
Commercial Banking:						
Corporate banking	81	30,405	1.07	148	31,508	1.88
Middle market banking	47	29,551	0.64	54	30,693	0.70
Total Commercial Banking	128	59,956	0.85	202	62,201	1.30
Card Services	161	12,364	5.24	168	13,325	5.05
IMG	2	6,755	0.12	13	7,005	0.74
Corporate	--	318	--	2	247	--

Total	$495	$146,419	1.35%	$622	$150,531	1.65%

	June 30 2002		
(Dollars in millions)	Net charge-offs	Average balance	Annualized net charge-off rate
Retail	$215	$ 66,740	1.29%
Commercial Banking:			
Corporate banking	168	33,322	2.02
Middle market banking	106	33,689	1.26
Total Commercial Banking	274	67,011	1.64
Card Services	118	8,459	5.58
IMG	--	6,997	--
Corporate	--	467	--
Total	$607	$149,674	1.62%

Net charge-offs decreased 20% during the first quarter of 2003 to $495 million from the prior quarter. The net charge-off ratio decreased to 1.35% in the first quarter of 2003 versus 1.65% in the fourth quarter of 2002. All lines of business experienced lower net charge-offs.

Retail net charge-offs in the first quarter of 2003 totaled $204 million, down from $237 million in the fourth quarter of 2002. This decrease reflected lower net charge-offs primarily in the vehicle loan portfolio.

Commercial Banking net charge-offs in the first quarter of 2003 totaled $128 million, down from $202 million in the fourth quarter of 2002, reflecting continued benefits from managements' actions taken during 2001 and 2002. In spite of this improvement, future charge-offs and credit quality in the Commercial Banking portfolio are subject to uncertainties that may cause actual results to differ from historical experience or forecasted results, including the state of the economy and its impact on individual industries and portfolio mix, among other things.

On a reported basis, Card Services net charge-offs for the first quarter of 2003 totaled $161 million, an increase of $64 million from the same quarter a year ago, attributable to growth of the portfolio from $7.2 billion to $12.4 billion.

On a managed basis, Card Services first quarter 2003 net charge-off ratio of 5.29% decreased from the year-ago ratio of 5.69%, reflecting management's continued emphasis on prudent credit risk management including disciplined underwriting and account management practices targeted to the prime and super-prime credit sectors. Credit risk management tools used to manage the level and volatility of losses for credit card accounts have been continually

updated, and, where appropriate, these tools are adjusted to reduce credit risk. The managed credit card portfolio continued to reflect a well-seasoned portfolio that has good national geographic diversification.

Future charge-offs and overall credit quality are subject to uncertainties, which may cause actual results to differ from current and historic performance. This could include the direction and level of loan delinquencies, changes in consumer behavior, bankruptcy trends, portfolio seasoning, interest rate movements, and portfolio mix, among other things. While current economic and credit data suggests that credit quality will not significantly deteriorate, significant deterioration in the general economy could materially change these expectations.

Loan Sales

A summary of the Corporation's Commercial Banking loan sales, excluding syndications, syndication-related activity and trade finance transactions, for the periods indicated are as follows:

(In millions)	March 31 2003	December 31 2002	Septemb 200
Loans sold and loans transferred to loans held for sale:(1)			
Nonperforming loans	$ 92	$ 62	$139
Other loans with credit related losses	94	63	7
Other loans	304	275	26
Total	$490	$400	$47
Impact of sales, transfers to loans held for sale and valuation adjustments, on held for sale:			
Charge-offs on loans sold and transferred to held for sale:			
Nonperforming loans	$ 10	$ --	$
Other loans with credit related losses	10	5	
Total charge-offs to allowance	20	5	1
Losses (gains) on loans sold and held for sale	(8)	(3)	1
Total	$ 12	$ 2	$ 2

(1) First quarter 2003 data includes loans reclassified to loans held for sale sale that are not yet sold of approximately $17 million, $10 million and $199 million in nonperforming, other loans with credit related losses and other loans, respectively.

The Corporation sells Commercial Banking loans in the normal course of its business activities and as one alternative to manage credit risk. These loans are subject to the Corporation's overall risk management practices. When a loan is sold or transferred to held for sale, any loss is evaluated to determine whether it resulted from credit deterioration or other conditions. Based upon this evaluation, losses resulting from credit deterioration are recorded as charge-offs. Losses on loan sales deemed to be from other than credit deterioration, gains on loan sales, and subsequent fair value adjustments on loans held for sale are reported as other noninterest income.

Loans classified as held for sale are carried at the lower of cost or market value. Accordingly, these loans are no longer included in the evaluation

of the adequacy of the allowance for credit losses.

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is maintained at a level that in management's judgment is adequate to provide for estimated probable credit losses inherent in various on- and off-balance sheet financial instruments. This process includes deriving probable loss estimates based on historical loss ratios, portfolio stress testing and management's judgment.

The changes in the Corporation's allowance for credit losses for the periods indicated are as follows:

(In millions)	March 31 2003	December 31 2002	September 30 2002	June 3 2002
Balance beginning of period	$4,525	$4,518	$4,521	$4,520
Charge-offs:				
Retail:				
Small business commercial	32	38	20	28
Home equity	77	70	66	67
Vehicle	61	83	67	56
Other personal	29	27	29	38
Core businesses	199	218	182	189
Brokered home equity discontinued	31	33	35	45
Vehicle leases	19	23	20	19
Home equity discontinued/vehicle leases	50	56	55	64
Total consumer	217	236	217	225
Total Retail	249	274	237	253
Commercial Banking:				
Corporate banking:				
Commercial and industrial	55	74	133	152
Commercial real estate	6	6	8	19
Lease financing	40	77	31	25
Total corporate banking	101	157	172	196
Middle market:				
Commercial and industrial	65	67	71	113
Commercial real estate	3	--	15	2
Lease financing	1	2	4	19
Total middle market	69	69	90	134
Total Commercial Banking	170	226	262	330
Card Services	175	183	142	129
IMG	3	15	4	2
Corporate	--	2	3	--
Total charge-offs	597	700	648	714

Allowance for Credit Losses table continued:

(In millions)	March 31 2003	December 31 2002	September 30 2002	June 3 2002
Recoveries:				
Retail:				
Small business commercial	$ 8	$ 5	$ 6	$ 5
Home equity	7	8	8	9
Vehicle	14	14	14	15
Other personal	11	4	3	4
Core businesses	40	31	31	33
Brokered home equity discontinued	2	1	1	1
Vehicle leases	3	5	4	4
Home equity discontinued/vehicle leases	5	6	5	5
Total consumer	37	32	30	33
Total Retail	45	37	36	38
Commercial Banking:				
Corporate banking:				
Commercial and industrial	20	8	11	26
Commercial real estate	--	1	1	2
Lease financing	--	--	--	--
Total corporate banking	20	9	12	28
Middle market:				
Commercial and industrial	20	15	12	24
Commercial real estate	1	--	1	1
Lease financing	1	--	--	3
Total middle market	22	15	13	28
Total Commercial Banking	42	24	25	56
Card Services	14	15	11	11
IMG	1	2	2	2
Corporate	--	--	1	--
Total recoveries	102	78	75	107
Net charge-offs:				
Retail	204	237	201	215
Commercial Banking	128	202	237	274
Card Services	161	168	131	118
IMG	2	13	2	--
Corporate	--	2	2	--
Total net charge-offs	495	622	573	607
Provision for credit losses	496	628	587	607
Transfers	--	1	(17)	1

Balance end of period	$4,526	$4,525	$4,518	$4,521

Composition of Allowance for Credit Losses
While the allowance for credit losses is available to absorb credit losses in the entire portfolio, allocations of the allowance for credit losses by line of business for the periods indicated are as follows:

	March 31, 2003		December 31, 2002		September 30, 2002	
(Dollars in millions)	Amount	Percent	Amount	Percent	Amount	Percent
Retail	$1,015	22%	$1,014	22%	$1,022	23%
Commercial Banking:						
Corporate banking	1,706	38	1,706	38	1,706	38
Middle market	1,365	30	1,365	30	1,365	30
Total Commercial Banking	3,071	68	3,071	68	3,071	68
Card Services	396	9	396	9	396	9
IMG	40	1	40	1	25	--
Corporate	4	--	4	--	4	--
Total composition	$4,526	100%	$4,525	100%	$4,518	100%

	June 30, 2002		March 31, 2002	
	Amount	Percent	Amount	Percent
Retail	$1,025	23%	$1,024	23%
Commercial Banking:				
Corporate banking	1,706	38	1,706	38
Middle market	1,365	30	1,365	30
Total Commercial Banking	3,071	68	3,071	68
Card Services	396	9	396	9
IMG	25	--	25	--
Corporate	4	--	4	--
Total composition	$4,521	100%	$4,520	100%

Components of Allowance for Credit Losses
The Corporation determines allowance levels based upon the probable losses in the credit portfolios. Several methodologies are employed for estimating probable losses. A detailed discussion of the process is presented in the Corporation's 2002 Annual Report beginning on page 57.

The table below presents the components of the probable loss estimate for

the periods indicated:

(In millions)	March 31 2003	December 31 2002	September 30 2002	June 30 2002	March 31 2002
Asset specific	$ 692	$ 678	$ 756	$ 828	$ 843
Expected loss	2,850	2,810	2,862	3,051	3,104
Stress	984	1,037	900	642	573
Total components(1)	$4,526	$4,525	$4,518	$4,521	$4,520

(1) The underlying assumptions, estimates and assessments made by management to determine the components of the allowance for credit losses are continually evaluated by management and updated to reflect management's judgments regarding economic conditions and various relevant factors impacting credit quality and inherent losses.

The March 31, 2003 allowance for credit losses remained relatively unchanged; however, due to decreases in nonperforming loans and asset levels, coverage ratios improved. The allowance for credit losses at March 31, 2003 represented 3.31% of period-end loans and 142% of nonperforming loans, compared to 3.20% and 139%, respectively, at December 31, 2002. The asset-specific and expected loss components of the allowance for credit losses increased from the prior quarter reflecting some deterioration in credit quality for specific industry segments of the Commercial loan portfolio. This was offset by a decrease in the stress component of the allowance for credit losses reflecting management's ongoing assessment of the probable losses inherent in the portfolio. The allowance for credit losses established for specifically identified off-balance sheet lending exposures was not material at March 31, 2003.

DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation uses a variety of derivative financial instruments in its trading activity and asset and liability management, and to a lesser extent, in its mortgage operations, and to manage certain currency translation exposures of foreign entities. These instruments include interest rate, currency, equity and commodity swaps, forwards, spot, futures, options, caps, floors, forward rate agreements, credit derivatives and other conditional or exchange contracts, and include both exchange-traded and over-the-counter contracts. A detailed discussion of accounting policies for trading and hedging derivative instruments is presented in the Corporation's 2002 Annual Report beginning on page 72.

Trading Derivative Instruments
Derivative financial instruments used in trading include swaps, forwards, futures, options, and other conditional or exchange contracts in the interest rate, foreign exchange, equity and commodity markets. The estimated fair values are based on quoted market prices or valuation models using current market information. Realized and unrealized gains and losses, including any interest income or expense on derivative instruments, are recorded in noninterest income as trading.

The Corporation uses credit derivatives (primarily single name credit default swaps) and short bond positions, as protection against the deterioration of credit quality on commercial loans and loan commitments. The change in fair value of credit derivative instruments is included in trading results in the Corporation's financial statement, while any credit assessment change is reflected in the allocated credit reserves. At March 31, 2003, the notional amount of credit derivatives economically hedging commercial credit exposure totaled $7.7 billion, and related trading loss was $54 million for the first quarter of 2003.

Asset and Liability Management Hedging Derivative Instruments

Derivatives are an integral component of the Corporation's asset/liability management activities and associated management of interest rate risk. In general, the assets and liabilities generated through the ordinary course of business activities do not naturally create offsetting positions with respect to repricing, basis or maturity characteristics. Using derivative instruments, principally plain vanilla interest rate swaps (ALM swaps), interest rate sensitivity is adjusted to maintain the desired interest rate risk profile.

Cash Flow Hedges

Cash flow hedges primarily represent hedges of variable rate interest-bearing instruments. The effective portion of the change in fair value of the hedging derivative is recorded in Accumulated Other Adjustments to Stockholders' Equity, which is reclassified into earnings in a manner consistent with the earnings pattern of the underlying hedged instrument or transaction. At March 31, 2003, the total amount of such reclassification into earnings is projected to be a decrease in net income of $336 million after-tax ($527 million pre-tax) over the next twelve months. This decrease, along with the contractual interest on the underlying variable rate debt, achieves the overall intended result of converting the variable rate to a specified fixed rate and is included in our analysis of interest rate exposure. These projections involve the use of currently forecasted interest rates over the next twelve months. These rates, and the resulting classification into earnings, are subject to change. The maximum length of time for which exposure to the variability of future cash flows for forecasted transactions is hedged is 24 months. No events have occurred in 2003 that impacted earnings from the discontinuance of cash flow hedges due to the determination that a forecasted transaction is no longer likely to occur.

The amount of hedge ineffectiveness recognized for cash flow and fair value hedges for the three months ended March 31, 2003, was a gain of $5 million recognized in noninterest income. No component of a hedging derivative instrument's gain or loss is excluded from the assessment of hedge effectiveness. The Corporation has no non-derivative instruments designated as a hedge.

Credit Exposure Resulting from Derivative Financial Instruments

The credit risk associated with exchange-traded derivative financial instruments is limited to the relevant clearinghouse. Written options do not expose the Corporation to credit risk, except to the extent of the underlying risk in a financial instrument that the Corporation may be obligated to acquire under certain written put options. Written caps and floors do not expose the Corporation to credit risk.

Credit exposure from derivative financial instruments arises from the risk of a counterparty default on the derivative contract. The amount of loss created by the default is the replacement cost or current fair value of the defaulted contract. The Corporation utilizes master netting agreements whenever possible to reduce its credit exposure

from counterparty defaults. These agreements allow the netting of contracts with unrealized losses against contracts with unrealized gains to the same counterparty, in the event of a counterparty default.

The impact of these master netting agreements for the periods indicated is as follows:

(In millions)	March 31 2002	December 31 2002	September 30 2002	June 30 2002	March 2002
Gross replacement cost	$22,454	$22,066	$20,806	$15,494	$10,7
Less: Adjustment due to master netting agreements	17,897	17,793	16,601	12,498	8,0
Balance sheet credit exposure	$ 4,557	$ 4,273	$ 4,205	$ 2,996	$ 2,6

LOAN SECURITIZATIONS AND OFF-BALANCE SHEET ACTIVITIES

Loan Securitizations

Investors in the beneficial interests of the securitized loans have no recourse against the Corporation if cash flows generated from the securitized loans are inadequate to service the obligations of the qualified special purpose entity ("QSPE") that issues the securitized loans. To help ensure that adequate funds are available in the event of a shortfall, the Corporation is required to deposit funds into cash spread accounts if the excess spread falls below certain minimum levels. Spread accounts are funded from excess spread that would normally be returned to the Corporation. In addition, various forms of other credit enhancements are provided to protect more senior investor interests from loss. Credit enhancements associated with credit card securitizations, such as cash collateral or spread accounts, totaled $111 million and $145 million at March 31, 2003 and December 31, 2002, respectively, and are classified on the balance sheet as other assets at amounts approximating fair value.

The following comprised the Corporation's managed credit card loans for the periods indicated:

(In millions)	March 31 2003	December 31 2002
Owned credit card loans - held in portfolio	$ 7,147	$ 7,592
Owned credit card loans - held for sale	5,240	3,989
Seller's interest in credit card loans and accrued interest receivable	25,156	28,526
Total credit card loans reflected on balance sheet	37,543	40,107
Securities sold to investors and removed from balance sheet	35,305	33,889
Managed credit card loans	$72,848	$73,996

For further discussion of the Corporation's loan securitization process and other related disclosures, see pages 74-77 and 94-95 of the Corporation's 2002

Annual Report.

Off-Balance Sheet Activities

In the normal course of business, the Corporation is a party to a number of activities that contain credit, market and operational risk that are not reflected in whole or in part in the Corporation's consolidated financial statements. Such activities include: traditional off-balance sheet credit-related financial instruments; commitments under capital and operating leases and long-term debt; credit enhancement and liquidity facilities associated with the commercial paper conduit program; joint venture activities; and other contractual obligations.

Credit-Related Financial Instruments

The Corporation provides customers with off-balance sheet credit support through loan commitments, standby letters of credit and guarantes, as well as commercial letters of credit. Summarized credit-related financial instruments at March 31, 2003, are as follows:

	Amount of Commitment Expiration Per Pe				
(In billions)	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	Ov Ye
Unused credit card lines	$345.7	$345.7	$ --	$ --	$
Unused loan commitments	134.1	101.4	23.4	9.1	
Standby letters of credit and foreign office guarantees	25.6	17.2	6.6	1.4	
Commercial letters of credit	0.4	0.4	--	--	

Since many of the unused commitments are expected to expire unused or be only partially used, the total amount of unused commitments in the preceding table does not necessarily represent future cash requirements.

Lease Commitments, Long-Term Debt and Other

The Corporation has entered into a number of long-term leasing arrangements of banking facilities to support the ongoing activities of the Corporation. The required payments under such commitments and long-term debt at March 31, 2003 are as follows:

(In millions)	2003	2004	2005	2006	2007	2008 and After
Long-term debt, including capital leases	$5,270	$6,791	$7,252	$8,433	$4,597	$ 9,292
Trust preferred capital securities	--	--	--	--	--	3,315
Operating leases	177	228	204	185	161	874
Total	$5,447	$7 019	$7,456	$8,618	$4,758	$13,481

Asset Backed Finance Programs

The Corporation is an active participant in the asset-backed securities business where it helps meet customers' financing needs by providing access to the commercial paper markets through special purpose entities ("SPEs"), known as multi-seller conduits. These entities are separate bankruptcy-remote corporations in the business of purchasing interests in, and making loans secured by, receivables pools and other financial assets pursuant to agreements with customers. The entities fund their purchases and loans through the issuance of highly rated commercial paper. The primary source of repayment of the commercial paper is the cash flow from the pools of assets. Investors in the commercial paper have no recourse to the general assets of the Corporation. Customers benefit from such structured financing transactions as these transactions provide an ongoing source of asset liquidity, access to the capital markets, and a potentially favorable cost of financing.

As of March 31, 2003, the Corporation administered multi-seller conduits with a total program limit of $70.0 billion and with $35.3 billion in commercial paper outstanding. The multi-seller conduits were rated A-1 by S&P, P-1 by Moody's and F1 or higher by Fitch.

These multi-seller conduits are a type of variable interest entity ("VIE"), as defined by Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"). From the Corporation's perspective, these entities have historically met all of the requirements to be treated as independent entities, which have not been required to be consolidated. See pages 45-46 for additional discussion. Each of the multi-seller conduits administered by the Corporation has stand-alone financial statements, which are independently audited on an annual basis.

As administrator of the multi-seller conduits, the Corporation provides deal origination services, asset portfolio monitoring, treasury, and financial administration services for these entities. The Corporation structures financing transactions for customers such that the receivables and other financial instruments financed through the multi-seller conduits are appropriately diversified and credit enhanced to support the conduits' commercial paper issuances. The Corporation does not service these assets and does not transfer its own receivables or other financial instruments into the multi-seller conduits it administers. Each conduit has program documents and investment policies, which govern the types of assets and structures permitted by the conduit. The mix of assets is principally trade receivables, auto loans and leases and credit card receivables. Under the program document, one conduit has publicly rated marketable investment securities.

The commercial paper issued by the conduit is supported by deal specific credit enhancement, which is generally structured to cover more than the expected losses on the pool of assets. The deal specific credit enhancement is typically in the form of over-collateralization, but may also include any combination of the following: recourse to the seller or originator, cash collateral accounts, letters of credit, excess spread, retention of subordinated interests or third-party guarantees. In a limited number of cases, the Corporation provides the deal specific credit enhancements as a financial arrangement for the customer. For March 31, 2003 and December 31, 2002, the Corporation provided such deal specific enhancements to customers in the form of subordinated interests totaling $149 million and $203 million, respectively. These subordinated interest positions are included in loans on the Corporation's balance sheet.

In general, the commercial paper investors have access to a second loss credit protection in the form of program-wide credit enhancement. The

program-wide credit enhancement consists of a subordinated term loan from the Corporation and a surety bond from an AAA rated monoline insurance company. The subordinated term loans from the Corporation to these conduits totaled $1.0 billion for March 31, 2003 and December 31, 2002. However, one conduit has only deal specific credit enhancements provided by other financial institutions.

As a means of ensuring timely repayment of the commercial paper, each asset pool financed by the conduits has a minimum of 100% deal specific liquidity facility associated with it. In the unlikely event of a disruption in the commercial paper market or in the event an assets pool is removed from the conduit, the administrator can draw on the liquidity facility to repay the maturing commercial paper. The liquidity facilities are typically in the form of asset purchase agreements and are generally structured such that the bank liquidity is provided by purchasing, or lending against, a pool of non-defaulted, performing assets. Additionally, program-wide liquidity facilities and lines of credit are provided by the Corporation to the multi-seller conduits to facilitate access to the commercial paper markets.

The following table summarizes the total amount of deal specific and program-wide liquidity facilities, as well as the share of these facilities provided by the Corporation, for each of the multi-seller conduits for the periods indicated:

	March 31, 2003			December 31, 2002	
(Dollars in billions)	Total Liquidity Facility	Liquidity Facility provided by the Corporation	Percent	Total Liquidity Facility	Liquidity Facility provided by the Corporation
Total multi-seller conduits	$49.2	$40.6	83%	$50.6	$41.3

The Corporation also provides deal specific and program-wide liquidity facilities to conduits administered by other financial institutions totaling approximately $6.2 billion as of March 31, 2003.

With the January 2003 issuance of FIN No. 46, the Corporation is currently in the process of evaluating what entities will be required to be consolidated. The Corporation believes it is reasonably possible that the multi-seller conduits and an investment vehicle as currently structured, for which it is the administrator, will be consolidated. Investors in the multi-seller conduits have no recourse to the general assets of the Corporation.

Based on information as of March 31, 2003, the expected impact of FIN No. 46 to the Corporation's balance sheet would be to increase both assets and liabilities by approximately $39.5 billion for the multi-seller conduits and an investment vehicle. Management has estimated its maximum loss exposure to be $123 million. Based on capital ratios as of March 31, 2003, consolidation of these entities would affect regulatory risk-based capital by reducing the Tier 1 risk-based capital ratio from 10.0% to 8.7% and total risked-based capital ratio from 13.8% to 12.1%. The Corporation's actual capital ratios as of the date of adoption will depend on the actual level of risk-based capital, which is subject to change from that of March 31, 2003.

Principal Investments and Joint Ventures

In the normal course of business, the Corporation invests in principal

investments, comprised of indirect investments in private equity, venture capital and other equity and debt assets. The investment strategy for the portfolio, primarily executed by One Equity Partners (a wholly-owned consolidated subsidiary), is to focus on direct investments in high potential entities. Investments made include stakes in Howaldtswekre-Deutsche Werft (HDW), the global leader in the design and manufacturer of non-nuclear submarines, and in Polaroid, a leader in the instant imaging industry. Commitments to fund such investments at March 31, 2003 totaled $1.0 billion.

37

At March 31, 2003, the Corporation is not party to any material joint venture arrangements, which are not consolidated.

Loans Sold with Recourse

The Corporation occasionally sells or securitizes loans with limited recourse. The amount of outstanding loans sold with recourse totaled $4.0 billion and $4.7 billion at March 31, 2003 and December 31, 2002, respectively. The recourse provisions require the Corporation to repurchase loans at par plus accrued interest upon a credit-related triggering event. Exposure to credit losses from these arrangements has been reduced with the purchase of credit insurance contracts that cover the majority of expired losses.

CAPITAL MANAGEMENT

The capital position of the Corporation is managed to achieve management's external debt rating objectives, comply with regulatory requirements and reflect the underlying risks of the Corporation's business activities. The Corporation employs an economic capital framework (described further on page 39 to facilitate a standard measure of risk and return across all business units, as well as to provide a measure of capital adequacy consistent with internal risk evaluation practices. This serves as the basis for capital planning and related management activities.

Selected Capital Ratios

The Corporation aims to maintain regulatory capital ratios, including those of the principal banking subsidiaries, in excess of the well-capitalized guidelines under federal banking regulations. The Corporation maintains a well-capitalized regulatory position.

The Corporation's capital ratios are as follows:

	March 31 2003	December 31 2002	September 30 2002	June 30 2002	March 31 2002	We
Risk-based capital ratios:						
Tier 1	10.0%	9.9%	9.5%	9.4%	9.0%	
Total	13.8	13.7	13.0	13.0	12.7	
Leverage ratio(1)	8.9	8.9	9.0	9.1	8.6	
Common equity/assets	7.8	8.1	8.0	8.0	8.0	
Tangible common equity/tangible reported assets	6.9	7.2	7.2	7.1	7.1	
Tangible common equity/tangible managed assets	6.2	6.4	6.4	6.3	6.2	
Double leverage ratio	107	103	104	103	103	
Dividend payout ratio	30	30	30	30	31	

(1) The minimum regulatory guideline is 3%.

The components of the Corporation's regulatory risk-based capital and risk-weighted assets are as follows:

(In millions)	March 31 2003	December 31 2002	September 30 2002	June 30 2002	March 31 2002
Regulatory risk-based capital:					
Tier 1 capital	$ 23,832	$ 23,918	$ 23,428	$ 23,039	$ 22,513
Tier 2 capital	9,035	9,201	8,650	8,924	9,115
Total capital	32,867	33,119	32,078	31,963	31,628
Total risk-weighted assets	$238,529	$241,468	$247,050	$246,032	$249,128

In deriving Tier 1 and Total Capital, goodwill and other nonqualifying intangible assets are deducted for the periods indicated:

(In millions)	March 31 2003	December 31 2002	September 30 2002	June 30 2002	March 31 2002
Goodwill	$1,894	$1,882	$1,829	$1,829	$1,840
Other nonqualifying intangibles	239	256	215	237	251
Subtotal	2,133	2,138	2,044	2,066	2,091
Qualifying intangibles	402	415	421	405	422
Total intangibles	$2,535	$2,553	$2,465	$2,471	$2,513

See page 37 for a discussion of the possible impact of consolidation of certain multi-seller conduits to the Corporation's risk-based capital ratios under FIN No. 46.

Dividend Policy

The Corporation's common stock dividend policy reflects its earnings outlook, desired payout ratios, the need to maintain an adequate capital level and alternative investment opportunities. The common stock dividend payout ratio is targeted in the range of 25% - 30% of earnings over time. On January 21, 2003, the Corporation declared its quarterly common cash dividend of $0.21 per share, payable on April 1, 2003.

Double Leverage

Double leverage is the extent to which the Corporation's resources are used to finance investments in subsidiaries. Double leverage was 107% and 103% at March

31, 2003 and December 31, 2002, respectively. Trust Preferred Capital Securities of $3.3 billion at March 31, 2003 and December 31, 2002 were included in capital for purposes of this calculation.

Stock Repurchase Program

On July 16, 2002, the Corporation's Board of Directors approved the repurchase of up to $2 billion of the Corporation's common stock, replacing the two previous buyback programs announced in September 2001 and May 1999. The timing of the purchases and the exact number of shares to be repurchased will depend on market conditions. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. In the first quarter 2003, the Corporation purchased over 20 million shares of common stock at an average price of $35.72 per share pursuant to the current buyback program. There remains available $868 million of common stock that may be repurchased under the Board authorization.

Economic Capital

An important aspect of risk management and performance measurement is the ability to evaluate the risk and return of a business unit, product or customer consistently across all lines of business. The Corporation's economic capital framework facilitates this standard measure of risk and return. Business units are assigned capital consistent with the underlying risks of their product set, customer base and delivery channels.

The following principles are inherent in the capital allocation methodology employed:

- An equal amount of capital is assigned for each measured unit of risk.
- Risk is defined in terms of "unexpected" losses over the life of the exposure, measured at a confidence interval consistent with that level of capitalization necessary to achieve a targeted AA solvency standard. Unexpected losses are in excess of those normally incurred and for which reserves are maintained.
- Business units are assessed a uniform charge against allotted capital, representing a target hurdle rate on equity investments. Returns on capital in excess of the hurdle rate contribute to increases in shareholder value.

Forward-looking Statements

Management's Discussion and Analysis included herein contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, the Corporation may make or approve certain statements in future filings with the Securities and Exchange Commission (the "Commission"), in press releases, and in oral and written statements made by or with the Corporation's approval that are not statements of historical fact and may constitute forward-looking statements. Forward-looking statements may relate to, without limitation, the Corporation's financial condition, results of operations, plans, objectives, future performance or business.

Words such as "believes", "anticipates", "expects," "intends," "plans," "estimates," "targeted" and similar expressions are intended to identify forward-looking statements but are not the only means to identify these statements.

Forward-looking statements involve risks and uncertainties. Actual conditions, events or results may differ materially from those contemplated by a forward-looking statement. Factors that could cause this difference-many of

which are beyond the Corporation's control-include the following, without limitation:

- Local, regional and international business or economic conditions may differ from those expected.
- The effects of and changes in trade, monetary and fiscal policies and laws, including the Federal Reserve Board's interest rate policies, may adversely affect the Corporation's business.
- The timely development and acceptance of new products and services may be different than anticipated.
- Technological changes instituted by the Corporation and by persons who may affect the Corporation's business may be more difficult to accomplish or more expensive than anticipated or may have unforeseen consequences.
- Acquisitions and integration of acquired businesses may be more difficult or expensive than expected.
- The ability to increase market share and control expenses may be more difficult than anticipated.
- Competitive pressures among financial services companies may increase significantly.
- Changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) may adversely affect the Corporation or its business.
- Changes in accounting policies and practices, as may be adopted by regulatory agencies, the Public Company Accounting Oversight Board and the Financial Accounting Standards Board, may affect expected financial reporting.
- The costs, effects and outcomes of litigation may adversely affect the Corporation or its business.
- The Corporation may not manage the risks involved in the foregoing as well as anticipated.

Forward-looking statements speak only as of the date they are made. The Corporation undertakes no obligation to update any forward-looking statement to reflect subsequent circumstances or events.

CONSOLIDATED BALANCE SHEETS
Bank One Corporation and Subsidiaries

(Dollars in millions)	March 31 2003	December 31 2002
Assets		
Cash and due from banks	$ 16,731	$ 17,920
Interest-bearing due from banks	8,488	1,503
Federal funds sold and securities purchased under resale agreements	17,897	17,356
Trading assets	9,968	7,190
Derivative product assets	4,557	4,273
Investment securities	71,263	67,643
Loans(1)	144,747	148,125
Allowance for credit losses	(4,526)	(4,525)
Loans, net	140,221	143,600
Other assets	18,739	17,898

Total assets	$287,864	$277,383
Liabilities		
Deposits:		
Demand	$ 36,019	$ 34,325
Savings	87,945	88,934
Time:		
Under $100,000	15,521	16,767
$100,000 and over	12,542	13,745
Foreign offices	15,048	16,237
Total deposits	167,075	170,008
Federal funds purchased and securities sold under repurchase agreements	19,307	14,578
Other short-term borrowings	12,803	12,306
Long-term debt	41,635	39,919
Guaranteed preferred beneficial interest in the Corporation's junior subordinated debt	3,315	3,315
Derivative product liabilities	3,983	3,838
Other liabilities	17,430	10,979
Total liabilities	265,548	254,943
Stockholders' Equity		
Common stock ($0.01 par value; authorized 4,000,000,000; issued 1,181,382,304)	12	12
Surplus	10,246	10,239
Retained earnings	13,594	13,020
Accumulated other adjustments to stockholders' equity	(36)	(8)
Deferred compensation	(275)	(157)
Treasury stock, at cost (33,195.064, 17,340,948 and 7,624,025 shares, respectively)	(1,225)	(666)
Total stockholders' equity	22,316	22,440
Total liabilities and stockholders' equity	$287,864	$277,383

(1) Includes loans held for sale of $7.9 billion, $6.9 billion and $4.5 billion at March 31, 2003, December 31, 2002 and March 31, 2002, respectively.

The accompanying notes are an integral part of this statement.

41

CONSOLIDATED INCOME STATEMENTS
Bank One Corporation and Subsidiaries

Three Months Ended March 31,	2003	2002
(In millions, except per share data)		
Net Interest Income:		
Interest income	$3,197	$3,540
Interest expense	1,205	1,340
Total net interest income	1,992	2,200

Non interest Income:		
Banking fees and commissions	440	458
Credit card revenue	851	909
Service charges on deposits	383	393
Fiduciary and investment management fees	186	189
Investment securities gains (losses)	69	(18)
Trading	4	17
Other income	52	21
Total noninterest income	1,985	1,969
Total revenue, net of interest expense	3,977	4,169
Provision for credit losses	496	665
Noninterest Expense:		
Salaries and employee benefits	1,183	1,096
Occupancy	165	158
Equipment	111	103
Outside service fees and processing	277	300
Marketing and development	226	271
Telecommunication	48	101
Other intangible amortization	32	33
Other expense	278	300
Total noninterest expense	2,320	2,362
Income before income taxes	1,161	1,142
Applicable income taxes	343	355
Net income	$ 818	$ 787
Net income attributable to common stockholders' equity	$ 818	$ 787
Earnings per share:		
Basic	$ 0.71	$ 0.67
Diluted	0.71	0.67

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Bank One Corporation and Subsidiaries

(In millions)	Common Stock	Surplus	Retained Earnings	Accumulated Other Adjustments to Stockholders' Equity	Deferred Compensati
Balance-December 31, 2001	$ 12	$10,311	$10,707	$ (65)	$(121)
Net income			787		
Change in fair value, investment					

securities-available for sale,					
net of taxes				(118)	
Change in fair value of cash flow					
hedge derivatives					
net of taxes				137	
Net income and changes in					
accumulated other adjustments					
to stockholders' equity			787	19	
Common stock cash dividends declared			(244)		
Net issuance of common stock		(88)			
Restricted stock awards granted,					
net of forfeitures and amortization					(96)
Other		16			
Balance-March 31, 2002	$ 12	$10,239	$11,250	$ (46)	$(217)
Balance-December 31, 2002	$ 12	$10,239	$13,020	$ (8)	$(157)
Net income			818		
Change in fair value, investment					
securities-available for sale,					
net of taxes				(40)	
Change in fair value of cash-flow					
hedge derivatives,					
net of taxes				9	
Translation gain,					
net of hedge results and taxes				3	
Net income and changes in					
accumulated other adjustments					
to stockholders' equity			818	(28)	
Common stock cash dividends declared			(244)		
Net purchases of common stock		(8)			
Restricted stock awards granted,					
net of forfeitures and amortization					(118)
Stock option grants		16			
Other		(1)			
Balance-March 31, 2003	$ 12	$10,246	$13,594	$ (36)	$(275)

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Bank One Corporation and Subsidiaries

Three Months Ended March 31,	2003	2002
(In millions)		
Cash Flows from Operating Activities:		
Net income	$ 818	$ 787

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	134	129
Provision for credit losses	496	665
Investment securities (gains) losses, net	(69)	18
Net (increase) in net derivative product assets and liabilities	(106)	(14)
Net (increase) in trading assets	(2,777)	(805)
Net (increase) in other assets	(686)	(4,111)
Net increase in other liabilities	6,522	4,349
Other operating adjustments	237	114
Net cash provided by operating activities	4,569	1,132
Cash Flows from Investing Activities:		
Net (increase) decrease in federal funds sold and securities under resale agreements	(541)	135
Securities available for sale:		
Purchases	(22,793)	(10,486)
Maturities	4,555	1,486
Sales	10,527	10,253
Credit card receivables securitized	2,700	--
Net decrease in loans	3,488	5,536
Loan recoveries	102	104
Additions to premises and equipment	(281)	(93)
Proceeds from sales of premises and equipment	7	16
All other investing activities, net	395	(993)
Net cash (used in) provided by investing activities	(1,841)	5,958
Cash Flows from Financing Activities:		
Net decrease in deposits	(2,968)	(8,723)
Net increase in federal funds purchased and securities sold under repurchase agreements	4,729	1,426
Net increase (decrease) in other short-term borrowings	497	(4,745)
Proceeds from issuance of long-term debt	5,180	3,227
Repayment of long-term debt	(3,452)	(2,354)
Repurchase of treasury stock	(715)	--
Cash dividends paid	(245)	(245)
Proceeds from issuance of common and treasury stock	17	97
All other financing activities, net	18	14
Net cash provided by (used in) financing activities	3,061	(11,303)
Effect of exchange rate changes on cash and cash equivalents	7	15
Net increase (decrease) in cash and cash equivalents	5,796	(4,198)
Cash and cash equivalents at beginning of period	19,423	18,413
Cash and cash equivalents at end of period	$ 25,219	$ 14,215

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements
Bank One Corporation and Subsidiaries

Note 1-Summary of Significant Accounting Policies

The consolidated financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America. Certain prior-period financial statement information has been reclassified to conform to the current quarter presentation. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Certain assets and liabilities, primarily derivative assets and liabilities as well as resale and repurchase agreements, are reported on a net basis by counterparty if legally enforceable master netting arrangements are in place.

Although the interim amounts are unaudited, they do reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods. All such adjustments are of a normal, recurring nature. Because the results from commercial banking operations are so closely related and responsive to changes in economic conditions, fiscal policy and monetary policy, and because the results for the investment securities and trading portfolios are largely market-driven, the results for any interim period are not necessarily indicative of the results that can be expected for the entire year.

These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Corporation's 2002 Annual Report.

Note 2-New Accounting Pronouncements

Costs Associated with Exit or Disposal Activities
In 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146") which supercedes Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred rather than when a company commits to such an activity and also establishes fair value as the objective for initial measurement of the liability. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The impact was not material to the Corporation's results of operations, financial position or cash flows for the three months ended March 31, 2003.

Accounting and Disclosure Requirements for Guarantees
In 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN No. 45"), which requires additional disclosures by a guarantor about its obligations under certain guarantees that it has issued. FIN No. 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The most significant instruments impacted for the Corporation are financial and performance standby letters of credit. The required FIN No. 45 disclosure has been incorporated into Note 11 "Financial Guarantees". The accounting requirements of FIN No. 45 became effective for the Corporation on January 1, 2003, on a prospective basis. The impact of adoption was not material to the Corporation's results of operations, financial position or cash flows.

Consolidation of Variable Interest Entities ("VIE")
In 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46") which provides new accounting guidance on when to consolidate a variable interest entity. A VIE exists when either the total

equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics include the direct or indirect ability to make decisions about an entity's activities through voting rights or similar rights, the obligation to absorb the expected losses of an entity if they occur, and the right to receive the expected residual returns of the entity if they occur.

FIN No. 46 was effective immediately for new entities that were created or acquired after January 31, 2003, and will become effective on July 1, 2003, for entities in which the Corporation had a variable interest prior to February 1,

2003. The Corporation plans to adopt FIN No. 46 on a prospective basis and, accordingly, will not restate prior periods. FIN No. 46 affects the Corporation's accounting and reporting for certain SPEs in which the Corporation is involved.

The Corporation's retained interests in its credit card securitizations and its investments in commercial mortgage backed securities will not be consolidated since both transaction structures are exempt from the requirements of FIN No. 46.

As discussed on pages 36-38, the Corporation is an active participant in the asset-backed securities business where it helps to meet customers' financing needs by providing access to the commercial paper markets through SPEs, known as multi-seller conduits. These multi-seller conduits are a type of VIE, as defined by FIN No. 46. These entities have historically met the requirements to be treated as independent entities, which have not been required to be consolidated. Under FIN No. 46, the Corporation believes it is reasonably possible that the multi-seller conduits and an investment vehicle as currently structured, for which it is the administrator, will be consolidated. Investors in the multi-seller conduits have no recourse to the general assets of the Corporation. The Corporation is currently evaluating all variable interests in VIEs.

Based on information as of March 31, 2003, the expected impact of FIN No. 46 to the Corporation's balance sheet would be to increase both assets and liabilities by approximately $39.5 billion. Any difference between the net amount added to the balance sheet and the amount of any previously recognized interest in the newly consolidated entities would be recognized as a cumulative effect of an accounting change. The Corporation is assessing the impact of adoption, if any. See page 37 for loss exposure and the potential impact on risk-based capital ratios.

Note 3-Earnings per Share

Basic EPS is computed by dividing income available to common stockholders by the average number of common shares outstanding for the period. Except when the effect would be antidilutive, the diluted EPS calculation includes shares that could be issued under outstanding stock options and the employee stock purchase plan.

Three Months Ended March 31,	2003	2002
(In millions except per share data)		

Net income available to common stockholders for basic and diluted EPS	$ 818	$ 787
Average shares outstanding	1,148	1,170
Stock options	8	9
Average shares outstanding assuming full dilution	1,156	1,179
Earnings per share:		
Basic	$ 0.71	$ 0.67
Diluted	0.71	0.67

Note 4-Restructuring-Related Activity
a) Fourth Quarter 2001 Restructuring-Related Charges

The Corporation recorded restructuring-related charges in the fourth quarter of 2001 for additional real estate and severance costs to accomplish more rapid expense reductions, accelerated systems conversions and other consolidations. Summarized below are the details of these restructuring-related charges:

(In millions)	Personnel-Related Costs	Contractual Obligations and Asset Writedowns	Total
December 31, 2002 reserve balance	$19	$89	$108
Amounts utilized	(6)	(9)	(15)
March 31, 2003 reserve balance	$13	$80	$ 93

Personnel-related costs initially recorded consisted primarily of severance costs related to identified staff reductions in the lines of business totaling approximately 6,900 positions for: the consolidation of various telephone banking and related sites and loan processing locations for Retail; the consolidation of call centers by Card Services; the closing of certain international locations; the consolidation of credit processing activities to one primary loan system for middle market banking; and certain other consolidations. At March 31, 2003, approximately 2,700 of these identified employees have been terminated under these programs, including 300 with related future payment obligations of approximately $7 million. During the 2002 second quarter, the reserve was adjusted for approximately 3,100 employees, primarily in the Retail and Card Services lines of business, due to changes in attrition and circumstances for elimination under these programs.

Contractual obligations included the estimated costs associated with the lease and other contract termination costs incorporated in the business restructuring plans. Asset writedowns included leasehold write-offs related to leased properties following the decision to abandon such facilities, as well as in the case of fixed assets and capitalized software for which similar decisions were made.

Actions under this overall restructuring plan are expected to be completed within approximately six months or less. Certain contractual payments associated with these actions, as required, will extend beyond this six month time frame.

b) Second Quarter 2000 Restructuring-Related Activity

Actions under this restructuring plan have been completed, with only payments of identified obligations remaining, which consist primarily of lease obligations. Unpaid amounts totaled $39 million as of March 31, 2003, and will be paid as required over the remaining contractual periods.

47

Note 5-Business Segments
The information below is consistent with the content of business segment data provided to the Corporation's management, which does not use product group revenues to assess consolidated results. Aside from investment management and insurance products, product offerings are tailored to specific customer segments. As a result, the aggregation of product revenues and related profit measures across lines of business is not available.

Aside from the United States of America, no single country or geographic region generates a significant portion of the Corporation's revenues or assets. In addition, there are no single customer concentrations of revenue or profitability.

For additional disclosures regarding the Corporation's segments see the "Business Segment Results" section beginning on page 4.

The following table summarizes certain financial information by line of business for the periods indicated:

	Total Revenues-FTE(1)		Provision for (Benefit of) Income Taxes(1)		Net Income	
Three Months Ended March 31,	2003	2002	2003	2002	2003	2
(In millions, except identifiable assets in billions)						
Retail	$1,695	$1,718	$ 219	$207	$ 381	$
Commercial Banking	986	1,026	74	42	217	
Card Services	1,090	1,111	154	154	248	
Investment Management	346	368	48	59	80	
Corporate	(103)	(19)	(115)	(72)	(108)	
Total	$4,014	$4,204	$ 380	$390	$ 818	$

(1) Revenue and provision for (benefit of) income tax includes tax equivalent adjustments of $37 million and $35 million for three months ended March 31, 2003 and 2002, respectively.

Note 6-Interest Income and Interest Expense
Details of interest income and interest expense are as follows:

Three Months Ended March 31,	2003	2002

(In millions)		
Interest Income:		
Loans, including fees	$2,302	$2,569
Bank balances	20	15
Federal funds sold and securities purchased under resale agreements	43	43
Trading assets	74	60
Investment securities	758	853
Total interest income	3,197	3,540
Interest Expense:		
Deposits	557	724
Federal funds purchased and securities sold under repurchase agreements	62	62
Other short-term borrowings	87	40
Long-term debt	499	514
Total interest expense	1,205	1,340
Net interest income	1,992	2,200
Provision for credit losses	496	665
Net interest income after provision for credit losses	$1,496	$1,535

48

Note 7-Investment Securities
The summary of the Corporation's investment portfolio follows:

At March 31,2003	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
(In millions)			
U.S. Treasury	$ 1,918	$ 25	$ 3
U.S. government agencies	34,200	588	17
States and political subdivisions	1,153	60	1
Interests in credit card securitized receivables(1)	24,806	118	--
Other debt securities	3,871	50	12
Equity securities(1)	2,896	4	1
Total available for sale securities	$68,844	$845	$34
Principal and other investments(2)			
Total investment securities			

(1) The fair values of certain securities for which market quotations were not available were estimated.
(2) The fair values of certain securities reflect liquidity and other market-related factors, and include investments accounted for at fair value consistent with specialized industry practice.

For the three months ended March 31, 2003, gross recognized gains and losses on available-for-sale investment securities were $92 million and $32 million, respectively. For the three months ended March 31, 2002, gross recognized gains and losses on available-for-sale investment securities were $91 million and $54 million, respectively.

Note 8-Guaranteed Preferred Beneficial Interest in the Corporation's Junior Subordinated Debt

The Corporation has sponsored ten trusts with a total aggregate issuance outstanding of $3.3 billion at March 31, 2003, in trust preferred securities as follows:

		Trust Preferred		Junior Subor	
(Dollars in millions)	Issuance Date	Initial Liquidation Value	Distribution Rate	Initial Principal Amount	M
Capital VI	September 28, 2001	$525	7.20%	$541.2	Octo
Capital V	January 30, 2001	300	8.00%	309.3	Janu
Capital IV	August 30, 2000	160	3-mo LIBOR plus 1.50%	164.9	Septe
Capital III	August 30, 2000	475	8.75%	489.7	Septe
Capital II	August 8, 2000	280	8.50%	288.7	Aug
Capital I	September 20, 1999	575	8.00%	592.8	Septem
First Chicago NBD Capital I	January 31, 1997	250	3-mo LIBOR plus 0.55%	257.7	Febr
First USA Capital Trust I(2)	December 20, 1996	200	9.33%	206.2	Janu
First Chicago NBD Institutional Capital A	December 3, 1996	500	7.95%	515.5	Dece
First Chicago NBD Institutional Capital B	December 5, 1996	250	7.75%	257.7	Dece

(1) Redeemable at any time subject to approval by the Federal Reserve Board.
(2) The Corporation paid a premium of $36 million to repurchase $193 million of these securities in 1997.

These trust preferred securities are tax-advantaged issues that qualify for Tier 1 capital treatment. Distributions on these securities are included in interest expense on long-term debt. Each of the trusts is a statutory business trust organized for the sole purpose of issuing trust securities and investing the proceeds thereof in junior subordinated debentures of the Corporation, the sole asset of each trust. The preferred trust securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the junior subordinated debentures held by the trust. The common securities of each trust are wholly-owned by the Corporation. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Corporation making

payment on the related junior subordinated debentures. The Corporation's obligations under the junior subordinated securities and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Corporation of each respective trust's obligations under the trust securities issued by such trust.

Note 9-Supplemental Disclosures for Accumulated Other Adjustments to Stockholders' Equity

Accumulated other adjustments to stockholders' equity are as follows:

Three Months Ended March 31,	2003	2002
(In millions)		
Fair value adjustment on investment securities-available for sale:		
Balance, beginning of period	$ 552	$ 78
Change in fair value, net of taxes of $(7) and $(55) for the three months ended March 31, 2003 and 2002, respectively	(9)	(95)
Reclassification adjustment, net of taxes of $(18) and $(13) for the three months ended March 31, 2003 and 2002, respectively	(31)	(23)
Balance, end of period	512	(40)
Fair value adjustment on derivative instruments-cash flow type hedges:		
Balance, beginning of period	(560)	(146)
Net change in fair value associated with current period hedging activities, net of taxes of $(46) and $49 for the three months ended March 31, 2003 and 2002, respectively	(79)	82
Net reclassification into earnings, net of taxes of $51 and $29 for the three months ended March 31, 2003 and 2002, respectively	88	55
Balance, end of period	(551)	(9)
Accumulated translation adjustment:		
Balance, beginning of period	--	3
Translation gain, net of hedge results and taxes	3	--
Balance, end of period	3	3
Total accumulated other adjustments to stockholders' equity	$ (36)	$ (46)

Note 10-Stock-Based Compensation

The Corporation utilizes stock-based awards, including restricted shares and stock options, as part of its overall compensation program. In addition, the Corporation provides employees the opportunity to purchase its shares through an Employee Stock Purchase Plan.

Effective January 1, 2002, the Corporation adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), as amended by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment to FASB Statement No. 123" ("SFAS No. 148"), and selected the prospective method of transition and began recognizing compensation expense based on the fair value

method on newly granted stock awards. Under this method, compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period of the grant. Pursuant to the requirements of SFAS No. 123, as amended by SFAS No. 148, options granted prior to January 1, 2002, continue to be accounted for under APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). Under APB No. 25, no compensation expense is recognized when the exercise price is greater than or equal to the market price of the underlying common stock on the date of grant.

Awards under the Corporation's stock compensation plans vest over periods ranging from two to five years. Therefore, the expense related to stock option compensation included in the determination of net income for 2003 and 2002 is less than that which would have been recognized if the fair value method had been applied to all awards since the original effective date of SFAS No. 123. The net income and earnings per share implications if the fair value method had been applied to all awards which vested during the three months ended March 31, 2003 and 2002 would have been as follows:

Three Months Ended March 31,	2003	2002
(In millions, except per share data)		
Net income attributable to common stockholders' equity	$ 818	$ 787
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	27	13
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards vested during the period, net of related tax effects	35	47
Pro forma net income attributable to common stockholders' equity	$ 810	$ 753
Earnings per share:		
Basic - as reported	$0.71	$0.67
Basic - pro forma	0.71	0.64
Diluted - as reported	0.71	0.67
Diluted - pro forma	0.70	0.64

Other disclosures related to stock options have not materially changed from the disclosure provided in Note 19 "Stock-Based Compensation" of the Corporation's 2002 Annual Report on pages 100-101.

Note 11-Financial Guarantees

In the normal course of business, the Corporation is a party to financial instruments containing credit and/or market risks that are not required to be reflected in the balance sheet. These financial instruments are primarily credit-related instruments. The Corporation has risk management policies to identify, monitor and limit exposure to credit, liquidity and market risks. To mitigate credit risk for financial guarantees, the Corporation generally determines the need for specific covenant, guarantee and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer's creditworthiness.

The following is a summary of financial instruments that are considered guarantees in accordance with FIN No. 45:

(In billions)	March 31, 2003 Contract Amount	March 31, 2003 Carrying Value(3)	December 31, 2002 Contract Amount	December 31, 2002 Carrying Value(3)
Standby letters of credit and foreign office guarantees(1)(2)	$25.6	$0.3	$24.0	$0.2
Loans sold with recourse	4.0	--	4.7	--
Swap guarantees	0.3	--	0.2	--
Asset purchase agreements(4)	2.2	--	2.5	--

(1) The contract amount of financial standby letters of credit and foreign office guarantees and performance standby letters of credit and foreign guarantees totaled $22.1 billion and $3.5 billion and $20.4 billion and $3.6 billion at March 31, 2003 and December 31, 2002, respectively.
(2) Includes $8.0 billion and $7.1 billion at March 31, 2003 and December 31, 2002, respectively, participated to other institutions.
(3) The carrying value of financial guarantees includes amounts deferred and recognized in income over the life of the contract and amounts for inherent losses in accordance with FASB Statement No. 5, "Accounting for Contingencies" ("SFAS No. 5"). These amounts are generally reported in other liabilities except the SFAS No. 5 component related to standby letters of credit that is reported in the allowance for credit losses.
(4) Certain asset purchase agreements entered into in conjunction with the Corporation's asset-backed finance conduit program qualify as financial guarantees under this new accounting guidance due to the specific structure of certain of these agreements. For additional discussion of the asset purchase agreements and the related off-balance sheet exposure, see page 36.

For a discussion of these types of agreements, see "Financial Guarantees" in the Corporation's 2002 Annual Report on page 103.

52

The Corporation also sells put options that are considered a form of financial guarantee when the counterparties that purchase the contracts actually own the reference financial instrument (generally loans, commodities and equities). A put option sold by the Corporation provides the counterparty the right to sell (i.e., "put") the reference asset to the Corporation at a pre-determined price.

The following table summarizes the Corporation inventory of sold put options as of March 31, 2003, in which it is probable that the counterparty owns the reference financial instrument:

(In millions)	Contract Amount	Carrying Value
Loans	$2,834	$ 4
Commodities	388	(4)
Equities	64	(19)

Note 12 - Collateral Policy Related to Certain Asset Transfer Activity
The maximum outstanding amount of securities under resale agreements at March 31, 2003 and 2002 was $11.0 billion and $8.1 billion, respectively. The average outstanding amount of securities under resale agreements during the quarter ended March 31, 2003 and 2002 was $7.9 billion and $6.7 billion, respectively.

Note 13-Contingent Liabilities
The Corporation and certain of its subsidiaries have been named as defendants in various legal proceedings, including certain class actions, arising out of the normal course of business or operations. In certain of these proceedings, which are based on alleged violations of consumer protection, securities, banking, insurance and other laws, rules or principles, substantial money damages are asserted against the Corporation and its subsidiaries. Since the Corporation and certain of its subsidiaries, which are regulated by one or more federal and state regulatory authorities, are the subject of numerous examinations and reviews by such authorities, the Corporation also is and will be, from time to time, normally engaged in various disagreements with regulators, related primarily to its financial services businesses. In addition the Corporation also receives tax deficiency assessments from various taxing jurisdictions.

In view of the inherent difficulty of predicting the outcome of such matters, the Corporation cannot state what the eventual outcome of pending matters will be; however, based on current knowledge and after consultation with counsel, management does not believe that liabilities arising from these matters, if any, will have a material adverse effect on the consolidated financial position or results of operations of the Corporation.

53

SELECTED STATISTICAL INFORMATION
Bank One Corporation and Subsidiaries

Average Balances/Net Interest Margin/Rates

	March 31, 2003			December 31, 2002		
Three Months Ended Dollars in millions)	Average Balance	Interest	Average Rate	Average Balance	Interest	A
Assets						
Short-term investments	$ 17,672	$ 63	1.45%	$ 15,338	$ 62	
Trading assets(1)	8,414	74	3.57	6,995	67	
Investment securities:(1)						
U.S. government and federal agency	29,030	280	3.91	28,549	338	
States and political subdivisions	1,169	20	6.94	1,177	20	
Other	34,851	482	5.61	34,350	521	
Total investment securities	65,050	782	4.88	64,076	879	
Loans(1)(2)	146,419	2,315	6.41	150,531	2,477	
Total earning assets	237,555	3,234	5.52	236,940	3,485	
Allowance for credit losses	(4,558)			(4,566)		
Other assets - nonearning	38,892			37,888		
Total assets	$271,889			$270,262		

Liabilities and Stockholders' Equity

Interest-bearing deposits:(3)					
Savings	$ 9,662	$ 14	0.59%	$ 10,076	$ 20
Money market	60,886	175	1.17	58,003	204
Time	29,401	307	4.23	31,483	342
Foreign offices(4)	14,513	61	1.70	14,776	66
Total deposits - interest-bearing	114,462	557	1.97	114,338	632
Federal funds purchased and securities under repurchase agreements	16,866	62	1.49	14,950	63
Other short-term borrowings	12,433	87	2.84	12,270	90
Long-term debt(5)	44,630	499	4.53	43,180	508
Total interest-bearing liabilities	188,391	1,205	2.59	184,738	1,293
Noninterest-bearing deposits	46,397			48,521	
Other liabilities	14,480			14,760	
Preferred stock	--			--	
Common stockholders' equity	22,621			22,243	
Total liabilities and equity	$271,889			$270,262	
Interest income/earning assets		$3,234	5.52		$3,485
Interest expense/earning assets		1,205	2.06		1,293
Net interest income/margin		$2,029	3.46%		$2,192

(1) Includes tax-equivalent adjustments based on federal income tax rate of 35%.
(2) Nonperforming loans are included in average balances used to determine average rate.
(3) On a consolidated basis, demand deposit balances are routinely swept overnight into money market deposits. On a line of business basis, balances are presented without the impact of sweeps. Certain prior period data has been adjusted to conform with current period presentation.
(4) Includes international banking facilities' deposit balances in domestic offices and balances of Edge Act and oversees offices.
(5) Includes trust preferred capital securities.

SELECTED STATISTICAL INFORMATION
Bank One Corporation and Subsidiaries

Average Balances/Net Interest Margin/Rates

September 30, 2002			June 30, 2002			March 31, 2002		
Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
$ 9,484	$ 49	2.05%	$ 10,300	$ 49	1.91%	$ 12,560	$ 58	1.87%
6,426	66	4.07	6,941	65	3.76	6,239	60	3.90

30,331	401	5.25	26,655	364	5.48	25,883	352	5.52
1,171	21	7.11	1,178	22	7.49	1,287	23	7.25
35,230	558	6.28	31,257	484	6.21	30,904	501	6.57
66,732	980	5.83	59,090	870	5.91	58,074	876	6.12
148,152	2,478	6.64	149,674	2,463	6.60	154,942	2,581	6.76
230,794	3,573	6.14	226,005	3,447	6.12	231,815	3,575	6.52
(4,533)			(4,521)			(4,563)		
36,277			34,383			36,102		
$262,538			$255,867			$263,354		
$ 9,953	$ 17	0.68%	$ 10,997	$ 23	0.84%	$ 12,731	$ 25	0.80%
54,537	201	1.46	55,818	188	1.35	58,026	186	1.30
33,340	374	4.45	35,529	414	4.67	37,387	445	4.83
14,634	75	2.03	14,293	71	1.99	14,064	68	1.96
112,464	667	2.35	116,637	696	2.39	122,208	724	2.40
15,115	73	1.92	15,188	73	1.93	14,531	62	1.73
9,802	77	3.12	6,031	55	3.66	7,376	40	2.20
43,229	521	4.78	43,870	545	4.98	43,022	514	4.85
180,610	1,338	2.94	181,726	1,369	3.02	187,137	1,340	2.90
45,201			38,994			41,526		
14,646			13,557			13,828		
--			--			--		
22,081			21,590			20,863		
$262,538			$255,867			$263,354		
	$3,573	6.14		$3,447	6.12		$3,575	6.25
	1,338	2.30		1,369	2.43		1,340	2.34
	$2,235	3.84%		$2,078	3.69%		$2,235	3.91%

For footnote detail see page 54

REPORT OF MANAGEMENT

Management of Bank One Corporation and its subsidiaries (the "Corporation") is responsible for the preparation, integrity and fair presentation of its published financial reports. These reports include consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America, using management's best judgment and all information available.

The condensed consolidated financial statements of the Corporation have been reviewed by KPMG LLP, independent public accountants. Their accompanying report is based upon a review conducted in accordance with standards established by the American Institute of Certified Public Accountants, including the related review of internal accounting controls and financial reporting matters. The

Audit and Risk Management Committee of the Board of Directors, which consists solely of outside directors, meets at least quarterly with the independent auditors, Corporate Audit and representatives of management to discuss, among other things, accounting and financial reporting matters.

Management of the Corporation is responsible for establishing and maintaining disclosure controls and procedures to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. In addition to disclosure controls and procedures, management of the Corporation is responsible for establishing and maintaining an effective internal control structure, which provides reasonable, but not absolute, assurance of the safeguarding of assets against unauthorized acquisition, use or disposition. The Corporation maintains systems of controls that it believes are reasonably designed to provide management with timely and accurate information about the operations of the Corporation. This process is supported by an internal audit function along with the ongoing appraisal of controls by the Audit and Risk Management Committee. Both the Corporation's independent auditors and the internal audit function directly provide reports on significant matters to the Audit and Risk Management Committee. The Corporation's independent auditors, the internal audit function and the Audit and Risk Management Committee have free access to each other. Disclosure controls and procedures, internal controls, systems and corporate-wide processes and procedures are continually evaluated and enhanced.

Management of the Corporation evaluated its disclosure controls and procedures as of March 31, 2003. Based on this evaluation, the Principal Executive Officer and Principal Financial Officer each concludes that as of March 31, 2003, the Corporation maintained effective disclosure controls and procedures in all material respects, including those to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to management, including the Principal Executive Officer and the Principal Financial Officer, as appropriate to allow for timely decisions regarding required disclosure. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to our most recent evaluation.

The Corporation is dedicated to maintaining a culture that reflects the highest standards of integrity and ethical conduct when engaging in its business activities. Management of the Corporation is responsible for compliance with various federal and state laws and regulations, and the Corporation has established procedures that are designed to ensure that management's policies relating to conduct, ethics and business practices are followed on a uniform basis.

BANK ONE CORPORATION

May 8, 2003

/s/ James Dimon

James Dimon
Principal Executive Officer

/s/ Heidi Miller

Heidi Miller

Principal Financial Officer

REVIEW REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Bank One Corporation:

We have reviewed the accompanying condensed consolidated balance sheets of Bank One Corporation and its subsidiaries (the "Corporation") as of March 31, 2003 and 2002, and the related condensed consolidated statements of income, stockholders' equity and cash flows for the three-month periods ended March 31, 2003 and 2002. These condensed consolidated financial statements are the responsibility of the Corporation's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

Chicago, Illinois
May 8, 2003

/s/ KPMG LLP

KPMG LLP

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

OR

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

For the transition period from _____________ to _____________

Commission file number 001-15323

BANK ONE CORPORATION

(exact name of registrant as specified in its charter)

DELAWARE	31-0738296
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 BANK ONE PLAZA CHICAGO, ILLINOIS	60670
(Address of principal executive offices)	(Zip Code)

312-732-4000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 2003.

Class	Number of Shares Outstanding
Common Stock $0.01 par value	1,142,358,879

Form 10-Q Cross-Reference Index

PART I-FINANCIAL INFORMATION

	Page
ITEM 1. Financial Statements	
Consolidated Balance Sheets- March 31, 2003 and 2002, and December 31, 2002	41

Consolidated Income Statements-
Three months ended March 31, 2003 and 2002 42

Consolidated Statements of Stockholders' Equity-
Three months ended March 31, 2003 and 2002 43

Consolidated Statements of Cash Flows-
Three months ended March 31, 2003 and 2002 44

Notes to Consolidated Financial Statements 45

Selected Statistical Information 54

ITEM 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations 3-40

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk 21-22

ITEM 4. Controls and Procedures 56

PART II-OTHER INFORMATION

ITEM 1. Legal Proceedings 60

ITEM 2. Changes in Securities and Use of Proceeds 60

ITEM 3. Defaults Upon Senior Securities 60

ITEM 4. Submission of Matters to a Vote of Security Holders 60

ITEM 5. Other Information 60

ITEM 6. Exhibits and Reports on Form 8-K 60

Signatures 61

PART II-OTHER INFORMATION

ITEM 1. Legal Proceedings

None

ITEM 2. Changes in Securities and Use of Proceeds

None

ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4. Submission of Matters to a Vote of Security Holders

None

ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibit 12-Statement regarding computation of ratios.

Exhibit 15- Letter of independent public accountants regarding unaudited interim financial information.

Exhibit 99 (a)-Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 99 (b)- Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) The Registrant filed the following Current Reports on Form 8-K during the quarter ended March 31, 2003.

Date	Item Reported
January 16, 2003	Registrant's January 16, 2003 news release announcing its 2002 fourth quarter earnings.

SIGNATURES

Pursuant to the requirements 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.

BANK ONE CORPORATION

Date May 8, 2003

/s/ James Dimon

James Dimon
Principal Executive Officer

Date May 8, 2003

/s/ Heidi Miller

Heidi Miller
Principal Financial Officer

Date May 8, 2003 /s/ Melissa J. Moore

Melissa J. Moore
Principal Accounting Officer

CERTIFICATIONS

I, James Dimon, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Bank One Corporation;

2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 8, 2003

/s/ James Dimon

James Dimon
Principal Executive Officer

I, Heidi Miller, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Bank One Corporation;

2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 8, 2003

/s/ Heidi Miller

Heidi Miller
Principal Financial Officer

BANK ONE CORPORATION

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
12	Statement regarding computation of ratios.
15	Letter of independent public accountants regarding unaudited interim financial information.
99(a) -	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99(b) -	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.