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BANK ONE CORP
Form 10-Q
May 15, 2002

BANK ONE CORPORATION
INDEX TO FINANCIAL REVIEW

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

| (In millions, except ratios and per share data) | Three Months | | |
|---|--------------------------|---------------------|----------------------|
| | March 31 2002 / (3) / | December 31 2001 | September 30 2001 |
| <hr/> | | | |
| INCOME STATEMENT DATA | | | |
| Total revenue, net of interest expense | \$ 4,152 | \$ 4,207 | \$ |
| Net interest income- | | | |
| fully taxable-equivalent ("FTE") basis | 2,235 | 2,273 | |
| Noninterest income | 1,952 | 1,972 | |
| Provision for credit losses | 665 | 765 | |
| Noninterest expense | 2,345 | 2,706 | |
| Income before cumulative effect of change | | | |

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| | | |
|-------------------------|-----|-----|
| in accounting principle | 787 | 541 |
| Net income | 787 | 541 |

PER COMMON SHARE DATA

Income before cumulative effect of change

| | | | |
|--------------------------|---------|---------|----|
| in accounting principle: | | | |
| Basic | \$ 0.67 | \$ 0.46 | \$ |
| Diluted | 0.67 | 0.46 | |
| Net income: | | | |
| Basic | \$ 0.67 | \$ 0.46 | \$ |
| Diluted | 0.67 | 0.46 | |
| Cash dividends declared | 0.21 | 0.21 | |
| Book value | 17.81 | 17.33 | |

BALANCE SHEET DATA-ENDING BALANCES

| | | | |
|-----------------------------|------------|------------|----|
| Loans: | | | |
| Managed | \$ 209,519 | \$ 218,102 | \$ |
| Reported | 152,126 | 156,733 | |
| Deposits | 158,803 | 167,530 | |
| Long-term debt/(1)/ | 44,194 | 43,418 | |
| Total assets: | | | |
| Managed | 297,998 | 306,304 | |
| Reported | 262,947 | 268,954 | |
| Common stockholders' equity | 20,913 | 20,226 | |
| Total stockholders' equity | 20,913 | 20,226 | |

CREDIT QUALITY RATIOS

| | | |
|---|-------|-------|
| Net charge-offs to average loans-managed/(2)/ | 2.82% | 2.84% |
| Allowance for credit losses to period end loans | 2.97 | 2.89 |
| Nonperforming assets to related assets | 2.58 | 2.35 |

FINANCIAL PERFORMANCE:

| | | |
|---------------------------------|-------------|--------|
| Return on average assets | 1.21% | 0.80% |
| Return on average common equity | 15.3 | 10.5 |
| Net interest margin: | | |
| Managed | 5.35 | 5.20 |
| Reported | 3.91 | 3.84 |
| Efficiency ratio: | | |
| Managed | 46.6 | 53.5 |
| Reported | 56.0 | 63.7 |
| Employees | 73,864/(4)/ | 73,519 |

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

| | | | |
|---|-----------|-------------|-----------|
| | | | Three Mon |
| | March 31 | December 31 | Septe |
| (In millions, except ratios and per share data) | 2002/(3)/ | 2001 | |

CAPITAL RATIOS

Risk-based capital:

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| | | |
|--|------|------|
| Tier 1 | 9.0% | 8.6% |
| Total | 12.7 | 12.2 |
| Tangible common equity/tangible managed assets | 6.2 | 5.9 |

COMMON STOCK DATA

Average shares outstanding:

| | | | |
|--------------------------|----------|----------|----|
| Basic | 1,170 | 1,166 | |
| Diluted | 1,179 | 1,174 | |
| Stock price, quarter-end | \$ 41.78 | \$ 39.05 | \$ |

- /(1)/ Includes trust preferred capital securities.
- /(2)/ Quarterly results include \$1 million, \$14 million, \$14 million, \$24 million, and \$40 million, respectively, of charge-offs which are not so classified in the Corporation's GAAP financials because they are part of a portfolio which has been accounted for as loans held at a discount. The inclusion of these amounts in charge-offs more accurately reflects the performance of the portfolio. In the Corporation's financial statements, these items result in a higher provision in excess of net charge-offs.
- /(3)/ Results include the effects of the consolidation of Paymentech, Inc. and Anexsys, LLC.
- /(4)/ Includes the addition of 1,627 employees due to the consolidation of Paymentech and Anexsys.

FIVE QUARTER SUMMARY OF OTHER FINANCIAL DATA

The Corporation's consolidated operating financial results and ratios are as follows:

| (In millions, except ratios and per share data) | Three Months | | |
|---|-----------------------|---------------------|----------------------|
| | March 31 2002/(1)/ | December 31 2001 | September 30 2001 |
| Operating income | \$ 787 | \$ 765 | \$ |
| Operating earnings per share-diluted | \$ 0.67 | \$ 0.65 | \$ |
| Return on average assets | 1.21% | 1.14% | |
| Return on average common equity | 15.3 | 14.9 | |
| Net interest margin: | | | |
| Managed | 5.35 | 5.20 | |
| Reported | 3.91 | 3.84 | |
| Efficiency ratio: | | | |
| Managed | 46.6 | 46.5 | |
| Reported | 56.0 | 55.4 | |

- /(1)/ Results include the effects of the consolidation of Paymentech and Anexsys.
- /(2)/ These results and ratios exclude restructuring-related charges for all periods and June 30, 2001 excludes the cumulative effect of change in accounting principle.

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BUSINESS SEGMENT RESULTS AND OTHER DATA

BANK ONE CORPORATION and its subsidiaries ("Bank One" or the "Corporation") are managed on a line of business basis. The business segments' financial results presented reflects the current organization of the Corporation. For a detailed discussion of the various business activities of Bank One's business segments, see pages 27-40 of the Corporation's 2001 Annual Report.

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

| Three Months Ended March 31 | Operating Income (Loss) (In millions) | | Average Managed (In billions) | |
|--|--|---------------|----------------------------------|---------------|
| | 2002 | 2001 | 2002 | 2001 |
| Retail | \$ 343 | \$ 341 | \$ 73 | \$ 73 |
| Commercial Banking | 143 | 196 | 99 | 99 |
| Credit Card | 239 | 148 | 71 | 71 |
| Investment Management | 114 | 82 | 8 | 8 |
| Corporate | (52) | (88) | 48 | 48 |
| Total business segment operating income, net of tax | \$ 787 | \$ 679 | \$ 300 | \$ 300 |

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

RETAIL

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

| Three Months Ended March 31/(1)/ | 2002 | 2001 | Change | |
|------------------------------------|--------------|--------------|-------------|------------|
| | | | Amount | Percent |
| (Dollars in millions) | | | | |
| Net Interest income-FTE | \$ 1,255 | \$ 1,299 | \$ (44) | (3)% |
| Banking fees and commissions/(2)/ | 118 | 122 | (4) | (3) |
| Credit card revenue/(3)/ | 40 | 36 | 4 | 11 |
| Service charges on deposits/(4)/ | 201 | 185 | 16 | 9 |
| Trading/(5)/ | (1) | - | (1) | - |
| Other income | 4 | 16 | (12) | (75) |
| Noninterest income | 362 | 359 | 3 | 1 |
| Total revenue | 1,617 | 1,658 | (41) | (2) |
| Provision for credit losses | 267 | 244 | 23 | 9 |

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| | | | | |
|--------------------------------|--------|--------|------|------|
| Salaries and employee benefits | 364 | 363 | 1 | - |
| Other expense | 458 | 517 | (59) | (11) |
| ----- | | | | |
| Noninterest expense | 822 | 880 | (58) | (7) |
| ----- | | | | |
| Pretax operating income-FTE | 528 | 534 | (6) | (1) |
| Tax expense and FTE adjustment | 185 | 193 | (8) | (4) |
| ----- | | | | |
| Operating income | \$ 343 | \$ 341 | \$ 2 | 1 |
| ----- | | | | |

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RETAIL-CONTINUED

| Three Months Ended March 31/(1)/ | 2002 | 2001 | Change | |
|----------------------------------|---------|--------|---------|---------|
| | | | Amount | Percent |
| ----- | | | | |
| FINANCIAL PERFORMANCE: | | | | |
| Return on equity/(6)/ | 22% | 23% | (1)% | |
| Efficiency ratio/(6)/ | 51 | 53 | (2)% | |
| Headcount-full-time | 32,746 | 35,114 | (2,368) | (7)% |
| ----- | | | | |
| ENDING BALANCES (in billions): | | | | |
| Small business commercial | \$ 10.0 | \$ 9.3 | \$ 0.7 | 8 |
| Home equity | 29.9 | 30.8 | (0.9) | (3) |
| Vehicles: | | | | |
| Loans | 13.7 | 14.2 | (0.5) | (4) |
| Leases | 5.4 | 8.0 | (2.6) | (33) |
| Other personal | 8.6 | 11.1 | (2.5) | (23) |
| ----- | | | | |
| Total loans | 67.6 | 73.4 | (5.8) | (8) |
| ----- | | | | |
| Assets | 71.3 | 76.9 | (5.6) | (7) |
| ----- | | | | |
| Demand deposits | 26.0 | 24.2 | 1.8 | 7 |
| Savings | 37.9 | 33.3 | 4.6 | 14 |
| Time | 24.9 | 31.2 | (6.3) | (20) |
| ----- | | | | |
| Total deposits | 88.8 | 88.7 | 0.1 | - |
| ----- | | | | |
| Equity | 6.2 | 6.0 | 0.2 | 3 |
| ----- | | | | |
| AVERAGE BALANCES (in billions): | | | | |
| Small business commercial | \$ 10.0 | \$ 9.2 | \$ 0.8 | 9 |
| Home equity | 30.1 | 31.1 | (1.0) | (3) |
| Vehicles: | | | | |
| Loans | 13.5 | 14.2 | (0.7) | (5) |
| Leases | 5.7 | 8.2 | (2.5) | (30) |
| Other personal | 9.9 | 11.3 | (1.4) | (12) |
| ----- | | | | |
| Total loans | 69.2 | 74.0 | (4.8) | (6) |
| ----- | | | | |
| Assets | 72.9 | 78.2 | (5.3) | (7) |
| ----- | | | | |
| Demand deposits | 25.1 | 23.8 | 1.3 | 5 |

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| | | | | |
|-------------------------------|-------|-------|-------|------|
| Savings | 37.1 | 32.5 | 4.6 | 14 |
| Time | 25.4 | 31.9 | (6.5) | (20) |
| ----- | | | | |
| Total deposits | 87.6 | 88.2 | (0.6) | (1) |
| Equity | 6.2 | 5.9 | 0.3 | 5 |
| CREDIT QUALITY (in millions): | | | | |
| Net charge-offs: | | | | |
| Small business commercial | \$ 14 | \$ 10 | \$ 4 | 40 |
| Home equity | 130 | 73 | 57 | 78 |
| Vehicles: | | | | |
| Loans/(7)/ | 66 | 61 | 5 | 9 |
| Leases | 30 | 28 | 2 | 6 |
| Other personal | 26 | 34 | (8) | (24) |
| ----- | | | | |
| Total consumer/(7)/ | 252 | 196 | 56 | 29 |
| ----- | | | | |
| Total net charge-offs/(7)/ | 266 | 206 | 60 | 29 |
| ----- | | | | |

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RETAIL-CONTINUED

| Three Months Ended March 31/(1)/ | 2002 | 2001 |
|---|----------|--------|
| ----- | | |
| CREDIT QUALITY-continued (in millions): | | |
| Net charge-off ratios: | | |
| Small business commercial | 0.56% | 0.43% |
| Home equity | 1.73 | 0.94 |
| Vehicles: | | |
| Loans/(7)/ | 1.96 | 1.71 |
| Leases | 2.11 | 1.38 |
| Other personal | 1.05 | 1.20 |
| ----- | | |
| Total consumer/(7)/ | 1.70 | 1.21 |
| ----- | | |
| Total net charge-offs/(7)/ | 1.54 | 1.11 |
| ----- | | |
| Nonperforming assets: | | |
| Small business commercial | \$ 318 | \$ 231 |
| Consumer/(8)/ | 1,084 | 728 |
| ----- | | |
| Total nonperforming loans | 1,402 | 959 |
| Other, including Other Real Estate Owned ("OREO") | 159 | 77 |
| ----- | | |
| Total nonperforming assets | 1,561 | 1,036 |
| ----- | | |
| Allowance for credit losses | \$ 1,028 | \$ 914 |
| Allowance to period-end loans | 1.52% | 1.25% |
| Allowance to nonperforming loans | 73% | 95% |
| Nonperforming assets to related assets | 2.30% | 1.41% |

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DISTRIBUTION:

| | | |
|-------------------------------------|-------|-------|
| Banking centers | 1,776 | 1,811 |
| ATMs | 5,109 | 5,762 |
| # On-line customers (in thousands) | 1,248 | 931 |
| # Households (in thousands) | 7,159 | 7,586 |
| # Business customers (in thousands) | 494 | 513 |
| # Debit cards issued (in thousands) | 4,404 | 4,293 |

INVESTMENTS:

| | | |
|---------------------------------------|----------|----------|
| Investment sales volume (in millions) | \$ 1,377 | \$ 1,138 |
|---------------------------------------|----------|----------|

N/M-Not meaningful

- /(1)/ During the first quarter of 2002 the Dealer Commercial Services business was transferred from Retail to Commercial Banking. All results for prior periods conform to the current line of business organization.
- /(2)/ Banking fees and commissions include insurance fees, documentary fees, loan servicing fees, commitment fees, mutual fund commissions, syndicated management fees, leasing fees, safe deposit fees, official checks fees, ATM interchange and miscellaneous other fee revenue.
- /(3)/ Credit card revenue includes credit card fees, merchant fees and interchange fees.
- /(4)/ Service charges on deposits include service charges on deposits, deficient balance fees, non-sufficient funds/overdraft fees and waived fees.
- /(5)/ Trading includes trading and foreign exchange.
- /(6)/ Ratios are based on operating income.
- /(7)/ First quarter 2002 and 2001 results include \$1 million and \$40 million, respectively, of charge-offs which are not so classified in the Corporation's GAAP financials because they are part of a portfolio which has been accounted for as loans held at a discount. The inclusion of these amounts in charge-offs more accurately reflects the credit performance of the portfolio. In the Corporation's financial statements, these items results in a higher provision in excess of net charge-offs.
- /(8)/ Includes consumer balances that are placed on nonaccrual status when the collection of contractual principal or interest becomes 90 days past due

Retail reported first quarter operating income of \$343 million, up 1% from the year-ago quarter. Lower operating expenses were offset by a decline in net interest income, driven by intentional reductions in certain lending portfolios, and an increase in the provision. Operating income increased 19% from the previous quarter, reflecting the seasonal impact of tax refund anticipation lending.

Net interest income decreased 3% from the first quarter of 2001, primarily due to the intentional reductions of the auto lease and brokered home equity portfolios. Noninterest income rose 1% from the year-ago quarter, with higher deposit fees and investment commissions in part offset by lower loan fees.

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Noninterest expense was \$822 million, a 7% decline from last year's first quarter, driven by improved efficiencies in operations and technology, the absence of goodwill amortization, and reductions in operating losses and headcount.

The provision for credit losses was \$267 million, up \$23 million from the year-ago quarter, reflecting increased net charge-offs in the home equity

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portfolio, partially offset by the absence of reserve build. Compared to the fourth quarter of 2001, the provision decreased \$49 million due to the absence of reserve build and lower net charge-offs in the small business and auto lending portfolios.

Nonperforming assets were \$1.561 billion, up \$525 million from the first quarter of 2001 and \$113 million from the fourth quarter, with both increases primarily driven by brokered home equity loans.

COMMERCIAL BANKING

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

| Three Months Ended March 31/(1)/ | 2002/(9)/ | 2001 |
|--|-----------|--------|
| <hr/> | | |
| (Dollars in millions) | | |
| Net interest income-FTE | \$ 655 | \$ 715 |
| Banking fees and commissions | 175 | 163 |
| Credit card revenue | 14 | 22 |
| Service charges on deposits | 184 | 132 |
| Fiduciary and investment management fees/(10)/ | (1) | (1) |
| Trading | 26 | 77 |
| Other income (loss) | (27) | (6) |
| <hr/> | | |
| Noninterest income | 371 | 387 |
| <hr/> | | |
| Total revenue | 1,026 | 1,102 |
| <hr/> | | |
| Provision for credit losses | 281 | 264 |
| Salaries and employee benefits | 269 | 274 |
| Other expense | 291 | 291 |
| <hr/> | | |
| Noninterest expense | 560 | 565 |
| <hr/> | | |
| Pretax operating income-FTE | 185 | 273 |
| Tax expense and FTE adjustment | 42 | 77 |
| <hr/> | | |
| Operating income | \$ 143 | \$ 196 |
| <hr/> | | |
| Memo: Revenue by activity/(11)/ | | |
| Lending-related revenue | 412 | 539 |
| Global Treasury Services | 429 | 383 |
| Capital markets/(12)/ | 168 | 164 |
| Other | 17 | 16 |
| <hr/> | | |
| FINANCIAL PERFORMANCE: | | |
| Return on equity/(6)/ | 8% | 11% |
| Efficiency ratio/(6)/ | 55 | 51 |
| <hr/> | | |
| Headcount-full-time/(13)/ | | |
| Corporate Banking (including Capital Markets) | 2,306 | 2,921 |
| Middle Market | 3,064 | 3,492 |
| Global Treasury Services | 4,731 | 4,457 |
| Operations, Technology, and other Admin | 2,203 | 2,167 |

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| | | |
|---------------------------|--------|--------|
| Total headcount-full-time | 12,304 | 13,037 |
|---------------------------|--------|--------|

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COMMERCIAL BANKING - CONTINUED

| Three Months Ended March 31/(1)/ | 2002/(9)/ | 2001 |
|---|-----------|----------|
| ENDING BALANCES (in billions): | | |
| Loans | \$ 69.0 | \$ 84.9 |
| Assets | 96.3 | 108.5 |
| Demand deposits | 22.4 | 20.3 |
| Savings | 2.9 | 2.6 |
| Time | 11.1 | 6.0 |
| Foreign offices | 7.0 | 6.6 |
| Total deposits | 43.4 | 35.5 |
| Equity | 7.4 | 7.2 |
| AVERAGE BALANCES (in billions): | | |
| Loans | \$ 71.1 | \$ 87.0 |
| Assets | 99.3 | 110.1 |
| Demand deposits | 22.7 | 20.6 |
| Savings | 3.0 | 2.6 |
| Time | 17.2 | 5.9 |
| Foreign offices | 8.2 | 7.1 |
| Total deposits | 51.1 | 36.2 |
| Equity | 7.4 | 7.2 |
| CREDIT QUALITY (in millions): | | |
| Net Commercial Banking charge-offs | \$ 281 | \$ 249 |
| Net Commercial Banking charge-off ratio | 1.58% | 1.14% |
| Nonperforming assets: | | |
| Commercial Banking nonperforming loans | \$ 2,257 | \$ 1,544 |
| Other, including OREO | 33 | 19 |
| Total nonperforming assets | 2,290 | 1,563 |
| Allowance for credit losses | \$ 3,071 | \$ 3,068 |
| Allowance to period-end loans | 4.45% | 3.61% |
| Allowance to nonperforming loans | 136 | 199 |
| Nonperforming assets to related assets | 3.32 | 1.84 |
| CORPORATE BANKING (in billions): | | |
| Loans-ending balance | \$ 34.7 | \$ 47.8 |
| -average balance | 36.0 | 49.9 |
| Deposits-ending balance | \$ 21.5 | \$ 17.4 |
| -average balance | 29.1 | 18.0 |

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| | | | |
|------------------------------------|----|-------|---------|
| Credit Quality (in millions): | | | |
| Net charge-offs | \$ | 163 | \$ 186 |
| Net charge-off ratio | | 1.81% | 1.49 |
| Nonperforming loans | \$ | 1,170 | \$ 952 |
| Nonperforming loans to total loans | | 3.37% | 1.99 |
| SYNDICATIONS: | | | |
| Lead Arranger Deals: | | | |
| Volume (in billions) | \$ | 14.9 | \$ 14.5 |
| Number of transactions | | 45 | 49 |
| League table standing-rank | | 4 | 4 |
| League table standing-market share | | 9% | 6 |

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COMMERCIAL BANKING - CONTINUED

| | | | |
|--------------------------------------|----|-----------|---------|
| Three Months Ended March 31/(1)/ | | 2002/(9)/ | 2001 |
| ----- | | | |
| MIDDLE MARKET BANKING (in billions): | | | |
| Loans-ending balance | \$ | 34.3 | \$ 37.1 |
| -average balance | | 35.1 | 37.1 |
| Deposits-ending balance | | 21.9 | 18.1 |
| -average balance | | 22.0 | 18.2 |
| Credit Quality (in millions): | | | |
| Net charge-offs | \$ | 118 | \$ 63 |
| Net charge-off ratio | | 1.34% | 0.68 |
| Nonperforming loans | \$ | 1,087 | \$ 592 |
| Nonperforming loans to total loans | | 3.17% | 1.60 |

For additional footnote detail see page 5.

- /(9)/ Results include the effect of consolidating Anexsys, which had an immaterial impact on revenue and expense and no impact on operating income. Headcount increased by 276.
- /(10)/ Fiduciary and investment management fees include asset management fees, personal trust fees, other trust fees and advisory fees.
- /(11)/ Prior periods have been adjusted to conform to the current organization.
- /(12)/ Capital markets includes trading revenues and underwriting, syndicated lending and advisory fees.
- /(13)/ Prior period headcount data has been adjusted for the transfer of the Cash Vault Services business from Commercial to Corporate.

Commercial Banking reported first quarter operating income of \$143 million, down \$53 million from the year-ago quarter, primarily due to lower net interest income driven by the intentional reduction of Corporate Banking credit exposure. Operating income declined 3% from the previous quarter, reflecting lower revenue, partially offset by lower provision and noninterest expense.

Net interest income of \$655 million declined 8% from the year-ago quarter, driven by a reduction of \$15.9 billion, or 18% in average loans.

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Partially offsetting this decline, net interest income benefited from higher average deposit levels.

Noninterest income was \$371 million, down 4% from the first quarter of 2001. Banking fees and commissions increased 7%, primarily due to growth in the asset backed finance and investment grade bond underwriting businesses. Service charges on deposits increased 39%, reflecting improvement in Global-Treasury Services ("GTS") volumes and pricing as well as a shift in the payment of services to fees from net interest income due to the lower value of customers' compensating deposit balances. Trading revenue decreased 66%, reflecting a decline in the fair value of credit derivatives used to manage credit risk as well as lower foreign exchange and fixed income revenue.

Noninterest expense was \$560 million, down 1% from the year-ago quarter.

Corporate Banking net charge-offs were \$163 million, or 1.81% of average loans, up from 1.49% a year ago and 1.72% in the fourth quarter. First quarter charge-offs included \$63 million of loans sold and held for sale, compared to \$89 million in the year-ago quarter and \$26 million in the fourth quarter. Middle Market net charge-offs were \$118 million, or 1.34% of average loans, up from 0.68% in the year-ago quarter and down from 1.75% in the fourth quarter.

The allowance for credit losses at March 31, 2002, was \$3.071 billion, essentially unchanged from the fourth quarter and first quarter 2001, and represented 4.45% of period-end loans. Nonperforming loans at March 31, 2002, were \$2.257 billion, up 6% from the fourth quarter, driven primarily by a 12% increase in Middle Market nonperforming loans.

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CREDIT CARD

Credit Card is the third largest credit card provider in the United States and the largest VISA(R) credit card issuer in the world with \$65 billion in managed credit card receivables.

| Three Months Ended March 31 | 2002/ (14) / | 2001 |
|-------------------------------------|--------------|---------|
| <hr/> | | |
| (Dollars in millions-managed basis) | | |
| Net interest income-FTE | \$ 1,555 | \$ 1,39 |
| Banking fees and commissions | 25 | 2 |
| Credit card revenue | 395 | 24 |
| Other income (loss) | (18) | 3 |
| <hr/> | | |
| Noninterest income | 402 | 30 |
| <hr/> | | |
| Total revenue | 1,957 | 1,70 |
| <hr/> | | |
| Provision for credit losses | 943 | 95 |
| Salaries and employee benefits | 146 | 12 |
| Other expense | 475 | 38 |
| <hr/> | | |
| Noninterest expense | 621 | 51 |

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| | | |
|---|--------|-------|
| Pretax operating income-FTE | 393 | 23 |
| Tax expense and FTE adjustment | 154 | 8 |
| Operating income | \$ 239 | \$ 14 |
| Memo: Net securitization gains (amortization) | (31) | (1) |
| FINANCIAL PERFORMANCE: | | |
| % of average outstandings: | | |
| Net interest income-FTE | 9.51% | 8.6 |
| Provision for credit losses | 5.77 | 5.8 |
| Noninterest income | 2.46 | 1.9 |
| Risk adjusted margin | 6.20 | 4.6 |
| Noninterest expense | 3.80 | 3.1 |
| Pretax income-FTE | 2.40 | 1.4 |
| Operating income | 1.46 | 0.9 |
| Return on equity/(6)/ | 15 | 1 |
| Efficiency ratio/(6)/ | 32 | 3 |
| Headcount-full-time | 10,718 | 11,12 |
| ENDING BALANCES (in billions): | | |
| Owned | \$ 7.4 | \$ 5. |
| Seller's interest | 22.3 | 17. |
| Loans on balance sheet | 29.7 | 23. |
| Securitized | 35.1 | 40. |
| Loans | 64.8 | 64. |
| Assets | 70.0 | 67. |
| Equity | 6.4 | 6. |

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CREDIT CARD - CONTINUED

| Three Months Ended March 31 | 2002/(14)/ | 2001 | Change | |
|---------------------------------|------------|--------|--------|---------|
| | | | Amount | Percent |
| (Managed basis) | | | | |
| AVERAGE BALANCES (in billions): | | | | |
| Owned | \$ 7.2 | \$ 5.2 | \$ 2.0 | 38 |
| Seller's interest | 22.5 | 20.6 | 1.9 | 9 |
| Loans on balance sheet | 29.7 | 25.8 | 3.9 | 15 |
| Securitized | 36.6 | 39.6 | (3.0) | (8) |
| Loans | 66.3 | 65.4 | 0.9 | 1 |
| Assets | 71.4 | 68.2 | 3.2 | 5 |
| Equity | 6.4 | 6.2 | 0.2 | 3 |

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CREDIT QUALITY (in millions):

Net charge-offs:

| | | | | |
|---------------------|--------|--------|--------|--|
| Credit card-managed | \$ 943 | \$ 950 | \$ (7) | |
|---------------------|--------|--------|--------|--|

Net charge-off ratios:

| | | | | |
|-----------------------|-------|-------|---------|--|
| Credit card-managed | 5.69% | 5.81% | (0.12)% | |
| 12-month lagged/(15)/ | 5.77 | 5.66 | 0.11 | |

Delinquency ratio:

| | | | | |
|----------|------|------|--------|--|
| 30+ days | 4.27 | 4.33 | (0.06) | |
| 90+ days | 1.96 | 2.02 | (0.06) | |

| | | | | |
|-------------------------------------|--------|--------|--------|-----|
| Allowance for credit losses | \$ 396 | \$ 197 | \$ 199 | |
| Allowance to period-end owned loans | 5.35% | 3.58% | 1.77% | N/M |

OTHER DATA:

| | | | | |
|--|---------|---------|--------|-----|
| Charge volume (in billions) | \$ 34.0 | \$ 32.5 | \$ 1.5 | |
| New accounts opened (in thousands) | 941 | 775 | 166 | 21 |
| Cards issued (in thousands) | 53,965 | 50,644 | 3,321 | 7 |
| Number of FirstUSA.com customers (in millions) | 2.3 | 2.4 | (0.1) | (4) |

For additional footnote detail see page 5.

/(14)/ Results include the effect of consolidating Paymentech. Headcount increased by 1,351.

/(15)/ 1Q02 ratios include Wachovia net charge-offs but exclude Wachovia 1Q01 loans.

Credit Card reported first quarter operating income of \$239 million, up \$91 million from the year-ago quarter, reflecting higher net interest income. Operating income decreased \$87 million from the fourth quarter due to seasonality, lower volume-related revenue, higher losses and increased marketing expense. First quarter results reflect the consolidation of the Corporation's interest in Paymentech, a leading merchant processor, which was previously recorded under the equity method of accounting. The new consolidated basis increased certain balance sheet categories, net interest income by \$3 million, noninterest income by \$77 million, and noninterest expense by \$70 million, but had no impact on operating income.

Managed loans were \$64.8 billion at March 31, 2002, up \$800 million from the year-ago period, including the addition of the Wachovia portfolio. Managed loans declined \$3.4 billion from December 31, 2001. Credit Card opened 941,000 new accounts during the quarter, a 21% increase from the first quarter of 2001.

Total revenue was \$1.957 billion for the quarter, a 15% improvement from one year ago, driven by the addition of the Wachovia portfolio, the benefit of lower interest rates and the consolidation of Paymentech, partially offset by lower volume-related revenue and no new securitization activity.

Noninterest expense totaled \$621 million, up 21% from the year-ago quarter, reflecting the Paymentech consolidation, the addition of the Wachovia portfolio and higher marketing expense, partially offset by lower processing costs.

The managed provision for credit losses was \$943 million, a 1% decrease from the year-ago quarter, reflecting lower losses, partially offset by the Wachovia portfolio. The managed charge-off rate was 5.69%, compared to 5.81% in the year-ago quarter and 5.59% in the fourth quarter. The managed 30-day delinquency rate was 4.27%, down from 4.33% in the year-ago quarter and 4.46% in the fourth quarter.

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In 2001, the Corporation acquired the Wachovia credit card business, including an agent bank portfolio, which was subsequently sold back to Wachovia and the final settlement was completed in the second quarter 2002.

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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 | 2002 | 2001 | Change | |
|--|--------|--------|--------|---------|
| | | | Amount | Percent |
| (Dollars in millions) | | | | |
| Net interest income-FTE | \$ 115 | \$ 104 | \$ 11 | 11% |
| Banking fees and commissions | 132 | 110 | 22 | 20 |
| Service charges on deposits | 5 | 4 | 1 | 25 |
| Fiduciary and investment management fees | 190 | 188 | 2 | 1 |
| Other income | 2 | 5 | (3) | (60) |
| Noninterest income | 329 | 307 | 22 | 7 |
| Total revenue | 444 | 411 | 33 | 8 |
| Provision for credit losses | 5 | 3 | 2 | 67 |
| Salaries and employee benefits | 142 | 145 | (3) | (2) |
| Other expense | 115 | 132 | (17) | (13) |
| Noninterest expense | 257 | 277 | (20) | (7) |
| Pretax operating income-FTE | 182 | 131 | 51 | 39 |
| Tax expense and FTE adjustment | 68 | 49 | 19 | 39 |
| Operating income | \$ 114 | \$ 82 | \$ 32 | 39 |
| Memo: Insurance revenues | \$ 123 | \$ 101 | \$ 22 | 22 |
| FINANCIAL PERFORMANCE: | | | | |
| Return on equity/(6)/ | 42% | 33% | 9% | |
| Efficiency ratio/(6)/ | 58 | 67 | (9) | |
| Headcount-full-time | 5,993 | 6,522 | (529) | (8) |
| ENDING BALANCES (in billions): | | | | |
| Loans | \$ 7.2 | \$ 6.8 | \$ 0.4 | 6 |
| Assets | 8.6 | 8.0 | 0.6 | 8 |
| Demand deposits | 3.0 | 1.7 | 1.3 | 76 |
| Savings | 3.9 | 2.7 | 1.2 | 44 |
| Time | 3.5 | 3.4 | 0.1 | 3 |
| Foreign offices | 0.2 | 0.1 | 0.1 | N/M |

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| | | | | |
|---------------------------------|--------|--------|--------|-----|
| Total deposits | 10.6 | 7.9 | 2.7 | 34 |
| Equity | 1.1 | 1.0 | 0.1 | 10 |
| AVERAGE BALANCES (in billions): | | | | |
| Loans | \$ 7.0 | \$ 6.8 | \$ 0.2 | 3 |
| Assets | 8.4 | 8.0 | 0.4 | 5 |
| Demand deposits | 2.1 | 2.0 | 0.1 | 5 |
| Savings | 3.7 | 2.7 | 1.0 | 37 |
| Time | 3.2 | 3.4 | (0.2) | (6) |
| Foreign offices | 0.2 | 0.1 | 0.1 | N/M |
| Total deposits | 9.2 | 8.2 | 1.0 | 12 |
| Equity | 1.1 | 1.0 | 0.1 | 10 |

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INVESTMENT MANAGEMENT - CONTINUED

| Three Months Ended March 31 | 2002 | 2001 | Amount |
|--|---------|---------|---------|
| CREDIT QUALITY (in millions): | | | |
| Net charge-offs: | | | |
| Commercial | \$ 2 | \$ - | \$ 2 |
| Consumer | 3 | - | 3 |
| Total net charge-offs | 5 | - | 5 |
| Net charge-off ratios: | | | |
| Commercial | 0.27% | 0.10% | 0.17% |
| Consumer | 0.29 | (0.04) | 0.33 |
| Total net charge-off ratio | 0.29 | - | 0.29 |
| Nonperforming assets: | | | |
| Commercial | \$ 30 | \$ 38 | \$ (8) |
| Consumer | 7 | 4 | 3 |
| Total nonperforming loans | 37 | 42 | (5) |
| Other, including OREO | - | - | - |
| Total nonperforming assets | 37 | 42 | (5) |
| Allowance for credit losses | \$ 25 | \$ 25 | \$ - |
| Allowance to period-end loans | 0.35% | 0.37% | (0.02) |
| Allowance to nonperforming loans | 68 | 60 | 8 |
| Nonperforming assets to related assets | 0.51 | 0.62 | (0.11) |
| ASSETS UNDER MANAGEMENT ENDING BALANCES (in billions): | | | |
| Mutual funds | \$ 89.9 | \$ 71.0 | \$ 18.9 |
| Other | 58.4 | 60.5 | (2.1) |

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| | | | | |
|---|----|---------|----------|----------|
| Total | | 148.3 | 131.5 | 16.8 |
| By type: | | | | |
| Money market | \$ | 62.7 | \$ 48.0 | \$ 14.7 |
| Equity | | 47.9 | 47.4 | 0.5 |
| Fixed income | | 37.7 | 36.1 | 1.6 |
| Total | | 148.3 | 131.5 | 16.8 |
| By channel: | | | | |
| Private client services | \$ | 48.0 | \$ 55.4 | \$ (7.4) |
| Retail brokerage | | 9.8 | 9.2 | 0.6 |
| Institutional | | 64.4 | 51.2 | 13.2 |
| Commercial cash sweep | | 10.1 | 8.4 | 1.7 |
| All other | | 16.0 | 7.3 | 8.7 |
| Total | | 148.3 | 131.5 | 16.8 |
| Morningstar Rankings: | | | | |
| Percentage of customer assets in 4 and 5 ranked funds | | 55% | 62% | (7) |
| Percentage of customer assets in 3+ ranked funds | | 89 | 95 | (6) |
| TRUST ASSETS ENDING BALANCES: | | | | |
| Trust assets under administration (in billions) | \$ | 347.6 | \$ 319.6 | \$ 28.0 |
| CORPORATE TRUST SECURITIES ENDING BALANCES: | | | | |
| Corporate trust securities under administration (in billions) | \$ | 1,044.1 | \$ 848.0 | \$ 196.1 |

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INVESTMENT MANAGEMENT - CONTINUED

| Three Months Ended March 31 | 2002 | 2001 | Amount |
|---|---------|---------|----------|
| RETAIL BROKERAGE: | | | |
| Mutual fund sales (in million) | \$ 580 | \$ 614 | \$ (34) |
| Annuity sales | 797 | 524 | 273 |
| Total sales | 1,377 | 1,138 | 239 |
| Number of accounts-end of period (in thousands) | 390 | 390 | - |
| Market value customer assets-end of period (in billion) | \$ 24.2 | \$ 22.1 | \$ 2.1 |
| Number of registered sales representatives | 737 | 697 | 40 |
| Number of licensed retail bankers | 3,112 | 2,848 | 264 |
| Annuity account value (in billions) | \$ 9.6 | \$ 7.0 | \$ 2.6 |
| PRIVATE CLIENT SERVICES: | | | |
| Number of Private Client advisors | 660 | 714 | (54) |
| Number of Private Client offices | 105 | 104 | 1 |
| Client Assets: | | | |
| Assets under management (in billions) | \$ 48.0 | \$ 55.4 | \$ (7.4) |

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Ending Balances (in billions):

| | | | | | | |
|----------|----|-----|----|-----|----|-----|
| Loans | \$ | 6.9 | \$ | 6.8 | \$ | 0.1 |
| Deposits | | 8.2 | | 7.0 | | 1.2 |

Average Balances (in billions):

| | | | | | | |
|----------|----|-----|----|-----|----|-----|
| Loans | \$ | 6.9 | \$ | 6.8 | \$ | 0.1 |
| Deposits | | 8.1 | | 7.0 | | 1.1 |

For additional footnote detail see page 5.

Investment Management reported first quarter operating income of \$114 million, up 39% from the year-ago quarter, driven by higher revenue and continued cost control. Compared to the fourth quarter, operating income increased 6%, reflecting higher revenue and lower provision.

Assets under management at quarter-end improved to \$148.3 billion, up 13% from a year ago. One Group(R) mutual fund assets increased to \$89.9 billion in the first quarter, up 27% year-over-year. The increase was attributed to significant growth in money market assets.

One Group funds performance remained strong during the first quarter. The percent of client assets in funds rated 4 and 5 by Morningstar at March 31, 2002, was 55%, down from 57% in the fourth quarter, and 89% of assets were in funds rated three stars or higher, up from 88% in the fourth quarter.

Revenue increased 8% year-over-year, contributing to improved operating leverage. Net interest income totaled \$115 million, up 11% from the year-ago period, reflecting a 12% increase in average deposits and wider deposit spreads. Noninterest income was \$329 million, up \$22 million from the year-ago quarter, primarily driven by a 21% increase in the sale of mutual funds and annuities.

Noninterest expense was \$257 million, down 7% from a year ago, driven principally by lower support-related headcount.

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CORPORATE

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

| Three Months Ended March 31 | 2002 | 2001 | Change | |
|---|---------|----------|--------|---------|
| | | | Amount | Percent |
| (Dollars in millions) | | | | |
| Net interest income (expense)-FTE/(16)/ | \$ (41) | \$ (201) | \$ 160 | 80% |
| Banking fees and commissions | (5) | (7) | 2 | 29 |
| Credit card revenue | (1) | 1 | (2) | N/M |
| Service charges on deposits | 3 | 1 | 2 | N/M |
| Investment securities losses | (18) | (97) | 79 | 81 |

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| | | | | |
|--|---------|---------|----------|------|
| Trading | (9) | (10) | 1 | 10 |
| Other income | 60 | 143 | (83) | (58) |
| ----- | | | | |
| Noninterest income/(17)/ | 30 | 31 | (1) | (3) |
| ----- | | | | |
| Total revenue (loss) | (11) | (170) | 159 | 94 |
| Provision for credit losses | 15 | - | 15 | N/M |
| Salaries and employee benefits | 175 | 109 | 66 | 61 |
| Other expense | (90) | (109) | 19 | 17 |
| ----- | | | | |
| Noninterest expense/(18)/ | 85 | - | 85 | N/M |
| ----- | | | | |
| Pretax operating loss-FTE | (111) | (170) | 59 | 35 |
| Tax expense (benefit) and FTE adjustment | (59) | (82) | 23 | 28 |
| ----- | | | | |
| Operating income (loss) | \$ (52) | \$ (88) | \$ 36 | 41 |
| ----- | | | | |
| FINANCIAL PERFORMANCE: | | | | |
| Headcount-full-time/(13)/ | 12,103 | 13,362 | (1,259) | (9) |
| ENDING BALANCES (in billions): | | | | |
| Loans | \$ 0.9 | \$ 0.8 | \$ 0.1 | 13 |
| Assets | 51.8 | 54.6 | (2.8) | (5) |
| Deposits | 16.0 | 31.5 | (15.5) | (49) |
| Equity | (0.2) | (1.5) | 1.3 | 87 |
| AVERAGE BALANCES (in billions): | | | | |
| Loans | \$ 0.4 | \$ 0.7 | \$ (0.3) | (43) |
| Assets | 47.9 | 44.6 | 3.3 | 7 |
| Deposits | 15.8 | 28.1 | (12.3) | (44) |
| Equity | (0.2) | (1.5) | 1.3 | 87 |
| ----- | | | | |

For additional footnote detail see page 5.

/(16)/ Net interest income primarily includes Treasury results and interest spread on investment related activities.

/(17)/ Noninterest income primarily includes the gains and losses from investment activities and other corporate transactions.

/(18)/ Noninterest expense primarily includes corporate expense not allocated to the lines of business.

Corporate reported a net loss of \$52 million in the first quarter, compared with a net loss of \$88 million in the 2001 first quarter and a \$106 million operating loss in the fourth quarter.

Net interest expense decreased to \$41 million in the first quarter, compared to \$201 million in the year-ago quarter, driven by lower interest rates that positively impacted the Corporation's funding costs.

Noninterest income was relatively flat from the year-ago quarter. Investment securities losses, which include the corporate fixed income and equity, venture capital and private equity portfolios, were \$18 million, an improvement of \$79 million from the 2001 first quarter. This was mainly due to lower venture fund investment write-downs and higher gains in other corporate investments. The year-over-year variance in other income was driven by the

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inclusion of \$73 million in gains in the 2001 first quarter from the sale of the Corporation's portion of the controlling equity position in EquiServe Limited Partnership and from the sale of the Corporation's investment in Star Systems, an ATM network.

Unallocated corporate expenses were \$85 million compared to zero in the year-ago quarter.

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Provision was \$15 million, reflecting charge-offs against other loan assets.

CONSOLIDATED RESULTS

NET INTEREST INCOME

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

In order to understand fundamental trends in net interest income, average earning assets and net interest margins, it is useful to analyze financial performance on a managed portfolio basis, which adds data on securitized loans to reported data on loans as presented below:

| Three Months Ended March 31 | 2002 | 2001 | Change | |
|-------------------------------|----------|----------|----------|------|
| | | | Amount | Perc |
| (Dollars in millions) | | | | |
| Managed: | | | | |
| Net interest income-FTE basis | \$ 3,539 | \$ 3,308 | \$ 231 | |
| Average earning assets | 268,405 | 281,921 | (13,516) | |
| Net interest margin | 5.35% | 4.76% | 0.59% | |
| Reported: | | | | |
| Net interest income-FTE basis | \$ 2,235 | \$ 2,218 | \$ 17 | |
| Average earning assets | 231,815 | 242,338 | (10,523) | |
| Net interest margin | 3.91% | 3.71% | 0.20% | |

The year-over-year improvement in net interest income and the margin was due to lower interest rates and improved balance sheet profitability. This reflected a reduction in lower margin commercial credits, more disciplined pricing in the consumer loan sector and an increase in the percentage of funding provided by core Retail deposits and net free funds.

NONINTEREST INCOME

The components of managed noninterest income for the periods indicated are:

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| Three Months Ended March 31 | 2002 | 2001 | Change | |
|--|----------|----------|--------|------|
| | | | Amount | Perc |
| (Dollars in millions) | | | | |
| Banking fees and commissions | \$ 445 | \$ 411 | \$ 34 | |
| Credit card revenue | 448 | 307 | 141 | |
| Service charges on deposits | 393 | 331 | 62 | |
| Fiduciary and investment management fees | 189 | 187 | 2 | |
| Investment securities losses | (18) | (96) | 78 | |
| Trading | 16 | 65 | (49) | |
| Other income | 21 | 188 | (167) | |
| Managed noninterest income | \$ 1,494 | \$ 1,393 | \$ 101 | |

In order to provide more meaningful trend analysis, credit card revenue and total noninterest income in the above table are shown on a managed basis. Credit card revenue excludes the net interest revenue associated with securitized credit card receivables. Components of noninterest income that are primarily related to a single business segment are discussed within that business segment rather than the consolidated section.

Banking fees and commissions increased from the year-ago quarter by \$34 million, or 8%, due primarily to increased sales of annuities and mutual funds, as well as from the growth in the asset backed finance and investment grade bond underwriting businesses.

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Managed credit card revenue in the first quarter of 2002 increased \$141 million, or 46%, over the prior year period primarily due to the addition of the Wachovia portfolio and the consolidation of Paymentech.

Service charges on deposits increased \$62 million for the first quarter of 2002 compared to the year-ago period. This 19% increase primarily reflected improvement in GTS volumes and pricing and a shift in the payment of services to fees from net interest income due to the lower value of customers' compensating deposit balances.

Investment securities losses were \$18 million for the first quarter of 2002, compared to a loss of \$96 million in the first quarter of 2001, and were primarily due to lower venture fund investment write-downs and higher gains in other corporate investments.

Trading produced gains of \$16 million compared to \$65 million in the first quarter of 2001. The 75% decrease in trading revenue reflected a decline in the fair value of credit derivatives used to manage credit risk as well as lower foreign exchange and fixed income revenue.

Other income for the first quarter decreased \$167 million, or 89%, compared to the previous year. This decrease was primarily the result of gains in the first quarter of 2001 due to the sale of ownership interests in EquiServe Limited Partnership and Star Systems, and no new securitizations, offset by the first quarter 2002 effects of the consolidation of Paymentech.

NONINTEREST EXPENSE

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The components of noninterest expense for the periods indicated are:

| Three Months Ended March 31 | 2002 | 2001 | Change | |
|--------------------------------------|--------|--------|---------|-------|
| | | | Amount | Perce |
| <hr/> | | | | |
| (Dollars in millions) | | | | |
| Salaries and employee benefits: | | | | |
| Salaries | \$ 920 | \$ 875 | \$ 45 | |
| Employee benefits | 176 | 145 | 31 | |
| <hr/> | | | | |
| Total salaries and employee benefits | 1,096 | 1,020 | 76 | |
| Occupancy | 158 | 167 | (9) | |
| Equipment | 103 | 121 | (18) | |
| Outside service fees and processing | 300 | 256 | 44 | |
| Marketing and development | 258 | 212 | 46 | |
| Telecommunication | 101 | 109 | (8) | |
| Other intangible amortization | 33 | 20 | 13 | |
| Goodwill amortization | - | 17 | (17) | |
| Other | 296 | 314 | (18) | |
| <hr/> | | | | |
| Total noninterest expense | 2,345 | 2,236 | 109 | |
| <hr/> | | | | |
| Employees/(1)/ | 73,864 | 79,157 | (5,293) | |
| Efficiency ratio-managed basis | 46.6% | 47.6% | (1.0)% | |
| <hr/> | | | | |

/(1)/ First quarter 2002 includes the addition of 1,627 employees due to the consolidation of Paymentech and Anexsys.

Components of noninterest expense that are primarily related to a single business segment are discussed within that business segment rather than the consolidated section.

Salaries and employee benefits in the first quarter of 2002 increased 7% from the year-ago period due to increased incentive compensation and the consolidation of Paymentech and Anexsys, partially offset by savings from reduced headcount.

Outside service fees and processing expense increased \$44 million, or 17%, in the first quarter of 2002 compared to the year-ago period, primarily due to data processing credits in the first quarter 2001.

Marketing and development expense increased \$46 million, or 22%, in the first quarter of 2002 compared to the prior year quarter primarily due to increased marketing expense for Credit Card and Retail.

Other intangible amortization increased \$13 million in the first quarter of 2002 compared to the prior year quarter primarily due to the amortization of purchased credit card relationships associated with addition of the Wachovia business. Additionally, the Corporation no longer amortizes goodwill in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142") and thus did not incur any goodwill amortization expense in the first quarter of 2002.

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Other operating expense in the first quarter of 2002 decreased \$18 million from the year-ago period primarily due to the continuation of the Corporation's waste-reduction initiatives to lower expenses, which was partially offset by system conversion costs. The Corporation is working to complete the Michigan/Florida conversion by around the end of the second quarter of 2002 and to complete the Illinois conversion by around year-end 2002.

APPLICABLE INCOME TAXES

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

| Three Months Ended March 31 | 2002 | 2001 |
|-----------------------------|----------|--------|
| ----- | | |
| (Dollars in millions) | | |
| Income before income taxes | \$ 1,142 | \$ 971 |
| Applicable income taxes | 355 | 292 |
| Effective tax rate | 31.1% | 30.1% |
| ----- | | |

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

RISK MANAGEMENT

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

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

The following discussion of the Corporation's risk management processes focuses primarily on developments since December 31, 2001. The Corporation's risk management processes for liquidity, market, credit and operational risks have not substantially changed from year-end and are described in detail in the Corporation's 2001 Annual Report, beginning on page 47.

At March 31, 2002, the Corporation and its principal banks had the following long- and short-term debt ratings:

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

MARKET RISK MANAGEMENT

OVERVIEW

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

VALUE-AT-RISK-TRADING ACTIVITIES

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

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

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

The value-at-risk in the Corporation's trading portfolio for the three months ended March 31, 2002 was as follows:

| (In millions) | At March 31, 2002 | First Quarter 2002 | | | At December 31, 2001 |
|---------------------------------|----------------------|--------------------|-------|-------|-------------------------|
| | | Average | High | Low | |
| Risk Type | | | | | |
| Interest Rate | \$ 12 | \$ 12 | \$ 13 | \$ 10 | \$ |
| Currency Exchange Rate | 1 | - | 2 | - | |
| Equity | 1 | 1 | 2 | 1 | |
| Diversification benefit | (1) | - | N/A | N/A | |
| Aggregate portfolio market risk | \$ 13 | \$ 13 | \$ 15 | \$ 12 | \$ |

Interest rate risk was the predominant type of market risk incurred during the first quarter of 2002. At March 31, 2002, approximately 86% of

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primary market risk exposures were related to interest rate risk. Exchange rate, equity and commodity risks accounted for 14% of primary market risk exposures.

STRUCTURAL INTEREST RATE RISK MANAGEMENT

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

Earnings simulation analysis, or earnings-at-risk, measures the sensitivity of pretax earnings to various interest rate movements. The base-case scenario is established using current interest rates. The comparative scenarios assume an immediate parallel shock in increments of [plusmn] 100 basis point rate movements. Numerous other scenarios are analyzed, including more gradual rising or declining rate changes and non-parallel rate shifts. Estimated earnings for each scenario are calculated over multiple years. The interest rate scenarios are used for analytical purposes and do not necessarily represent Management's view of future market movements. Rather, these are intended to provide a measure of the degree of volatility interest rate movements may introduce into the earnings and economic value of the Corporation.

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The Corporation's 12-month pre-tax earnings sensitivity profile as of March 31, 2002 and December 31, 2001 is as follows:

| (In millions) | Immediate Change in Rates | |
|-------------------|---------------------------|----------|
| | -100 bp | +100 bp |
| March 31, 2002 | \$ 1 | \$ (152) |
| December 31, 2001 | \$ 174 | \$ (341) |

Management regularly reviews alternative strategies to manage the Corporation's exposure to interest rate movements under a wide range of market based outcomes, balancing the risks and returns against the cost of incremental strategies. During the quarter, the Corporation reduced its sensitivity to rising interest rates by more than 50%. Although increasing rates would still negatively impact the Corporation's net interest margin, management believes the position is prudent given current interest rate levels. For additional discussion on the Corporation's derivative activities see the section "Derivative Financial Instruments" beginning on page 26.

Modeling the sensitivity of earnings to interest rate risk is highly dependent on the numerous assumptions embedded in the model. While the earnings sensitivity analysis incorporates Management's best estimate of interest rate and balance sheet dynamics under various market rate movements, the actual behavior and resulting earnings impact will likely differ from that projected.

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CREDIT PORTFOLIO COMPOSITION

SELECTED STATISTICAL INFORMATION

The significant components of credit risk and the related ratios, presented on a reported basis, for the periods indicated are as follows:

| (Dollars in millions) | March 31 2002 | December 31 2001 | September 30 2001 | June 30 2001 |
|---|------------------|---------------------|----------------------|-----------------|
| Loans outstanding | \$ 152,126 | \$ 156,733 | \$ 164,251 | \$ 166,500 |
| Average loans | 154,942 | 160,150 | 165,416 | 169,100 |
| Nonperforming loans | 3,737 | 3,551 | 3,112 | 2,800 |
| Other, including other real estate owned | 197 | 137 | 116 | 100 |
| Nonperforming assets | 3,934 | 3,688 | 3,228 | 2,900 |
| Allowance for credit losses | 4,520 | 4,528 | 4,479 | 4,200 |
| Net charge-offs | 663 | 717 | 566 | 500 |
| Nonperforming assets to related assets | 2.58% | 2.35% | 1.96% | 1.80% |
| Allowance for credit losses/loans outstanding | 2.97 | 2.89 | 2.73 | 2.50 |
| Allowance for credit losses/nonperforming loans | 121 | 128 | 144 | 100 |
| Net charge-offs/average loans | 1.71 | 1.79 | 1.37 | 1.20 |
| Allowance for credit losses/net charge-offs | 170 | 158 | 198 | 200 |

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LOAN COMPOSITION

The Corporation's loan portfolios for the periods indicated are as follows:

| (Dollars in millions) | March 31, 2002 | | December 31, 2001 | | September 30, 2001 | | June 30, 2001 |
|----------------------------|----------------|-----------|-------------------|-----------|--------------------|-----------|---------------|
| | Amount | %/(1)/ | Amount | %/(1)/ | Amount | %/(1)/ | Amount |
| Retail: | | | | | | | |
| Small business commercial | \$ 9,992 | 5% | \$ 9,947 | 5% | \$ 9,966 | 4% | \$ 9,900 |
| Home equity | 29,891 | 14 | 30,268 | 14 | 30,712 | 14 | 30,000 |
| Vehicles: | | | | | | | |
| Loans | 13,644 | 7 | 13,481 | 6 | 13,497 | 6 | 14,000 |
| Leases | 5,431 | 3 | 6,155 | 3 | 6,855 | 3 | 7,000 |
| Other personal | 8,604 | 4 | 9,779 | 4 | 9,941 | 5 | 10,000 |
| Total Retail | 67,562 | 33 | 69,630 | 32 | 70,971 | 32 | 72,000 |
| Commercial Banking: | | | | | | | |
| Corporate Banking: | | | | | | | |
| Commercial and industrial | 20,226 | 10 | 22,268 | 10 | 25,287 | 11 | 28,000 |
| Commercial real estate | 8,731 | 4 | 8,975 | 4 | 9,391 | 4 | 9,000 |
| Lease financing | 4,774 | 2 | 4,669 | 2 | 4,536 | 2 | 4,000 |

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| | | | | | | | |
|---------------------------|------------|------|------------|------|------------|------|--------|
| Other | 975 | - | 731 | - | 1,279 | - | |
| ----- | | | | | | | |
| Total Corporate Banking | 34,706 | 16 | 36,643 | 16 | 40,493 | 17 | 43 |
| Middle Market: | | | | | | | |
| Commercial and industrial | 29,515 | 14 | 31,076 | 14 | 32,325 | 15 | 32 |
| Commercial real estate | 3,516 | 2 | 3,472 | 2 | 3,233 | 1 | 2 |
| Lease financing | 1,156 | 1 | 1,053 | 1 | 1,049 | 1 | |
| Other | 141 | - | 294 | - | 300 | - | |
| ----- | | | | | | | |
| Total Middle Market | 34,328 | 17 | 35,895 | 17 | 36,907 | 17 | 36 |
| ----- | | | | | | | |
| Total Commercial Banking | 69,034 | 33 | 72,538 | 33 | 77,400 | 34 | 80 |
| IMG and Corporate | 8,134 | 4 | 7,779 | 4 | 7,480 | 3 | 7 |
| Credit Card: | | | | | | | |
| On balance sheet | 7,396 | 4 | 6,786 | 3 | 8,400 | 4 | 6 |
| Securitized | 57,393 | 26 | 61,369 | 28 | 58,353 | 27 | 56 |
| ----- | | | | | | | |
| Managed credit card/(2)/ | 64,789 | 30 | 68,155 | 31 | 66,753 | 31 | 63 |
| ----- | | | | | | | |
| Total managed | \$ 209,519 | 100% | \$ 218,102 | 100% | \$ 222,604 | 100% | \$ 223 |
| ----- | | | | | | | |
| Total reported | \$ 152,126 | | \$ 156,733 | | \$ 164,251 | | \$ 166 |
| ----- | | | | | | | |

/(1)/ Percentages are determined as a percentage of total managed loans.

/(2)/ See page 28 for the detailed components of managed credit card loans.

Loans held for sale, which are carried at lower of cost or fair value, totaled \$4.5 billion and \$4.2 billion at March 31, 2002 and December 31, 2001, respectively. At March 31, 2002, loans held for sale included Commercial Banking loans of \$165 million, of which approximately \$66 million are included in nonperforming loans, and Credit Card and other Consumer loans of \$4.3 billion.

Commercial and Industrial Loans

Commercial and industrial loans represent commercial loans other than commercial real estate. At March 31, 2002, commercial and industrial loans totaled \$49.7 billion, which represents 72% of the Commercial Banking portfolio.

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

| (Dollars in millions) | March 31, 2002 | | Dec 31, 2001 |
|-----------------------|----------------|--------|--------------|
| | Outstanding | %/(1)/ | |
| Wholesale trade | \$ 4,066 | 8.2% | \$ |
| Oil and gas | 3,474 | 7.0 | |
| Industrial materials | 3,140 | 6.3 | |
| Consumer staples | 2,851 | 5.7 | |
| Metals and products | 2,609 | 5.2 | |

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/(1)/ Total outstanding by industry concentration as a percentage of total commercial and industrial loans.

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 ultimate repayment of the loan is dependent on the sale, lease, rental or refinancing of the property. At March 31, 2002, commercial real estate loans totaled \$12.2 billion, which represents 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, homebuilders and REITs/REOCs.

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, 2002 | | December 31, 2001 |
|---|------------------|----------------|-------------------|
| By Collateral Location: | Amount | % of Portfolio | Amount |
| Illinois | \$ 1,668 | 14% | \$ 1,682 |
| Michigan | 1,361 | 11 | 1,348 |
| Texas | 1,048 | 8 | 1,004 |
| California | 985 | 8 | 960 |
| Arizona | 937 | 8 | 958 |
| Ohio | 835 | 7 | 839 |
| Indiana | 496 | 4 | 504 |
| Louisiana | 439 | 4 | 487 |
| Kentucky | 352 | 3 | 326 |
| Colorado | 322 | 3 | 356 |
| Other areas | 1,877 | 15 | 1,806 |
| Unsecured | 1,397 | 11 | 1,670 |
| Secured by other than real estate | 530 | 4 | 507 |
| Total | \$ 12,247 | 100% | \$ 12,447 |
| By Property Type: | | | |
| Retail | \$ 1,862 | 15% | \$ 1,913 |
| Apartment | 1,825 | 15 | 1,770 |
| Office | 1,730 | 14 | 1,804 |
| REIT/diversified | 1,312 | 11 | 1,297 |
| Single family residential development | 1,299 | 11 | 1,273 |
| Industrial/warehouse | 1,230 | 10 | 1,230 |
| Hotels | 486 | 4 | 625 |
| Residential lots | 420 | 3 | 472 |
| Miscellaneous commercial income producing | 1,918 | 16 | 1,864 |
| Miscellaneous residential developments | 165 | 1 | 199 |
| Total | \$ 12,247 | 100% | \$ 12,447 |

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 it 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 periods indicated are as follows:

| (Dollars in millions) | March 31 2002 | December 31 2001 | September 30 2001 | |
|--|------------------|---------------------|----------------------|----|
| <hr/> | | | | |
| Nonperforming Loans: | | | | |
| Retail | \$ 1,402 | \$ 1,344 | \$ 1,155 | \$ |
| Commercial Banking: | | | | |
| Corporate Banking | 1,170 | 1,154 | 1,051 | |
| Middle Market Banking | 1,087 | 973 | 853 | |
| <hr/> | | | | |
| Total Commercial Banking/(1)/ | 2,257 | 2,127 | 1,904 | |
| IMG and Corporate | 78 | 80 | 53 | |
| <hr/> | | | | |
| Total | 3,737 | 3,551 | 3,112 | |
| Other, primarily other real estate owned | 197 | 137 | 116 | |
| <hr/> | | | | |
| Total nonperforming assets | \$ 3,934 | \$ 3,688 | \$ 3,228 | \$ |
| <hr/> | | | | |
| Nonperforming assets/related assets: | 2.58% | 2.35% | 1.96% | |
| Loans 90-days or more past due and accruing interest: | | | | |
| Credit Card | \$ 100 | \$ 96 | \$ 114 | \$ |
| Other | 2 | 1 | 9 | |
| <hr/> | | | | |
| Total | \$ 102 | \$ 97 | \$ 123 | \$ |
| <hr/> | | | | |

/(1)/ Commercial Banking nonperforming loans at March 31, 2002 include \$66 million of Loans Held for Sale.

The Corporation has experienced credit quality deterioration in a number of distinct Commercial Banking market segments, and although this deterioration has slowed in the first quarter of 2002 it is not expected to improve credit costs in the near term. The Corporation has established processes for identifying potential problem areas of the portfolio, which currently include

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exposure to leveraged lending and acquisition finance activities, healthcare, automotive parts and manufacturing, business finance and leasing, professional services, miscellaneous transportation services, telecommunications and selected utilities. The Corporation will continue to monitor and manage these potential risks.

Nonperforming loans within Retail at March 31, 2002 were \$1.402 billion, an increase of \$58 million from fourth quarter 2001. This increase was primarily driven by brokered home equity loans. Home equity loans are written down to net realizable value once a loan reaches 120 days delinquency. However, due to the nature of the timeline necessary to complete foreclosure and gain title, real estate loans remain in nonperforming status for an extended period.

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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 after receipt of notification in case 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 by line of business for the periods indicated are as follows:

| (Dollars in millions) | March 31, 2002 | | | December 31, 2001 | | |
|--------------------------|-----------------|-----------------|---------------------|-------------------|-----------------|---------------------|
| | Net charge-offs | Average balance | Net charge-off rate | Net charge-offs | Average balance | Net charge-off rate |
| Retail/(1)/ | \$ 265 | \$ 69,228 | 1.53% | \$ 268 | \$ 70,049 | 1.53% |
| Commercial Banking: | | | | | | |
| Corporate Banking | 163 | 36,040 | 1.81 | 164 | 38,065 | 1.72 |
| Middle Market Banking | 118 | 35,075 | 1.34 | 158 | 36,185 | 1.75 |
| Total Commercial Banking | 281 | 71,115 | 1.58 | 322 | 74,250 | 1.73 |
| Credit Card | 943 | 66,324 | 5.69 | 930 | 66,505 | 5.59 |
| IMG and Corporate | 20 | 7,382 | - | 14 | 7,493 | - |
| Total-Managed | 1,509 | 214,049 | 2.82% | 1,534 | 218,297 | 2.81% |

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| | | | | | | |
|----------------|--------|------------|-------|--------|------------|-------|
| Securitized | (846) | (59,107) | | (817) | (58,147) | |
| Total-Reported | \$ 663 | \$ 154,942 | 1.71% | \$ 717 | \$ 160,150 | 1.79% |

June 30, 2001

| | Net charge-offs | Average balance | Net charge-off rate |
|--------------------------|-----------------|-----------------|---------------------|
| Retail/(1)/ | \$ 177 | \$ 72,679 | 0.97% |
| Commercial Banking: | | | |
| Corporate Banking | 155 | 45,736 | 1.36 |
| Middle Market Banking | 84 | 36,995 | 0.91 |
| Total Commercial Banking | 239 | 82,731 | 1.16 |
| Credit Card | 962 | 63,179 | 6.09 |
| IMG and Corporate | 13 | 7,763 | - |
| Total-Managed | 1,391 | 226,352 | 2.46% |
| Securitized | (875) | (57,212) | |
| Total-Reported | \$ 516 | \$ 169,140 | 1.22% |

/(1)/ Quarter results exclude \$1 million, \$14 million, \$14 million, \$24 million and \$40 million, respectively, of charge-offs which are not so classified in the Corporation's GAAP financials because they are part of a portfolio that has been accounted for as loans held at a discount. The inclusion of these amounts in charge-offs more accurately reflects the performance of the portfolio. In the Corporation's financial statements, these items result in a higher provision in excess of net charge-offs.

Managed net charge-offs decreased 2% during the first quarter of 2002 to \$1.509 billion from the fourth quarter 2001, primarily reflecting lower charge-offs in the Commercial Banking portfolios, however, the managed net charge-off rate remained essentially unchanged.

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LOAN SALES

A summary of the Corporation's Commercial Banking loan sales for the periods indicated are as follows:

| (In millions) | March 31 2002 | December 31 2001 | September 30 2001 | Jun |
|---------------|------------------|---------------------|----------------------|-----|
|---------------|------------------|---------------------|----------------------|-----|

Loans Sold and Loans Transferred
to Loans Held For Sale:/(1)/

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| | | | | | | | |
|----------------------------|----|-----|----|-----|----|-----|----|
| Nonperforming loans | \$ | 99 | \$ | 18 | \$ | 42 | \$ |
| Other credit related loans | | 160 | | 93 | | 86 | |
| Other loans | | 343 | | 179 | | 438 | |
| ----- | | | | | | | |
| Total | \$ | 602 | \$ | 290 | \$ | 566 | \$ |
| ----- | | | | | | | |
| Losses on Sale: | | | | | | | |
| Charge-offs:/(2)/ | | | | | | | |
| Nonperforming loans | \$ | 48 | \$ | 8 | \$ | 11 | \$ |
| Other credit related loans | | 19 | | 18 | | 22 | |
| ----- | | | | | | | |
| Total charge-offs | \$ | 67 | \$ | 26 | \$ | 33 | \$ |
| Losses on other loans sold | | 4 | | 12 | | 18 | |
| ----- | | | | | | | |
| Total | \$ | 71 | \$ | 38 | \$ | 51 | \$ |
| ----- | | | | | | | |

/(1)/ Includes loans transferred to Loans Held For Sale of approximately \$66 million, \$36 million and \$20 million in nonperforming, other credit related loans and other loans, respectively.

/(2)/ Charge-offs on loans held for sale of approximately \$17 million and \$6 million are included in nonperforming and other credit related loans, respectively.

The Corporation sells Commercial Banking loans in the normal course of its business activities. These loans are subject to the Corporation's overall risk management practices and are one alternative the Corporation uses to manage credit risk. When a loan is sold, the gain or loss is evaluated to determine whether it resulted from credit deterioration or other conditions. Based upon this evaluation, the losses on other loans sold were deemed to be caused by other than credit deterioration. The sale of nonperforming and other credit related loans were primarily recorded as charge-offs as the losses on sale were attributable to credit deterioration.

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 that are based on historical loss ratios, portfolio stress testing and Management's judgment. The allowance is based on ranges of probable loss estimates and is intended to be adequate but not excessive.

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

| (in million) | March 31 2002 | December 31 2001 | September 30 2001 | Jun |
|------------------------------|------------------|---------------------|----------------------|-------|
| Balance, beginning of period | \$ 4,528 | \$ 4,479 | \$ 4,229 | \$ 4, |
| Charge-offs: | | | | |
| Retail: | | | | |
| Small business commercial | 18 | 29 | 24 | |

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| | | | |
|---------------------------|--------|--------|--------|
| Home equity | 138 | 131 | 91 |
| Vehicles: | | | |
| Loans | 82 | 75 | 61 |
| Leases | 34 | 33 | 31 |
| Other personal | 41 | 39 | 39 |
| ----- | | | |
| Total Retail | 313 | 307 | 246 |
| Commercial Banking: | | | |
| Corporate Banking: | | | |
| Commercial and industrial | 182 | 158 | 147 |
| Commercial real estate | 2 | 8 | 1 |
| Lease financing | 2 | 17 | - |
| ----- | | | |
| Total Corporate Banking | 186 | 183 | 148 |
| Middle Market: | | | |
| Commercial and industrial | 126 | 165 | 96 |
| Commercial real estate | 4 | 4 | 1 |
| Lease financing | 5 | 19 | 11 |
| ----- | | | |
| Total Middle Market | 135 | 188 | 108 |
| ----- | | | |
| Total Commercial Banking | 321 | 371 | 256 |
| Credit Card | 111 | 120 | 123 |
| IMG and Corporate | 22 | 14 | 11 |
| ----- | | | |
| Total charge-offs | \$ 767 | \$ 812 | \$ 636 |
| ----- | | | |
| Recoveries: | | | |
| Retail: | | | |
| Small business commercial | \$ 4 | \$ 6 | \$ 4 |
| Home equity | 8 | 6 | 7 |
| Vehicles: | | | |
| Loans | 17 | 15 | 16 |
| Leases | 4 | 7 | 6 |
| Other personal | 15 | 5 | 4 |
| ----- | | | |
| Total Retail | 48 | 39 | 37 |
| Commercial Banking: | | | |
| Corporate Banking: | | | |
| Commercial and industrial | 21 | 17 | 14 |
| Commercial real estate | 2 | 2 | 3 |
| Lease financing | - | - | - |
| ----- | | | |
| Total Corporate Banking | 23 | 19 | 17 |
| Middle Market: | | | |
| Commercial and industrial | 14 | 24 | 8 |
| Commercial real estate | 2 | - | - |
| Lease financing | 1 | 6 | 1 |
| ----- | | | |
| Total Middle Market | 17 | 30 | 9 |
| ----- | | | |
| Total Commercial Banking | 40 | 49 | 26 |
| Credit Card | 14 | 7 | 5 |
| IMG and Corporate | 2 | - | 2 |
| Total recoveries | \$ 104 | \$ 95 | \$ 70 |
| ----- | | | |
| Net charge-offs: | | | |
| Retail | \$ 265 | \$ 268 | \$ 209 |
| Commercial Banking | 281 | 322 | 230 |
| Credit Card | 97 | 113 | 118 |
| IMG and Corporate | 20 | 14 | 9 |
| ----- | | | |

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| | | | | | | | | |
|-----------------------------|----|-------|----|-------|----|-------|----|----|
| Total net charge-off | \$ | 663 | \$ | 717 | \$ | 566 | \$ | |
| Provision for credit losses | | 665 | | 765 | | 620 | | |
| Transfers | | (10) | | 1 | | 196 | | |
| Balance, end of year | \$ | 4,520 | \$ | 4,528 | \$ | 4,479 | \$ | 4, |

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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:

| (Dollars in millions) | March 31 2002 | | December 31 2001 | | September 30 2001 | | A |
|--------------------------|------------------|------|---------------------|------|----------------------|------|----|
| | Amount | % | Amount | % | Amount | % | |
| Retail | \$ 1,028 | 23% | \$ 1,027 | 23% | \$ 979 | 22% | \$ |
| Commercial Banking: | | | | | | | |
| Corporate Banking | 1,706 | 38 | 1,714 | 38 | 1,714 | 38 | |
| Middle Market | 1,365 | 30 | 1,365 | 30 | 1,364 | 30 | |
| Total Commercial Banking | 3,071 | 68 | 3,079 | 68 | 3,078 | 68 | |
| Credit Card | 396 | 9 | 396 | 8 | 397 | 9 | |
| IMG and Corporate | 25 | - | 26 | 1 | 25 | 1 | |
| Total | \$ 4,520 | 100% | \$ 4,528 | 100% | \$ 4,479 | 100% | \$ |

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses a variety of derivative financial instruments in its trading activity, asset and liability management, and mortgage operations, as well as 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, 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 2001 Annual Report beginning on page 61.

INCOME RESULTING FROM DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses interest rate derivative financial instruments in asset and liability management activities to reduce structural interest rate risk, and the volatility of pre-tax income (see Structural Interest Rate Risk Management section on page 18). Pre-tax income reflects the effective use of these derivatives. Without their use, pre-tax income for the three months ended March 31, 2002 and 2001, would have been lower by \$5 million and \$7 million, respectively.

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For cash flow hedges, the effective portion of the change in fair value of the hedging derivative is recorded in Accumulated Other Adjustments to Stockholders Equity ("AOASE"), which is reclassified into earnings in a manner consistent with the earnings pattern of the underlying hedged instrument or transaction. At March 31, 2002, the total amount of such reclassification into earnings is projected to be a decrease in income of \$193 million after-tax (\$294 million pre-tax) over the next twelve months. These projections involve the use of currently forecasted interest rates over the next twelve months. These rates, and the resulting reclassifications into earnings, are subject to change.

The maximum length of time exposure to the variability of future cash flows for forecasted transactions hedged is 36 months. There were no events in 2002 with an effect on earnings from the discontinuance of cash flow hedges due to the determination that a forecasted transaction is no longer likely to occur.

CREDIT EXPOSURE RESULTING FROM DERIVATIVE FINANCIAL INSTRUMENTS

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.

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

| (In millions) | March 31, 2002 | December 31, |
|---|----------------|--------------|
| Gross replacement cost | \$ 10,736 | \$ 12 |
| Less: Adjustment due to master netting agreements | 8,072 | 9 |
| Balance sheet credit exposure | \$ 2,664 | \$ 3 |

ASSET AND LIABILITY MANAGEMENT DERIVATIVES

Access to the derivatives market is an important element in maintaining the Corporation's desired interest rate risk position. In general, the assets and liabilities generated through ordinary 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.

At March 31, 2002, the notional value of ALM interest rate swaps linked to specific assets, liabilities or forecasted transactions was as follows:

| | |
|---------------|------------------|
| Receive Fixed | Pay Fixed |
| Pay Floating | Receive Floating |

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| (In millions) | Fair Value Hedge | Fair Value Hedge | Cash Flow Hedge |
|--------------------------------------|---------------------|---------------------|--------------------|
| Interest rate swaps associated with: | | | |
| Interest-bearing assets | \$ - | \$ 50 | \$ 3,000 |
| Interest-bearing liabilities | 5,739 | - | 15,992 |
| Total | \$ 5,739 | \$ 50 | \$ 18,992 |

Interest rate swaps used to adjust the interest rate sensitivity of certain interest-bearing assets and liabilities will not need to be replaced at maturity, since the corresponding asset or liability will mature along with the interest rate swap. The notional amount of such swaps totaled \$17.8 billion at March 31, 2002.

No non-derivative instruments are designated as a hedge.

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 special purpose entity. 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 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 \$141 million and \$533 million at March 31, 2002 and 2001, respectively, and are classified on the balance sheet as other assets.

For further discussion of Bank One's loan securitization process and other related disclosures, see pages 64-65 and 81-82 of the Corporation's 2001 Annual Report.

The Corporation's managed credit card loans are comprised of the following:

| (In millions) | March 31, 2002 |
|--|----------------|
| Owned credit card loans-held in portfolio | \$ 4,777 |
| Owned credit card loans-held for future securitization | 2,619 |
| Seller's interest in credit card loans (investment securities) | 22,343 |
| Total credit card loans and seller's interest reflected on balance sheet | 29,739 |
| Securities sold to investors and removed from balance sheet | 35,050 |
| Managed credit card loans | \$ 64,789 |

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At March 31, 2002, the estimated fair values of seller's interest and interest-only strip from credit card securitizations were \$22.2 billion and \$184 million, respectively.

For analytical purposes only, income statement line items adjusted for the net impact of securitization of credit card receivables for the periods indicated are as follows:

| (Dollars in millions) | Three Months Ended March 31, 2002 | | | Three |
|----------------------------------|-----------------------------------|--------------------------------|------------|------------|
| | Reported | Credit Card Securitizations | Managed | Reported |
| Net interest income-FTE basis | \$ 2,235 | \$ 1,304 | \$ 3,539 | \$ 2,218 |
| Provision for credit losses | 665 | 846 | 1,511 | 585 |
| Noninterest income | 1,952 | (458) | 1,494 | 1,607 |
| Noninterest expense | 2,345 | - | 2,345 | 2,236 |
| Net income | 787 | - | 787 | 679 |
| Total average loans | \$ 154,942 | \$ 59,107 | \$ 214,049 | \$ 173,677 |
| Total average earning assets | 231,815 | 36,590 | 268,405 | 242,338 |
| Total average assets | 263,354 | 36,590 | 299,944 | 269,514 |
| Net interest margin | 3.91% | 14.45% | 5.35% | 3.71% |
| Credit Card delinquency ratios: | | | | |
| 30+ days | 2.99% | 4.43% | 4.27% | 2.56% |
| 90+ days | 1.36 | 2.04 | 1.96 | 1.13 |
| Net credit card charge-off ratio | 5.38 | 5.73 | 5.69 | 5.65 |

OTHER 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 associated with asset-backed securities business; and joint venture activities.

The Corporation provides customers with off-balance sheet credit support through loan commitments, standby letters of credit and guarantees, as well as commercial letters of credit. Summarized credit-related financial instruments at March 31, 2002 are as follows:

| (In billions) | Amount of Commitment Expi | | |
|---|---------------------------|---------------------|--------------|
| | Total | Less Than 1 Year | 1-3 Years |
| Unused credit card lines | \$ 309.4 | \$ 309.4 | \$ - |
| Unused loan commitments | 136.0 | 100.2 | 21.9 |
| Standby letters of credit and foreign office guarantees | 19.4 | 10.9 | 5.8 |
| Commercial letters of credit | 0.6 | 0.6 | - |

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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.

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In addition to owned banking facilities, the Corporation has entered into a number of long-term leasing arrangements to support the ongoing activities of the Corporation. The required payments under such commitments and long-term debt at March 31, 2002 are as follows:

| (In millions) | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating leases | \$ 183 | \$ 240 | \$ 208 | \$ 169 | \$ 152 |
| Trust preferred capital securities | - | - | - | - | - |
| Long-term debt, including capital leases | 6,447 | 7,684 | 6,006 | 5,135 | 6,927 |
| Total | \$ 6,630 | \$ 7,924 | \$ 6,214 | \$ 5,304 | \$ 7,079 |

The Corporation assists its customers in obtaining sources of liquidity, by structuring financing transactions to sell customer's trade receivables or other financial assets to specialized financing entities that issue commercial paper. The Corporation provides liquidity facilities and subordinated loans to the specialized financing entity, which totaled \$37.9 billion and \$1.1 billion, respectively, at March 31, 2002.

In addition to customer financing transactions, these specialized financing entities fund, through the issuance of asset-backed commercial paper, other selected portfolios of marketable investments that are not reflected on the Corporation's balance sheet. Off-balance sheet liquidity lines provided by the Corporation associated with these transactions were \$2.9 billion at March 31, 2002.

The Corporation also provides liquidity lines to commercial paper issuing specialized financing entities not sponsored by Bank One, which approximated \$1.8 billion at March 31, 2002.

The Corporation is a participant in several operating joint venture initiatives where the Corporation has a majority equity interest in the entity; however, based on the terms of the joint venture arrangement, the ventures are jointly controlled and managed. The Corporation consolidated two joint ventures beginning the first quarter of 2002 as Management has exerted additional influence over these joint ventures. These consolidations did not have a net impact to the Corporation's consolidated net income. The Corporation's investment in the remaining joint ventures totaled \$263 million at March 31, 2002.

CAPITAL MANAGEMENT

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

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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. For a more detailed discussion of Bank One's economic capital framework, see page 67 of the Corporation's 2001 Annual Report.

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 tangible common equity to tangible managed assets ratio is also monitored. This ratio adds securitized credit card loans to reported total assets and is calculated net of total intangible assets.

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The Corporation's capital ratios follow:

| | March 31 2002 | December 31 2001 | September 30 2001 | June 30 2001 |
|--|------------------|---------------------|----------------------|-----------------|
| ----- | | | | |
| Risk-based capital ratios: | | | | |
| Tier 1 | 9.0% | 8.6% | 8.4% | |
| Total | 12.7 | 12.2 | 11.7 | 11.7 |
| Common equity/managed assets | 7.0 | 6.6 | 6.5 | 6.5 |
| Tangible common equity/tangible managed assets | 6.2 | 5.9 | 5.8 | 5.8 |
| Double leverage ratio | 103 | 103 | 102 | 102 |
| Dividend payout ratio | 31 | 38 | 35 | 35 |

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

| | March 31 2002 | December 31 2001 | September 30 2001 |
|--------------------------------|------------------|---------------------|----------------------|
| (In millions) | | | |
| ----- | | | |
| Regulatory risk-based capital: | | | |
| Tier 1 capital | \$ 22,513 | \$ 21,749 | \$ 21,330 |
| Tier 2 capital | 9,115 | 9,091 | 8,547 |
| ----- | | | |
| Total capital | 31,628 | 30,840 | 29,877 |
| ----- | | | |
| Total risk weighted assets | \$ 249,128 | \$ 253,330 | \$ 254,940 |

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

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| (In millions) | March 31 2002 | December 31 2001 | September 3 2001 |
|---------------------------------|------------------|---------------------|---------------------|
| Goodwill | \$ 1,840 | \$ 1,560 | \$ 1,57 |
| Other nonqualifying intangibles | 251 | 207 | 28 |
| Subtotal | 2,091 | 1,767 | 1,86 |
| Qualifying intangibles | 422 | 414 | 44 |
| Total intangibles | \$ 2,513 | \$ 2,181 | \$ 2,30 |

Goodwill and other intangibles increased in the first quarter 2002 primarily due to the consolidation of Paymentech.

In November 2001, the U.S. banking regulators revised the risk based capital rules for the treatment of recourse arrangements, direct credit substitutes, asset and mortgage backed securities, and residual interest in securitization structures. Certain provisions of these rules became effective in the first quarter 2002, and the March 31, 2002 ratio includes the impact of these changes. The Corporation will implement the remaining provisions of these rules beginning December 31, 2002, when they become effective, and does not anticipate that the remaining new rules will have a material impact on the Corporation's risk based capital ratios.

In the second quarter of 2002, the Corporation will implement the U.S. banking regulators risk based capital rules related to the treatment of certain equity investments made in nonfinancial companies, which were issued in January 2002. Additionally, in April 2002, the U.S. banking regulators revised the risk based capital rules to reduce the risk-weight applied to certain claims on, or guarantees by, qualifying securities firms from 100% to 20%. This rule is effective in the third quarter of 2002 with early adoption permissible. The Corporation plans to adopt these rules in the second quarter of 2002. It is anticipated the implementation of these rules will not have a material impact on the Corporation's risk based capital ratios.

DIVIDEND POLICY

The Corporation's common stock dividend policy reflects its earnings outlooks, 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 15, 2002, the Corporation declared its quarterly common cash dividend of 21 cents per share, payable on April 1, 2002.

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DOUBLE LEVERAGE

Double leverage is the extent to which the Corporation's resources are used to finance investments in subsidiaries. Double leverage was 103% at March 31, 2002 and December 31, 2001. Trust Preferred Capital Securities of \$3.315 billion at March 31, 2002 and December 31, 2001 were included in capital for purposes of this calculation.

STOCK REPURCHASE PROGRAM

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On September 17, 2001, the Corporation's Board of Directors approved the repurchase of up to \$500 million of the Corporation's common stock. This buyback is part of the remaining 28.4 million share buyback program authorized in 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. The Corporation did not repurchase any shares under this program in the first quarter of 2002.

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, Bank One may make or approve certain statements in future filings with the Securities and Exchange Commission, in press releases, and in oral and written statements made by or with Bank One's approval that are not statements of historical fact and may constitute forward-looking statements. Forward-looking statements may relate to, without limitation, Bank One'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 Bank One'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 Bank One's business.
- .. The timely development and acceptance of new products and services may be different than anticipated.
- .. Technological changes instituted by Bank One and by persons who may affect Bank One'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 Bank One or its business.
- .. Changes in accounting policies and practices, as may be adopted by regulatory agencies and the Financial Accounting Standards Board, may affect expected financial reporting.
- .. The costs, effects and outcomes of litigation may adversely affect Bank One or its business.
- .. Bank One 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. Bank One undertakes no obligation to update any forward-looking statement to reflect subsequent circumstances or events.

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CONSOLIDATED BALANCE SHEETS
BANK ONE CORPORATION AND SUBSIDIARIES

| (Dollars in millions) | March 31 2002 | December 31 2001 | Mar |
|--|-------------------|---------------------|---------------|
| Assets | | | |
| Cash and due from banks | \$ 12,683 | \$ 17,383 | \$ 15 |
| Interest-bearing due from banks | 1,532 | 1,030 | 1 |
| Federal funds sold and securities under resale agreements | 9,211 | 9,347 | 11 |
| Trading assets | 6,974 | 6,167 | 5 |
| Derivative product assets | 2,664 | 3,225 | 3 |
| Investment securities | 58,657 | 60,883 | 52 |
| Loans | 152,126 | 156,733 | 171 |
| Allowance for credit losses | (4,520) | (4,528) | (4 |
| Loans, net | 147,606 | 152,205 | 167 |
| Other assets | 23,620 | 18,714 | 16 |
| Total assets | \$ 262,947 | \$ 268,954 | \$ 274 |
| Liabilities | | | |
| Deposits: | | | |
| Demand | \$ 29,098 | \$ 32,179 | \$ 29 |
| Savings | 80,149 | 80,599 | 63 |
| Time: | | | |
| Under \$ 100,000 | 19,766 | 20,106 | 24 |
| \$100,000 and over | 16,462 | 18,071 | 21 |
| Foreign offices | 13,328 | 16,575 | 24 |
| Total deposits | 158,803 | 167,530 | 163 |
| Federal funds purchased and securities sold under repurchase agreements | 15,154 | 13,728 | 14 |
| Other short-term borrowings | 5,503 | 10,255 | 16 |
| Long-term debt | 40,879 | 40,103 | 39 |
| Guaranteed preferred beneficial interest in the Corporation's junior subordinated debt | 3,315 | 3,315 | 2 |
| Derivative product liabilities | 2,071 | 2,574 | 3 |
| Other liabilities | 16,309 | 11,223 | 14 |
| Total liabilities | 242,034 | 248,728 | 255 |
| Stockholders' Equity | | | |
| Preferred stock | - | - | |
| Common stock (\$0.01 par value; authorized 4,000,000,000 at 3/31/02 and 12/31/01 and 2,500,000,000 at 3/31/01; issued 1,181,382,304) | 12 | 12 | |
| Surplus | 10,239 | 10,311 | 10 |
| Retained earnings | 11,250 | 10,707 | 9 |
| Accumulated other adjustments to stockholders' equity | (46) | (65) | |
| Deferred compensation | (217) | (121) | |
| Treasury stock, at cost (7,624,025, 14,415,873, and 16,051,793 shares, respectively) | (325) | (618) | |

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| | | | |
|--|------------|------------|--------|
| Total stockholders' equity | 20,913 | 20,226 | 19 |
| Total liabilities and stockholders' equity | \$ 262,947 | \$ 268,954 | \$ 274 |

The accompanying notes are an integral part of this statement

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CONSOLIDATED INCOME STATEMENTS
BANK ONE CORPORATION AND SUBSIDIARIES

| Three Months Ended March 31 | 2002 | 2001 |
|--|----------|----------|
| (In millions, except per share data) | | |
| Net Interest Income: | | |
| Interest income | \$ 3,540 | \$ 4,900 |
| Interest expense | 1,340 | 2,700 |
| Total net interest income | 2,200 | 2,100 |
| Noninterest Income: | | |
| Banking fees and commissions | 445 | 400 |
| Credit card revenue | 906 | 500 |
| Service charges on deposits | 393 | 300 |
| Fiduciary and investment management fees | 189 | 100 |
| Investment securities losses | (18) | (100) |
| Trading | 16 | 100 |
| Other income | 21 | 100 |
| Total noninterest income | 1,952 | 1,600 |
| Total revenue, net of interest expense | 4,152 | 3,700 |
| Provision for credit losses | 665 | 500 |
| Noninterest Expense: | | |
| Salaries and employee benefits | 1,096 | 1,000 |
| Occupancy | 158 | 100 |
| Equipment | 103 | 100 |
| Outside service fees and processing | 300 | 200 |
| Marketing and development | 258 | 200 |
| Telecommunication | 101 | 100 |
| Other intangible amortization | 33 | 100 |
| Goodwill amortization | - | 100 |
| Other expense | 296 | 300 |
| Total noninterest expense | 2,345 | 2,200 |
| Income before income taxes | 1,142 | 900 |
| Applicable income taxes | 355 | 200 |
| Net income | \$ 787 | \$ 600 |
| Net income attributable to common stockholders' equity | \$ 787 | \$ 600 |

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Earnings per share:

Basic

\$ 0.67 \$ 0.

Dilluted

\$ 0.67 \$ 0.

The accompanying notes are an integral part of this statement.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
BANK ONE CORPORATION AND SUBSIDIARIES

| (In millions) | Preferred Stock | Common Stock | Surplus | Retained Earnings | Accumulated Other Adjustments to Stockholders' Equity | Com |
|---|--------------------|-----------------|-----------|----------------------|---|-----|
| Balance-December 31, 2000 | \$ 190 | \$ 12 | \$ 10,487 | \$ 9,060 | \$ (5) | \$ |
| Net income | | | | 679 | | |
| Change in fair value, investment securities-available for sale, net of taxes | | | | | 47 | |
| Change in fair value of cash-flow hedge derivative securities, net of taxes | | | | | (149) | |
| Translation loss, net of hedge results and taxes | | | | | 2 | |
| Net income and changes in accumulated other adjustments to stockholders' equity | | | | 679 | (100) | |
| Cash dividends declared: | | | | | | |
| Common stock | | | | (245) | | |
| Preferred stock | | | | (3) | | |
| Issuance of common stock | | | (93) | | | |
| Awards granted, net of forfeitures and amortization | | | | | | |
| Balance-March 31, 2001 | \$ 190 | \$ 12 | \$ 10,394 | \$ 9,491 | \$ (105) | \$ |
| Balance-December 31, 2001 | \$ - | \$ 12 | \$ 10,311 | \$ 10,707 | \$ (65) | \$ |
| Net income | | | | 787 | | |
| Change in fair value, investment securities-available for sale, net of taxes | | | | | (118) | |
| Change in fair value of cash-flow hedge derivative securities, net of taxes | | | | | 137 | |
| Net income and changes in accumulated other adjustments | | | | | | |

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| | | | | | | | | | | | |
|------------------------------|----|---|------|----|-------|--------|----|--------|----|------|----|
| to stockholders' equity | | | | | 787 | | 19 | | | | |
| Cash dividends declared on | | | | | | | | | | | |
| Common stock | | | | | (244) | | | | | | |
| Issuance of common stock | | | (88) | | | | | | | | |
| Awards granted, net of | | | | | | | | | | | |
| forfeitures and amortization | | | | | | | | | | | |
| Other | | | | | 16 | | | | | | |
| ----- | | | | | | | | | | | |
| Balance-March 31, 2002 | \$ | - | \$ | 12 | \$ | 10,239 | \$ | 11,250 | \$ | (46) | \$ |
| ----- | | | | | | | | | | | |

The accompanying notes are an integral part of this statement.

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Consolidated Statements of Cash Flows
Bank One Corporation and Subsidiaries

| Three Months Ended March 31 | 2002 | 2001 |
|--|----------|----------|
| ----- | | |
| (In millions) | | |
| Cash Flows from Operating Activities: | | |
| Net Income | \$ 787 | \$ 679 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 129 | 135 |
| Provision for credit losses | 665 | 585 |
| Investment securities losses, net | 18 | 96 |
| Net increase in net derivative product assets | (14) | (140) |
| Net increase in trading assets | (805) | (2,401) |
| Net increase in other assets | (4,111) | (353) |
| Net increase in other liabilities | 4,349 | 4,020 |
| Other operating adjustments | 114 | (99) |
| ----- | | |
| Net cash provided by operating activities | 1,132 | 2,522 |
| Cash Flows from Investing Activities: | | |
| Net (increase) decrease in federal funds sold and securities under resale agreements | 135 | (6,396) |
| Securities available for sale: | | |
| Purchases | (10,486) | (16,967) |
| Maturities | 1,486 | 7,585 |
| Sales | 10,253 | 2,308 |
| Credit card receivables securitized | - | 3,131 |
| Net decrease in loans | 5,536 | 3,770 |
| Loan recoveries | 104 | 97 |
| Additions to premises and equipment | (93) | - |
| Proceeds from sales of premises and equipment | 16 | - |
| All other investing activities, net | (993) | 7 |
| ----- | | |
| Net cash provided by (used in) investing activities | 5,958 | (6,465) |
| Cash Flows from Financing Activities: | | |
| Net decrease in deposits | (8,723) | (3,524) |
| Net increase in federal funds purchased and securities under repurchase agreements | 1,426 | 2,668 |
| Net decrease in other short-term borrowings | (4,745) | (1,033) |
| Proceeds from issuance of long-term debt | 3,227 | 3,818 |

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| | | |
|--|-----------|-----------|
| Repayment of long-term debt | (2,354) | (3,254) |
| Cash dividends paid | (245) | (247) |
| Proceeds from issuance of trust preferred capital securities | - | 300 |
| Proceeds from issuance of common and treasury stock | 97 | 80 |
| All other financing activities, net | 14 | 4 |
| ----- | | |
| Net cash used in financing activities | (11,303) | (1,188) |
| Effect of exchange rate changes on cash and cash equivalents | 15 | 3 |
| ----- | | |
| Net Decrease in Cash and Cash Equivalents | (4,198) | (5,128) |
| Cash and Cash Equivalents at Beginning of Period | 18,413 | 22,501 |
| ----- | | |
| Cash and Cash Equivalents at End of Period | \$ 14,215 | \$ 17,373 |
| ----- | | |

The accompanying notes are an integral part of this statement.

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Notes to Consolidated Financial Statements Bank One Corporation and Subsidiaries

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements of Bank One have been prepared in conformity with generally accepted accounting principles, and certain prior-quarter financial statement information has been reclassified to conform to the current quarter presentation. The preparation of the consolidated financial statements require 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.

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 2001 Annual Report.

NOTE 2-NEW AND PENDING ACCOUNTING PRONOUNCEMENTS

Business Combinations and Goodwill and Other Intangible Assets

Effective January 1, 2002, the Corporation adopted SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142") resulting in no goodwill impairment. In accordance with the new standard, goodwill and intangible assets with indefinite lives are no longer amortized, but are subject to impairment tests at least annually. Intangible assets with finite lives continue to be amortized over the period the Corporation expects to benefit from such assets and are periodically reviewed for other than temporary impairment.

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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, and common shares that would result from the conversion of convertible preferred stock.

| Three Months Ended March 31 | 2002 | 2001 |
|---|---------|---------|
| ----- | | |
| (In millions except per share data) | | |
| Net income | \$ 787 | \$ 679 |
| Preferred stock dividends | - | (3) |
| ----- | | |
| Net income available to common stockholders for basic and diluted EPS | \$ 787 | \$ 676 |
| ----- | | |
| Average shares outstanding | 1,170 | 1,163 |
| Stock options | 9 | 10 |
| ----- | | |
| Average shares outstanding assuming full dilution | 1,179 | 1,173 |
| ----- | | |
| Earnings per share: | | |
| Basic | \$ 0.67 | \$ 0.58 |
| Diluted | \$ 0.67 | \$ 0.58 |
| ----- | | |

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NOTE 4-RESTRUCTURING-RELATED CHARGES

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, 2001 Reserve Balance | \$ 76 | \$ 278 | \$ 354 |
| Amounts utilized | (2) | (134) | (136) |
| March 31, 2002 Reserve Balance | \$ 74 | \$ 144 | \$ 218 |

Personnel-related costs consisted primarily of severance costs related to identified staff reductions in the lines of business totaling approximately 6,900 positions. 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

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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 by December 31, 2002. Certain contractual payments associated with these actions, as required, will extend beyond this time frame.

b) Second Quarter 2000 Restructuring-Related Charges

Actions under this restructuring plan have been completed, with only payments of identified obligations remaining, which consist primarily of lease obligations. Unpaid amounts totaled \$53 million as of March 31, 2002 and will be paid as required over the remaining contractual period.

NOTE 5-BUSINESS SEGMENTS

The information presented on page 3 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, 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 operating segments see the "Business Segment Results and Other Data" section beginning on page 3. The data presented in tables beginning with the section entitled "Financial Performance" in the "Retail" through "Corporate" segments on page 3-15 are included for analytical purposes only.

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NOTE 6-INTEREST INCOME AND INTEREST EXPENSE

Details of interest income and expense are as follows:

| Three Months Ended March 31 | 2002 | 2001 |
|--|----------|----------|
| <hr/> | | |
| (In millions) | | |
| Interest Income | | |
| Loans, including fees | \$ 2,569 | \$ 3,802 |
| Bank balances | 15 | 70 |
| Federal funds sold and securities under resale agreements | 43 | 115 |
| Trading assets | 60 | 83 |
| Investment securities | 853 | 851 |
| <hr/> | | |
| Total | 3,540 | 4,921 |
| Interest Expense | | |
| Deposits | 724 | 1,520 |
| Federal funds purchased and securities sold under repurchase agreements | 62 | 231 |
| Other short-term borrowings | 40 | 283 |
| Long-term debt | 514 | 702 |
| <hr/> | | |
| Total | 1,340 | 2,736 |
| <hr/> | | |
| Net Interest Income | 2,200 | 2,185 |

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| | | |
|---|----------|----------|
| Provision for credit losses | 665 | 585 |
| ----- | | |
| Net Interest Income After Provision for Credit Losses | \$ 1,535 | \$ 1,600 |
| ----- | | |

Note 7-Fair Value of Financial Instruments

The carrying values and estimated fair values of financial instruments as of March 31, 2002 have not materially changed on a relative basis from the carrying values and estimated fair values of financial instruments disclosed as of December 31, 2001.

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

At March 31, 2002 the Corporation sponsored ten trusts with a total aggregate issuance of \$3.315 billion in trust preferred securities as follows:

| | | | Trust Preferred | |
|-----------------------------|--------------------|---------------------------------|--------------------------|--|
| (Dollars in millions) | Issuance Date | Initial Liquidation Value | Distribution Rate | |
| ----- | | | | |
| Capital VI | September 28, 2001 | \$ 525 | 7.20% | |
| Capital V | January 30, 2001 | 300 | 8.00% | |
| Capital IV | August 30, 2000 | 160 | 3-mo LIBOR plus 1.50% | |
| Capital III | August 30, 2000 | 475 | 8.75% | |
| Capital II | August 8, 2000 | 280 | 8.50% | |
| Capital I | September 20, 1999 | 575 | 8.00% | |
| First Chicago NBD Capital I | January 31, 1997 | 250 | 3-mo LIBOR plus 0.55% | |
| First USA | | | | |
| Capital Trust I/(2)/ | December 20, 1996 | 200 | 9.33% | |
| First Chicago | | | | |
| NBD Institutional | | | | |
| Capital A | December 3, 1996 | 500 | 7.95% | |
| First Chicago | | | | |
| NBD Institutional | | | | |
| Capital B | December 5, 1996 | 250 | 7.75% | |
| ----- | | | | |

Junior Subordinated Debt Owned by Trust

| Initial Principal Amount | Maturity | Redeemable Beginning |
|--------------------------------|--------------------|----------------------|
| ----- | | |
| \$ 541.2 | October 12, 2031 | October 15, 2006 |
| 309.3 | January 30, 2031 | January 30, 2006 |
| 164.9 | September 1, 2030 | September 1, 2005 |
| 489.7 | September 1, 2030 | See/(1)/ below |
| 288.7 | August 15, 2030 | August 15, 2005 |
| 593.0 | September 12, 2029 | September 20, 2004 |
| 258.0 | February 1, 2027 | February 1, 2007 |
| 206.2 | January 15, 2027 | January 15, 2007 |

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| | | |
|-------|------------------|------------------|
| 515.0 | December 1, 2026 | December 1, 2006 |
| 258.0 | December 1, 2026 | December 1, 2006 |

- /(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.

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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 | 2002 | 2001 |
|--|-------|---------|
| ----- | | |
| (In millions) | | |
| Fair value adjustment on investment securities-available for sale | | |
| Balance, beginning of period | \$ 78 | \$ (15) |
| Change in fair value, net of taxes of \$(55) and \$28 for the three months ended March 31, 2002 and 2001, respectively | (95) | 48 |
| Reclassification adjustment, net of taxes of \$(13) and \$0, for the three months ended March 31, 2002 and 2001, respectively | (23) | (1) |
| ----- | | |
| Balance, end-of-period | (40) | 32 |
| Fair value adjustment on derivative instruments-cash flow type hedges: | | |
| Balance, beginning of period | (146) | - |
| Transition adjustment at January 1, 2001, net of taxes of \$(56) | - | (98) |
| Net change in fair value associated with current period hedging activities, net of taxes of \$49 and \$(35) for the three months ended March 31, 2002 and 2001, respectively | 82 | (62) |
| Net reclassification into earnings, net of taxes of \$29 | | |

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| | | |
|--|---------|----------|
| and \$6 for the three months ended March 31, 2002 and 2001, respectively | 55 | 11 |
| ----- | | |
| Balance, end-of-period | (9) | (149) |
| Accumulated translation adjustment: | | |
| Balance, beginning of period | 3 | 10 |
| Translation gain, net of hedge results and taxes | - | 2 |
| ----- | | |
| Balance end-of-period | 3 | 12 |
| Total accumulated other adjustments to stockholders' equity | | |
| | \$ (46) | \$ (105) |
| ----- | | |

Note 10-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. The Corporation has also received certain tax deficiency assessments. 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 of the Corporation.

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Note 11-Investment Securities

The summary of the Corporation's investment portfolio follows:

| March 31, 2002 | Amortized Cost | Gross Unrealized Gains | Gross Unre |
|--|----------------|------------------------|------------|
| ----- | | | |
| (In millions) | | | |
| U.S. Treasury | \$ 1,561 | \$ 18 | \$ |
| U.S. government agencies | 24,609 | 41 | |
| States and political subdivisions | 1,205 | 25 | |
| Interests in credit card securitized receivables | 22,297 | 96 | |
| Other debt securities | 3,421 | 19 | |
| Equity securities/(1)/ | 4,068 | 5 | |
| ----- | | | |
| Total available for sale securities | \$ 57,161 | \$ 204 | \$ |
| ----- | | | |
| Principal and other investments/(2)/ | | | |

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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 includes investments accounted for at fair value consistent with specialized industry practice.

For the three months ended March 31, 2002, gross recognized gains and losses on the sale of investment securities were \$150 million and \$167 million, respectively. For the three months ended March 31, 2001, gross recognized gains and losses on the sale of investment securities were \$126 million and \$222 million, respectively.

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SELECTED STATISTICAL INFORMATION
BANK ONE CORPORATION AND SUBSIDIARIES

Average Balances/Net Interest Margin/Rates

| (Dollars in millions) | March 31, 2002 | | | December 31, 2001 | |
|--|-----------------|----------|--------------|-------------------|----------|
| | Average Balance | Interest | Average Rate | Average Balance | Interest |
| Assets | | | | | |
| Short-term investments | \$ 12,560 | \$ 58 | 1.87% | \$ 14,442 | \$ 2 |
| Trading assets/(1)/ | 6,239 | 60 | 3.90 | 6,487 | |
| Investment securities:/(1)/ | | | | | |
| U.S. government and federal agency States and political subdivisions | 25,883 | 352 | 5.52 | 23,317 | |
| Other | 1,287 | 23 | 7.25 | 1,327 | |
| Other | 30,904 | 501 | 6.57 | 29,201 | |
| Total investment securities | 58,074 | 876 | 6.12 | 53,845 | |
| Loans/(1)/ | 154,942 | 2,581 | 6.76 | 160,150 | 2, |
| Total earning assets/(2)/ | 231,815 | 3,575 | 6.25 | 234,924 | 3, |
| Allowance for credit losses | (4,563) | | | (4,516) | |
| Other assets-nonearning | 36,102 | | | 36,348 | |
| Total assets | \$ 263,354 | | | \$ 266,756 | |
| Liabilities and Stockholders' Equity | | | | | |
| Deposits - interest-bearing: | | | | | |
| Savings | \$ 12,731 | \$ 43 | 1.37% | \$ 15,509 | \$ |
| Money market | 70,387 | 168 | 0.97 | 60,333 | 2 |
| Time | 37,387 | 445 | 4.83 | 39,456 | 5 |
| Foreign offices/(3)/ | 14,064 | 68 | 1.96 | 17,979 | 1 |
| Total deposits-interest-bearing | 134,569 | 724 | 2.18 | 133,277 | 9 |
| Federal funds purchased and securities under repurchase agreements | 14,531 | 62 | 1.73 | 15,611 | |
| Other short-term borrowings | 7,376 | 40 | 2.20 | 9,657 | |
| Long-term debt/(4)/ | 43,022 | 514 | 4.85 | 44,282 | 5 |

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| | | | | | |
|------------------------------------|------------|----------|-------|------------|--------|
| Total interest-bearing liabilities | 199,498 | 1,340 | 2.72 | 202,827 | 1,5 |
| Demand deposits | 29,165 | | | 29,983 | |
| Other liabilities | 13,828 | | | 13,443 | |
| Preferred stock | - | | | 64 | |
| Common stockholders' equity | 20,863 | | | 20,439 | |
| <hr/> | | | | | |
| Total liabilities and equity | \$ 263,354 | | | \$ 266,756 | |
| Interest income/earning assets | | \$ 3,575 | 6.25% | | \$ 3,8 |
| Interest expense/earning assets | | 1,340 | 2.34 | | 1,5 |
| <hr/> | | | | | |
| Net interest income/margin | | \$ 2,235 | 3.91% | | \$ 2,2 |

/(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)/ Includes international banking facilities' deposit balances in domestic offices and balances of Edge Act and oversees offices.

/(4)/ Includes trust preferred capital securities.

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| September 30, 2001 | | | June 30, 2001 | | | March 31, | |
|--------------------|----------|---------------|-----------------|----------|--------------|-----------------|----------|
| Average Balance | Interest | Average Rates | Average Balance | Interest | Average Rate | Average Balance | Interest |
| \$ 12,704 | \$ 117 | 3.65% | \$ 15,050 | \$ 172 | 4.58% | \$ 12,221 | \$ 185 |
| 6,982 | 78 | 4.43 | 7,276 | 85 | 4.69 | 5,703 | 83 |
| 21,655 | 312 | 5.72 | 20,013 | 282 | 5.65 | 19,327 | 274 |
| 1,303 | 25 | 7.61 | 1,265 | 23 | 7.29 | 1,269 | 24 |
| 27,292 | 473 | 6.88 | 26,227 | 445 | 6.81 | 30,141 | 572 |
| 50,250 | 810 | 6.40 | 47,505 | 750 | 6.33 | 50,737 | 870 |
| 165,416 | 3,204 | 7.68 | 169,140 | 3,408 | 8.08 | 173,677 | 3,816 |
| 235,352 | 4,209 | 7.10 | 238,971 | 4,415 | 7.41 | 242,338 | 4,954 |
| (4,499) | | | (4,255) | | | (4,216) | |
| 34,993 | | | 33,543 | | | 31,392 | |
| \$ 265,846 | | | \$ 268,259 | | | \$ 269,514 | |
| \$ 14,969 | \$ 42 | 1.11% | \$ 15,888 | \$ 45 | 1.14% | \$ 15,491 | \$ 51 |
| 53,189 | 305 | 2.28 | 48,914 | 330 | 2.71 | 47,006 | 384 |
| 42,891 | 621 | 5.74 | 45,649 | 688 | 6.05 | 47,267 | 743 |
| 21,817 | 195 | 3.55 | 22,782 | 249 | 4.38 | 24,081 | 342 |
| 132,866 | 1,163 | 3.47 | 133,233 | 1,312 | 3.95 | 133,845 | 1,520 |
| 17,038 | 145 | 3.38 | 16,890 | 177 | 4.20 | 17,129 | 231 |
| 11,217 | 113 | 4.00 | 15,024 | 198 | 5.29 | 18,252 | 283 |
| 42,862 | 595 | 5.51 | 42,191 | 643 | 6.11 | 41,781 | 702 |

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| | | | | | | | |
|------------|----------|-------|------------|----------|-------|------------|----------|
| 203,983 | 2,016 | 3.92 | 207,338 | 2,330 | 4.51 | 211,007 | 2,736 |
| 28,576 | | | 28,575 | | | 26,827 | |
| 13,203 | | | 13,039 | | | 12,675 | |
| 190 | | | 190 | | | 190 | |
| 19,894 | | | 19,117 | | | 18,815 | |
| \$ 265,846 | | | \$ 268,259 | | | \$ 269,514 | |
| | \$ 4,209 | 7.10% | | \$ 4,415 | 7.41% | | \$ 4,954 |
| | 2,016 | 3.40 | | 2,330 | 3.91 | | 2,736 |
| | \$ 2,193 | 3.70% | | \$ 2,085 | 3.50% | | \$ 2,218 |

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2002

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 (I.R.S. Employer
incorporation or organization) 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)

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(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 No
--- --

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 2002.

| Class | Number of Shares Outstanding |
|--|------------------------------|
| ----- Common Stock \$0.01 par value | ----- 1,174,761,865 |

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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 re computation of ratios. | |
| (b) The Registrant filed the following Current Reports on Form 8-K during the quarter ended March 31, 2002. | |
| Date | Item Reported |

